



In the opinion of Pierce Atwood LLP, Portland, Maine, Bond Counsel ("Bond Counsel"), and assuming compliance with certain tax covenants, under existing statutes, regulations and court decisions, interest on the Bonds (as defined below) 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 a specific preference item for purposes of the federal alternative minimum tax imposed by the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. 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 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 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
\$3,355,000
2018 GENERAL OBLIGATION BONDS

Dated: Date of Delivery

Due: September 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>
2019	\$285,000	5.00%	1.75	2027	\$265,000	5.00%	2.48
2020	285,000	5.00	1.85	2028	265,000	5.00	2.54
2021	285,000	5.00	1.95	2029	125,000	3.00	2.80 ^(†)
2022	270,000	5.00	2.04	2030	125,000	3.00	100
2023	270,000	3.00	2.13	2031	125,000	3.00	3.10
2024	270,000	5.00	2.24	2032	125,000	3.00	3.15
2025	270,000	5.00	2.33	2033	125,000	3.00	3.20
2026	265,000	5.00	2.42				

The City of Bangor, Maine 2018 General Obligation Bonds (the "Bonds") will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the minimum 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 March 1, 2019 and semi-annually on each September 1 and March 1 thereafter until maturity, or redemption prior to maturity.

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

Bonds maturing on and before September 1, 2028 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after September 1, 2029 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after September 1, 2028 as more fully set forth herein. See "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein.

The Bonds are offered when, as and if issued, subject to the approval of legality by Pierce Atwood LLP. It is expected that the Bonds in definitive form will be available for delivery to DTC on or about September 26, 2018.

BAIRD

NOTE: ^(†) Priced at stated yield to the September 1, 2028 optional redemption date at a redemption price of 100% (see "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY")

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

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

The CUSIP numbers set forth in this Official Statement have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the Bonds. Neither the City nor the Underwriter makes any representation with respect to the accuracy of such CUSIP numbers set forth in this Official Statement or undertakes any responsibility for the selection of the CUSIP numbers or their accuracy now or at any time in the future. The City is not responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Bonds or as set forth in this Official Statement. The CUSIP number for a specific maturity of the Bonds is subject to change after the issuance of the Bonds and as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of certain maturities of the Bonds.

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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 Municipal 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 Municipal 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 Municipal 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 City 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
\$3,355,000
2018 GENERAL OBLIGATION BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the City of Bangor, Maine (the “City” or “Bangor”) in connection with the sale of its 2018 General Obligation Bonds (the “Bonds” or the “2018 Bonds”).

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be issued only as fully-registered bonds without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York (“DTC” 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 minimum denomination of \$5,000, or any integral multiple thereof. The Bonds will be dated September 26, 2018 and will bear interest (accrued on the basis of a 360-day year with twelve 30-day months) payable on March 1, 2019 and semi-annually thereafter on September 1 and March 1 of each year until maturity, or redemption prior to maturity. The Bonds will mature as follows:

<u>Amount</u>	<u>September 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>September 1,</u>	<u>CUSIP</u>
\$285,000	2019	060096AW4	\$265,000	2027	060096BE3
285,000	2020	060096AX2	265,000	2028	060096BF0
285,000	2021	060096AY0	125,000	2029	060096BG8
270,000	2022	060096AZ7	125,000	2030	060096BH6
270,000	2023	060096BA1	125,000	2031	060096BJ2
270,000	2024	060096BB9	125,000	2032	060096BK9
270,000	2025	060096BC7	125,000	2033	060096BL7
265,000	2026	060096BD5			

It is expected that the Bonds will be available for delivery at DTC on or about September 26, 2018.

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 September 1, 2028 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing on and after September 1, 2029 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after September 1, 2028, as a whole or in part at any time, in such order of maturity as the Town, 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.

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 and funds deposited 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 and funds deposited), 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 15th 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 which is a regular business day of the Paying Agent, by check, wire or draft mailed to each registered owner at such person’s address as it appears on the registration books, or at another address as is furnished to the Paying Agent in writing by the owner. Interest that is not timely paid or provided for shall cease to be payable to the registered owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the Paying Agent.

AUTHORIZATION AND PURPOSE

The Bonds are being issued pursuant to Title 30-A, Section 5772 of the Maine Revised Statutes, as amended, Article VIII, Section 13(d) and (e) of the City’s Charter (as defined herein) and Council orders, as displayed below, to provide funds to finance the respective project, as follows:.

<u>Project</u>	<u>Order #</u>	<u>Date of Passage</u>	<u>Amount Authorized</u>	<u>Amount Financed</u>
Streets & Sidewalks	17-290	August 28, 2017	\$1,811,000	\$1,601,000
Various Equipment	17-290	August 28, 2017	300,000	250,000
Sewer Infrastructure	17-290	August 28, 2017	957,000	200,000
Refunding 2009 Series A Bonds	18-321	August 27, 2018	<u>1,550,000</u>	<u>1,550,000</u>
		Totals	\$4,618,000	\$3,601,000⁽¹⁾

NOTE: ⁽¹⁾ Par amount of Bonds, in the amount of \$3,355,000, plus allocable net Original Issue Premium, in the amount of \$246,000, provided Bond Proceeds to provide funds to finance Projects.

Bond Referendum Requirement:

Article VIII, Section 19(a)(1) of the City Charter 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 (the 2018 equalized State valuation currently being \$2,575,100,000 x 0.0005 = \$1,287,550) for a single capital improvement or item of capital equipment be submitted to voter referendum.

Article VIII, Section 19(b) of the City Charter 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 ...; (vi) any construction or financing of improvements needed as a result of a fire, flood, disaster or other declared emergency”.

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).

Unspent Bond Proceeds

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

The 2009 Series A Bonds – Plan of Refunding

The City issued its 2009 Series A General Obligation Bonds (the “2009 Series A Bonds”) dated May 1, 2009 to provide funds to finance construction of Fire Station 6, in the amount of \$2,400,000, and to provide a grant to the Bangor Nursing & Rehabilitation Center, a Section 501(c)(3) organization, to be used to pay for a portion of the costs of an HVAC and Air Handling system at its facility located on Texas Avenue in the City (the “BNRC Project”), in the amount of \$700,000.

The 2009 Series A Bonds are callable on and after September 1, 2018 (the “Call Date”) at par. The City will use a portion of the proceeds of the 2018 Bonds to currently refund the callable 2009 Series A Bonds in the consolidated amount of \$1,550,000, on a current basis, within 90 days of the Call Date. The City received a 7.3199%, or \$103,575.98, Present Value (“PV”) Savings. The callable 2009 Series A Bonds to be refunded are:

<u>Amount</u>	<u>Interest Rate</u>	<u>Due Sept. 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Due Sept. 1,</u>	<u>CUSIP</u>
\$155,000	3.50%	2019	060095Y59	\$155,000	4.00%	2024	060095Z25
155,000	4.00	2020	060095Y67	155,000	4.00	2025	060095Z33
155,000	4.00	2021	060095Y75	155,000	4.125	2026	060095Z41
155,000	4.00	2022	060095Y83	155,000	4.25	2027	060095Z58
155,000	4.00	2023	060095Y91	155,000	4.375	2028	060095Z66

Amortizations of the Bonds by Projects

<u>Due Sept 1,</u>	<u>Various Equip.</u>	<u>Streets & Sidewalks</u>	<u>Sewer Infra.</u>	<u>2018 CIP</u>	<u>Refund'g 2009A</u>	<u>2018 Bonds</u>
2019	\$19,178	\$106,438	\$14,384	\$140,000	\$145,000	\$285,000
2020	19,310	106,207	14,483	140,000	145,000	285,000
2021	19,310	106,207	14,483	140,000	145,000	285,000
2022	17,931	98,621	13,448	130,000	140,000	270,000
2023	17,931	98,621	13,448	130,000	140,000	270,000
2024	14,444	101,111	14,444	130,000	140,000	270,000
2025	14,444	101,111	14,444	130,000	140,000	270,000
2026	13,889	97,222	13,889	125,000	140,000	265,000
2027	13,889	97,222	13,889	125,000	140,000	265,000
2028	13,889	97,222	13,889	125,000	140,000	265,000
2029	14,423	100,962	9,615	125,000		125,000
2030	14,423	100,962	9,615	125,000		125,000
2031	14,423	100,962	9,615	125,000		125,000
2032	14,423	100,962	9,615	125,000		125,000
2033	14,423	100,962	9,615	125,000		125,000
	<u>\$236,332</u>	<u>\$1,514,790</u>	<u>\$188,878</u>	<u>\$1,940,000</u>	<u>\$1,415,000</u>	<u>\$3,355,000</u>

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 ad valorem taxes that are subject to limitation unless the City follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, in which case the City has the power to levy such ad valorem taxes without limit as to rate or amount upon all the taxable property within its territorial limits (see “THE BONDS – SOURCE OF PAYMENT 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 as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapter 206 and former (now repealed) Chapter 207 of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds (see “CITY

FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS” herein). Bonds issued for school improvements that will be 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, are not subject to the property tax limit set forth in Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended (see “THE BONDS – SOURCE OF PAYMENT AND REMEDIES” herein). 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 economic development projects and programs described in the development programs for the districts. Within the limits established by statute, the City has the right to designate additional development districts pursuant to Title 30-A, Chapter 206 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.

The City is subject to suit on the Bonds. Title 14, Section 4951 of the Maine Revised Statutes, as amended, provides 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, Title 30-A, Section 5701 of the Maine Revised Statutes, as amended, provides that the personal property of the residents and the real estate within the boundaries of a municipality may be taken to pay any debt due from the municipality. 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 the average personal income growth as defined by Title 5, Section 1531 of the Maine Revised Statutes, as amended, plus the property growth factor. The property growth factor is a percentage equivalent to a fraction established by a municipality whose denominator is the total valuation of the municipality, and whose numerator is the amount of increase in the assessed value of any real or personal property in the municipality that becomes subject to taxation for the first time, or taxes as a separate parcel for the first time for the most recent property tax year for which information is available, or that has

had an increase in its assessed valuation over the prior year's valuation as a result of improvements to or expansion of the property. For municipalities that qualify as a result of a relatively larger percentage of personal property, personal property can be incorporated into the property growth factor calculation. In addition, a municipality is required to lower its Property Tax Levy 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 the property tax levy by a majority vote of the entire City Council on a separate article that specifically identifies the intent to exceed the Property Tax Levy Limit. Pursuant to Title 30-A, Section 5721-A(7)(B) of the Maine Revised Statutes, as amended, this action, however, is subject to override by initiative upon a petition signed by at least 10% of the number of voters voting in the last gubernatorial election in the municipality submitted within 30 days of the council's vote. However, the opportunity for the voters to petition for a referendum vote on the council's decision is not provided if the municipal charter "prohibits a petition and referendum process". Article V, Section 2 of the City's Charter states "The right of initiative or referendum provided herein shall not apply to ordinances, orders or resolves providing for the appropriation of money, the municipal budget, the levy of taxes, or the wages or hours of City Employees". Therefore, Bangor's ability to exceed the Property Tax Levy Limit is not subject to override by voter initiative under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended.

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

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

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

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

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

TAX MATTERS

The Bonds

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order that interest on the Bonds be

and remain excludable from gross income for federal income tax purposes pursuant to section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use, investment and expenditure of bond proceeds and the requirement that certain earnings be rebated to the federal government. Failure of the City to comply with such requirements may cause interest on the Bonds to be included in the gross income of the holders thereof for purposes of federal income taxation retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs or is ascertained.

The City will make certain representations with respect to the use of the proceeds of the Bonds and the projects and improvements financed by the Bonds and will covenant (i) to comply with the provisions and procedures of the Code applicable to the Bonds and (ii) not to take any action or permit any action that would cause the interest paid on the Bonds to be included in gross income for purposes of federal income taxation pursuant to section 103 of the Code.

In the opinion of Pierce Atwood LLP, Bond Counsel (“Bond Counsel”), under existing statutes, regulations and court decisions interest on the Bonds is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation pursuant to Section 103 of the Code. Interest on the Bonds is not a specific item of tax preference for the purpose of the federal alternative minimum tax imposed on by the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. In rendering its opinion, Bond Counsel will rely upon the City’s representations made with respect to the use of the proceeds of the Bonds, and the projects financed with the Bonds, and the City’s covenant that it will comply with the Code.

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

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

Designation as Qualified Tax-Exempt Obligations

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

Original Issue Discount

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

Original Issue Premium

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

Additional Federal Income Tax Consequences

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

The Internal Revenue Service (the “IRS”) has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Bonds will be audited. If an audit is commenced, under current IRS procedures holders of the Bonds may not be permitted to participate in the audit process and the value and liquidity of the Bonds may be adversely affected.

Changes in Federal Tax Law

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax exempt status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2017 Bonds. Prospective purchasers of the Bonds should consult their tax and financial advisors regarding such matters.

Opinion of Bond Counsel

The legal opinion of the firm of Pierce Atwood LLP, of Portland, Maine (see APPENDIX B) will be furnished to the original purchaser of the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the original purchaser of the Bonds.

Extent of Opinion

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

BOOK-ENTRY-ONLY SYSTEM

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

RATINGS

The Bonds are rated “Aa2” by Moody’s Investors Service (“Moody’s”) and “AA-” by S&P Global Ratings (“S&P”). The City has furnished the rating agencies certain information and materials, some of which may not have been included in this Official Statement. The ratings, if obtained, will reflect only the view of Moody’s or S&P at the time such rating is assigned and will be subject to revision or withdrawal, which could affect the market price of the Bonds. Moody’s or S&P should be contacted directly for its rating on the Bonds and its explanation of such rating. A rating is not a recommendation to buy, sell or hold the Bonds, and such rating should be evaluated independently.

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 and Exchange Commission’s (“SEC”) 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, if material. Pursuant to the Rule, such filings will be made with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (“EMMA”). The covenants will be contained in a “Continuing Disclosure Agreement” (the “Agreement”), the proposed form of which is provided in APPENDIX C. The Agreement will be executed by the Finance Director, and incorporated by reference in the Bonds. Except as discussed on the following paragraph, 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.

Past Financial Filings

As a general rule, the City files its Annual Report by January to mid-February of each year, within the applicable 270-day filing period. However, following a 2009 change to the Rule that required filing with the MSRB through its EMMA System rather than with the Nationally Recognized Municipal Securities Information Repository (“NRMSIR”), the City inadvertently continued to file with the NRMSIR, but not with the MSRB 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 with respect to its 2008 and 2009 annual filings, and that any delay was attributable to the NRMSIR, the City is unable to provide documentation to prove that the 2008 and 2009 filings were received by a NRMSIR in a timely manner. As a result of such delay, the City made a second submission of the 2009 filing to the NRMSIR in June 2010, and also posted the 2009 filing on EMMA, on October 11, 2012, as a duplicate filing, when this was discovered. On October 21, 2014, the City posted a “Failure to File Annual Financial Information” Event Filing with respect to the 2009 filing on EMMA.

City's Recent Filing History

The following are recent filings of the City:

<u>Financial Statements</u> <u>FY ended June 30,</u>	<u>Date Filed</u> <u>with EMMA</u>	<u>Days after</u> <u>Fiscal Period</u>
2017	01/31/2018	215
2016	12/30/2016	183
2015	12/31/2015	178
2014	02/22/2015	237
2013	12/31/2013	184
2012	12/31/2012	184

NOTE: Searches using some specific series' CUSIP numbers may not show all filings. Further, in 2016 the City exhausted CUSIP's prior 060095 base identification sequence such that financings on and after 2017 are assigned a 060096 base. Therefore, were underwriters to search for filing history under 060095, then the City's financings on and after 2017 may not show "as posted". Conversely, were underwriters to search for filing history under 060096, then the City's financings on and before 2016 may not show "as posted".

Assurances of Future Compliance

On September 6, 2012, the City adopted a post-issuance compliance policy that, among other things, provides for timely filings with EMMA or its successor repository, if any, with respect to its existing and future continuing disclosure undertakings. Furthermore, the City has registered with the EMMA reminder system to receive e-mail reminders to help ensure timely annual filing of required financial and operating data.

MUNICIPAL ADVISOR

Moors & Cabot, Inc. is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board and has acted as Municipal 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 (an acronym that refers to Committee on Uniform Security Identification Procedures) 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 Bond Counsel. The unqualified approving opinion of such counsel with respect to the Bonds in substantially the form attached to this Official Statement as APPENDIX B 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 she has examined this Official Statement and the financial and other data contained therein and that, to the best of her knowledge and belief, both as of its date and as of the date of delivery of the Bonds, the Official Statement does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the City is not guaranteed as to accuracy, completeness or fairness, she has no reason to believe that such information is materially inaccurate or misleading.

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, passing laws, approving the spending of monies; and the “Representational” form, in which an elected council serves as the legislative body. There are several variations of these two forms. Variations of the Direct form are: *Selectmen/Town Meeting* form of government, the most common in Maine currently used by 169 municipalities in the state; *Selectmen/Town Meeting/ Manager*, the second most common form of local government in Maine currently used by 141 towns; *Council/Town Meeting/Manager* (18 towns) variation of the town meeting form of government, where the legislative functions of government are shared between the town meeting and an elected council and *Selectmen/Town Meeting Administrative Assistant* or *Administrator* (a combined 80 towns). Variations of the Representational form are: *Council/Mayor/Administrator* (three cities), *Council/Mayor/Manager* (18 cities) and *Council/Manager* (26 towns).

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, four Lieutenants, 11 Sergeants, 12 Detectives and approximately 55 Police Officers. The Police Department operates from its downtown Police Station. The Police Department operates 55 vehicles or pieces of equipment, which are in good repair.

The Fire Department is staffed by employees who include a Fire Chief, four Assistant Chiefs, six Captains, 10 Lieutenants, an administrative assistant, a Public Education Officer, two Fire Inspectors and approximately 64 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 63 full-time employees. The Department utilizes approximately 135 vehicles, which are in good repair.

Beginning April 1, 2018, the solid waste collected from the City's residents and that generated by businesses and institutions within its borders, have been disposed of by Coastal and Fiberright. The City currently pays a tipping fee for solid waste disposal of \$70.00 per ton.

The City is a member of the Municipal Review Committee, Inc. (the ("MRC")), which consists of 133 municipalities and public entities that sent waste to Penobscot Energy Recovery Company's ("PERC") waste-to-energy facility in Orrington, Maine under substantially similar contracts. The MRC oversees PERC's management in an advisory capacity to ensure that PERC complies with the waste disposal agreements and that the interests of the MRC membership are protected. The City's Manager serves on the MRC Board of Directors, which oversees its programs and activities.

Through its membership in the MRC and participation in a profit-sharing program, the City receives cash rebates generated by PERC operations that are collected by the MRC and distributed to its members in arrears on a quarterly basis. The MRC has projected that the effect of the rebates in fiscal year 2018 through the scheduled termination date of the agreement will bring the net tipping fee to the City down to a value of \$67 per ton.

As an alternative to the PERC facility for waste disposal, the MRC is sponsoring the development of a new waste processing under development at a site owned by the MRC in Hampden, Maine. The MRC has entered into a development agreement with a private company, Fiberright, LLC ("Fiberright"), that will develop, construct and operate the new facility; has entered into a master waste supply agreement to direct waste to the new facility; and has entered into a site lease with a special purpose entity, Coastal Resource of Maine, LLC ("Coastal"), which was formed by Fiberright and its equity investors to complete development of, construct and operate the facility. Coastal is also a party to the amended master waste supply agreement.

In February 2016, the Bangor City Council voted to enter into a Joinder Agreement with the MRC pursuant to which waste would be delivered to the new facility for processing in accordance with the master waste supply agreement and other associated agreements. The Joinder Agreement has an initial term of 15 years from the commercial operations date of the new facility, with provisions to extend the agreement term by five extension terms of five-year each. The initial tipping fee for waste disposal at the new facility would be \$70 per ton as of 2018, escalating each January 1 thereafter. The MRC has set aside cash reserve funds to provide a rebate back to the City, and to other MRC members, that will bring the net tipping fee down to a value of \$65 per ton.

To date, site infrastructure has been installed, the site has been cleared, and facility construction is underway with a target to accept waste for processing in early 2019, as required to succeed the existing agreement between the City and PERC. As of April 1, 2018, Coastal and Fiberright are obligated to accept waste for processing to the extent of the facility's capability and to transfer residual materials to the Crossroads Landfill in Norridgewock, Maine, pursuant to a back-up disposal agreement.

In addition to the above, the City projects receiving funds from two sources associated with the termination of the waste disposal agreement with PERC. First, the City owns a share valued at approximately \$237,344 in reserve funds associated with the financing of the PERC facility, which reserve funds were released in early 2018 when PERC's loan has been retired and certain other restrictions have been satisfied. Second, the City owns a share of the limited partnership interests in the PERC partnership valued at \$254,149, which shares are scheduled to be put back to PERC, and the proceeds were distributed to the City.

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, 2017 total net assets for the Sewer Utility Fund were \$63.7 million. Sewer rates are reviewed annually to ensure that the fee structure is sufficient to cover costs. One director and approximately 28 employees staff the Sewer Department. The Sewer Department maintains one plant, five pumping stations and approximately 152 miles of 8” to 72” sewer lines.

Stormwater Utility Fund

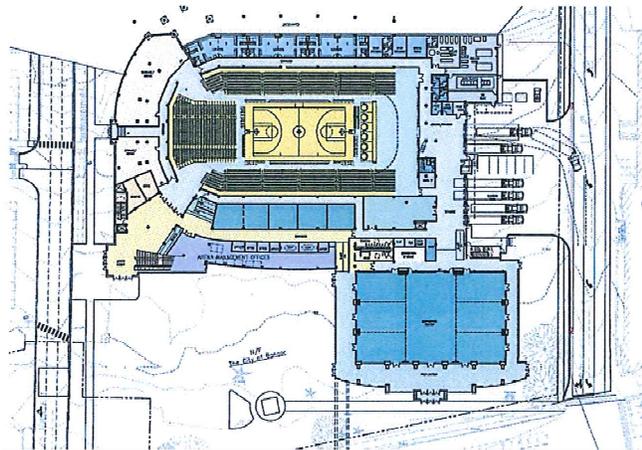
The City has created a Stormwater Utility Fund, the source of proceeds being assessments to property owners of a fee based on the amount of impervious surface to fund the cost associated with stormwater management. The fund received \$1,053,892 in fees during the fiscal year ended June 30, 2017.

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.

In 2012, the City issued \$53,800,000 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 currently receives 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



Parking

The City owns various parking lots, parking decks and the 500-car capacity Pickering Square garage (the “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. 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.

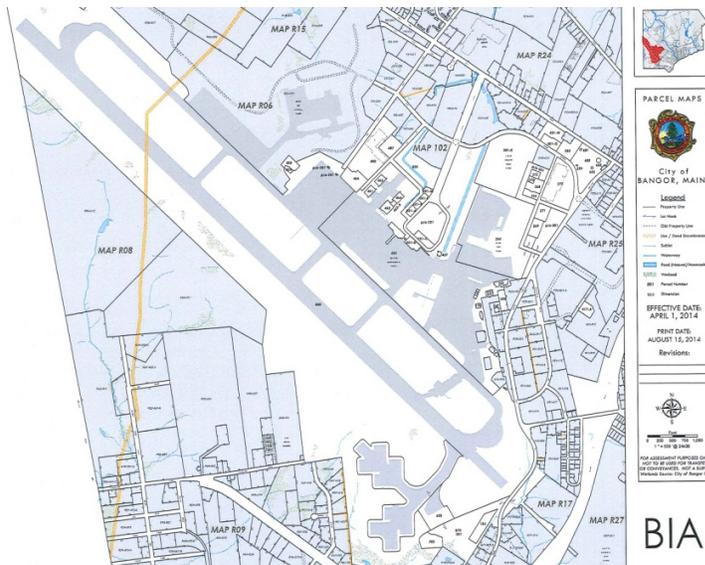
Municipal Golf Course

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. One pro, one Superintendent and one part-time Assistant Superintendent 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.

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, 2017 BIA’s net position was \$107.9 million.

Bangor International Airport



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

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 25,000 registered borrowers and lends over 150,000 volumes per year. The Library is

staffed by a director and approximately 25 full-time and ten part-time employees. Approximately 58% of its funding is derived from the City, 34% from endowment funds and 7% from the State Library.

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:

<u>School</u>	<u>Grade</u>	<u>Estimated Capacity</u>	<u>Resident Enrollment (Oct. 1, 2017)</u>
Abraham Lincoln	K - 3	280	210
Downeast	K - 3	400	307
Fourteenth Street	K - 3	176	131
Fruit Street	K - 3	376	318
Vine Street	K - 3	260	160
Fairmount	4 - 5	408	285
Mary Snow	4 - 5	410	259
James F. Doughty	6 - 8	630	359
William S. Cohen	6 - 8	628	430
Bangor High School	9 - 12	1,500	1,010

<u>Oct. 1,</u>	<u>Resident Enrollment, by Grade</u>					<u>Non-resident Attending</u>	<u>Total Enrollment</u>	<u>Resident as % of Total</u>
	<u>K-3</u>	<u>4 - 5</u>	<u>6 - 8</u>	<u>9 - 12</u>	<u>Total</u>			
2017	1,126	544	789	1,010	3,469	196	3,665	94.65%
2016	1,217	536	785	1,034	3,572	168	3,740	95.51%
2015	1,257	568	798	1,022	3,645	153	3,798	95.97%
2014	1,288	571	776	1,007	3,642	142	3,784	96.25%
2013	1,328	514	782	1,044	3,668	132	3,800	96.53%
2012	1,337	516	775	1,099	3,727	50	3,777	98.68%
2011	1,295	559	774	1,042	3,670	174	3,844	95.47%
2010	1,302	520	773	1,079	3,674	186	3,860	95.18%
2009	1,305	472	804	1,124	3,705	158	3,863	95.91%
2008	1,251	521	807	1,164	3,743	187	3,930	95.24%

NOTE: **Resident Enrollment** is based on where the students live. They are counts of students who reside in each school district and are educated at public expense. Public school district resident counts include: (1) resident students from the local school unit attending schools in the local school unit, plus (2) resident students from the local unit who are tuitioned to other public school units or private schools and who are paid for with public funds.

Attending Enrollment is an attending student count, or a head count of students, based on where the students are educated. Public school district attending counts include: (1) students from the local school district attending schools in the local school district, plus (2) students from outside the school district who are tuitioned from other school districts.

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. Starting July 1, 2018, the State of Maine has assumed funding for the state’s regional vocational schools. Bangor’s only direct responsibility is transportation, which is approximately \$30,000 per year. Pursuant to Title 20-A, Section 8451(2)(D) of the Maine Revised Statutes, as amended, Region #4’s territory is comprised by the following SAUs:

Bangor School Department	Milford School Department
Brewer School Department	RSU 22 (Hampden, Newburg, Winterport)
AOS 47 (Dedham, Orrington)	RSU 26 (Glenburn, Orono, Veazie)
Grand Falls Twsp	RSU 34 (Alton, Bradley, Old Town)
Greenbush School Department	RSU 63 (Clifton, Eddington, Holden)
Greenfield Twsp	RSU 64 (Bradford, Corinth, Hudson, Kenduskeag, Stetson)
Hermon School Department	RSU 87 (Carmel, Levant)
Indian Island (MIE)	CSD 8 (Amherst, Aurora, Great Pond, Osborn)

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)
Brewer School Department	RSU 26 (Glenburn, Orono, Veazie)
Greenbush School Department	RSU 63 (Clifton, Eddington, Holden)
Hermon School Department	RSU 64 (Bradford, Corinth, Hudson, Kenduskeag, Stetson)
Indian Island (MIE)	RSU 87 (Carmel, Levant)
Milford School Department	AOS 47 (Dedham, Orrington)
	CSD 8 (Amherst, Aurora, Great Pond, Osborn)

LABOR RELATIONS

The City employs approximately 1,050 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 ⁽¹⁾	Approximate # Employees	Bargaining Unit	Date of Contract	
			Effective	Expiration
MAP	14	Police Command Staff	7/1/18	6/30/21
MAP	64	Police Officers	7/1/18	6/30/21
Teamsters	13	Police Support Staff	7/1/15	6/30/18 ⁽²⁾
IAFF	87	Firefighters	7/1/18	6/30/21
BFPE-AFT	12	Motor Pool	7/1/15	6/30/18 ⁽²⁾
AFSCME	3	Airport Aircraft Mechanics	7/1/17	6/30/19
AFSCME	6	Aircraft Weather Dispatchers	7/1/17	6/30/19
AFSCME	15	Ramp Supervisors & Attendants	7/1/17	6/30/19
AFSCME	16	Airfield & Building Maintenance	7/1/15	6/30/18 ⁽²⁾
AFSCME	56	Public Works	7/1/15	6/30/18 ⁽²⁾
ATU (Local 714)	32	Community Connector Bus Drivers	7/1/17	6/30/20
MEA	217	School Teachers	9/1/15	8/31/18 ⁽²⁾
MEA	25	School Instructional Assistants	7/1/15	6/30/18 ⁽²⁾
AFL/CIO	19	School Administrators	7/1/18	6/30/19
MEA	29	School Support Staff	7/1/15	6/30/18 ⁽²⁾

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

⁽²⁾ The City is currently in the process of negotiating a collective bargaining agreement for the respective unit. The City has provided in its budget amounts that it expects that the City would incur in the contracts.

ECONOMIC CHARACTERISTICS

Population	City of Bangor	Change Since Prior Census		
		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
2017	3.3%	3.7%	3.3%	4.4%
2016	3.7	4.4	3.9	4.9
2015	4.0	4.8	4.4	5.3
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

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 four airlines, Allegiant Air, American Airlines, Delta Airlines and United Airlines,, with approximately 28 scheduled daily flights during peak season. In addition, the Airport serves as a transit and diversion Airport for numerous domestic and international carriers. The Montreal, Maine & Atlantic, Ltd (formerly Bangor and Aroostook) and PanAm (formerly Maine Central) railroads offer rail freight connections from Bangor. U.S. Interstate Route 95 facilitates the shipment of freight by truck. Greyhound Travel Services and Concord Trailways offer nationwide bus transportation and package delivery from their Bangor terminals.

Commuter Patterns

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

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

Employment Center

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

<u>Employees</u>	<u>Major Employers</u>	<u>City or Town</u>	<u>Business</u>
1,000 to 4,000	Eastern Maine Medical Center ⁽¹⁾	Bangor	Health Care Center
	St. Joseph Hospital	Bangor	Health Care Center
	University of Maine	Orono	University
500 - 999	Acadia Hospital	Bangor	Mental Health Center
	Bangor Savings Bank	Bangor	Bank
	Bank of America	Bangor	Bank
	City of Bangor	Bangor	Municipal Government
	Hannaford Supermarkets	Throughout	Grocery Chain
	Husson University	Bangor	University
	Penobscot Community Health	Throughout	Health Care
	WalMart	Throughout	Retail Sales

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

NOTE: ⁽¹⁾ Eastern Maine Healthcare Systems (“EMHS”) is Brewer-based parent of a hospital network that employs more than 12,000 people statewide across nine hospitals and other health care facilities from Presque Isle to Portland including Eastern Maine Medical Center, located in Bangor. On June 7, 2017, Moody’s lowered its Bond rating on EMHS debt from its Baa3 rating to a Ba1 rating. Subsequent to this action, on Tuesday, August 15, 2017 S&P reaffirmed its BBB long-term rating for EMHS, but adjusted its outlook from “stable” to “negative”, citing operating performances at some EMHS member hospitals. Moody’s or S&P should be contacted directly for its rating on EMHS and its explanation of such rating. [Sources: June 8, 2017 Bangor Daily News; August 16, 2017 Portland Press Herald newspapers]

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 2017, Bangor realized 8.1% of the State’s retail sales.

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

	Business/ Operating	Building Supply	Food Store	General Mdse.	Other Retail	Auto/ Transp.	Rest. & Lodging	Group Total	Consumer Sales
2017	83,158	163,591	79,963	336,333	108,633	387,907	212,870	1,372,455	1,289,297
2016	79,986	159,174	77,662	347,126	112,127	386,324	205,069	1,367,467	1,287,481
2015	86,960	161,440	62,909	326,055	110,529	387,167	193,593	1,328,652	1,241,692
2014	83,134	163,520	59,989	333,363	111,468	349,008	192,729	1,293,210	1,210,076
2013	72,951	145,323	56,673	345,160	111,955	329,796	185,541	1,247,399	1,174,448
2012	75,404	135,242	55,498	350,465	108,596	304,660	178,906	1,208,772	1,133,368
2011	81,695	135,459	54,776	354,738	107,018	306,949	170,994	1,211,628	1,129,933
2010	80,563	118,552	54,081	353,260	106,308	288,042	165,083	1,165,889	1,085,326
2009	81,442	119,879	57,043	334,884	102,791	281,097	158,112	1,135,248	1,053,806
2008	103,073	146,425	56,174	339,196	109,475	301,917	153,231	1,209,492	1,106,419
2007	110,803	162,274	54,968	341,365	110,740	311,844	151,890	1,243,884	1,133,081

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

Building Permits

Calendar Year	Permits			Est. Cost of Construction
	Residential	Non-Resid't'l	Total	
2017	432	250	682	\$43,460,336
2016	341	230	571	34,560,530
2015	283	243	527	27,853,344
2014	226	202	428	43,660,878
2013	143	136	279	132,227,792 ⁽¹⁾
2012	137	178	315	24,795,673
2011	130	145	275	102,434,811 ⁽²⁾
2010	156	205	361	39,936,826
2009	145	196	241	39,730,383
2008	105	169	274	67,284,359

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

⁽²⁾ Major component comprised of Cross Insurance Center Project

Post-secondary School Education

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

Location	School	Enrollment	Faculty
Orono	University of Maine	9,297	838
Bangor	Eastern Maine Community College	1,923	183
Bangor	Husson University	2,763	341
Bangor	New England School of Communication	499	73
Bangor	Beal College	464	40

NOTE: Source: 2018 Peterson's[®], a part of The Thompson Corporation.

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 elected members of the City. 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, the City Council 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)

	2015	2016	2017	2018	2019
Revenues					
Taxes	\$58,099	\$59,382	\$60,062	\$60,894	\$62,347
Intergovernmental	22,783	23,796	24,377	25,666	27,478
Licenses and Permits	702	708	620	623	622
Charges for Services	11,439	11,182	11,504	11,665	11,630
Fines, Forfeits and Penalties	32	33	23	23	23
Use of Property	697	660	650	635	816
Other Sources	1,452	1,472	1,411	1,562	1,464
Total Revenues	95,204	97,233	98,647	101,068	104,380
Expenditures					
General Government	7,780	7,818	8,190	8,402	8,933
Public Safety	17,298	17,884	17,903	18,511	19,303
Health, Welfare and Recreation	4,939	4,966	5,119	5,226	5,434
Public Services	10,319	10,701	10,835	11,042	11,183
Other Agencies	4,593	4,663	4,827	4,875	5,084
Education	43,328	44,067	44,462	45,407	46,741
Other	2,846	2,865	3,128	3,274	3,391
Debt Service	4,101	4,269	4,183	4,331	4,311
Total Expenditures	\$95,204	\$97,233	\$98,647	\$101,068	\$104,380

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>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>
State Personal Income Factor:	1.09%	0.86%	2.67%	2.84%	2.61%
City Property Growth Factor:	<u>3.43%</u>	<u>2.32%</u>	<u>1.58%</u>	<u>1.81%</u>	<u>1.08%</u>
Growth Limitation Factor:	4.52%	3.18%	4.25%	4.65%	3.69%
Property Tax Levy Limit:	\$28,996,160	\$29,919,669	\$31,191,575	\$31,309,758	\$32,343,105
Property Tax Levy:	<u>24,854,280</u>	<u>25,865,420</u>	<u>25,976,015</u>	<u>26,180,550</u>	<u>26,768,002</u>
Over/(under) Property Tax Levy Limit:	(\$4,141,880)	(\$4,054,249)	(\$5,215,560)	(\$5,129,208)	(\$5,575,103)

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, limitations on use or balances (if any), target levels, funding mechanisms and identifies the responsible City official by fund balance. This policy applies to the fund balances of the City’s Government funds only.

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

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

	Fiscal Year Ended June 30,				
	2013	2014	2015	2016	2017
Assigned and Unassigned General Fund Balance	\$11,920,429	\$13,016,263	\$14,637,832	\$17,070,081	\$18,611,507
Prior Years' Expenses (less Debt Service)	86,862,545	88,206,129	92,008,967	92,956,802	95,430,107
Fund Bal as % Prior Years' Expenses	13.72%	14.76%	15.91%	18.36%	19.50%
Unassigned General Fund Balance	\$7,727,014	\$9,598,472	\$9,995,105	\$11,315,235	\$12,171,566
Prior Years' Expenses (less Debt Service)	86,862,545	88,206,129	92,008,967	92,956,802	95,430,107
Fund Bal as % Prior Years' Expenses	8.90%	10.88%	10.86%	12.17%	12.75%

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 2016 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.

The Government Finance Officers Association (the "GFOA") awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2017. This is the 20th year that the City has received this prestigious award. In order to be awarded the certificate, the City published an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles ("GAAP") and applicable legal requirements.

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,)

	2017	2016	2015	2014	2013
ASSETS					
Cash	\$18,878,973	\$12,014,827	\$11,711,326	\$12,701,394	\$8,058,272
Investments	50,000	50,000	50,000	50,000	50,000
Receivables:					
Taxes	2,641,785	2,670,489	3,333,089	2,765,960	2,810,832
Accounts (net of allowances)	578,077	1,016,994	1,825,765	751,691	1,246,085
Inter-fund loans	1,935,404	8,251,179	5,768,579	3,455,129	6,415,524
Intergovernmental	5,003,018	3,706,733	1,862,538	3,438,342	2,625,755
Loan	535,372	611,511	684,336	753,992	820,615
Inventory, at cost	554,843	568,474	542,476	748,711	797,655
Prepaid items	507,130	669,665	129,772	104,554	76,059
TOTAL ASSETS	30,684,602	29,559,872	25,907,881	24,769,773	22,900,797
LIABILITIES					
Accounts payable	1,345,499	1,257,728	1,026,306	1,138,907	996,982
Accrued wages and benefits	4,495,658	4,271,124	4,091,659	4,000,984	4,013,128
Unearned revenues	0	0	0	36,919	45,161
TOTAL LIABILITIES	5,841,157	5,528,852	5,117,965	5,176,810	5,055,271
DEFERRED RESOURCES	2,215,800	2,442,797	2,559,119	2,557,443	2,664,910
FUND BALANCE					
Non-spendable	2,962,473	3,138,639	2,572,748	2,753,765	2,774,214
Restricted	764,922	1,374,097	909,284	1,262,869	475,390
Committed	288,743	5,406	110,933	2,623	10,583
Assigned	6,439,941	5,754,846	4,642,727	3,417,791	4,193,415
Unassigned	12,171,566	11,315,235	9,995,105	9,598,472	7,727,014
TOTAL FUND BALANCE	22,627,645	21,588,223	18,230,797	17,035,520	15,180,616
TOTAL LIABILITIES AND FUND BALANCE	\$30,684,602	\$29,559,872	\$24,769,773	\$22,900,797	\$25,005,459

Prepared from Audited Financial Statements

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

	2017	2016	2015	2014	2013
REVENUES					
Taxes	\$61,629,388	\$60,894,710	\$59,468,512	\$56,005,218	\$51,862,260
Intergovernmental	30,662,625	30,563,862	29,323,747	30,285,356	30,157,317
Licenses and permits	644,795	755,273	831,968	1,389,717	576,559
Charges for services	14,751,088	13,980,385	14,045,126	11,970,430	13,019,247
Revenue from use of property	761,454	721,087	739,052	769,067	833,643
Other	18,623	34,910	27,119	27,263	32,696
TOTAL REVENUES	108,467,973	106,950,227	104,435,524	100,447,051	96,481,722
EXPENDITURES					
General government	5,133,047	5,172,435	5,391,279	5,172,972	5,612,408
Public safety	17,330,311	17,146,674	16,994,567	16,409,651	16,209,402
Health, com. serv. and recreation	4,972,166	5,117,412	5,041,486	4,826,149	4,945,994
Public buildings and services	10,907,018	10,387,416	10,704,017	10,052,683	9,835,549
Other agencies	4,886,577	4,723,022	4,684,697	4,566,380	4,382,776
Education	54,722,897	52,655,986	53,037,177	50,771,925	49,880,770
TIF	711,220	717,260	724,347	632,364	550,308
Unclassified	31,213	22,452	48,043	90,061	122,772
Capital outlay	906,169	674,067	570,654	64,768	1,027,506
Debt service	5,687,035	5,756,272	5,537,031	5,102,600	4,871,912
TOTAL EXPENDITURES	105,287,653	102,372,996	102,733,298	97,689,553	97,439,397
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENDITURES	3,180,320	4,577,231	1,702,226	2,757,498	(957,675)
OTHER FINANCING SOURCES (USES)	(2,140,898)	(1,219,805)	(506,949)	(902,594)	(634,433)
EXCESS (DEFICIENCY) REVENUES/EARNINGS OVER EXPENDITURES/OTHER USES	1,039,422	3,357,426	1,195,277	1,854,904	(1,592,108)
BEGINNING FUND BALANCE	21,588,223	18,230,797	17,035,520	15,180,616	16,772,724
ENDING FUND BALANCE	\$22,627,645	\$21,588,223	\$18,230,797	\$17,035,520	\$15,180,616

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 mailed. For fiscal 2018/2019 the tax due dates are September 17, 2018 and March 15, 2019. All taxes paid after the due date will be subject to interest, established under Title 36, Section 505(4) of the Maine Revised Statutes, as amended, currently at the rate of 8.0% 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.

Personal Property Tax

Title 36, Chapter 105, Subchapter 4-C of the Maine Revised Statutes, as amended, provides for an eligible business equipment tax exemption ("BETE" or the "BETE Act") 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 will reimburse municipalities with respect to the lost property taxes associated with this new exemption through one of three 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".

- Municipal Retention TIF Districts – Certain TIF districts that were enacted prior to April 1, 2008 entitle a municipality to receive reimbursement at a rate of up to 100% for exempt business equipment that is TIF exempt business equipment as defined in Title 36, Section 691(1)(G) of the Maine Revised Statutes, as amended. The increased reimbursement percentage is based on the tax increment percentage allocated to the municipality, as provided in Title 36, Section 694(2)(C) of the Maine Revised Statutes, as amended

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:

Fiscal Year ended June 30,	BETE Exempt Value	Fiscal Year ended June 30,	BETE Exempt Value
2019	\$138,318,300	2015	\$86,984,900
2018	125,109,400	2014	72,600,700
2017	105,332,700	2013	66,043,600
2016	101,258,300	2012	57,635,300

The value of all property made exempt by this legislation in the municipality will also be considered part of that municipality’s equalized State Valuation to the extent the municipality is being reimbursed for its lost property taxes by the state with an additional adjustment for property in a tax increment financing district. The legislation 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 08/31/18
2019	NA ⁽¹⁾	\$2,577,441	\$22.95	\$59,152	----- In Process -----		
2018	\$2,575,100	2,571,894	22.55	57,996	\$56,930	98.16%	98.16%
2017	2,553,900	2,566,222	22.50	57,740	56,630	98.08	99.31
2016	2,543,700	2,600,203	21.95	57,090	55,558	98.08	99.73
2015	2,481,850	2,561,275	21.80	55,903	53,709	96.56	99.79
2014	2,464,250	2,550,820	20.80	53,078	51,692	97.47	99.80
2013	2,462,650	2,528,249	19.65	49,714	48,276	97.37	99.83
2012	2,456,450	2,522,711	19.20	48,530	47,026	97.25	99.83
2011	2,466,650	2,517,705	19.20	48,363	46,858	97.23	99.81
2010	2,436,000	2,556,404	19.05	48,720	46,205	96.00	100.00
2009	2,377,800	2,475,385	19.05	47,235	45,689	97.29	100.00

NOTE: ⁽¹⁾ Pursuant to Title 36, §208 of the Maine Revised Statutes, as amended, the State Tax Assessor equalizes and adjusts the assessment list of each municipality to its just value as of April 1st of each year. Title 36, §305 of the Maine Revised Statutes, as amended provides that the State Tax Assessor must certify to the Secretary of State before the first day of February the equalized just value of all real and personal property in each municipality. Therefore the 2019 equalized valuation is unavailable until final filing to the Secretary of State, on or before February 1, 2019.

LARGEST TAXPAYERS

<u>Name / Location</u>	<u>Business</u>	<u>Land</u>	<u>Buildings</u>	<u>Personal Property</u>	<u>Valuation</u>	<u>% Total</u>
GLP Capital L.P.	Gaming	\$1,522,400	\$74,043,000		\$75,565,400	2.94%
Bangor Mall LLC	Shopping Mall	21,067,500	41,163,400		62,230,900	2.42
Emera Maine	Utility	35,149,700	1,803,100	\$3,808,700	40,761,500	1.58
General Electric Inc	Manufacturer	665,600	13,408,600	12,883,200	26,957,400	1.05
Wal-Mart Real Estate	Retail Sales	6,463,100	12,726,100	2,674,800	21,864,000	0.85
QV Realty Trust	Shop. Mall/Retail Lessor	8,938,800	12,798,500	0	21,737,300	0.85
Bangor Gas Company LLC	Utility	17,639,200	2,045,000	977,100	20,661,300	0.80
Bangor Savings Bank	Financial	2,309,400	12,635,900	2,678,400	17,623,700	0.69
HC Bangor	Gaming	0	0	17,575,000	17,575,000	0.68
GM Realty of Bangor LLC	Shopping Mall Lessor	0	17,171,100	0	17,171,100	0.67
Top Ten Taxpayers		\$93,755,700	\$187,794,700	\$40,597,200	\$322,147,600	12.53%
Banres, LLC	Hotel	955,500	15,687,000	1,000,000	17,642,500	0.69
Winterfell Sunbury	Retirement Residence	399,600	15,052,100	233,300	15,685,000	0.61
Broadway Shopping Center	Shopping Mall Lessor	5,571,200	9,294,500	0	14,865,700	0.58
Cabrel Company	Retail Estate	3,804,500	10,679,200	6,100	14,489,800	0.56
Lowe's Home Centers Inc	Retail Sales	3,998,800	7,451,200	2,329,700	13,779,700	0.54
Sams Real Estate Business	Retail Sales	3,755,200	6,702,500	1,784,600	12,242,300	0.48
Target Corporation T-1855	Retail Sales	2,650,700	6,910,900	1,694,800	11,256,400	0.44
Ross Manor Associates	Retire. Res./Nursing Lessor	277,200	10,919,900	0	11,197,100	0.44
Bangor Assisted Living	Assisted Living	98,800	10,764,300	0	10,863,100	0.42
May Department stores	Retail Sales Lessor	628,500	9,466,300	0	10,094,800	0.39
Bev Inc	Hotel	902,200	9,056,000	416,100	10,374,300	0.40
Airport Mall Owner	Shopping Mall	3,370,900	6,382,500	31,500	9,784,900	0.38
B&L Properties LLC	Real Estate	1,688,200	8,014,800	33,900	9,736,900	0.38
Longview Plaza LLC	Retail Sales	3,103,900	6,157,200	0	9,261,100	0.36
Birch Hill Estates, LLC	Mobile Home Park	5,843,100	2,816,500	144,700	8,804,300	0.34
Penobscot Development LTD	Retail Sales	1,411,300	6,749,500	0	8,160,800	0.32
Top Twenty-five Taxpayers		\$225,971,000	\$517,693,800	\$88,869,100	\$832,533,900	32.37%

TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE DEVELOPMENT HOUSING DISTRICTS

Chapter 206 and former (now repealed) Chapter 207 of Title 30-A of the Maine Revised Statutes, as amended, enables a municipality to finance qualified development by borrowing against the future increased property tax receipts attributable to that development. Under the statutory framework, the municipality designates a tax increment financing (“TIF”) district or an affordable housing development district (a “housing district”) for a period of up to 30 years and adopts a development program (the “Development Program”) stating the means and objectives for the development of that district. The municipality may designate, or “capture”, all or a portion of the increase in assessed value resulting from development within the district and dedicates the increased property taxes it receives in future years generated by the “captured” assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs. Such districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single district may not exceed 2% of the total acreage of the municipality, (b) the total area of all TIF districts or housing districts within a municipality each may not exceed 5% of the total acreage of the municipality, and (c) the aggregate original assessed value of all TIF districts and the aggregate original assessed value of all housing districts within the municipality as of the April 1st preceding the date the Commissioner of the Department of Economic and Community Development, with respect to TIF Districts, or the Director of the Maine State Housing

Authority, with respect to housing development districts, approves the designation of any such district each cannot each 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 included within Pine Tree Development Zones or 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.

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

On June 14, 2011 the Maine Legislature enacted Private & Special Law, Chapter 15, First Regular Session, 125th Maine Legislature (LD 895) *An Act to Allow the City of Bangor to Replace the Bangor Auditorium and Civic Center at the Bass Park Complex* ("P&SL 15"). P&SL 15 authorized the City to use tax increment financing revenue to fund debt service for the Arena Project for up to 30 years and excluded such indebtedness from both the City's statutory debt limit under Title 30-A, Section 5702 of Maine Revised Statutes, as amended, and the aggregate value of municipal general obligation indebtedness that could be financed with tax increment financing revenue within Penobscot County under Title 30-A, Section 5223(3)(D) of Maine Revised Statutes, as amended 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.

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

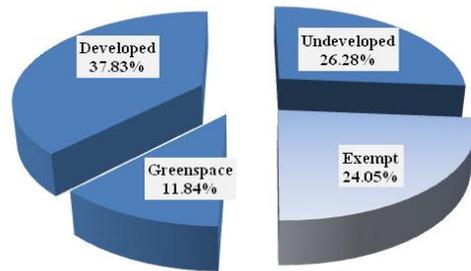
tax exempted under the program and a portion of the municipality’s administrative costs. Beginning April 1, 2017, the maximum amount of the exemption is \$20,000, with the State reimbursing 50% of the property tax reduction due to the exemption. The State annually estimates state aid but actual payments may vary from the estimate. The following table displays revenues received by the City from the State for the last five audited fiscal periods:

Fiscal Yr. End June 30,	State Revenue Sharing	State School Subsidy	Other School	Reimbursement		Other State	Total From State
				BETE	Homestead Exemption		
2017	\$2,225,464	\$16,554,117	\$4,841,004	\$1,376,051	\$838,027	\$1,690,928	\$25,525,591
2016	2,297,163	18,152,412	3,559,434	1,293,028	557,079	1,741,592	27,600,708
2015	2,129,659	15,823,247	4,369,969	1,074,021	564,108	1,730,684	25,524,768
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 ⁽¹⁾	26,260,214

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

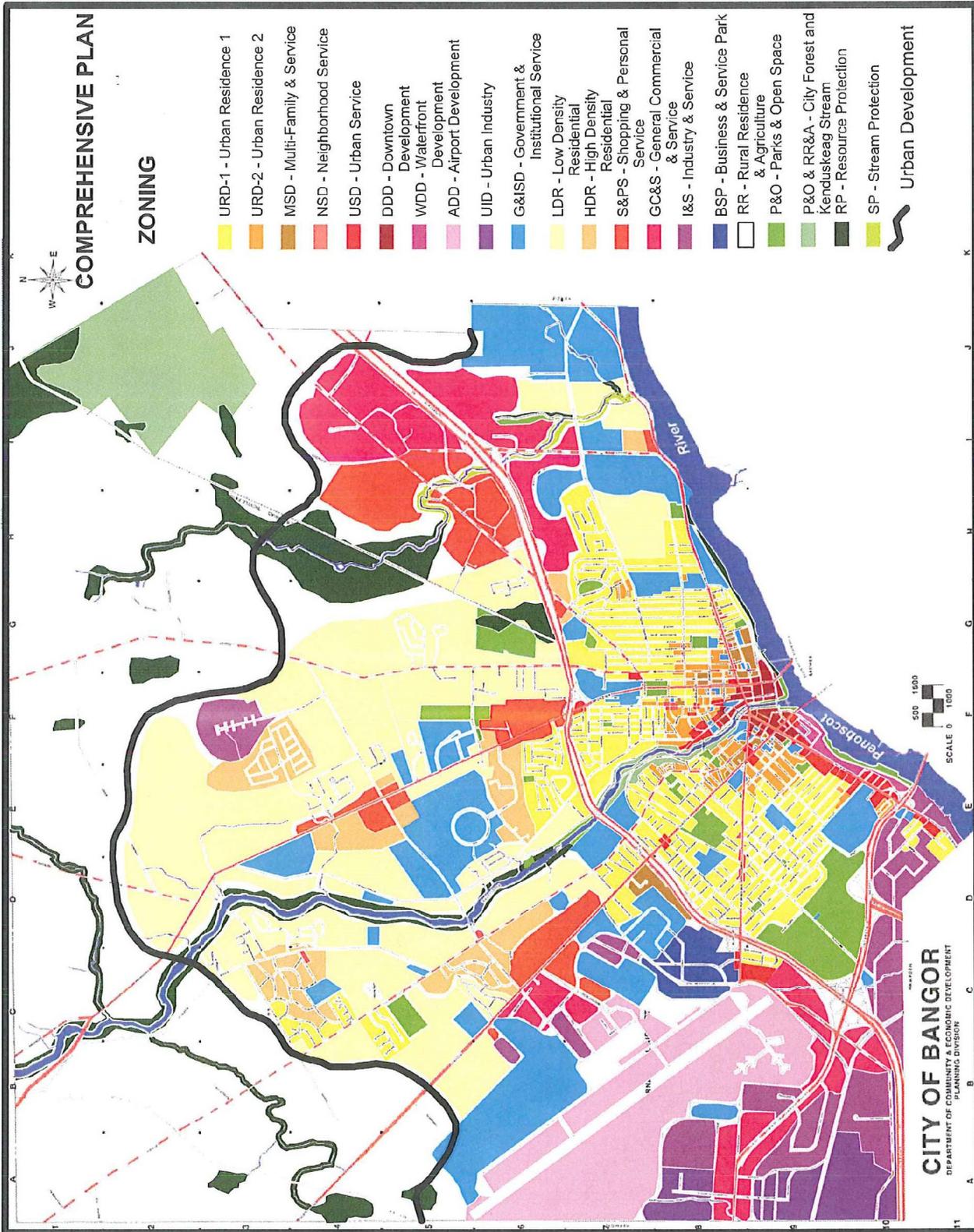
TAX BASE AND TAX BASE GROWTH

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



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ZONING



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 established 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 2018 equalized state valuation (“equalized State Valuation”) is listed at \$2,575,100,000. The 15% debt limit is \$386,265,000. As of June 30, 2017 the City’s long term general obligation debt outstanding was \$134,045,613, or 5.21% 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 <u>Issued</u>	Amount <u>Issued</u> <u>(\$/000)</u>	Final <u>Date</u>	Balance <u>June 30, 2017</u>	<u>Projected</u>			
				<u>FY end June 30, 2018</u>		<u>FY end June 30, 2019</u>	
				<u>Payments</u>	<u>Balance</u>	<u>Payments</u>	<u>Balance</u>
1997A	2,452.4	10/1/2017	152,798	(152,798)	0		0
1998 ⁽¹⁾	280.0	11/1/2017	12,333	(12,333)	0		0
1999A ⁽²⁾	259.8	7/17/2017	19,857	(19,857)	0		0
2001 ⁽¹⁾	699.9	9/1/2021	249,476	(45,602)	203,874	(47,654)	156,220
2002(POB) ⁽⁶⁾	34,030.0	6/1/2026	23,768,285	(1,665,000)	22,103,285	(1,865,000)	20,238,285
2003(SRF) ⁽³⁾	3,000.0	10/1/2022	994,082	(158,849)	835,233	(161,427)	673,806
2003 ⁽⁴⁾	1,300.0	3/1/2023	535,372	(79,604)	455,768	(83,226)	372,542
2005(SRF) ⁽³⁾	2,650.0	10/1/2024	1,183,401	(138,170)	1,045,231	(140,851)	904,380
2006 ⁽²⁾	2,250.0	12/1/2025	1,283,287	(116,381)	1,166,906	(122,201)	1,044,705
2006(SRF) ⁽³⁾	2,000.0	4/1/2027	1,081,156	(100,375)	980,781	(102,020)	878,761
2007(SRF) ⁽³⁾	2,000.0	4/1/2028	1,188,030	(98,579)	1,089,451	(100,363)	989,088
2009A	3,100.0	9/1/2028	1,860,000	(155,000)	1,705,000	(1,550,000)	155,000
2009ARRA ⁽⁵⁾	1,960.0	4/1/2029	581,345	(48,445)	532,900	(48,445)	484,455
2009ARRA ⁽⁵⁾	1,040.0	4/1/2030	333,944	(25,688)	308,256	(25,688)	282,568
2009B	14,425.0	9/1/2019	3,545,004	(1,645,000)	1,900,004	(985,000)	915,004
2011	6,391.0	4/1/2021	2,630,000	(675,000)	1,955,000	(700,000)	1,255,000
2011 QSCB	5,610.0	7/15/2028	5,605,000	(5,000)	5,600,000	(5,000)	5,595,000
2012	6,525.0	4/1/2022	3,035,000	(630,000)	2,405,000	(620,000)	1,785,000
2012B	53,800.0	7/15/2042	50,715,000	(1,135,000)	49,580,000	(1,190,000)	48,390,000
2012 QSCB	2,800.0	7/15/2035	2,800,000	(5,000)	2,795,000	(5,000)	2,790,000
2013A	9,030.0	11/1/2032	6,980,000	(820,000)	6,160,000	(750,000)	5,410,000
2013B	4,300.0	11/1/2033	3,635,000	(255,000)	3,380,000	(250,000)	3,130,000
2014A	8,669.0	3/1/2034	7,200,000	(490,000)	6,710,000	(490,000)	6,220,000
2014(SRF) ⁽³⁾	2,500.0	11/1/2034	2,252,243	(124,065)	2,128,178	(124,188)	2,003,990
2015A	3,120.0	4/1/2030	2,670,000	(225,000)	2,445,000	(225,000)	2,220,000
2015B	1,600.0	4/1/2035	1,440,000	(80,000)	1,360,000	(80,000)	1,280,000
2016A	3,294.0	9/1/2030	3,175,000	(320,000)	2,855,000	(315,000)	2,540,000
2016B	920.0	9/1/2027	840,000	(80,000)	760,000	(80,000)	680,000
2016(SRF) ⁽³⁾	4,280.0	9/1/2036	<u>4,280,000</u>	(214,000)	4,066,000	(214,000)	3,852,000
2017	6,772.0	3/1/2037		(412,000)	<u>6,360,000</u>	(415,000)	5,945,000
2018	3,355.0	9/1/2033				0	<u>3,355,000</u>
Fiscal Year Totals			\$134,045,613	(\$9,931,746)	\$130,695,867	(\$10,612,063)	\$123,505,804

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

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

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

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

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

⁽⁶⁾ “POB” indicates Pension Obligation Bonds.

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

FY End June 30,	1997 A	2002 POB	2003 SRF	2005 SRF	2007 SRF	2008 SRF	2009 A	2009 B	2009 ARRA	2009 ARRA	2011	2011 QSCB	2012	2012 Sr B	2012 QSCB	2013 Sr A	2013 Sr B	2014 Sr A	2014 SRF	2015 Sr A	2015 Sr B	2016 Sr A	2016 Sr B	2016 SRF	2017	2018	Total Debt
2018	153	1,665	159	138	100	99	155	1,645	48	26	675	5	630	1,135	5	820	255	490	124	225	80	320	80	214	0	0	9,246
2019		1,865	161	141	102	100	155	985	48	26	700	5	620	1,190	5	750	250	490	124	225	80	315	80	214	412	0	9,044
2020		2,085	164	144	104	102	155	915	48	26	730	5	605	1,255	5	740	250	485	124	220	80	265	80	214	415	285	9,346
2021		2,320	167	146	105	104	155		48	26	525	5	595	1,315	5	735	250	485	124	220	80	265	75	214	415	285	8,510
2022		2,575	170	149	107	106	155		48	26		5	585	1,385	5	730	250	480	125	220	80	265	75	214	410	285	8,295
2023		2,850	173	152	109	108	155		48	26		5		1,455	5	725	250	480	125	220	80	265	75	214	410	270	8,045
2024		3,145		155	111	110	155		48	26		5		1,520	5	720	250	480	125	220	80	265	75	214	410	270	8,233
2025		3,460		158	112	112	155		48	26		5		1,585	5	560	255	480	125	220	80	265	75	214	410	270	8,465
2026		3,800			114	114	155		48	26		5		1,650	5	415	150	480	125	180	80	265	75	214	410	270	8,426
2027					116	116	155		48	26		5		1,715	5	285	160	450	125	180	80	265	75	214	410	265	4,540
2028						118	155		48	26		5		1,780	5	285	165	450	125	180	80	120	75	214	410	265	4,351
2029							155		48	26		5,550		1,830	5	40	170	450	125	180	80	100		214	410	265	9,494
2030										26				1,890	5	40	180	300	126	180	80	100		214	410	125	3,675
2031														1,945	5	45	185	300	126		80	100		214	355	125	3,480
2032														2,005	5	45	195	300	126		80			214	355	125	3,450
2033														2,065	5	45	205	300	126		80			214	355	125	3,520
2034														2,135	5		215	300	126		80			214	155	125	3,355
2035														2,205	5				126		80			214	155		2,785
2036														2,275	2,710									214	155		5,354
2037														2,350										214	155		2,719
2038														2,435											155		2,590
2039														2,520													2,520
2040														2,610													2,610
2041														2,710													2,710
2042														2,820													2,820
2043														2,935													2,935
	153	23,765	994	1,183	1,081	1,188	1,860	3,545	581	334	2,630	5,605	3,035	50,715	2,800	6,980	3,635	7,200	2,252	2,670	1,440	3,175	840	4,280	6,772	3,355	140,519

City BIA Notes: 203,874
Briggs Building Note: 1,622,674
Total: 1,826,548

NOTE: The shaded items in a column indicate that the City intends to refund, on a current basis, the respective 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 Prior Debt	Principal	Interest (and fees)	Total	
2018	\$8,266,745	\$3,232,228	\$3,197,842	\$14,696,815	\$0	\$0	\$0	\$14,696,815
2019	7,435,064	3,109,882	3,290,450	13,835,396	0	64,519	64,519	13,899,915
2020	7,396,145	2,890,788	3,390,158	13,677,091	285,000	142,725	427,725	14,104,816
2021	6,333,025	2,679,062	3,490,675	12,502,762	285,000	128,475	413,475	12,916,237
2022	5,880,928	2,532,521	3,596,035	12,009,484	285,000	114,225	399,225	12,408,709
2023	5,323,203	2,297,799	3,704,948	11,325,950	270,000	100,350	370,350	11,696,300
2024	5,129,407	2,143,198	3,816,122	11,088,727	270,000	89,550	359,550	11,448,277
2025	5,054,139	1,970,895	3,928,270	10,953,304	270,000	78,750	348,750	11,302,054
2026	4,683,258	1,822,216	4,045,100	10,550,574	270,000	65,250	335,250	10,885,824
2027	4,430,369	1,680,247		6,110,616	265,000	51,875	316,875	6,427,491
2028	4,241,391	1,548,001		5,789,392	265,000	38,625	303,625	6,093,017
2029	9,383,569	1,427,217		10,810,786	265,000	25,375	290,375	11,101,161
2030	3,495,249	1,319,096		4,814,345	125,000	16,875	141,875	4,956,220
2031	3,354,687	1,219,611		4,574,298	125,000	13,125	138,125	4,712,423
2032	3,324,813	1,123,930		4,448,743	125,000	9,375	134,375	4,583,118
2033	3,194,938	1,024,096		4,219,034	125,000	5,625	130,625	4,349,659
2034	3,230,065	926,119		4,156,184	125,000	1,875	126,875	4,283,059
2035	2,785,190	829,082		3,614,272				3,614,272
2036	5,354,000	740,089		6,094,089				6,094,089
2037	2,719,000	658,036		3,377,036				3,377,036
2038	2,435,000	560,763		2,995,763				2,995,763
2039	2,520,000	474,050		2,994,050				2,994,050
2040	2,610,000	384,275		2,994,275				2,994,275
2041	2,710,000	284,400		2,994,400				2,994,400
2042	2,820,000	173,800		2,993,800				2,993,800
2043	2,935,000	58,700		2,993,700				2,993,700
TOTAL	\$117,045,185	\$37,110,101	\$32,459,600	\$186,614,886	\$3,355,000	\$946,594	\$4,301,594	\$190,916,479

DEBT SERVICE COMPONENT OF OPERATING EXPENSES

(\$ in thousands)	Audited				Budgeted	
	2014	2015	2016	2017	2018	2019
Gross Current Debt Service:	\$12,242	\$13,839	\$14,332	\$15,916	\$14,680	\$13,799
(less Self Support Enterprise):	(4,804)	(6,234)	(6,492)	(6,137)	(6,190)	(5,846)
(less State Qual. School):	(0)	(0)	(0)	(0)	(0)	(0)
(less POB):	(2,885)	(2,974)	(3,063)	(3,151)	(3,198)	(3,290)
(less Refunded Debt):	(0)	(0)	(0)	(1,555)	(0)	(0)
Tax Backed Current Debt Service:	\$4,553	\$4,631	\$4,777	\$5,073	\$5,292	\$4,663
Budgeted Operating Expense:	93,546	95,204	97,233	98,647	96,737	100,069
Debt Service as % Oper. Expense:	4.87%	4.86%	4.91%	5.14%	5.47%	4.66%

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	Gross Debt	
					as % Eq. Val.	Per Capita
2017	31,985	\$2,553,900	\$2,566,222	\$134,045,613	5.25%	\$4,190.89
2016	32,391	2,543,700	2,600,203	140,744,237	5.53	4,345.16
2015	32,568	2,481,850	2,561,275	145,681,059	5.87	4,473.13
2014	32,673	2,464,250	2,550,820	146,954,498	5.96	4,497.74
2013	32,963	2,462,650	2,528,249	145,219,790	5.90	4,405.54
2012	33,000	2,456,450	2,522,711	109,382,148	4.45	3,314.61
2011	33,039	2,466,650	2,517,705	90,441,003	3.67	2,737.40
2010	31,450	2,436,000	2,556,404	96,645,995	3.97	3,073.00
2009	31,329	2,377,800	2,475,385	94,311,206	3.97	3,010.35
2008	31,262	2,358,250	2,337,347	98,720,567	4.19	3,157.85

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		
2017	40,732	14,257	79,057	134,046	1.6%	0.6%	3.1%	5.2%	\$1,273	\$446	\$2,472	\$4,191
2016	46,505	15,563	78,676	140,744	1.8%	0.6%	3.1%	5.5%	1,436	480	2,429	4,345
2015	47,656	16,862	81,163	145,681	1.9%	0.7%	3.3%	5.9%	1,463	518	2,492	4,473
2014	48,808	17,711	80,436	146,954	2.0%	0.7%	3.3%	6.0%	1,494	542	2,462	4,498
2013	45,040	17,688	82,492	145,220	1.8%	0.7%	3.3%	5.9%	1,366	537	2,503	4,406
2012	64,434	16,240	28,708	109,382	2.6%	0.7%	1.2%	4.5%	1,953	492	870	3,315
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

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, 2018, the City's equalized State Valuation of \$2,575,100 was 24.34% of the County's 2018 equalized State Valuation of \$10,580,650,000 (excluding Unorganized Territories). The County has \$0 long-term debt outstanding as of June 30, 2018.

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, 2018, Region #4 had \$0 long-term debt outstanding.

CONTINGENT DEBT

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

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	General Fund	Enterprise	Overlapping	Total Debt
C/O Bangor-School	\$14,257,096			\$14,257,096
C/O Bangor-Other Gen'l Fund	40,731,519			40,731,519
C/O Bangor- Enterprise		\$79,056,998		79,056,998
County of Penobscot			\$0	0
Region #4			0	0
Total A/O June 30, 2017	\$54,988,615	\$79,056,998	\$0	\$134,045,613
% ESV	2.15%	3.10%	0	5.25%
Per Capita	\$416.63	\$598.98	\$0.00	\$4,190.89

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.

Penobscot River Remediation

On August 8, 2011, the City Council authorized the issuance of up to \$2,000,000 to provide funding for remediation of the Penobscot River. As of June 30, 2018, \$1,590,000 remains authorized and unissued. The City will continue to monitor when and if further debt will be issued. See “ENVIRONMENTAL MATTERS - Penobscot River Remediation” herein.

Clean Water State Revolving Fund

On February 22, 2016, the City Council adopted Order #16-089 and approved a borrowing, not to exceed \$2,145,000 from the Clean Water State Revolving Fund (“CWSRF”) administered jointly by the Maine Municipal Bond Bank and the State Department of Environmental Protection (“DEP”). On As of June 30, 2018, \$1,735,000 remains as authorized but unissued.

On August 27, 2018, the City Council adopted Order #18-319 and approved the following borrowings for which the City expects to borrow in calendar year 2019:

<u>Project</u>	<u>Order #</u>	<u>Date of Passage</u>
Streets & Sidewalks	18-319	August 27, 2018
Various Equipment	18-319	August 27, 2018
WWTP Infrastructure	18-319	August 27, 2018
Building Improvements	18-319	August 27, 2018

On August 27, 2018, the City Council adopted Order #18-320 and approved a borrowing, not to exceed \$3,300,000 from the Clean Water State Revolving Fund (“CWSRF”) to provide fund the long-term Control Plan Design, emergency generator design and the separation of Griffin/Randolph/Bolling Road/Streets. The City expects to borrow these funds in calendar year 2019.

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.

Effective July 1, 2018, Police Command, Police Control and Firefighters have the one-time option to enroll in either the ICMA-RC 401(a) direct contribution plan or the MainePERS defined benefit plan. Existing employees that did not have MainePERS previously, had a one-time option to opt into MainePERS or remain in the ICMA- RC 401(a) 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 2017 covered payroll was \$19,507,107 and City contributions were \$1,674,585. 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 \$306,178 and \$32,718, respectively, in fiscal year 2017.

B. DEFINED BENEFIT PENSION PLAN

Description of the Plan - For certain employees the City contributes to the Maine Public Employees Retirement System ("MainePERS") Consolidated Plan for Local Participating Districts ("PLD") and MainePERS State Employee and Teacher Plan ("SET"). MainePERS is 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.

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* an amendment of GASB Statement No. 27. This statement improves accounting and financial reporting by state and local governments for pensions. The new statement is effective for periods beginning after June 15, 2014.

Benefits Provided – The PLD and SET Plans provide defined retirement benefits based on members’ average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of credit service. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 20 or 25 years of service for certain public safety employees; for SET members, normal retirement age is 60, 62 or 65. The normal retirement age is determined by whether a member had certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below his/her normal age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions (PLD Plan) or by statute (SET Plan).

Contributions – Employee contribution rates are defined by law of Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. The contractually required contribution rates actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

PLD Plan – Employees are required to contribute 7% of their annual pay. The City’s contractually requirement contribution rate for the year June 30, 2017 ranged from 9.1% - 14.2% depending on the applicable benefit structure. The City’s contributions to the pension plan were \$745,366 for the year ended June 30, 2017.

SET Plan – Maine statute requires the State to contribute a portion of the City’s contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The City’s contractually required contribution rate for the year ended June 30, 2017 was 13.38% of annual payroll of which 3.36% of payroll was required from the City and 10.02% was required from the State. Contributions to the pension plan from the City were \$865,039 for the year ended June 30, 2017.

Pension Liabilities, Expense and Deferred Outflows and Inflows of Resources – The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The City’s proportion of the net pension liabilities were based on projections of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating local districts (PLD Plan) and of all participating School Administrative Units and the State (SET Plan), actuarially determined.

PLD Plan – At June 30, 2017, the City’s reported liability of its proportionate share of the net pension liability was \$8,840,254. At June 30, 2016, the City’s proportion of the PLD plan was 1.6638%.

SET Plan – At June 30, 2017, the City’s reported liability of its proportionate share of the net pension liability was reduced to reflect the State support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability associated with the City were as follows:

City’s proportionate share of the net pension liability:	\$2,120,647
State’s proportionate share of the net pension liability:	<u>35,661,692</u>
Total:	\$37,782,339

At June 30, 2016, the City’s proportion of the SET Plan was 0.1200%.

For the year ended June 30, 2016, the City recognized pension expense of \$7,949,337 for the PLD Plan and expense of \$4,144,026 and revenue of \$2,578,338 for support provided by the State for the SET Plan. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience:	\$ -	\$ 424,422
Changes of Assumptions:	893,233	-
Net difference between projected and actual earnings on pension investments:	2,306,876	-
Changes in proportion and differences between contributions and proportionate share of contributions:	-	1,329,811
The City's contributions subsequent to the measurement date:	1,610,405	-
Total:	<u>\$4,810,514</u>	<u>\$1,754,233</u>

\$1,610,405 is reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>PLD Plan</u>
2018	(\$137,646)
2019	(45,242)
2020	1,104,265
2021	614,499

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2015, methodology and assumptions are detailed in "APPENDIX A - CITY OF BANGOR, MAINE, COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017" pages II - 556 et seq, herein.

C. 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.

D. 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.

E. 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 calculated with an Actuarial Valuation Date of June 30, 2015. GASB 45 advises that valuations should be conducted at least bi-annually for plans with a total membership of greater than 200 plan members. The City expects to receive a new valuation in two years accordingly.

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

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

Annual required contribution (“ARC”):	\$574,842
Amortization adjustment to ARC:	(219,362)
Interest:	<u>151,728</u>
Annual OPEB cost:	\$507,208

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

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Annual OPEB cost:	\$547,590	\$542,336	\$507,208
City contributions:	<u>(253,004)</u>	<u>(253,004)</u>	<u>(253,674)</u>
Increase in OPEB	294,586	289,332	253,534
Net OPEB, beginning year:	<u>3,209,289</u>	<u>3,503,875</u>	<u>3,793,207</u>
Net OPEB, end year:	\$3,209,289	\$3,503,875	\$4,046,741
% contributed:	42.74%	46.20%	50.01%

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, 2016 is as follows:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total June 30, 2016</u>
Actuarial accrued liability (“AAL”):	\$4,817,833	\$1,399,492	\$6,217,325
Actuarial value of plan assets:	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (“UAAL”):	\$4,817,833	\$1,399,492	\$6,217,325
Covered payroll:	17,387,158	5,050,651	22,437,809
UAAL as a percentage of covered payroll:			27.71%

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 Remediation

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 continues to work with State and federal agencies to negotiate an agreement for the remainder of the remediation. The City plans to complete the remediation of the majority of the secondary active zone in the current fiscal year.

Wastewater Discharge Consent Decree Compliance

In November 2015, the City entered into a consent decree with the Environmental Protection Agency ("EPA") pursuant to which the City is required to (1) implement a capacity management operations and maintenance program for the sewer collection system, (2) implement a municipal separate storm sewer system illicit discharge detection and elimination program, (3) develop and implement a Phase II long-term control plan for the combined sewer overflow program, and (4) otherwise take such measures as are necessary to achieve and maintain compliance with the Clean Water Act and permits required of the City thereunder (the "Consent Decree"). A complete copy of the Consent Decree is available on the Wastewater Treatment Plant page of the City's website at:

<http://www.bangormaine.gov/filestorage/318/368/7761/ConsentDecreeCA00350.pdf>

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.

APPENDIX A

**CITY OF BANGOR, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR
FISCAL YEAR ENDED JUNE 30, 2017**

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CITY OF BANGOR, MAINE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR JUNE 30, 2017

COMMUNITY DEVELOPEMENT BLOCK GRANT PROGRAMS

NEIGHBORHOOD STABILIZATION



RESIDENTIAL PROPERTY REHABILITATION



BUSINESS DEVELOPMENT



FAÇADE GRANT



NEIGHBORHOOD PUBLIC IMPROVEMENTS





CITY OF BANGOR, MAINE

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

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, 2017

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INTRODUCTORY SECTION

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FINANCE DEPARTMENT
Deborah A. Cyr, Finance Director

January 30, 2017

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

In accordance with the City Charter and state statutes, the City of Bangor's comprehensive annual financial report for the fiscal year ended June 30, 2017 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.

Further, the City is required to undergo an annual single audit in conformity with the provisions of the U.S. Office of Management and Budget's Uniform Guidance. 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 the 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, which occupies approximately 35 square miles on the western shore of the Penobscot River, was first settled in 1656, incorporated as a town on February 25, 1791 and as a city on February 12, 1834. The City of Bangor is the third largest City in Maine and serves as the County Seat for Penobscot County. As a result, Bangor serves as the major trade, distribution, service, and commercial center for the central, eastern, and northern portions of the State.

Bangor has operated under a Council-Manager Charter, since 1931. The City Council is composed of nine members, 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 School Department is governed by a seven-member School Committee with the Superintendent is responsible for the day to day operations of the schools. Members of the school committee are elected at large to staggered three-year terms. By Charter, the School Committee has all the powers and responsibility for the care and management of the public schools of the City. By Charter, 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 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, sanitation, health and welfare, parks and recreation, education, public transportation, planning, business and economic development, code enforcement, and general administrative services which are accounted for in the City's General Fund. Additionally, the City of Bangor owns and operates the Bangor International Airport, sanitary sewer services, storm water utility, the Bass Park Complex (Cross Insurance Center), parking facilities, golf course, and economic development (properties), which are accounted for in the City's enterprise funds.

The City's fiscal year begins on July 1 and the annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, function, and department and the City Manager may transfer resources within a department; however, transfers between departments require Council action.

The City Charter requires that the City Manager submit a recommended budget to the Council by the second Monday in April, which includes the general fund, school budget, and seven enterprise funds. 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 as well as the recommended tax levy. In accordance with the City Charter, if the Council fails to adopt a budget by June 30, the City Manager's proposed budget is enacted. The appropriate property tax levy is established and filed with the City Assessor, who then sets the necessary property tax rate.

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 of Bangor serves as the major service center in northern and eastern Maine for a variety of services including communications, banking, retail, industrial, transportation, and healthcare. Additionally, the City serves as the center for federal, state and county governments. Bangor also 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 2017 unemployment rate of 3.7% was lower than both the national and state rates of 4.4% and 3.8%, respectively.

Bangor serves as one of the largest retail markets 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 2017, Bangor's retail taxable sales were \$1.37 billion and represent 6.32% of total State retail taxable sales. However, shifts in the retail market have created challenges in some of our large retail centers. Specifically, the Bangor Mall is facing the same challenges that are being faced by retail centers around the country. The implications of this challenge are being monitored closely and the city will be working proactively with mall owners to seek new uses for important retail properties.

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. Similar to other areas of the country, Bangor is experiencing significant growth in the downtown area including retail, dining, residential, and office space. New mixed-use redevelopment projects completed over the past 5 years has led to low vacancy rates and the development of high-end residential apartment units. Public and private developments along Main Street including development of the Casino, Cross Insurance Center, Marriot Residence Inn and relocation of corporate headquarters for Cross Insurance have played a significant role in that growth. In 2017, Bangor Savings Bank broke ground on a new headquarters campus facility in the downtown, which bridges the areas of lower Main Street, downtown, and the waterfront. The project will consolidate corporate offices along with back office functions onto one campus.

Further evidence of continuing sustained growth is the change that can be measured by 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. Assessed valuations have remained relatively flat since the FY 2011 economic downturn. However, personal property enrolled in the Business Equipment Tax Exempt program (BETE) continue to increase annually, an indication of continued commercial investment within the City. As the City's assessed valuation has remained flat, the City also realized significant reductions in State-funded revenue sharing, aid to education and absorbed additional tax shifts related to general assistance and Medicare/Medicaid. The City continues to implement cost control measures wherever identified, including work force reductions. Despite the cost control measures, the reductions in revenues and cost shifts are the major

contributing factor in the overall increase of 19.68% in the tax rate from 2008 to 2017.

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:

- \$4.2 million invested in streets, sidewalks, traffic control, and other infrastructure;
- Completion of the \$14 million reconstruction of Bangor International Airport's domestic air service terminal;
- \$878 thousand invested in leased facilities in support of the growth and development of C&L Aerospace and Wayfair;
- \$4.4 million invested in the upgrade and separation of the City's combined sewer systems;
- Continued investment in the City's core downtown to encourage mixed use development, including residential, commercial and cultural opportunities, including \$748 thousand improvement to the Cross Insurance Center parking lot.

The City is proactively addressing quality of life issues and housing opportunities. Key initiatives to date include:

- Participation in the AARP age-friendly community initiative;
- Proactive approaches to disruptive and foreclosed properties across operational areas;
- Provided assistance to homeowners and designated neighborhoods through CDBG funding;
- Leadership in the Community Health Leadership Board to address community drug and alcohol issues;
- Sustained commitment to academic excellence for all;
- Energy efficiency rebate program;
- Continued support of arts and culture.

Finally, the City continues to implement significant technology and process improvements to increase the overall organizational efficiency and enhance citizen communication and engagement.

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, 2017 was 12.75% 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, 2016. 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

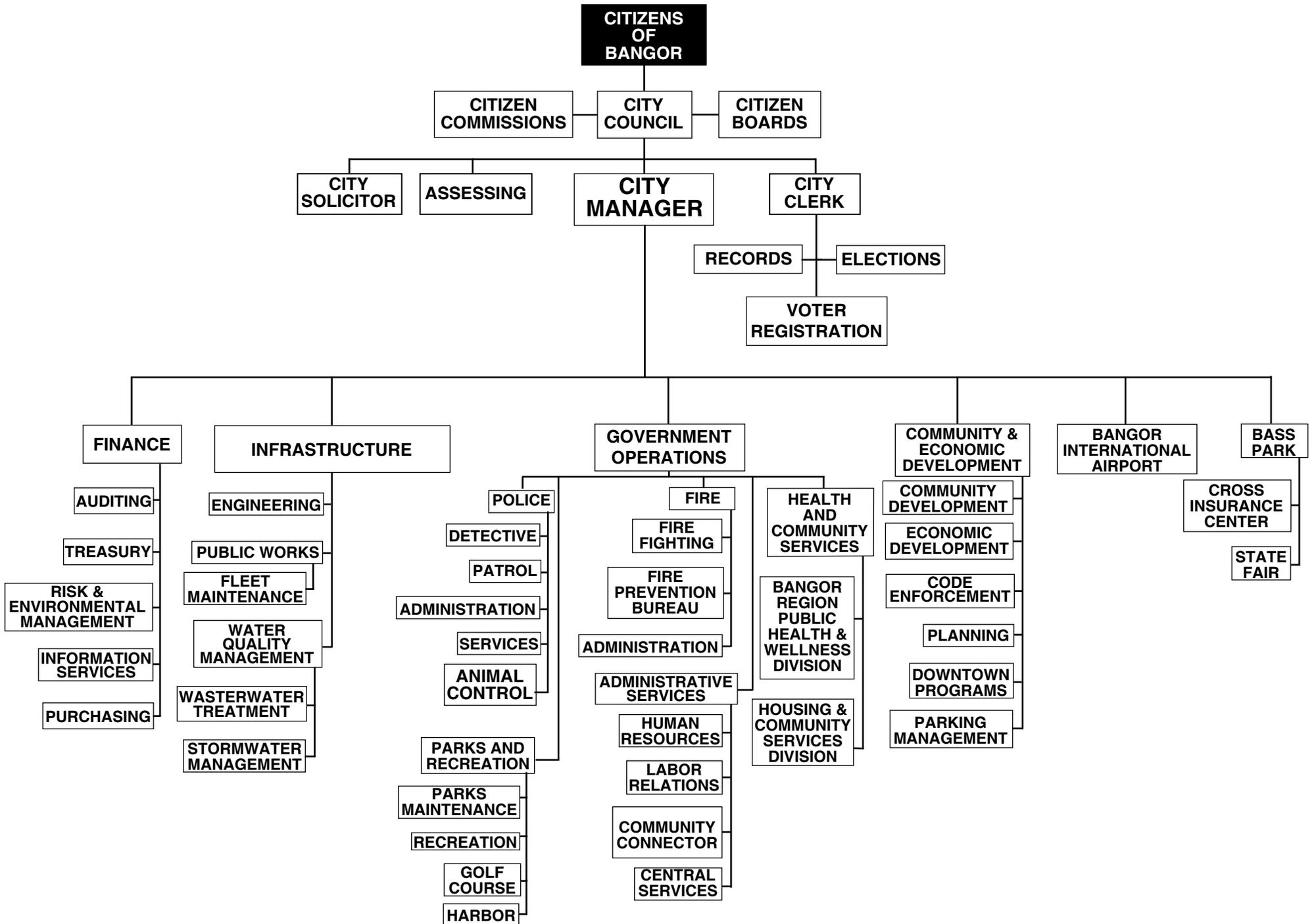
**City of Bangor
Maine**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

CITY OF BANGOR ORGANIZATIONAL CHART Revised (10-15)



**City of Bangor, Maine
Elected Officials and Principal Administrative Officers
June 30, 2017**

City Council

Joseph Baldacci, Chair

Sean Faircloth
David Nealley
Joseph Perry
Daniel Tremble

Gibran Graham
Sarah Nichols
Benjamin Sprague
Cary Weston

City Staff

Catherine M. Conlow, City Manager
Philip Drew, City Assessor
Lisa Goodwin, City Clerk
Norman Heitmann, City Solicitor

School Committee

Warren Caruso, Chair

Jennifer Degroff
Susan Hawes, Vice Chair
Marlene Susi

Brian Doore
Susan Sorg
Carin Sychterz

School Staff

Betsy Webb, Superintendent of Schools

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FINANCIAL SECTION

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Independent Auditor's Report

City Council
City of Bangor, Maine:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bangor, Maine, as of June 30, 2017, 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, the schedule of funding progress for the retiree's health care plan, the schedule of the City's proportionate share of the net pension liability, and the schedule of City contributions, 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.

City Council
City of Bangor, Maine

The combining and individual fund financial statements and the other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and other 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 30, 2018, 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 30, 2018
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, 2017. 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 and deferred outflows of the City of Bangor exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$205.9 million (net position).
- At the close of fiscal year 2017, the City of Bangor's governmental funds reported combined ending fund balances of \$29.7 million, a decrease of \$2.3 million over the prior year balance of \$32.0 million. The Capital Projects Fund fund balance decreased by \$3.5 million, due to the expenditure of bond proceeds issued in a prior year related to the refunding of debt and investment in infrastructure. The General Fund fund balance increased by \$1.0 million. General Fund revenues exceeded estimates by \$3.8 million as follows; excise taxes \$1.2 million, property taxes \$353 thousand, intergovernmental revenues \$663 thousand, and charges for service \$1.5 million. During fiscal year 2017, \$2.3 million of the General Fund balance was transferred to the Capital Fund to pay for capital improvements in accordance with the City's Fund Balance policy. All other governmental fund fund balances remained relatively unchanged from prior year amounts. Approximately 74.3% of the total amount, or \$22.1 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. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12.2 million, or 12.75% 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 and business-type activities decreased \$3.3 million and \$133 thousand, respectively. For governmental activities, the decrease is a result of principal payments on general obligation bonds in the amount of \$7.1 million net of the increase in net pension liability and related deferred inflows of resources of \$3.1 million.

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 and outflows, 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, and Economic Development.

The government-wide financial statements can be found on pages II-19 to II-20 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Bangor, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

governmental funds is provided in the form of combining statements (Schedule B) elsewhere in this report.

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

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

The City maintains seven individual proprietary funds, of which the Sewer Utility, Airport, and Bass Park Funds are considered to be major. Data from four 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.

- 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.

Government-wide Financial Analysis

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current & other assets	\$ 43,365,544	\$ 45,360,502	\$ 32,500,253	\$ 27,577,992	\$ 75,865,797	\$ 72,938,494
Capital assets, net of						
accumulated depreciation	75,889,101	75,420,521	225,010,237	230,444,082	300,899,338	305,864,603
Total assets	119,254,645	120,781,023	257,510,490	258,022,074	376,765,135	378,803,097
Deferred outflows of resources	3,936,229	3,633,929	874,285	802,922	4,810,514	4,436,851
Total deferred outflows	3,936,229	3,633,929	874,285	802,922	4,810,514	4,436,851
Long-term debt outstanding	72,291,657	76,604,213	85,462,083	84,529,953	157,753,740	161,134,166
Other liabilities	7,233,422	6,689,682	4,448,512	5,737,793	11,681,934	12,427,475
Total liabilities	79,525,079	83,293,895	89,910,595	90,267,746	169,435,674	173,561,641
Deferred inflows of resources	5,795,923	5,331,398	477,061	253,185	6,272,984	5,584,583
Total deferred inflows	5,795,923	5,331,398	477,061	253,185	6,272,984	5,584,583
Net position:						
Net investment in capital assets	49,367,869	47,792,253	153,328,264	159,537,793	202,696,133	207,330,046
Restricted	3,547,716	4,045,808	-	-	3,547,716	4,045,808
Unrestricted	(15,045,713)	(16,048,402)	14,668,855	8,766,272	(376,858)	(7,282,130)
Total net position	\$ 37,869,872	\$ 35,789,659	\$ 167,997,119	\$ 168,304,065	\$ 205,866,991	\$ 204,093,724

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 \$377 thousand, the governmental activities deficit of \$15.0 million is offset by the business type activities balance of \$14.7 million. The governmental activities deficit is primarily due to \$19.8 million in outstanding pension obligation bonds.

Governmental activities net position increased \$2.1 million. The major components associated with the increase in governmental activities net position is excise tax revenues exceeding estimates by \$1.2 million and public safety expenses below estimates due to savings realized related to turnover and vacancies.

Business-type net position is virtually unchanged with a decrease of \$307 thousand. Due to the capital intensive requirements of the Airport and Sewer Funds, the net position within business-type activities can vary significantly from year to year depending upon grant fund cycles and levels of infrastructure investments.

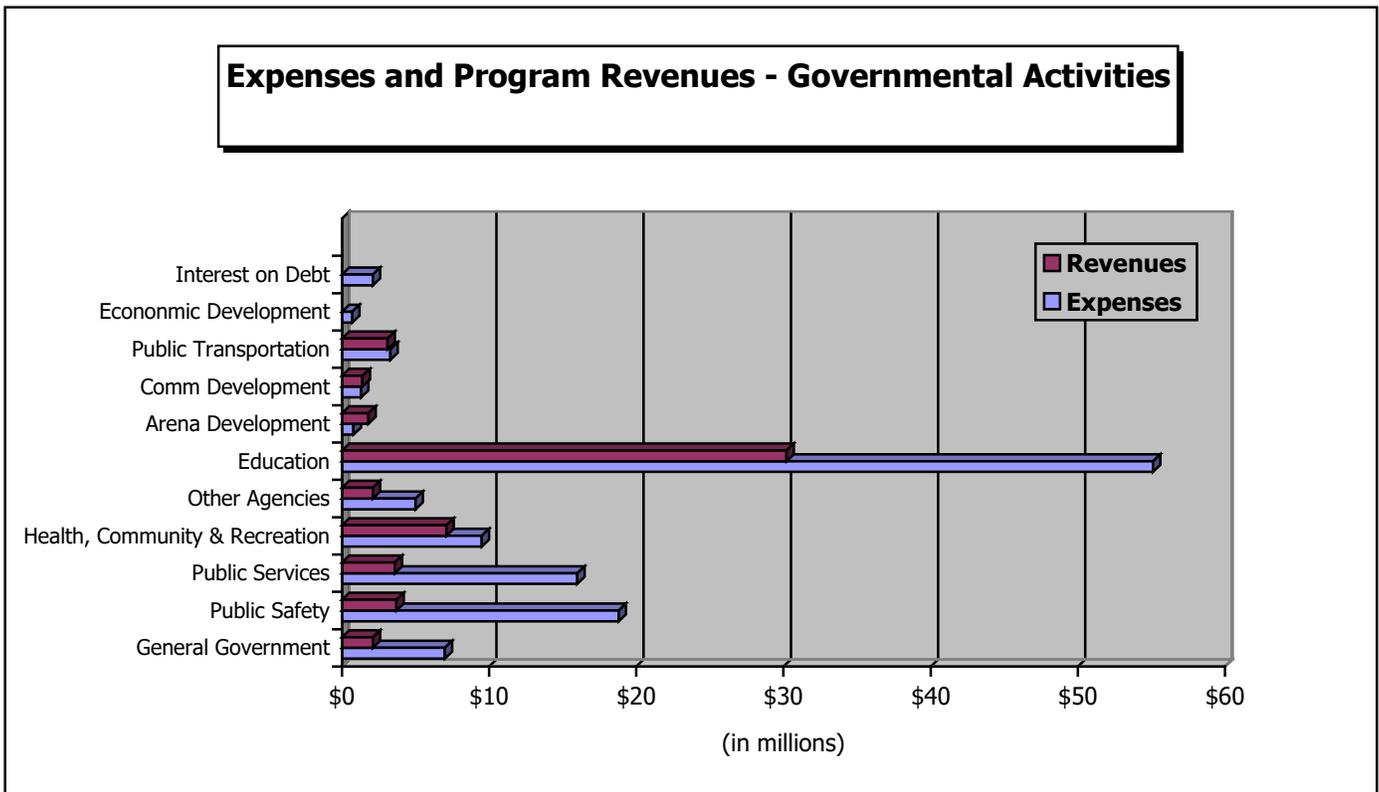
Changes in Net Position

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

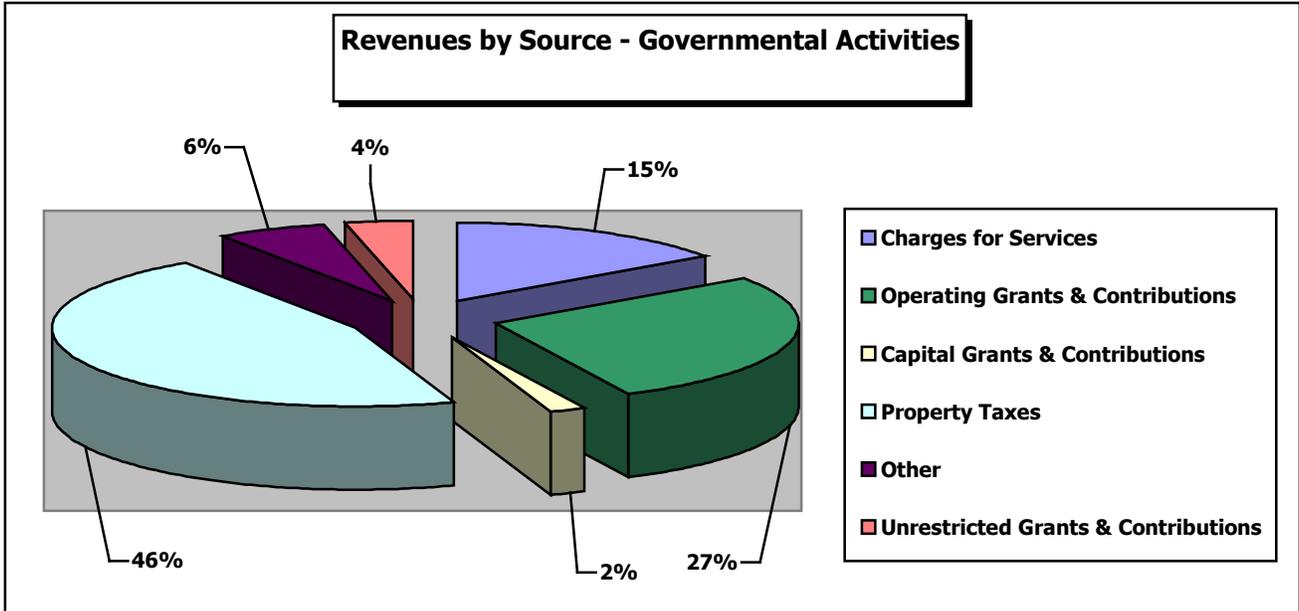
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for services	\$ 18,795,482	\$ 18,157,571	\$ 31,102,229	\$ 28,366,080	\$ 49,897,711	\$ 46,523,651
Operating grants & contributions	33,872,652	34,838,496	-	-	33,872,652	34,838,496
Capital grants & contributions	2,391,680	3,064,312	3,776,705	8,776,331	6,168,385	11,840,643
General Revenues						
Property and other taxes	63,471,807	62,865,431	1,100,000	1,000,000	64,571,807	63,865,431
Grants and contributions not restricted to specific programs	4,464,142	4,173,167	-	-	4,464,142	4,173,167
Other	380,580	668,099	555,259	420,951	935,839	1,089,050
Total Revenues	123,376,343	123,767,076	36,534,193	38,563,362	159,910,536	162,330,438
Expenses						
General government	6,953,399	6,588,238	-	-	6,953,399	6,588,238
Public safety	18,841,238	18,107,357	-	-	18,841,238	18,107,357
Health, community and recreation	9,497,729	10,112,526	-	-	9,497,729	10,112,526
Public services	15,997,665	15,409,518	-	-	15,997,665	15,409,518
Other agencies	5,049,394	4,528,591	-	-	5,049,394	4,528,591
Education	55,079,037	51,901,230	-	-	55,079,037	51,901,230
Arena development	801,439	136	-	-	801,439	136
Community development	1,335,282	1,592,047	-	-	1,335,282	1,592,047
Waterfront	-	331,622	-	-	-	331,622
Public transportation	3,273,876	3,166,692	-	-	3,273,876	3,166,692
Interest on debt	2,142,976	2,362,899	-	-	2,142,976	2,362,899
Economic development (tif)	711,220	929,322	-	-	711,220	929,322
Sewer Utility	-	-	7,725,453	7,210,861	7,725,453	7,210,861
Airport	-	-	21,217,373	20,266,935	21,217,373	20,266,935
Stormwater Utility	-	-	509,884	400,924	509,884	400,924
Parking	-	-	1,037,558	931,676	1,037,558	931,676
Bass Park	-	-	7,886,589	7,735,775	7,886,589	7,735,775
Municipal Golf Course	-	-	604,127	613,930	604,127	613,930
Economic Development	-	-	466,485	508,234	466,485	508,234
Total Expenses	119,683,255	115,030,178	39,447,469	37,668,335	159,130,724	152,698,513
Excess (deficiency) before transfers	3,693,088	8,736,898	(2,913,276)	895,027	779,812	9,631,925
Gain on disposition of asset	62,180	-	931,275	422,984	993,455	422,984
Transfers	(1,675,055)	(2,012,149)	1,675,055	2,012,149	-	-
Change in net position	2,080,213	6,724,749	(306,946)	3,330,160	1,773,267	10,054,909
Beginning net position	35,789,659	29,064,910	168,304,065	164,973,905	204,093,724	194,038,815
Ending net position	\$ 37,869,872	\$ 35,789,659	\$ 167,997,119	\$ 168,304,065	\$ 205,866,991	\$ 204,093,724

Governmental Activities

The cost of all governmental activities was \$119.7 million. As shown on the Statement of Activities, the total amount financed by the property tax was \$56.7 million, or 47% of expenses. Those who directly benefit from an activity provided \$18.8 million in payments. Other governments and organizations subsidized certain activities with operating grants and contributions in the amount of \$33.9 million. Capital grants and contributions accounted for \$2.4 million. The City also received \$11.7 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 \$4.7 million over the prior year, \$2.8 million of the increase was due to the increase in the net pension liability and associated changes within the net pension related deferred inflows and outflows of resources. The net pension liability is the City's proportionate share of the cost sharing multiple-employer defined benefit pension plans, administered by the Maine Public Employers Retirement System (additional information on retirement plans can be found in Note D on pages II-53 to II-57 of this report). The balance of the remaining increase is related to an increase in education costs associated with additional students.

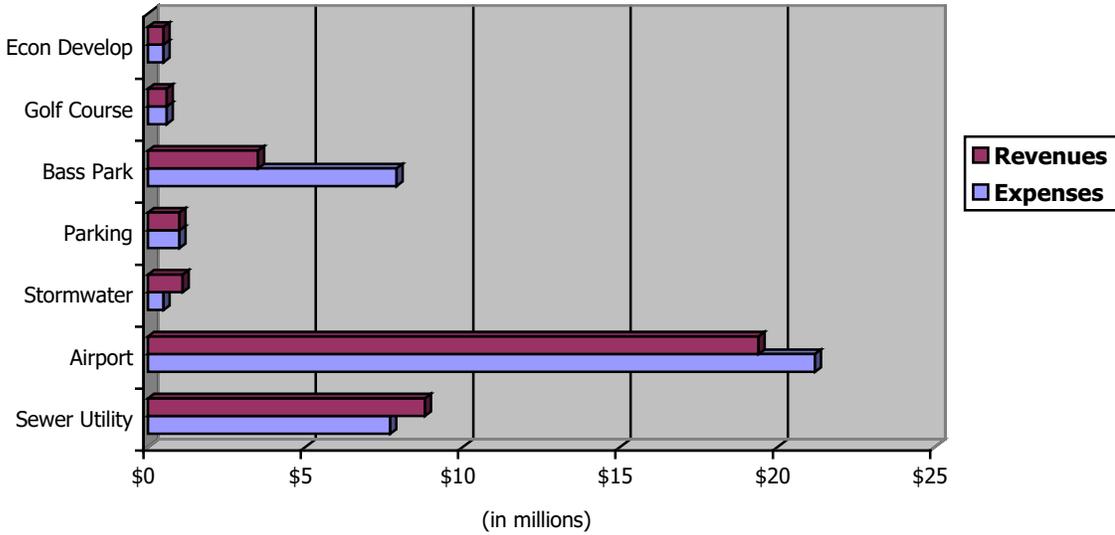


Total governmental activities' revenues were flat, with a decrease of \$390 thousand. The largest single source of revenue continues to be the property tax, which increased \$658 thousand. Capital grants and contributions decreased \$672 thousand due to decreased project specific federal funding of streets/sidewalks. Operating grants and contributions decreased \$966 thousand due to a reduction in the level and number of grants being funded by the State of Maine Department of Health and Human Services. Charges for services increased \$638 thousand due to higher levels of charges for educational activities related to the number of tuition and state agency students.

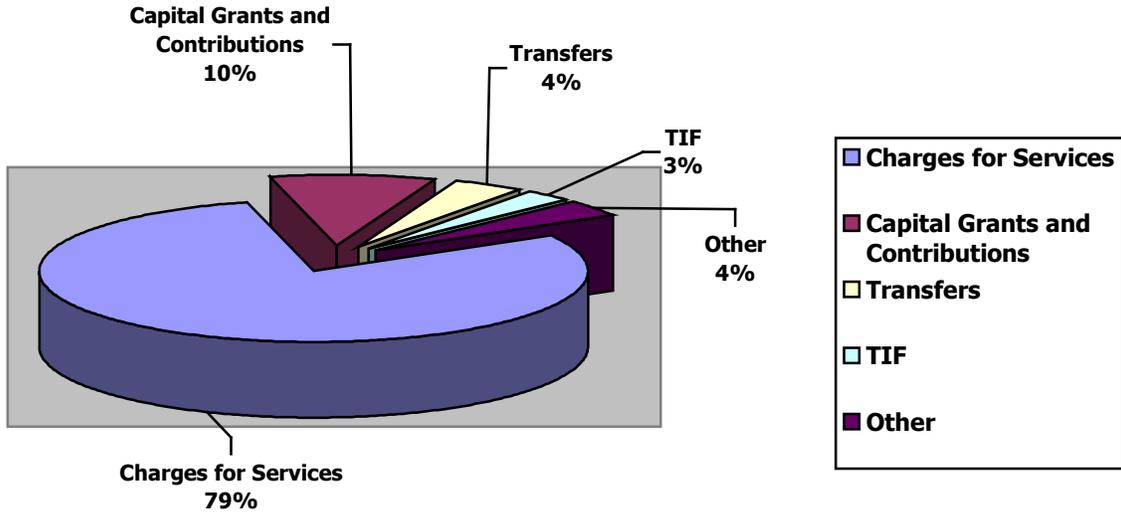
Business-type Activities

Total business-type activities expenses increased \$1.8 million, \$758 thousand of the increase was due to the increase in the net pension liability and associated changes within the net pension related deferred inflows and outflows of resources. The remaining \$364 thousand of increased expenses within the Airport Fund are personnel costs associated with increased levels of fuel sales and domestic airline services. The remaining \$312 thousand of increased expenses with the Sewer Utility Fund reflect the increased level of repairs and maintenance within the existing sewer infrastructure systems.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



In total, business-type activities revenue decreased \$2 million or 5.3%, this decrease is due to the significant reduction in grant contributions received for capital assets of \$5 million mostly associated with the domestic terminal renovation project. Due to the significant cost associated with infrastructure improvements funded through the Federal Airport Improvement Plan grant program, it is not unusual that revenues realized from year to year vary significantly. Airport Fund charges for services increased \$2.3 million due to an increase in the number of gallons of jet fuel sold, as well as an increase in the number of domestic flights.

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 \$29.7 million, a decrease of \$2.3 million over the prior year balance. The decrease is primarily due to the expenditure of \$3.5 million of bond proceeds issued in a prior year within the Capital Fund exceeding the \$1.0 million increase in the General Fund fund balance. Increases in the General Fund fund balance are due to revenues exceeding estimates by \$3.8 million net of \$2.3 million of transfers to the Capital Fund for capital related improvements. All other governmental fund fund balances remained relatively unchanged from prior year amounts. Of the ending balance of \$29.7 million, approximately 74.3% of this total (\$22.1 million) is either committed, assigned or unassigned and is available for spending by formal action of the City Council and \$3 million, or 10.2%, is restricted. The remainder is nonspendable, indicating that it is in the form of nonspendable assets such as inventory, prepaid expenditures, nonexpendable trust principal balances 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 \$22.6 million, a \$1.0 million increase from the prior year's balance of \$21.6 million. The General Fund realized an increased in property tax and educational tuition revenues, and increased expenses related to education for the cost of services to state agency clients and public services due to significant winter conditions. The overall increase is due to excise tax receipts exceeding budget estimates by \$1.2 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 2017 decreased \$151 thousand over the prior year amount. This is reflective of a decline in program income, in that fewer residential loans are prepaying and the winding down of the west-side neighborhood revitalization efforts, to which significant funds had been dedicated to over the last few fiscal years. While the FY 2017 federal funding allocation 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 \$1.8 million towards the 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 \$2.7 million over the prior year, \$1.6 million of which is related to the refunding of outstanding general obligations bonds. Significant project costs incurred in FY 2017 included \$4.2 million investment in streets/sidewalks and other infrastructure, \$1.1 in facility improvements and \$1.4 million in equipment replacements.

Proprietary funds. Information on the City of Bangor's proprietary funds is similar to that found in the government-wide financial statements, but in more detail. The net position of the seven enterprise funds decreased by \$307 thousand to \$168 million. The Sewer Utility fund net position increased \$1.3 million due to annual rate increases to keep pace with inflation and in advance of significant capital investments. The Airport Fund net position decreased \$1.6 million and Bass Park Fund net position decreased \$1.5 million, due to the capital-intensive nature of these operations, operating income is not sufficient to offset depreciation expense and other operating costs.

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 \$2.5 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 3.74%, or \$3.8 million, municipal expenditures were under budget by 1.4%, or \$711 thousand. Education expenditures were under budget by \$2.3 million or 4.3% and by statute, education balances must be segregated from municipal balances.

Capital Asset and Debt Administration

Capital assets. As of June 30, 2017, the City of Bangor's investment in capital assets for its governmental and business-type activities amounted to \$300.9 million (net of accumulated depreciation), a decrease of \$5.0 million over the prior year. This investment includes land, buildings, machinery and equipment, roads, runways, and sewer lines. Depreciation expense of \$17.5 million exceeded the City's investment in capital assets for the current fiscal year of \$12.9 million. Governmental activities invested \$4.6 million, and business-type activities invested \$8.3 million and depreciation expense was \$4.0 million and \$13.4 million, respectively.

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

- The City continues to invest in its core functions of infrastructure, vehicle and equipment replacements. This year the City expanded its surface infrastructure with traffic enhancements and open space infrastructure upgrades, which amounted to \$877 thousand and spent \$1.1 million and \$311 thousand to replace vehicles and equipment, respectively.
- The Airport Fund invested \$3.7 million in operational assets at Bangor International Airport. During FY 2017, the renovation of the domestic terminal building was completed. The project involved the reconfiguration of the entire first floor to better serve passengers such as: new airline and rental car counters, a behind the wall in-line baggage screening, restrooms and overall aesthetic improvements. The project included federal and passenger facility charge funds and a \$1.6 million local share. During FY 2017, \$652 thousand was invested in this project. In addition to the terminal project, the Airport invested nearly \$2.1

million in runway system upgrades which are funded through the Federal Department of Transportation's Airport Improvement Plan and \$878 thousand in leasehold improvements.

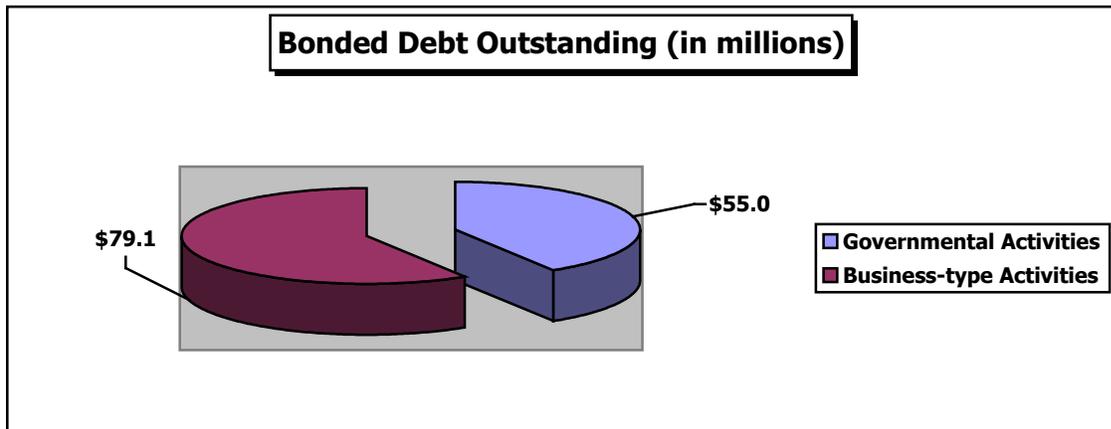
- The Sewer Fund invested \$3.4 million in sewer replacement and separation projects.
- During FY 2017, the Economic Development Fund sold a property to the current tenant for \$875 thousand.
- During FY 2017, the Parking Fund sold a property for redevelopment for \$250,000.

Capital Assets (net of depreciation)

	Governmental Activities	Business-type Activities
Land and improvements	\$13,156,795	\$4,466,350
Buildings and improvements	40,823,517	62,192,263
Machinery and equipment	1,486,742	2,684,102
Vehicles	6,556,083	-
Infrastructure	11,457,682	49,527,034
Parking structures	-	1,946,180
Aircraft operational assets	-	100,246,092
Construction in process	2,408,282	3,948,216
Total	\$75,889,101	\$225,010,237

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 \$134.0 million, a decrease of \$6.7 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 \$381.6 million, an amount which is significantly in excess of existing general obligation debt.

Additional information on the City's long-term debt can be found in Note I on pages II-46 to II-49 of this report.

Quality of Life

The City serves as the urban, commercial, healthcare, governmental service and cultural center of a large geographic area. Although this activity is beneficial to our citizens and the region, it presents some additional social challenges for Bangor. Unfortunately, significant reductions in State general assistance funding, housing assistance, mental health treatments, and medical reimbursements as well as Federal reductions in programs such as Community Development Block Grants have deepened the imbalance between the local cost for providing regional services and broad based revenue sources to offset them.

Growth in the downtown, waterfront, and Main Street corridor continues to generate new activity and renewed interest in the core of Bangor. After several years of vacancies, two significant blocks of properties in the downtown have sold and are being redeveloped and repurposed into mixed use developments that include residential, commercial, office and cultural. The development of upscale residential apartments in the downtown has been increasing steadily over the past few years. In 2017, Bangor Savings Bank acquired several parcels of land, bordering the downtown, waterfront, and lower Main Street. They have broken ground on a new headquarters campus.

The City continues to focus planning and capital efforts on the bus services including maintenance, replacement and facilities. A growing community interest in improving and even expanding bus operations along with direct federal oversight has led to a more focused planning process. To date, the City has invested in new building facilities, midlife and end of life bus overhauls, and acquisition of new busses. In future years, the City will focus on evaluating bus hub facilities, as well as continuing replacement of busses.

The City continues to struggle with vacant and abandoned properties throughout the city. To address these issues, the City has implemented a number of programs including a vacant property registration program. This program has required banks to register foreclosed properties and ensures that financial institutions are taking the steps necessary to ensure safety and security of the property. The City has become more aggressive in identifying blighted housing and removing them or getting them restored and sold. The City actively works to identify neighborhoods that would benefit from strategic investment to encourage and foster single occupancy ownership and provides investment opportunities to match; such as through a Community Development Block Grant program to assist in rehabilitation or acquisition of property or rebates for residential energy efficiency improvements.

Despite being the youngest city in Maine, Bangor has a substantial population of elderly in the community. In 2015, a City supported senior center closed down leading the City to take a more active role in livability for seniors. In 2016, the City joined the AARP livable community program, which outlines a process by which the City will identify specific action steps needed to position the City to better serve the senior population. The program focuses on walkable streets, housing and transportation options, access to key services and opportunities for residents to participate in community activities.

In 2014 the City initiated a public planning process to identify best practices for dealing with substance abuse issues that had emerged in our community. Around the same time, the Community Health Leadership Board (CHLB), a group representing major health and social services agencies was established to deal with public health issues facing the community. One of the first projects undertaken by the CHLB was to use the community report on substance abuse to form action steps for combatting the crisis. Since their formation a great deal of work has been done including a standardization of opioid prescribing protocols to be used in all major medical practices, and supporting and promoting the use of Narcan among local law enforcement agencies, promoting legislative changes on these issues of substance abuse including obtaining legislative support for drug court and social detox. Although there are limited resources for opioid treatment and recovery services, local partnerships within our community have realized substantive changes in the dealing with the opioid crisis. Progress has been made, notably; the number of opioid prescriptions written are down as are deaths because of opioid overdoses.

Communication and Technology

The City actively manages and updates its own website, which integrates with our service request and notification subscription system, posts to social media, and manages its own television channel, which broadcasts all City meetings and provides information on City programs and services and offers live streaming of all meetings. We continually work to ensure that we are providing the information citizens want in the form that best fits their need. The first public portal elements of the City's recent project to implement an electronic content management (ECM) system went live. Anyone with internet access is now able to access council and committee related documents. This effort will continue in the coming years to convert paper records and expand upon the types of documents that are readily available.

Tax Shift

One of the largest challenges faced by the City of Bangor is the incremental nature of Federal and State budget decisions. While individual changes implemented over a number of sessions seem tolerable, the totality of these actions has resulted in a significant tax shift to municipalities. These actions include State legislative mandates to municipalities with no State funding such as; General Assistance, transfer of normal costs of teacher retirement and MaineCare changes and caps, and Statutory funding not upheld by the Legislature such as; funding of revenue sharing and aid to education. In a previous session, the Legislature took action to shift jail costs to County government, which in turn is shifted to municipalities via the county tax mechanism.

The latest example of tax shifting is the 2018-2019 State of Maine Biennial budget. Due to an impasse within the Legislature, the State of Maine did shut down for a few days in July. While the Legislature and Governor were able to develop a budget to enact, that provided additional funding for Education, 41.6% of that funding for Bangor was redirected from a State reimbursement for the State Homestead Exemption Program.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the City of Bangor in 2017 was 3.7%, which continues to be on par with or below both the national and State rates of 4.4% and 3.8%, respectively.
- While Bangor represents less than 3% of the State's population, businesses within the City generate 6.32% of the State's retail sales tax.
- Residential valuations continue to increase slightly in the coming year.
- Value of commercial properties also continues to increase slightly after realizing significant downward adjustments in FY 2010.
- Bangor businesses continue to reinvest in personal property. While not subject to local taxation, the value of BETE property (net of depreciation) in FY 2018 increased \$19.8 million, or 18.8%, for a total of \$125.1 million.

The fiscal year 2018 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 fiscal year 2018, the City's taxable assessed value increased approximately 1%, the impact of the increase in taxable value was significantly reduced due to the increase in the State Homestead Exemption; the associated tax revenue was not reimbursed to the City as required by State Statute. However, even with the failure of the State of Maine to reimburse municipalities for the increase in the Homestead Exemption, the slight net increase of .3% in taxable value, when coupled with increased State education funding resulted in a .2% increase in the tax rate for 2018. The budget allowed the City Council to provide a 1.50% increase to employees, maintain increased levels of investment in infrastructure, as well as fund assigned fund balances for future capital purchases on a current basis.

Both residential and commercial construction and permitting remain generally flat. We continue to monitor key revenue areas such as: raising interest rates, automobile excise taxes, and property tax collection rates.

Bangor serves as one of the largest retail markets 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. Unfortunately, properties at the Bangor Mall are facing the same challenges that are facing retail centers around the country. Changes in retail markets due to the effects of on-line retail and the growth of experiential shopping trends has resulted in several stores, such as Macy's and Sears closing their doors. The City is committed to working with owners of retail properties to identify opportunities for redevelopment. They may include investment of infrastructure as well as a review of zoning requirements that would enhance the ability to redevelop these properties in ways that reflect new trends. Developers have recently acquired the former Macy's property, the Bangor Mall, and Kmart (adjacent to the Bangor Mall) properties. Additionally, The Airport Mall and Broadway Mall have recently changed ownership at above assessed value. The rest of the City's commercial real estate vacancy rates are in-line and industrial properties are quite low.

The City continues to focus on value-added sectors such as manufacturing and aviation, as well as the workforce challenges faced by our region, as we are facing extremely low unemployment

rates, but there is a mismatch between workforce skills and available employment opportunities.

Beginning in the fall of 2018, the City will undertake a significant multi-million dollar sewer infrastructure project, the Davis Brook tank installation. This project is expected to span twenty-four months and involves the installation of a large 3.8 million gallon holding tank along the Penobscot River. This additional capacity is required to further reduce the number of discharges to the river of combined sewer overflows that occur within the City's system during high flow events (i.e. rain, snow melt). This investment is being made to ensure continued compliance with the City's consent decree with the Federal Environmental Protection Agency (a copy of which is available at the Wastewater Treatment Plant page of the City's website www.bangormaine.gov).

While the State of Maine's 2018-2019 Biennial budget has been adopted, it is fairly common for the Legislature to enact supplemental budget provisions to the second year. The 2019 budget includes additional education funding beyond the 2018 level. With recent reductions in state income tax rates, the budget is predicated on other revenues stream keeping pace. If a supplemental budget is required at the State level, it is anticipated that any Legislative actions could negatively impact municipalities. Accordingly, city and school staff and elected officials will closely monitor legislative actions and continue to work collaboratively with other municipalities and professional organizations and actively participate in any upcoming legislative hearings.

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.

BASIC FINANCIAL STATEMENTS



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CITY OF BANGOR, MAINE
Statement of Net Position
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bangor Public Library
ASSETS				
Cash and cash equivalents	\$ 23,369,593	\$ 8,629,474	\$ 31,999,067	\$ 236,370
Investments	530,292	14,184,298	14,714,590	12,420,981
Receivables:				
Accounts (net of allowance of \$535,075 and \$705,000, respectively)	934,966	6,601,378	7,536,344	63,317
Intergovernmental	5,451,728	907,182	6,358,910	-
Taxes and liens - prior years	1,490,502	-	1,490,502	-
Taxes receivable - current year	1,151,283	-	1,151,283	-
Special assessments	30,130	-	30,130	-
Loans and notes	6,427,274	1,678,142	8,105,416	-
Internal balances	1,797,574	(1,797,574)	-	-
Inventories	554,843	194,674	749,517	-
Prepaid items	1,627,359	608,671	2,236,030	2,850
Other assets	-	1,494,008	1,494,008	-
Non-depreciable capital assets	7,500,650	7,343,354	14,844,004	-
Depreciable capital assets, net	68,388,451	217,666,883	286,055,334	13,007,152
Total assets	119,254,645	257,510,490	376,765,135	25,730,670
DEFERRED OUTFLOWS OF RESOURCES				
Net pension	3,936,229	874,285	4,810,514	-
Total deferred outflows of resources	3,936,229	874,285	4,810,514	-
LIABILITIES				
Accounts payable and other current liabilities	2,606,083	3,491,555	6,097,638	142,544
Accrued wages and benefits payable	4,499,755	267,461	4,767,216	-
Unearned revenues	127,584	689,496	817,080	-
Noncurrent liabilities:				
Due within one year	7,688,843	4,668,919	12,357,762	108,235
Due in more than one year	64,602,814	80,793,164	145,395,978	59,936
Total liabilities	79,525,079	89,910,595	169,435,674	310,715
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues - loans and assessments	4,518,751	-	4,518,751	-
Net pension	1,277,172	477,061	1,754,233	-
Total deferred inflows of resources	5,795,923	477,061	6,272,984	-
NET POSITION				
Net investment in capital assets	49,367,869	153,328,264	202,696,133	12,898,917
Restricted for:				
Nonexpendable trust principal	525,249	-	525,249	4,425,016
Expendable income	514,652	-	514,652	7,537,149
Grants and other balances	2,507,815	-	2,507,815	-
Unrestricted	(15,045,713)	14,668,855	(376,858)	558,873
Total net position	\$ 37,869,872	\$ 167,997,119	\$ 205,866,991	\$ 25,419,955

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position			Component Unit Bangor Public Library
		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	\$ 6,953,399	\$ 2,117,874	\$ 2,535	\$ -	\$ (4,832,990)	\$ -	\$ (4,832,990)	\$ -
Public safety	18,841,238	3,013,577	392,233	248,744	(15,186,684)	-	(15,186,684)	-
Health, community services and recreation	9,497,729	1,266,221	5,859,952	-	(2,371,556)	-	(2,371,556)	-
Public services	15,997,665	3,637,836	2,839	-	(12,356,990)	-	(12,356,990)	-
Other agencies	5,049,394	-	-	2,080,390	(2,969,004)	-	(2,969,004)	-
Education	55,079,037	5,705,049	24,452,216	-	(24,921,772)	-	(24,921,772)	-
Arena development	801,439	1,838,285	-	-	1,036,846	-	1,036,846	-
Community development	1,335,282	442,445	859,126	62,546	28,835	-	28,835	-
Public transportation	3,273,876	774,195	2,303,751	-	(195,930)	-	(195,930)	-
Economic development (tif)	711,220	-	-	-	(711,220)	-	(711,220)	-
Interest on debt	2,142,976	-	-	-	(2,142,976)	-	(2,142,976)	-
Total governmental activities	119,683,255	18,795,482	33,872,652	2,391,680	(64,623,441)	-	(64,623,441)	-
Business-type activities:								
Sewer Utility	7,725,453	8,634,449	-	183,717	-	1,092,713	1,092,713	-
Airport	21,217,373	15,870,081	-	3,492,988	-	(1,854,304)	(1,854,304)	-
Stormwater Utility	509,884	1,053,892	-	-	-	544,008	544,008	-
Parking	1,037,558	1,008,494	-	-	-	(29,064)	(29,064)	-
Bass Park	7,886,589	3,387,105	-	100,000	-	(4,399,484)	(4,399,484)	-
Municipal Golf Course	604,127	644,303	-	-	-	40,176	40,176	-
Economic Development	466,485	503,905	-	-	-	37,420	37,420	-
Total business-type activities	39,447,469	31,102,229	-	3,776,705	-	(4,568,535)	(4,568,535)	-
Total primary government	\$ 159,130,724	\$ 49,897,711	\$ 33,872,652	\$ 6,168,385	(64,623,441)	(4,568,535)	(69,191,976)	-
Component unit								
Bangor Public Library	\$ 2,795,795	\$ 34,610	\$ 2,182,454	\$ 69,584	-	-	-	\$ (509,147)
General revenues:								
Property taxes, levied for general purposes					56,721,029	1,100,000	57,821,029	-
Payment in lieu of taxes					233,683	-	233,683	-
Excise taxes					6,170,792	-	6,170,792	-
Franchise taxes					346,303	-	346,303	-
Grants and contributions not restricted to specific programs:								
Homestead/BETE exemption					2,214,078	-	2,214,078	-
Other State aid					24,600	-	24,600	-
State Revenue Sharing					2,225,464	-	2,225,464	-
Unrestricted investment earnings					380,580	555,259	935,839	1,053,090
Gain on sale of assets					62,180	931,275	993,455	-
Transfers					(1,675,055)	1,675,055	-	-
Total general revenues and transfers					66,703,654	4,261,589	70,965,243	1,053,090
Change in net position					2,080,213	(306,946)	1,773,267	543,943
Net position, beginning of year					35,789,659	168,304,065	204,093,724	24,876,012
Net position, end of year					\$ 37,869,872	\$ 167,997,119	\$ 205,866,991	\$ 25,419,955

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Balance Sheet
Governmental Funds
June 30, 2017

	General	Community Development Block Grant	Arena Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 18,878,973	\$ 120,579	\$ 501,915	\$ 2,665,269	\$ 1,202,857	\$ 23,369,593
Investments	50,000	-	-	349,299	130,993	530,292
Receivables:						
Taxes	2,641,785	-	-	-	-	2,641,785
Accounts (net of allowance of \$535,075)	578,077	55,000	115,276	62,546	124,067	934,966
Interfund	1,935,404	-	-	-	-	1,935,404
Intergovernmental	5,003,018	22,037	-	323,769	102,904	5,451,728
Loans and notes	535,372	4,328,621	-	-	1,563,281	6,427,274
Unearned special assessments	-	-	-	30,130	-	30,130
Inventory, at cost	554,843	-	-	-	-	554,843
Prepaid items	507,130	-	-	1,120,229	-	1,627,359
Total assets	30,684,602	4,526,237	617,191	4,551,242	3,124,102	43,503,374
LIABILITIES						
Accounts payable	1,345,499	49,290	3,900	741,404	94,289	2,234,382
Accrued wages and benefits payable	4,495,658	4,097	-	-	-	4,499,755
Interfund loans payable	-	-	-	-	137,830	137,830
Unearned revenues	-	49,286	-	78,298	-	127,584
Due to rehabilitation recipients	-	44,132	-	-	-	44,132
Total liabilities	5,841,157	146,805	3,900	819,702	232,119	7,043,683
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	2,215,800	-	-	-	-	2,215,800
Unavailable revenues - loans	-	4,328,621	-	-	160,000	4,488,621
Unavailable revenues - special assessments	-	-	-	30,130	-	30,130
Total deferred inflows of resources	2,215,800	4,328,621	-	30,130	160,000	6,734,551
FUND BALANCES (Note J)						
Nonspendable	2,962,473	-	-	1,120,229	525,249	4,607,951
Restricted	764,922	50,811	-	-	2,206,734	3,022,467
Committed	288,743	-	613,291	-	-	902,034
Assigned	6,439,941	-	-	2,581,181	-	9,021,122
Unassigned	12,171,566	-	-	-	-	12,171,566
Total fund balances	22,627,645	50,811	613,291	3,701,410	2,731,983	29,725,140
Total liabilities, deferred inflows of resources and fund balances	\$ 30,684,602	\$ 4,526,237	\$ 617,191	\$ 4,551,242	\$ 3,124,102	

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.

75,889,101

Unavailable revenues - property taxes are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

2,215,800

Long-term liabilities, including bonds payable \$54,988,615, accrued interest \$327,569, accrued compensated absences \$2,098,318, self insurance liability \$2,572,145, net OPEB obligation \$3,123,960, bond premium \$513,554, capital leases \$181,526 and net pension liability, including deferred outflows and inflows of resources \$6,154,482 are not due and payable in the current period and, therefore, are not reported in the funds.

(69,960,169)

Net position of governmental funds

\$ 37,869,872

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, 2017

	General	Community Development Block Grant	Arena Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 61,629,388	\$ -	\$ -	\$ 1,920,385	\$ -	\$ 63,549,773
Intergovernmental	30,662,625	779,410	-	2,276,585	6,787,748	40,506,368
Licenses and permits	644,795	-	-	-	-	644,795
Charges for services	14,751,088	-	-	-	774,195	15,525,283
Program income	-	407,403	-	-	-	407,403
Revenue from use of money and property	761,454	-	1,838,285	12,029	82,179	2,693,947
Other	18,623	35,042	-	115,095	107,011	275,771
Total revenues	108,467,973	1,221,855	1,838,285	4,324,094	7,751,133	123,603,340
Expenditures						
Current:						
General government	5,133,047	-	-	-	-	5,133,047
Public safety	17,330,311	-	-	-	-	17,330,311
Health, community services and recreation	4,972,166	-	-	-	-	4,972,166
Public services	10,907,018	-	-	-	-	10,907,018
Other agencies	4,886,577	-	-	-	-	4,886,577
Education	54,722,897	-	-	-	-	54,722,897
Tax increment financing	711,220	-	-	-	-	711,220
Unclassified	31,213	-	13,355	-	-	44,568
Restricted grants	-	1,167,891	-	-	7,631,139	8,799,030
Capital outlay	906,169	-	-	8,513,227	-	9,419,396
Debt service	5,687,035	-	-	1,747,435	-	7,434,470
Total expenditures	105,287,653	1,167,891	13,355	10,260,662	7,631,139	124,360,700
Excess (deficiency) of revenues over (under) expenditures	3,180,320	53,964	1,824,930	(5,936,568)	119,994	(757,360)
Other financing sources (uses)						
Sale of assets	122,683	-	-	21,686	-	144,369
Transfers to other funds	(2,319,912)	-	(1,798,780)	(58,891)	(60,732)	(4,238,315)
Transfers from other funds	56,331	-	-	2,505,919	1,010	2,563,260
Total other financing sources (uses)	(2,140,898)	-	(1,798,780)	2,468,714	(59,722)	(1,530,686)
Changes in fund balances	1,039,422	53,964	26,150	(3,467,854)	60,272	(2,288,046)
Fund balances, beginning of year	21,588,223	(3,153)	587,141	7,169,264	2,671,711	32,013,186
Fund balances, end of year	\$ 22,627,645	\$ 50,811	\$ 613,291	\$ 3,701,410	\$ 2,731,983	\$ 29,725,140

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, 2017

Net change in fund balances - total governmental funds (from Exhibit 4)	\$	(2,288,046)
<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 \$4,600,669 exceeds loss on disposal of assets of \$82,189 and depreciation expense of \$4,049,900.</p>		
		468,580
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in unavailable revenues.</p>		
		(226,997)
<p>Financing proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Governmental funds report the effects of premiums and discounts when debt is issued, but these amounts are deferred and amortized in the statement of activities. The City amortized bond premiums of \$53,728. Repayment of bond and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the state of net position. For the year, the amount of the repayments was \$7,307,021.</p>		
		7,360,749
<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 in net OPEB obligation (\$196,464), self insurance liability (\$312,196), net pension liability including deferred outflows and inflows of (\$2,816,018) and decreases in accrued compensated absences (\$36,696) and interest (\$53,909).</p>		
		(3,234,073)
Change in net position of governmental activities (see Exhibit 2)		\$ 2,080,213

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, 2017

	<u>Budgeted amounts</u>		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 60,123,256	\$ 60,123,256	\$ 61,629,388	\$ 1,506,132
Intergovernmental	26,935,261	26,942,331	27,605,530	663,199
Licenses and permits	620,243	620,243	644,795	24,552
Charges for services:				
municipal	8,486,790	8,486,790	8,944,785	457,995
school	4,635,338	4,635,338	5,705,049	1,069,711
Fines, forfeits and penalties	23,000	23,000	18,623	(4,377)
Revenue from use of money and property				
municipal	650,150	650,150	727,792	77,642
Total revenues	101,474,038	101,481,108	105,275,962	3,794,854
Expenditures				
Current:				
General government	5,339,462	5,339,462	5,292,146	47,316
Public safety	17,906,407	17,920,837	17,380,180	540,657
Health, community services and recreation	5,119,606	5,119,606	4,972,166	147,440
Public buildings and services	10,835,284	10,835,284	10,929,752	(94,468)
Other agencies	4,889,336	4,889,336	4,880,069	9,267
Education	51,484,510	54,029,216	51,709,777	2,319,439
Unclassified	809,378	809,378	748,941	60,437
Debt service	5,687,035	5,687,035	5,687,035	-
Total expenditures	102,071,018	104,630,154	101,600,066	3,030,088
Excess (deficiency) of revenues over (under) expenditures	(596,980)	(3,149,046)	3,675,896	6,824,942
Other financing sources (uses)				
Appropriation from restricted, committed and assigned fund balances	1,257,480	1,257,480	7,480	(1,250,000)
Appropriation to assigned fund balance	-	-	(1,220,686)	(1,220,686)
Sale of assets	74,000	74,000	31,694	(42,306)
Contributions	-	7,360	7,391	31
Insurance settlements	52,500	52,500	75,634	23,134
Transfers to other funds	(814,000)	(814,000)	(1,350,614)	(536,614)
Transfers from other funds	27,000	27,000	21,600	(5,400)
Total other financing sources (uses)	596,980	604,340	(2,427,501)	(3,031,841)
Net change in fund balance	\$ -	\$ (2,544,706)	1,248,395	\$ 3,793,101
Unassigned fund balance, beginning of year			11,315,235	
Changes in fund balance classification in accordance with GAAP				
Changes in balances carried			(568,230)	
Inventory and prepaids (GASB 54)			176,166	
Unassigned fund balance, end of year			\$ 12,171,566	

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2017

Business-type Activities - Enterprise Funds

	Sewer Utility Fund	Airport Fund	Bass Park Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
ASSETS					
Current assets					
Cash and cash equivalents	\$ 2,778,998	\$ 1,426,396	\$ 1,003,050	\$ 3,421,030	\$ 8,629,474
Investments	8,961	11,892,915	-	-	11,901,876
Accounts receivable	3,187,696	3,457,434	275,858	385,390	7,306,378
Less allowance for uncollectible accounts	(45,000)	(660,000)	-	-	(705,000)
Net accounts receivable	3,142,696	2,797,434	275,858	385,390	6,601,378
Due from other governments	-	907,182	-	-	907,182
Inventories, at cost	-	166,658	28,016	-	194,674
Prepaid items	40,220	369,637	69,031	129,783	608,671
Total current assets	5,970,875	17,560,222	1,375,955	3,936,203	28,843,255
Noncurrent assets					
Capital Assets:					
Land and improvements	683,865	-	579,157	5,008,359	6,271,381
Buildings and improvements	29,026,578	-	68,958,075	4,587,329	102,571,982
Machinery and equipment	6,611,064	-	2,020,234	553,257	9,184,555
Infrastructure	63,603,710	-	-	683,189	64,286,899
Aircraft operational assets	-	294,013,860	-	-	294,013,860
Parking structures	-	-	-	11,372,837	11,372,837
Construction in process	3,702,321	180,869	-	65,026	3,948,216
Total capital assets	103,627,538	294,194,729	71,557,466	22,269,997	491,649,730
Less accumulated depreciation	(47,438,201)	(193,767,768)	(11,882,040)	(13,551,484)	(266,639,493)
Net capital assets	56,189,337	100,426,961	59,675,426	8,718,513	225,010,237
Investments	-	2,282,422	-	-	2,282,422
Loans receivable	-	281,846	-	1,396,296	1,678,142
Due from bond trustee	1,494,008	-	-	-	1,494,008
Total noncurrent assets	57,683,345	102,991,229	59,675,426	10,114,809	230,464,809
Total assets	63,654,220	120,551,451	61,051,381	14,051,012	259,308,064
DEFERRED OUTFLOWS OF RESOURCES					
Net pension	220,357	634,999	-	18,929	874,285
Total deferred outflows of resources	220,357	634,999	-	18,929	874,285

See accompanying notes to financial statements.

Continued on next page

CITY OF BANGOR, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2017

Business-type Activities - Enterprise Funds

	Sewer Utility Fund	Airport Fund	Bass Park Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
LIABILITIES					
Current liabilities					
Accounts payable	793,073	1,118,810	304,186	166,407	2,382,476
Accrued wages and benefits payable	39,062	150,566	58,850	18,983	267,461
Accrued interest	57,450	52,391	946,402	52,836	1,109,079
Workers' compensation	20,000	138,266	-	1,953	160,219
Interfund loans payable	-	-	1,797,574	-	1,797,574
General obligation debt payable	1,631,986	606,758	1,202,234	608,951	4,049,929
Capital lease obligation payable	-	-	9,478	-	9,478
Accrued compensated absences	70,564	268,903	-	19,115	358,582
Unearned revenue	-	-	689,496	-	689,496
Other liabilities	-	-	90,711	-	90,711
Total current liabilities	2,612,135	2,335,694	5,098,931	868,245	10,915,005
Long-term liabilities					
Workers' compensation	-	142,949	-	8,047	150,996
General obligation debt payable	13,160,080	8,045,255	49,892,322	3,909,412	75,007,069
Capital lease obligation payable	-	-	10,548	-	10,548
Accrued compensated absences	55,279	143,118	-	14,871	213,268
Net OPEB obligation	196,089	683,098	-	43,594	922,781
Net pension liability	541,226	1,559,643	-	46,493	2,147,362
Other long-term liabilities	156,498	-	2,184,642	-	2,341,140
Total long-term liabilities	14,109,172	10,574,063	52,087,512	4,022,417	80,793,164
Total liabilities	16,721,307	12,909,757	57,186,443	4,890,662	91,708,169
DEFERRED INFLOWS OF RESOURCES					
Net pension	120,240	346,492	-	10,329	477,061
Total deferred inflows of resources	120,240	346,492	-	10,329	477,061
NET POSITION					
Net investment in capital assets	43,627,040	94,571,999	9,820,801	5,308,424	153,328,264
Unrestricted	3,405,990	13,358,202	(5,955,863)	3,860,526	14,668,855
Total net position	\$ 47,033,030	\$ 107,930,201	\$ 3,864,938	\$ 9,168,950	\$ 167,997,119

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, 2017

	Sewer Utility Fund	Airport Fund	Bass Park Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
Business-type Activities - Enterprise Funds					
Operating revenues					
Charges for services	\$ 8,634,449	\$ 15,870,081	\$ 3,387,105	\$ 3,210,594	\$ 31,102,229
Total operating revenues	8,634,449	15,870,081	3,387,105	3,210,594	31,102,229
Operating expenses					
Operating expenses other than depreciation and amortization	5,581,982	12,760,491	3,110,424	1,947,355	23,400,252
Depreciation and amortization	1,859,038	8,090,205	2,954,733	512,846	13,416,822
Total operating expenses	7,441,020	20,850,696	6,065,157	2,460,201	36,817,074
Operating income (loss)	1,193,429	(4,980,615)	(2,678,052)	750,393	(5,714,845)
Nonoperating revenue (expenses)					
Interest income	194,764	221,981	-	138,514	555,259
Interest expense	(284,433)	(366,677)	(1,821,432)	(157,853)	(2,630,395)
Taxes (Downtown TIF)	-	-	1,100,000	-	1,100,000
Gain on sale of assets	7,411	-	-	923,864	931,275
Total nonoperating revenue (expenses)	(82,258)	(144,696)	(721,432)	904,525	(43,861)
Net income (loss) before grants/contributions and transfers	1,111,171	(5,125,311)	(3,399,484)	1,654,918	(5,758,706)
Grants/contributions received for capital assets	183,717	3,492,988	100,000	-	3,776,705
Transfers to other funds	(25,000)	-	-	(121,875)	(146,875)
Transfers from other funds	23,150	-	1,798,780	-	1,821,930
Change in net position	1,293,038	(1,632,323)	(1,500,704)	1,533,043	(306,946)
Net position, beginning of year	45,739,992	109,562,524	5,365,642	7,635,907	168,304,065
Net position, end of year	\$ 47,033,030	\$ 107,930,201	\$ 3,864,938	\$ 9,168,950	\$ 167,997,119

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2017
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	\$ 8,943,837	\$ 18,521,284	\$ 3,065,050	\$ 3,333,560	\$ 33,863,731
Cash paid to suppliers for goods and services	(3,593,136)	(5,550,366)	(3,300,901)	(1,032,075)	(13,476,478)
Cash paid to employees for services	(1,850,920)	(6,703,692)	-	(822,558)	(9,377,170)
Net cash provided by (used in) operating activities	3,499,781	6,267,226	(235,851)	1,478,927	11,010,083
Cash flows from noncapital financing activities					
Interfund loans (repayments)	-	(6,225,775)	-	-	(6,225,775)
Taxes (Downtown TIF)	-	-	1,100,000	-	1,100,000
Transfers in	23,150	-	1,798,780	-	1,821,930
Transfers out	(25,000)	-	-	(121,875)	(146,875)
Net cash provided by (used in) noncapital financing activities	(1,850)	(6,225,775)	2,898,780	(121,875)	(3,450,720)
Cash flows from capital and related financing activities					
Proceeds from general obligation bonds	4,280,000	-	-	-	4,280,000
Acquisition and construction of capital assets	(4,429,957)	(4,135,140)	-	(197,507)	(8,762,604)
Principal paid on general obligation bonds/capital leases	(1,579,986)	(584,818)	(1,152,375)	(590,769)	(3,907,948)
Interest paid on general obligation bonds	(278,822)	(365,218)	(1,939,590)	(168,574)	(2,752,204)
Proceeds from sale of property	7,411	-	-	1,125,000	1,132,411
Grant/contribution monies received for capital assets	183,717	5,454,730	100,000	-	5,738,447
Net cash provided by (used in) capital and related financing activities	(1,817,637)	369,554	(2,991,965)	168,150	(4,271,898)
Cash flows from investing activities					
Net sales (purchases) of investments	271,056	700,743	-	-	971,799
Investment of unexpended bond proceeds	(812,062)	-	-	-	(812,062)
Interest on investments	194,764	221,981	-	171,033	587,778
Loan repayments	-	86,407	-	-	86,407
Net cash provided by (used in) investing activities	(346,242)	1,009,131	-	171,033	833,922
Net increase (decrease) in cash	1,334,052	1,420,136	(329,036)	1,696,235	4,121,387
Cash, beginning of year	1,444,946	6,260	1,332,086	1,724,795	4,508,087
Cash, end of year	\$ 2,778,998	\$ 1,426,396	\$ 1,003,050	\$ 3,421,030	\$ 8,629,474

Schedule of noncash investing, capital and financing activities:

During the year, the Airport Fund had an unrealized gain on investments in the amount of \$403,750 and expended \$284,718 in capital asset acquisition costs to be reimbursed by Federal and State grants in a subsequent year.

See accompanying notes to financial statements.

Continued on next page

CITY OF BANGOR, MAINE
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	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)	\$ 1,193,429	\$ (4,980,615)	\$ (2,678,052)	\$ 750,393	\$ (5,714,845)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	1,859,038	8,090,205	2,954,733	512,846	13,416,822
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	309,388	2,651,203	37,152	106,517	3,104,260
(Increase) decrease in inventories	-	40,279	3,991	-	44,270
(Increase) decrease in prepaid items	9,807	(10,255)	25,051	11,364	35,967
Increase (decrease) in accounts payable	(92,314)	(103,596)	(167,935)	69,168	(294,677)
Increase (decrease) in unearned revenue	-	-	(359,207)	-	(359,207)
Increase (decrease) in other liabilities	220,433	580,005	(51,584)	28,639	777,493
Total adjustments	2,306,352	11,247,841	2,442,201	728,534	16,724,928
Net cash provided by (used in) operating activities	\$ 3,499,781	\$ 6,267,226	\$ (235,851)	\$ 1,478,927	\$ 11,010,083

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

		Agency Fund
ASSETS		
Cash and cash equivalents	\$	136,926
Total assets		136,926
LIABILITIES		
Amounts held for others		136,926
Total liabilities		\$ 136,926

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, 2017

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 60% of the operating financial support received by the Library during the year ended June 30, 2017. 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, 2016 (most recent data available) the City of Bangor's share of the Joint Venture's net position was \$5,385,036. Complete financial statements may be obtained from Municipal Review Committee, 395 State Street, Ellsworth, ME 04605.

B. Government-wide and Fund Financial Statements

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The City reports the following major proprietary funds:

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

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

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

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

1. Deposits and Investments

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

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

Investments are reported at fair value. Fair value is measured using a hierarchy established by generally accepted accounting principles. Level 1 investments are based on quoted prices in active markets for identical assets, Level 2 investments are based on significant other observable inputs and Level 3 investments are based on significant unobservable inputs. 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. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

The cost of inventories and prepaid items are recognized as expenditures/expenses when consumed or used rather than when purchased.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. If material, 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
Airport Operational	5 – 40 years
Parking Structures	10 – 20 years

5. Deferred Inflows/Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred outflows and inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental funds only report a deferred inflow of resources, unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred outflows and inflows that relate to the net pension liability, which include the City's contribution subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, changes in proportion and differences between the City's contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period. In addition, the governmental activities and governmental funds have deferred outflows that related to 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, if material.

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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. Pensions

For purposes of measuring the net pension liability (MePers liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Use of Estimates

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

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

Maine Public Employees Retirement contributions are made by the State of Maine on behalf of the School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$3,057,095. These amounts have been included as intergovernmental revenue and education expenditures in the general fund on the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 4) and in the entity-wide Statement of Activities (Exhibit 2). There is no effect on fund balance or net position at the end of the year.

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

B. Reconciliation of Budgetary Basis Statements

The following schedule reconciles the General Fund amounts on the Statement of Revenues, Expenditures, and Changes in Unassigned 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 and other financing sources over expenditures and other financing uses (Budget)	\$ 1,248,395
Activity in assigned fund balance	293,032
2017 encumbrances	1,428,752
2016 encumbrances paid	(1,928,009)
2016 encumbrances lapsed	<u>(2,748)</u>
Excess of revenues and other financing sources over expenditures and other uses (GAAP)	<u>\$ 1,039,422</u>

C. Excess of Expenditures Over Appropriations

The following General Fund departments were over-expended by the indicated dollar amounts; Executive \$45,627, Public Transportation \$109,255, Planning, econ dev., code enforcement \$11,188 and Public buildings and services \$94,468. These over-expenditures were funded by receipt of revenues in excess of appropriations and under-expenditures within other General Fund departments.

D. 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 2017.

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, 2017, none of the City's bank balance of \$33,610,056 was exposed to custodial credit.

Fair Value – Investments

The City of Bangor categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2017, the City had the following investments and maturities:

Investment types	Rating	Fair Value	Not Applicable	Maturity (years)		
				<1	1-5	6-10
Mutual Funds		\$ 11,665,043	\$ 11,665,043	\$ -	\$ -	\$ -
Repurchase Agreements		11,186	11,186	-	-	-
US Treasuries	AA	2,532,085	-	249,663	2,027,384	255,038
Common Stock		456,276	456,276	-	-	-
Certificate of Deposit		50,000	-	50,000	-	-
Totals		<u>\$ 14,714,590</u>	<u>\$ 12,132,505</u>	<u>\$ 299,663</u>	<u>\$ 2,027,384</u>	<u>\$ 255,038</u>

Investment types	Fair Value	Level 1	Level 2	Level 3
		Inputs	Inputs	Inputs
Mutual Funds	\$ 11,665,043	\$ 11,665,043	\$ -	\$ -
US Treasuries	2,532,085	2,532,085	-	-
Common Stock	456,276	456,276	-	-
Totals	<u>\$ 14,653,404</u>	<u>\$ 14,653,404</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

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

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

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 cannot 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, 2017, 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.

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 8, 2016, 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 15, 2016 and March 15, 2017. 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.

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

C. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,092,368	\$ -	\$ -	\$ 5,092,368
Construction in process	1,811,356	2,007,952	1,411,026	2,408,282
Total capital assets not being depreciated	6,903,724	2,007,952	1,411,026	7,500,650
Capital assets, being depreciated:				
Land improvements	11,936,342	1,989,288	-	13,925,630
Buildings and improvements	71,280,379	624,399	30,905	71,873,873
Machinery and equipment	12,209,056	311,249	-	12,520,305
Vehicles	17,930,929	1,078,807	749,980	18,259,756
Infrastructure	24,066,358	-	-	24,066,358
Total capital assets being depreciated	137,423,064	4,003,743	780,885	140,645,922
Less accumulated depreciation for:				
Land improvements	(5,286,544)	(574,659)	-	(5,861,203)
Buildings and improvements	(29,555,671)	(1,497,466)	(2,781)	(31,050,356)
Machinery and equipment	(10,619,428)	(414,135)	-	(11,033,563)
Vehicles	(11,202,158)	(1,197,430)	(695,915)	(11,703,673)
Infrastructure	(12,242,466)	(366,210)	-	(12,608,676)
Total accumulated depreciation	(68,906,267)	(4,049,900)	(698,696)	(72,257,471)
Total capital assets being depreciated, net	68,516,797	(46,157)	82,189	68,388,451
Governmental activities capital assets, net	\$ 75,420,521	\$ 1,961,795	\$ 1,493,215	\$ 75,889,101

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,596,274	\$ -	\$ 201,136	\$ 3,395,138
Construction in process	22,355,436	7,579,781	25,987,001	3,948,216
Total capital assets not being depreciated	25,951,710	7,579,781	26,188,137	7,343,354
Capital assets, being depreciated:				
Land improvements	2,876,243	-	-	2,876,243
Buildings and improvements	102,419,888	152,094	-	102,571,982
Machinery and equipment	9,123,253	83,793	22,491	9,184,555
Infrastructure	60,985,513	3,368,679	67,293	64,286,899
Airport operational assets	271,001,326	23,012,534	-	294,013,860
Parking structures	11,331,311	41,526	-	11,372,837
Total capital assets being depreciated	457,737,534	26,658,626	89,784	484,306,376
Less accumulated depreciation for:				
Land improvements	(1,748,756)	(56,275)	-	(1,805,031)
Buildings and improvements	(36,516,344)	(3,863,375)	-	(40,379,719)
Machinery and equipment	(6,021,871)	(501,073)	(22,491)	(6,500,453)
Infrastructure	(14,127,007)	(632,858)	-	(14,759,865)
Airport operational assets	(185,677,563)	(8,090,205)	-	(193,767,768)
Parking structures	(9,153,621)	(273,036)	-	(9,426,657)
Total accumulated depreciation	(253,245,162)	(13,416,822)	(22,491)	(266,639,493)
Total capital assets being depreciated, net	204,492,372	13,241,804	67,293	217,666,883
Business-type activities capital assets, net	\$ 230,444,082	\$ 20,821,585	\$ 26,255,430	\$ 225,010,237

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

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

Governmental Activities:	
General government	\$ 1,353,376
Public safety	780,928
Health, community services and recreation	132,478
Public services	551,335
Education	<u>1,231,783</u>
Total depreciation expense - governmental activities	<u>\$ 4,049,900</u>
Business-type activities:	
Sewer Utility Fund	\$ 1,859,038
Airport Fund	8,090,205
Bass Park Fund	2,954,733
Stormwater	16,494
Economic Development Fund	155,705
Parking Fund	273,036
Municipal Golf Course	<u>67,611</u>
Total depreciation expense - business-type activities	<u>\$ 13,416,822</u>

Construction commitments:

At June 30, 2017 the City had entered into contracts or otherwise committed to various construction projects:

	Contract Amount	Paid To Date	Balance Remaining
Building Improvements	\$ 777,935	\$ 397,528	\$ 380,407
Infrastructure	1,564,150	468,462	1,095,688
Sewer Upgrades	3,908,651	3,635,088	273,563

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, 2017 the balances were as follows:

	Receivable	Payable
General Fund	\$ 1,935,404	\$ -
Nonmajor Governmental Funds	-	137,830
Bass Park Fund	-	1,797,574
	<u>\$ 1,935,404</u>	<u>\$ 1,935,404</u>

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

Individual fund transfers to and from other funds for the fiscal year ended June 30, 2017 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	\$ 2,319,912	\$ 56,331
Arena Fund	1,798,780	-
Capital Projects Fund	58,891	2,505,919
Nonmajor Governmental Funds	60,732	1,010
Bass Park Fund	-	1,798,780
Sewer Fund	25,000	23,150
Nonmajor Enterprise Funds	121,875	-
	\$ 4,385,190	\$ 4,385,190

E. Due From Other Governments

Due from other governments is comprised of the following amounts at June 30, 2017:

	Federal Government	State of Maine	Other	Total
General Fund	\$ 1,060,711	\$ 2,893,775	\$ 1,048,532	\$ 5,003,018
Community Development	22,037	-	-	22,037
Nonmajor Special Revenue Funds	102,904	-	-	102,904
Capital Projects Fund	-	323,769	-	323,769
Airport Fund	339,479	567,703	-	907,182

Amounts due from Federal Government are comprised of operating and capital grants for all fund types. Of the General Fund's \$2,893,775 due from State of Maine, \$1,973,340 represents school grant and State agency billings, and \$400,323 represents general assistance claims. Amounts owed to the Capital Projects and the Airport Funds by the State of Maine are for capital grant purposes. Amounts due from other communities for tuition reimbursement to Bangor account for \$378,484 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 2048 and 2041, respectively. Minimum future rentals to be received on noncancelable leases as of June 30, 2017 are:

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

Fiscal year ending June 30,	Airport	Economic Development
2018	\$ 1,739,645	\$ 466,318
2019	883,375	466,388
2020	762,784	392,089
2021	644,181	380,767
2022	537,877	343,647
Subsequent to 2023	3,197,984	3,039,088
	<u>\$ 7,765,846</u>	<u>\$ 5,088,297</u>

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. The Airport received \$1,934,439 in contingent rentals in fiscal year 2017.

The carrying amounts of the leased assets are as follows:

	Airport	Economic Development
Land	\$ 565,532	\$ 2,515,911
Buildings	22,886,327	3,674,723
Less accumulated depreciation	(20,121,429)	(1,562,160)
Total	<u>\$ 3,330,430</u>	<u>\$ 4,628,474</u>

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. Leased equipment below the City's capitalization policy has not been capitalized. The following is an analysis of the carrying value of the leased capitalized equipment as of June 30, 2017:

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 630,581	\$ 52,837
Less accumulated depreciation	(521,123)	(28,564)
Carrying value	<u>\$ 109,458</u>	<u>\$ 24,273</u>

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2017:

Fiscal Year ending June 30,	Governmental Activities	Business-type Activities
2018	\$ 142,005	\$ 10,074
2019	47,130	7,929
2020	-	2,938
Total minimum lease payments	189,135	20,941
Less: amount representing interest	(7,609)	(915)
Present value of future minimum lease payments	<u>\$ 181,526</u>	<u>\$ 20,026</u>

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

G. Other Assets

Other assets are comprised of the following:

	Sewer Utility	
	Fund	
Due from bond trustee	\$ 1,494,008	
Total	\$ 1,494,008	

H. Unearned Revenue

Community Development Block Grant and Capital Projects Fund unearned revenues consist of \$49,286 and \$78,298 in advance deposits, respectively. Bass Park Fund unearned revenues consist of \$689,496 in advance sales.

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 \$195,536,948. The following is a summary of general obligation bond and note transactions of the City for the fiscal year ended June 30, 2017:

Bonds and notes payable at June 30, 2016	\$ 140,744,237
Add: principal additions	4,280,000
Less: principal repayments	10,978,624
Bonds and notes payable at June 30, 2017	\$ 134,045,613

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

Bonds and notes payable at June 30, 2017 are comprised of the following:

Long-term debt	Fiscal year of maturity	Interest rate	<u>Governmental Activities</u>		Business-type Activities	Total June 30, 2017
			City	School		
Combined sewer overflow	2018	3.03%	-	-	152,798	152,798
Tax increment financing note*	2018	4.50%	12,333	-	-	12,333
Maine Business Enterprise Park	2018	5.00%	-	-	19,857	19,857
Public improvements note*	2020	4.50%	249,476	-	-	249,476
Pension obligation bonds	2026	3.06% - 6.45%	18,573,047	1,193,325	4,001,913	23,768,285
Combined sewer overflow	2023	1.94%	-	-	994,082	994,082
Briggs building note	2023	4.50%	-	-	535,372	535,372
Combined sewer overflow	2025	1.41%	-	-	1,183,401	1,183,401
Chancellor's property note	2026	5.00%	-	-	1,283,287	1,283,287
Combined sewer overflow	2027	1.64%	-	-	1,081,156	1,081,156
Combined sewer overflow	2028	1.81%	-	-	1,188,030	1,188,030
Public improvements - 2009	2029	2.00% - 4.375%	1,860,000	-	-	1,860,000
ARRA - CWSRF	2029	0.00%	-	-	581,345	581,345
ARRA - CWSRF	2030	0.00%	-	-	333,944	333,944
Public improvements/refunding	2020	2.00% - 3.25%	1,096,637	2,222,732	225,635	3,545,004
Public improvements/refunding	2021	2.00% - 3.25%	785,876	-	1,844,124	2,630,000
Qualified school construction bond	2028	4.65%	-	5,605,000	-	5,605,000
Refunding/public improvements	2022	2.00% - 2.25%	1,217,465	1,096,039	721,496	3,035,000
Arena	2043	3.25% - 5.00%	-	-	50,715,000	50,715,000
Qualified school construction bond	2035	4.05%	-	2,800,000	-	2,800,000
Refunding/public improvements	2032	2.00% - 4.00%	5,747,685	-	1,232,315	6,980,000
Refunding/airport improvements	2033	.50% - 4.25%	-	-	3,635,000	3,635,000
Public improvements	2034	2.00% - 4.00%	5,925,000	1,020,000	255,000	7,200,000
Combined sewer overflow	2034	0.10%	-	-	2,252,243	2,252,243
Public improvements	2030	2.00% - 2.75%	2,350,000	320,000	-	2,670,000
Airport improvements	2035	3.00% - 3.65%	-	-	1,440,000	1,440,000
Refunding/public improvements	2030	2.00% - 3.00%	2,914,000	-	261,000	3,175,000
Airport improvements	2027	0.95% - 3.25%	-	-	840,000	840,000
Combined sewer overflow	2036	1.00%	-	-	4,280,000	4,280,000
Total bonds and notes payable			\$ 40,731,519	\$ 14,257,096	\$ 79,056,998	\$ 134,045,613

* Notes aggregating \$261,809 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,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2018	\$ 5,469,808	\$ 2,005,662	\$ 4,049,929	\$ 2,633,883
2019	5,044,052	1,811,043	3,841,012	2,503,221
2020	5,116,641	1,614,642	3,949,504	2,372,793
2021	4,287,500	1,421,326	3,955,525	2,566,109
2022	4,356,677	1,281,556	3,689,252	2,372,229
2023-2027	18,670,937	3,019,403	17,161,873	8,405,887
2028-2032	8,748,000	343,079	13,166,710	5,931,108
2033-2037	3,295,000	66,263	13,213,193	3,967,634
2038-2042	-	-	13,095,000	1,877,288
2043	-	-	2,935,000	58,700
Total	\$ 54,988,615	\$ 11,562,974	\$ 79,056,998	\$ 32,688,852

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

Legal Debt Margin

The City is subject to the laws of the State of Maine, which limits the amount of long-term debt to 15% of the state's assessed valuation of the City. At June 30, 2017, the statutory limit for the City was \$381,555,000. The City's outstanding long-term debt of \$134,045,613 at June 30, 2017 was within the statutory limit.

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, 2017, \$155,000 remains authorized and unissued. The City will not be issuing bonds for this purpose and will expunge the authorizing and unissued amounts.

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, 2017, \$1,590,000 remains authorized and unissued. The City will continue to monitor when and if the debt will be issued.

On February 24, 2016, the City Council authorized the issuance of up to \$2,145,000 in general obligation bonds through the Maine Municipal Bond Bank State Revolving Fund to finance sewer infrastructure improvements. As of June 30, 2017, \$1,735,000 remains authorized and unissued. The City expects to issue the debt within the next twenty-four months.

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due within one year
Governmental activities:					
General obligation debt	\$ 62,068,475	\$ -	\$ 7,079,860	\$ 54,988,615	\$ 5,469,808
Accrued compensated absences*	2,135,014	1,515,559	1,552,255	2,098,318	1,323,182
Capital leases	408,687	-	227,161	181,526	136,235
Bond premium	567,282	-	53,728	513,554	74,661
Net OPEB obligation*	2,927,496	393,037	196,573	3,123,960	-
Net pension liability*	6,237,310	2,576,229	-	8,813,539	-
Self insurance liability	2,259,949	616,336	304,140	2,572,145	684,957
Governmental activities long-term liabilities	<u>\$ 76,604,213</u>	<u>\$ 5,101,161</u>	<u>\$ 9,413,717</u>	<u>\$ 72,291,657</u>	<u>\$ 7,688,843</u>
Business-type activities:					
General obligation debt	\$ 78,675,762	\$ 4,280,000	\$ 3,898,764	\$ 79,056,998	\$ 4,049,929
Accrued compensated absences*	583,716	432,662	444,528	571,850	358,582
Capital leases	29,210	-	9,184	20,026	9,478
Bond premium	2,366,065	-	90,712	2,275,353	90,711
Net OPEB obligation*	865,711	114,171	57,101	922,781	-
Net pension liability*	1,541,776	605,586	-	2,147,362	-
Self insurance liability	311,215	38,974	38,974	311,215	160,219
Other	156,498	-	-	156,498	-
Business-type activities long-term liabilities	<u>\$ 84,529,953</u>	<u>\$ 5,471,393</u>	<u>\$ 4,539,263</u>	<u>\$ 85,462,083</u>	<u>\$ 4,668,919</u>

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

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

J. Fund Balances

As of June 30, 2017, fund balances components consisted of the following:

	Nonspendable	Restricted	Committed	Assigned
General Fund:				
Advances to other funds	\$ 1,900,500	\$ -	\$ -	\$ -
Inventory and prepaid items	1,061,973	-	-	-
PEG capital support	-	19,883	-	-
School capital	-	131,039	-	-
Education	-	614,000	-	-
Cultural Commission/Public Safety	-	-	288,743	-
Subsequent year expenditures	-	-	-	72,264
Pooled equipment reserve	-	-	-	351,707
Bus equipment reserve	-	-	-	828,388
Fire equipment reserve	-	-	-	355,567
Self insurance reserve	-	-	-	2,525,908
Improvement reserve	-	-	-	1,232,815
Demolition reserve	-	-	-	52,772
Benefit reserve	-	-	-	990,757
Parks & Recreation reserve	-	-	-	29,763
Subtotal	<u>2,962,473</u>	<u>764,922</u>	<u>288,743</u>	<u>6,439,941</u>
Community Development Block Grant	-	50,811	-	-
Arena Fund	-	-	613,291	-
Capital Projects Fund	<u>1,120,229</u>	-	-	<u>2,581,181</u>
Other Governmental Funds:				
Nonexpendable trust principal	525,249	-	-	-
Nonmajor Special Revenue Funds				
Infrastructure	-	458,999	-	-
Public Safety	-	223,284	-	-
Transportation	-	94,458	-	-
Economic Develop	-	274,538	-	-
Parks	-	539,958	-	-
Health	-	21,755	-	-
Other Municipal	-	79,090	-	-
Nonmajor Permanent Funds				
Cemetery	-	100,152	-	-
Missionary	-	92,833	-	-
Education	-	116,483	-	-
Other Municipal	-	205,184	-	-
Subtotal	<u>525,249</u>	<u>2,206,734</u>	-	-
Total	<u>\$ 4,607,951</u>	<u>\$ 3,022,467</u>	<u>\$ 902,034</u>	<u>\$ 9,021,122</u>

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

Encumbrances at year end were \$1,428,752 for General Fund, \$1,512,148 for Capital Projects Fund, \$510,589 for Airport Fund, \$591,489 for Sewer Utility Fund and \$50,864 for the Stormwater Fund.

K. Net Position

Net position represents the difference between assets and deferred inflows and liabilities and deferred outflows. 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, 2017:

	Governmental	Business-type
Capital assets	\$ 148,146,572	\$ 491,649,730
Accumulated depreciation	(72,257,471)	(266,639,493)
Bonds payable	(54,988,615)	(79,056,998)
Capital leases	(181,526)	(20,026)
Non capital related bonds payable	28,679,092	8,116,358
Non capital related capital leases	134,072	-
Premium on long term debt	(513,554)	(2,275,353)
Unspent bond proceeds	349,299	1,554,046
Net investment in capital assets	\$ 49,367,869	\$ 153,328,264

OTHER INFORMATION

A. Risk Management

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

The City purchases coverage under a number of commercially available insurance policies such as; commercial general liability, auto, property damage and crime and dishonesty, each with limits and deductibles deemed prudent given the risks, cost of coverage and the City's ability to fund certain types of losses. For those claims covered by commercial insurance, the amount of settlements has not exceeded the coverage for the years ended June 30, 2017, 2016 and 2015.

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, 2017, the amount of self-insurance liabilities was \$2,883,360. This liability is the City's best estimate based on available information.

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

OTHER INFORMATION, CONTINUED

Changes in the reported liabilities since July 1, 2015 resulted from the following:

	Workers' Compensation	All other self- insured risks	Total
Unpaid claims as of July 1, 2015	\$ 1,933,590	\$ 312,863	\$ 2,246,453
Incurred claims	239,912	-	239,912
Payments	(533,741)	(46)	(533,787)
Changes in estimates and other adjustments	618,167	419	618,586
Unpaid claims as of July 1, 2016	2,257,928	313,236	2,571,164
Incurred claims	198,197	-	198,197
Payments	(322,546)	(20,568)	(343,114)
Changes in estimates and other adjustments	456,319	794	457,113
Unpaid claims as of July 1, 2017	<u>\$ 2,589,898</u>	<u>\$ 293,462</u>	<u>\$ 2,883,360</u>

B. Tax Increment Financing Districts

The City may provide financial assistance to local economic development projects by using the new property taxes that result from the commercial investment and corresponding increase in taxable property valuation. This is accomplished by utilizing municipal tax increment financing districts (TIF) in accordance with Chapter 260 of MRSA Title 30-A or via a City Council vote, which may result in the execution of a Credit Enhancement Agreement (CEA). The CEA is a mechanism to assist the development project by returning all or a portion of the incremental property tax revenues generated by the new investment directly to the developer. Incremental taxes within a TIF that are not returned to the developer may be retained by the City to fund eligible local expenses.

For FY 2017, the City captured \$3,619,219 in incremental property taxes and dispersed \$317,268 in CEA payments to fifteen (15) developers. The remaining \$3,301,951 was applied to eligible local expenses. The following are the CEA payments that exceed ten (10) percent of the total CEA payments.

The City dispersed \$92,189 to Volunteers of America Northern New England to reimburse for investments for affordable elderly housing funded through the HUD 202 Program, which represents a 100% TIF.

The City dispersed \$47,232 to Peoples United Bank to reimburse for investments for the rehabilitation and conversion of a historic building into office space, which represents a 100% CEA.

The City dispersed \$34,194 to Seminary Housing Partners to reimburse for investments for affordable elderly housing, which is a 70% TIF.

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

OTHER INFORMATION, CONTINUED

C. Contingent Liabilities

In 2002, the City filed suit against Citizens Communication Company (Citizens), a potentially responsible party to force cleanup of contamination of the Penobscot River bottom due to the inability to reach settlement. In July 2007, the City reached a settlement agreement with Citizens, whereby the City received \$7.625 million to be held in escrow and applied to the cost of remediation. A Consent Decree has been negotiated with the Maine Department of Environmental Protection (DEP). The remediation of the primary active zone has been completed. The City continues to work with State and Federal agencies. The City plans to complete the remediation of the majority of the secondary active zone in the fall of 2017.

In November 2015, the City entered into a consent decree with the Federal Environmental Protection Agency (EPA) pursuant to which the City is required to (1) implement a capacity management operations and maintenance program for the sewer collection system, (2) implement a municipal separate storm sewer system illicit discharge detection and elimination program, (3) develop and implement a Phase II long-term control plan for the combined sewer overflow program, and (4) otherwise take such measures as are necessary to achieve and maintain compliance with the Clean Water Act and permits required of the City thereunder. A complete copy of the Consent Decree is available at the Wastewater Treatment Plant page of the City's website www.bangormaine.gov.

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 materially 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.

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

OTHER INFORMATION, CONTINUED

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 2017, covered payroll was \$19,507,107 and City contributions were \$1,674,585. 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 \$306,178 and \$32,718 respectively, in fiscal year 2017.

Defined Benefit Pension Plan

Description of the Plan – For certain employees the City contributes to the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan) and Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan), cost sharing multiple-employer defined benefit pension plans, administered by the Maine Public Employers Retirement System (MPERS). Benefit terms are established in Maine statute. MPERS issues a publicly available financial report that can be obtained at www.maineopers.org.

Benefits Provided – The PLD and SET Plans provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e. eligibility for benefits upon reaching qualification) occurs upon the earning of five years of credit service. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 20 or 25 years of service for certain public safety employees. For SET members, normal retirement age is 60, 62 or 65. The normal retirement age is determined by whether a member had certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below his/her normal age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions (PLD Plan) or by statute (SET Plan).

Contributions – Employee contribution rates are defined by law of Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. The contractually required contribution rates actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

PLD Plan – Employees are required to contribute 8.0% of their annual pay. The City's contractually required contribution rate for the year June 30, 2017 ranged from 9.1% - 14.2% depending on the applicable benefit structure. The City's contributions to the pension plan were \$745,366 for the year ended June 30, 2017.

SET Plan – Maine statute requires the State to contribute a portion of the City's contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2017 was 13.38% of annual payroll of which 3.36% of payroll was required from the City and 10.02% was required from the State. Contributions to the pension plan from the City were \$865,039 for the year ended June 30, 2017.

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

OTHER INFORMATION, CONTINUED

Pension Liabilities, Expense and Deferred Outflows and Inflows of Resources – The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The City's proportion of the net pension liabilities were based on projections of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating local districts (PLD Plan) and of all participating School Administrative Units and the State (SET Plan), actuarially determined.

PLD Plan – At June 30, 2017, the City's reported liability of its proportionate share of the net pension liability was \$8,840,254. At June 30, 2016, the City's proportion of the PLD plan was 1.6638%.

SET Plan – At June 30, 2017, the City's reported liability of its proportionate share of the net pension liability was reduced to reflect the State support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability associated with the City were as follows:

City's proportionate share of the net pension liability	\$2,120,647
<u>State's proportionate share of the net pension liability</u>	<u>35,661,692</u>
<u>Total</u>	<u>\$37,782,339</u>

At June 30, 2016, the City's proportion of the SET Plan was .1200%.

For the year ended June 30, 2016, the City recognized pension expense of \$7,949,337 for the PLD Plan and \$4,144,026 and revenue of \$2,578,338 for support provided by the State for the SET Plan. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 424,422
Changes of assumptions	893,233	-
Net Difference between projected and actual earnings on pension plan investments	2,306,876	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,329,811
City contributions subsequent to the measurement date	1,610,405	-
	\$ 4,810,514	\$ 1,754,233

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

OTHER INFORMATION, CONTINUED

\$1,610,405 is reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	(\$137,646)
2019	(45,242)
2020	1,014,265
2021	614,499

Actuarial assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PLD Plan</u>	<u>SET Plan</u>
Inflation	2.75%	2.75%
Salary Increases, per year	2.75% to 9.0%	2.75% to 14.5%
Investment return, per annum, compounded annually	6.875%	6.875%
Cost of living benefit increases, per annum	2.20%	2.20%

Mortality rates were based on the RP2014 Total Data Set for Healthy Annuitant Mortality Tables projected forward to 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US equities	20%	5.7%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Hard assets	5%	5.0%
Fixed income	25%	2.9%
Total	100%	

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

OTHER INFORMATION, CONTINUED

Discount rate - The discount rate used to measure the total pension liability was 6.875% for both the PLD and SET Plans. The projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

Sensitivity of the City's proportionate share of the net pension liabilities to changes in the discount rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.875%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.875% for PLD and SET Plans) or 1 percentage-point higher (7.875% for PLD and SET Plans) than the current rate:

	1% Decrease <u>(5.875%)</u>	Current Discount Rate <u>(6.875%)</u>	1% Increase <u>(7.875%)</u>
PLD Plan	\$ 14,673,229	\$ 8,840,254	\$ 3,348,716
	1% Decrease <u>(5.875%)</u>	Current Discount Rate <u>(6.875%)</u>	1% Increase <u>(7.875%)</u>
SET Plan	\$ 3,395,696	\$ 2,120,647	\$ 1,057,905

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Payables to the pension plan - None as of June 30, 2017.

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.

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

OTHER INFORMATION, CONTINUED

E. Other Postemployment Benefits

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

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

Annual required contribution (ARC)	\$	574,842
Amortization adjustment to ARC		(219,362)
Interest on net OPEB obligation		151,728
Annual OPEB cost	<u>\$</u>	<u>507,208</u>

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, 2015, 2016 and 2017 are as follows:

	June 30, 2015	June 30, 2016	June 30, 2017
Annual OPEB cost	\$ 547,590	\$ 542,336	\$ 507,208
City contributions	(253,004)	(253,004)	(253,674)
Increase in net OPEB obligation	294,586	289,332	253,534
Net OPEB obligation, beginning of year	3,209,289	3,503,875	3,793,207
Net OPEB obligation, end of year	<u>\$ 3,503,875</u>	<u>\$ 3,793,207</u>	<u>\$ 4,046,741</u>
Percentage contributed	46.20%	46.65%	50.01%

The unfunded actuarial accrued liability as a percentage of covered payroll for June 30, 2017 is as follows:

	Governmental Activities	Business-type Activities	Total June 30, 2017
Actuarial accrued liability (AAL)	\$ 4,817,833	\$ 1,399,492	\$ 6,217,325
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,817,833</u>	<u>\$ 1,399,492</u>	<u>\$ 6,217,325</u>
Covered payroll	<u>\$ 17,387,158</u>	<u>\$ 5,050,651</u>	<u>\$ 22,437,809</u>
UAAL as a percentage of covered payroll	27.71%		

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

OTHER INFORMATION, CONTINUED

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 nine 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	07/30/17 – rolled back to 07/1/16 on a “no loss/no gain” basis
Actuarial cost method	Projected unit credit cost with linear proration to decrement
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

F. Subsequent Events

On August 28, 2017 the City Council authorized the issuance of up to \$3,068,000 in general obligation bonds for the purpose of funding street and sidewalk work, the City’s annual fleet/equipment replacement, and WWTP infrastructure. In addition, the City Council authorized the issuance of up to \$5,030,000 in general obligation bonds through the Maine Municipal Bond Bank State Revolving Fund to finance sewer infrastructure improvements.

CITY OF BANGOR, MAINE
Required Supplemental Information
Schedule of Funding Progress - Retiree Healthcare Plan
For the Fiscal Year Ended June 30, 2017

	Fiscal Year								
	2009	2010	2011	2012	2013*	2014	2015	2016	2017
	7/1/2008	7/1/2008	1/1/2011	1/1/2011	6/30/2013	6/30/2014	7/30/2015**	7/30/2015**	7/30/2017**
Actuarial Valuation Date									
Governmental activities:									
Actuarial value of assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	8,488,427	8,488,427	3,407,638	3,430,307	5,284,045	5,213,644	5,310,515	5,299,817	4,817,833
Unfunded actuarial accrued liability (UAAL)	\$ 8,488,427	\$ 8,488,427	\$ 3,407,638	\$ 3,430,307	\$ 5,284,045	\$ 5,213,644	\$ 5,310,515	\$ 5,299,817	\$ 4,817,833
Funded ratio	0.00%	0.00%	0.00%	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	\$ 16,550,206	\$ 17,142,698	\$ 17,387,158
Business-type activities:									
Actuarial value of assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	2,710,336	2,710,336	1,095,160	1,072,491	1,671,709	1,657,448	1,525,576	1,536,274	1,399,492
Unfunded actuarial accrued liability (UAAL)	\$ 2,710,336	\$ 2,710,336	\$ 1,095,160	\$ 1,072,491	\$ 1,671,709	\$ 1,657,448	\$ 1,525,576	\$ 1,536,274	\$ 1,399,492
Funded ratio	0.00%	0.00%	0.00%	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	\$ 5,347,204	\$ 5,117,794	\$ 4,754,453	\$ 4,969,206	\$ 5,050,651
Primary government:									
Actuarial value of assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	11,198,763	11,198,763	4,502,798	4,502,798	6,955,754	6,871,092	6,836,091	6,836,091	6,217,325
Unfunded actuarial accrued liability (UAAL)	\$ 11,198,763	\$ 11,198,763	\$ 4,502,798	\$ 4,502,798	\$ 6,955,754	\$ 6,871,092	\$ 6,836,091	\$ 6,836,091	\$ 6,217,325
Funded ratio	0.00%	0.00%	0.00%	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	\$ 22,248,988	\$ 21,216,250	\$ 21,304,659	\$ 22,111,904	\$ 22,437,809
UAAL as a percentage of covered payroll	52.21%	49.41%	19.62%	19.97%	31.26%	32.39%	32.09%	30.92%	27.71%

Only nine 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.

** - valuation dates are rolled back to the prior July 1st on a "no loss/no gain" basis.

CITY OF BANGOR, MAINE
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)
Last 10 Fiscal Years*

	2015	2016	2017
PLD Plan			
Proportion of the net pension liability	2.2584%	1.9745%	1.6638%
Proportionate share of the net pension liability	3,475,288	6,299,478	8,840,254
Covered payroll	10,645,005	9,799,964	8,662,976
Proportion share of the net pension liability as a percentage of its covered payroll	32.65%	64.28%	102.05%
Plan fiduciary net position as a percentage of the total pension liability	94.10%	88.27%	81.61%
SET Plan			
Proportion of the net pension liability	0.0936%	0.1096%	0.1200%
City's proportionate share of the net pension liability	\$1,011,232	\$1,479,608	\$2,120,647
State's proportionate share of the net pension liability	22,516,392	28,378,344	35,661,692
Total	<u>23,527,624</u>	<u>29,857,952</u>	<u>37,782,339</u>
Covered payroll	24,415,639	25,212,217	25,111,931
Proportion share of the net pension liability as a percentage of its covered payroll	4.14%	5.87%	8.44%
Plan fiduciary net position as a percentage of the total pension liability	83.91%	81.18%	76.21%

* The amounts presented for each fiscal year were determined as of the prior fiscal year. As 2015 is the first year of implementation, prior years data is not available.

CITY OF BANGOR, MAINE
Required Supplementary Information
Schedule of City's Contributions
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)
Last 10 Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
PLD Plan										
Contractually required contributions	492,537	468,553	474,008	584,306	724,134	769,519	782,913	807,117	779,134	745,366
Contributions in relation to the contractually required contribution	492,537	468,553	474,008	584,306	724,134	769,519	782,913	807,117	779,134	745,366
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	15,210,573	14,618,061	14,731,041	14,777,273	13,201,233	11,867,248	10,645,005	9,799,964	8,662,976	7,963,681
Contributions as a percentage of covered payroll	3.24%	3.21%	3.22%	3.95%	5.49%	6.48%	7.35%	8.24%	8.99%	9.36%
SET Plan*										
Contractually required contributions	-	-	-	-	-	-	647,014	668,126	843,679	865,039
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	647,014	668,126	843,679	865,039
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	-	-	-	-	-	-	24,415,639	25,212,217	25,111,931	25,731,918
Contributions as a percentage of covered payroll	-	-	-	-	-	-	2.65%	2.65%	3.36%	3.36%

* - Until FY 2014, all employer contributions for the SET Plan were paid by the State of Maine.

CITY OF BANGOR, MAINE
Notes to Required Supplementary Information
June 30, 2017

Change of benefit terms - None

Changes of assumptions - The following are changes in the actuarial assumptions used in the most recent valuation:

	2016	2017
Discount rate	7.125%	6.875%
Inflation rate	3.50%	2.75%
Salary increases - PLD	3.50% to 9.50%	2.75% to 9.00%
Salary increases - SET	3.50% to 13.50%	2.75% to 14.50%
Cost of living increase	2.55%	2.20%
Long-term expected real rate of return on assets:		
U.S. equities	5.20%	5.70%
Real estate	3.70%	5.20%
Infrastructure	4.00%	5.30%
Hard assets	4.80%	5.00%
Fixed income	0.70%	2.90%

In addition, in prior valuations, mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA; which changed to mortality rates based on the RP2014 Total Data Set Healthy Annuitant Mortality Tables projected forward to 2016.

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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, 2017

ASSETS	
Cash and cash equivalents	\$ 18,878,973
Investments	50,000
Receivables:	
Taxes	2,641,785
Accounts (net of allowance of \$535,075)	578,077
Interfund	1,935,404
Intergovernmental	5,003,018
Loans	535,372
Inventory, at cost	554,843
Prepaid items	507,130
Total assets	30,684,602
LIABILITIES	
Accounts payable	1,345,499
Accrued wages and benefits payable	4,495,658
Total liabilities	5,841,157
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues - property taxes	2,215,800
Total deferred inflows of resources	2,215,800
FUND BALANCES	
Nonspendable	2,962,473
Restricted	764,922
Committed	288,743
Assigned	6,439,941
Unassigned	12,171,566
Total fund balance	22,627,645
Total liabilities, deferred inflows of resources and fund balances	\$ 30,684,602

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, 2017

	Balances			Variance	
	Carried 7/1/2016	Budget	Actual	Surplus	Carried
Revenues					
Taxes					
Real and personal property	\$ -	\$ 57,471,235	\$ 57,532,711	\$ 61,476	\$ -
Change in unavailable property tax	-	-	226,997	226,997	-
Tax increment financing district	-	(2,732,067)	(2,732,067)	-	-
Payment in lieu of taxes	-	169,088	233,683	64,595	-
Excise	-	5,015,000	6,170,792	1,155,792	-
Interest on delinquent taxes	-	200,000	197,272	(2,728)	-
Total taxes	-	60,123,256	61,629,388	1,506,132	-
Intergovernmental					
State revenue sharing	-	2,150,000	2,225,464	75,464	-
School subsidy	-	16,554,117	16,554,117	-	-
Other -					
municipal	-	4,082,253	3,984,945	(97,308)	-
school	-	4,155,961	4,841,004	-	685,043
Total intergovernmental	-	26,942,331	27,605,530	(21,844)	685,043
Other revenue					
Licenses and permits	-	620,243	644,795	24,552	-
Charges for service -					
municipal	-	8,486,790	8,944,785	457,995	-
school	-	4,635,338	5,705,049	-	1,069,711
Fines, forfeits and penalties	-	23,000	18,623	(4,377)	-
Revenue from use of money and property					
municipal	-	650,150	727,792	77,642	-
Total other	-	14,415,521	16,041,044	555,812	1,069,711
Total revenues	-	101,481,108	105,275,962	2,040,100	1,754,754

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, 2017

	Balances			Variance	
	Carried 7/1/2016	Budget	Actual	Surplus	Carried
Expenditures					
General government					
Council	-	29,263	26,250	3,013	-
Executive	-	428,142	461,954	(45,627)	11,815
Public Transportation	-	457,136	491,391	(109,255)	75,000
Human resources	-	183,484	180,748	2,736	-
City clerk	-	394,581	361,439	33,142	-
Assessing	-	357,303	346,724	10,579	-
Legal	-	286,100	282,040	4,060	-
Finance	-	1,781,291	1,731,716	49,575	-
Insurance	-	191,000	167,534	23,466	-
Planning, econ dev, code enforcement	-	1,231,162	1,242,350	(11,188)	-
Total general government	-	5,339,462	5,292,146	(39,499)	86,815
Public safety					
Police	-	8,917,155	8,540,221	289,942	86,992
Fire	3,425	9,000,257	8,839,959	57,276	106,447
Total public safety	3,425	17,917,412	17,380,180	347,218	193,439
Health, community services and recreation					
Health and community services	-	3,130,702	3,095,785	34,917	-
Parks and recreation	-	1,988,904	1,876,381	112,523	-
Total health, commun. serv and rec.	-	5,119,606	4,972,166	147,440	-
Public buildings and services	-	10,835,284	10,929,752	(94,468)	-

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, 2017

	Balances			Variance	
	Carried 7/1/2016	Budget	Actual	Surplus	Carried
Expenditures, continued					
Other agencies					
County tax	-	3,266,411	3,266,411	-	-
Downtown Development District	-	60,690	60,690	-	-
Public library	-	1,445,334	1,445,334	-	-
Other agencies	1,981	114,920	107,634	778	8,489
Total other agencies	1,981	4,887,355	4,880,069	778	8,489
Education					
Regular instruction	-	19,239,514	19,066,457	-	173,057
Special education	-	6,969,533	6,967,006	-	2,527
Instructional support	-	507,152	505,108	-	2,044
System administration	-	1,365,870	1,279,283	-	86,587
CTE instruction	-	3,924,071	3,817,909	-	106,162
School administration	-	1,103,790	1,050,776	-	53,014
Facilities maintenance	-	2,449,198	2,360,146	-	89,052
Transportation	-	5,142,883	5,133,647	-	9,236
Other instruction	-	1,941,400	1,939,084	-	2,316
Debt service	-	1,521,075	1,520,120	-	955
Contingency & other	-	117,131	112,485	-	4,646
Regular	2,050,914	44,281,617	43,752,021	-	2,580,510
Adult education	130,451	232,250	584,067	-	(221,366)
School lunch	8,424	1,515,571	1,435,443	-	88,552
Special revenue	82,718	3,040,390	3,349,504	-	(226,396)
Trust and agency	266,793	2,420,088	2,588,742	-	98,139
Total education	2,539,300	51,489,916	51,709,777	-	2,319,439
Other appropriations					
Pensions and other fringe benefits	-	2,313,666	2,303,287	10,379	-
Debt service	-	3,245,565	3,245,537	28	-
Tax increment financing payments	-	937,182	887,152	50,030	-
Total other appropriations	-	6,496,413	6,435,976	60,437	-
Total expenditures	2,544,706	102,085,448	101,600,066	421,906	2,608,182
Excess (deficiency) of revenues over/under expenditures	(2,544,706)	(604,340)	3,675,896	2,462,006	4,362,936

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, 2017

	Balances			Variance	
	Carried 7/1/2016	Budget	Actual	Surplus	Carried
Other financing sources (uses)					
Appropriation from restricted, committed and assigned fund balances	-	1,257,480	7,480	-	(1,250,000)
Appropriation to assigned fund balances	-	-	(1,220,686)	(1,220,686)	-
Sale of assets	-	74,000	31,694	(42,306)	-
Contributions	-	7,360	7,391	31	-
Insurance Settlements	-	52,500	75,634	23,134	-
Transfers to other funds	-	(814,000)	(1,350,614)	(536,614)	-
Transfers from other funds	-	27,000	21,600	(5,400)	-
Total other financing sources (uses)	-	604,340	(2,427,501)	(1,781,841)	(1,250,000)
Net change in unassigned fund balance	\$ (2,544,706)	\$ -	\$ 1,248,395	\$ 680,165	\$ 3,112,936
Unassigned fund balance, beginning of year				11,315,235	
Changes in amounts required to be shown as nonspendable fund balance					
Inventory and prepaids				176,166	
Unassigned fund balance, end of year				\$ 12,171,566	

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.

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CITY OF BANGOR, MAINE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,202,857	\$ -	\$ 1,202,857
Investments	-	130,993	130,993
Receivables:			
Accounts	124,067	-	124,067
Loans and notes	654,373	908,908	1,563,281
Intergovernmental	102,904	-	102,904
Total assets	2,084,201	1,039,901	3,124,102
LIABILITIES			
Accounts payable	94,289	-	94,289
Interfund loans payable	137,830	-	137,830
Total liabilities	232,119	-	232,119
DEFERRED INFLOWS OF RESOURCES			
Unavailable resources - loans	160,000	-	160,000
Total deferred inflows of resources	160,000	-	160,000
FUND BALANCES			
Nonspendable	-	525,249	525,249
Restricted	1,692,082	514,652	2,206,734
Total fund balances	1,692,082	1,039,901	2,731,983
Total liabilities, deferred inflows of resources and fund balances	\$ 2,084,201	\$ 1,039,901	\$ 3,124,102

CITY OF BANGOR, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
Revenues			
Intergovernmental	\$ 6,787,748	\$ -	6,787,748
Charges for services	774,195	-	774,195
Revenue from use of money and property	42,499	-	42,499
Other revenue	105,511	1,500	107,011
Interest revenue	-	39,680	39,680
Total revenues	7,709,953	41,180	7,751,133
Expenditures			
Current:			
Personnel	1,397,144	-	1,397,144
Payments to beneficiaries	36,433	4,624	41,057
Other	3,120,892	-	3,120,892
Bus operations	3,072,046	-	3,072,046
Total expenditures	7,626,515	4,624	7,631,139
Excess of revenues over expenditures	83,438	36,556	119,994
Other financing sources (uses)			
Transfers to other funds	(25,732)	(35,000)	(60,732)
Transfers from other funds	1,010	-	1,010
Total other financing uses	(24,722)	(35,000)	(59,722)
Net change in fund balances	58,716	1,556	60,272
Fund balances, beginning of year	1,633,366	1,038,345	2,671,711
Fund balances, end of year	\$ 1,692,082	\$ 1,039,901	\$ 2,731,983

CITY OF BANGOR, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	Other HUD Funds	Grant Fund	Dedicated Revenue Funds	Other	Totals
ASSETS					
Cash and cash equivalents	\$ 274,538	\$ 6,147	408,860	\$ 513,312	\$ 1,202,857
Receivables:					
Accounts	-	124,067	-	-	124,067
Loans and notes	160,000	-	374,379	119,994	654,373
Intergovernmental	-	102,904	-	-	102,904
Total assets	434,538	233,118	783,239	633,306	2,084,201
LIABILITIES					
Accounts payable	-	75,254	-	19,035	94,289
Interfund loans payable	-	137,830	-	-	137,830
Total liabilities	-	213,084	-	19,035	232,119
DEFERRED INFLOWS OF RESOURCES					
Unavailable resources - loans	160,000	-	-	-	160,000
Total deferred inflows of resources	160,000	-	-	-	160,000
FUND BALANCES					
Restricted	274,538	20,034	783,239	614,271	1,692,082
Total fund balances	274,538	20,034	783,239	614,271	1,692,082
Total liabilities, deferred inflows of resources and fund balances	\$ 434,538	\$ 233,118	\$ 783,239	\$ 633,306	\$ 2,084,201

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, 2017

	Other HUD Funds	Grant Fund	Dedicated Revenue Funds	Other	Totals
Revenues					
Intergovernmental	\$ -	\$ 6,787,748	\$ -	\$ -	6,787,748
Charges for services	-	774,195	-	-	774,195
Revenue from use of money and property	-	-	23,981	18,518	42,499
Contributions	-	3,880	600	101,031	105,511
Total revenues	-	7,565,823	24,581	119,549	7,709,953
Expenditures					
Current:					
Personnel	-	1,397,144	-	-	1,397,144
Payments to beneficiaries	-	-	5,390	31,043	36,433
Other	-	3,120,892	-	-	3,120,892
Bus operations	-	3,072,046	-	-	3,072,046
Total expenditures	-	7,590,082	5,390	31,043	7,626,515
Excess (deficiency) of revenues					
over (under) expenditures	-	(24,259)	19,191	88,506	83,438
Other financing sources (uses)					
Transfers to other funds	-	-	(1,600)	(24,132)	(25,732)
Transfers from other funds	-	-	-	1,010	1,010
Total other financing uses	-	-	(1,600)	(23,122)	(24,722)
Net change in fund balances					
	-	(24,259)	17,591	65,384	58,716
Fund balances, beginning of year					
	274,538	44,293	765,648	548,887	1,633,366
Fund balances, end of year					
	\$ 274,538	\$ 20,034	\$ 783,239	\$ 614,271	\$ 1,692,082

CITY OF BANGOR, MAINE
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2017

	Other Funds	Revolving Loan Funds	Totals
ASSETS			
Investments	\$ -	\$ 130,993	\$ 130,993
Loans receivable	908,908	-	908,908
Total assets	908,908	130,993	1,039,901
LIABILITIES AND FUND BALANCES			
Liabilities	-	-	-
Total liabilities	-	-	-
Fund balances			
Nonspendable	394,256	130,993	525,249
Restricted	514,652	-	514,652
Total fund balances	908,908	130,993	1,039,901
Total liabilities and and fund balances	\$ 908,908	\$ 130,993	\$ 1,039,901

CITY OF BANGOR, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the Fiscal Year Ended June 30, 2017

	Other Funds	Revolving Loan Funds	Totals
Revenues			
Investment income	\$ 28,750	\$ 10,930	\$ 39,680
Lot sales	1,500	-	1,500
Total revenues	30,250	10,930	41,180
Expenditures			
Current:			
Payments to beneficiaries	115	4,509	4,624
Total expenditures	115	4,509	4,624
Excess of revenues over expenditures	30,135	6,421	36,556
Other financing uses			
Transfer to other funds	(35,000)	-	(35,000)
Total other financing uses	(35,000)	-	(35,000)
Net change in fund balances	(4,865)	6,421	1,556
Fund balances, beginning of year	913,773	124,572	1,038,345
Fund balances, end of year	\$ 908,908	\$ 130,993	\$ 1,039,901

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:

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.

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CITY OF BANGOR, MAINE
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2017

Business-type Activities - Enterprise Funds					
	Stormwater Utility	Economic Development Fund	Parking Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,111,936	\$ 995,261	\$ 852,720	\$ 461,113	\$ 3,421,030
Accounts receivable	357,774	27,616	-	-	385,390
Net accounts receivable	357,774	27,616	-	-	385,390
Prepaid items	3,073	53,459	65,733	7,518	129,783
Total current assets	1,472,783	1,076,336	918,453	468,631	3,936,203
Noncurrent assets					
Capital Assets:					
Land and improvements	-	3,413,627	-	1,594,732	5,008,359
Buildings and improvements	-	3,674,722	-	912,607	4,587,329
Machinery and equipment	247,398	-	-	305,859	553,257
Infrastructure	-	683,189	-	-	683,189
Parking structures	-	-	11,372,837	-	11,372,837
Construction in process	65,026	-	-	-	65,026
Total capital assets	312,424	7,771,538	11,372,837	2,813,198	22,269,997
Less accumulated depreciation	(24,740)	(2,056,991)	(9,426,657)	(2,043,096)	(13,551,484)
Net capital assets	287,684	5,714,547	1,946,180	770,102	8,718,513
Loans receivable	-	1,396,296	-	-	1,396,296
Total noncurrent assets	287,684	7,110,843	1,946,180	770,102	10,114,809
Total assets	1,760,467	8,187,179	2,864,633	1,238,733	14,051,012
DEFERRED OUTFLOWS OF RESOURCES					
Net pension	-	-	18,929	-	18,929
Total deferred outflows of resources	-	-	18,929	-	18,929

Continued on next page

CITY OF BANGOR, MAINE
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2017

Business-type Activities - Enterprise Funds					
	Stormwater Utility	Economic Development Fund	Parking Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
LIABILITIES					
Current liabilities					
Accounts payable	77,726	41,337	39,818	7,526	166,407
Accrued wages and benefits payable	4,495	-	3,492	10,996	18,983
Accrued interest	-	43,351	7,697	1,788	52,836
Workers' compensation	-	-	1,953	-	1,953
General obligation debt payable	74,133	264,175	233,241	37,402	608,951
Accrued compensated absences	-	-	8,168	10,947	19,115
Total current liabilities	156,354	348,863	294,369	68,659	868,245
Long-term liabilities					
Workers' compensation	-	-	8,047	-	8,047
General obligation debt payable	841,156	1,954,343	822,064	291,849	3,909,412
Accrued compensated absences	-	-	6,920	7,951	14,871
Net OPEB obligation	2,761	-	13,345	27,488	43,594
Net pension liability	-	-	46,493	-	46,493
Total long-term liabilities	843,917	1,954,343	896,869	327,288	4,022,417
Total liabilities	1,000,271	2,303,206	1,191,238	395,947	4,890,662
DEFERRED INFLOWS OF RESOURCES					
Net pension	-	-	10,329	-	10,329
Total deferred inflows of resources	-	-	10,329	-	10,329
NET POSITION					
Net investment in capital assets	287,684	3,496,029	1,016,924	507,787	5,308,424
Unrestricted	472,512	2,387,944	665,071	334,999	3,860,526
Total net position	\$ 760,196	\$ 5,883,973	\$ 1,681,995	\$ 842,786	\$ 9,168,950

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, 2017

	Business-type Activities - Enterprise Funds				
	Stormwater Utility	Economic Development Fund	Parking Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
Operating revenues					
Charges for services	\$ 1,053,892	\$ 503,905	\$ 1,008,494	\$ 644,303	\$ 3,210,594
Operating expenses					
Operating expenses other than depreciation and amortization	493,390	206,515	723,878	523,572	1,947,355
Depreciation and amortization	16,494	155,705	273,036	67,611	512,846
Total operating expenses	509,884	362,220	996,914	591,183	2,460,201
Operating income	544,008	141,685	11,580	53,120	750,393
Nonoperating revenue (expenses)					
Interest income	69,131	67,261	1,589	533	138,514
Interest expense	-	(104,265)	(40,644)	(12,944)	(157,853)
Gain on sale of assets	-	673,864	250,000	-	923,864
Total nonoperating revenue (expenses)	69,131	636,860	210,945	(12,411)	904,525
Net income before transfers	613,139	778,545	222,525	40,709	1,654,918
Transfers to other funds	(121,875)	-	-	-	(121,875)
Change in net position	491,264	778,545	222,525	40,709	1,533,043
Net position, beginning of year	268,932	5,105,428	1,459,470	802,077	7,635,907
Net position, end of year	\$ 760,196	\$ 5,883,973	\$ 1,681,995	\$ 842,786	\$ 9,168,950

CITY OF BANGOR, MAINE
Combining Statement of Cash Flows - Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2017

Business-type Activities - Enterprise Funds

	Stormwater Utility	Economic Development Fund	Parking Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
Cash flows from operating activities					
Cash received from customers	\$ 1,113,193	\$ 567,270	\$ 1,008,794	\$ 644,303	\$ 3,333,560
Cash paid to suppliers for goods and services	(287,463)	(174,342)	(343,745)	(226,525)	(1,032,075)
Cash paid to employees for services	(198,871)	-	(327,436)	(296,251)	(822,558)
Net cash provided by operating activities	626,859	392,928	337,613	121,527	1,478,927
Cash flows from noncapital financing activities					
Transfers out	(121,875)	-	-	-	(121,875)
Net cash (used in) noncapital financing activities	(121,875)	-	-	-	(121,875)
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(3,886)	(152,095)	(41,526)	-	(197,507)
Principal paid on general obligation bonds	(74,133)	(255,891)	(225,508)	(35,237)	(590,769)
Interest paid on general obligation bonds	-	(112,906)	(42,292)	(13,376)	(168,574)
Proceeds from sale of property	-	875,000	250,000	-	1,125,000
Net cash provided by (used in) capital and related financing activities	(78,019)	354,108	(59,326)	(48,613)	168,150
Cash flows from investing activities					
Interest on investments	69,131	99,780	1,589	533	171,033
Net cash provided by investing activities	69,131	99,780	1,589	533	171,033
Net increase in cash	496,096	846,816	279,876	73,447	1,696,235
Cash, beginning of year	615,840	148,445	572,844	387,666	1,724,795
Cash, end of year	\$ 1,111,936	\$ 995,261	\$ 852,720	\$ 461,113	\$ 3,421,030

Continued on next page

CITY OF BANGOR, MAINE
Combining Statement of Cash Flows - Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds				
	Stormwater Utility	Economic Development Fund	Parking Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
Reconciliation of operating income to net cash provided by operating activities					
Operating income	\$ 544,008	\$ 141,685	\$ 11,580	\$ 53,120	\$ 750,393
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	16,494	155,705	273,036	67,611	512,846
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	59,301	46,916	300	-	106,517
(Increase) decrease in prepaid items	(458)	16,449	(4,505)	(122)	11,364
Increase (decrease) in accounts payable	4,663	32,173	38,582	(6,250)	69,168
Increase (decrease) in other liabilities	2,851	-	18,620	7,168	28,639
Total adjustments	82,851	251,243	326,033	68,407	728,534
Net cash provided by operating activities	\$ 626,859	\$ 392,928	\$ 337,613	\$ 121,527	\$ 1,478,927

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FIDUCIARY FUNDS

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

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



CITY OF BANGOR, MAINE
Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
ASSETS				
Cash:				
School Activity Funds	\$ 129,456	\$ 170,252	\$ 162,782	\$ 136,926
Total assets	129,456	170,252	162,782	136,926
LIABILITIES				
Funds held for others:				
School Activity Funds	129,456	170,252	162,782	136,926
Total liabilities	\$ 129,456	\$ 170,252	\$ 162,782	\$ 136,926

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



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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, 2017

Function and Activity	Balance 2016	Additions	Deletions	Balance 2017
General government				
BAT community connector	\$ 1,489,962	\$ 254,828	\$ 337,761	\$ 1,407,029
Central service	17,333	-	2,421	14,912
City hall	640,926	5,543	24,446	622,023
Community and economic development	9,020,866	494,845	453,859	9,061,852
Engineering	4,278	-	2,384	1,894
Information services	120,883	49,974	31,970	138,887
Motor pool	3,413,162	748,861	694,928	3,467,095
Other - unclassified	8,780	-	8,780	-
Total general government	14,716,190	1,554,051	1,556,549	14,713,692
Public safety				
Fire	4,617,705	1,223,451	436,630	5,404,526
Police	8,474,358	278,826	353,368	8,399,816
Total public safety	13,092,063	1,502,277	789,998	13,804,342
Health, community services and recreation				
Parks and recreation	3,221,844	1,420,563	1,345,761	3,296,646
Total health, community services and recreation	3,221,844	1,420,563	1,345,761	3,296,646
Public building and services				
Public works	14,656,364	288,936	619,023	14,326,277
Total public buildings and services	14,656,364	288,936	619,023	14,326,277
Education	29,734,060	1,245,868	1,231,784	29,748,144
Total governmental fund capital assets	\$ 75,420,521	\$ 6,011,695	\$ 5,543,115	\$ 75,889,101

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OTHER INFORMATION



CITY OF BANGOR, MAINE
Assessed Valuation, Commitment and Collections
For the Fiscal Year Ended June 30, 2017

VALUATION

Land and buildings	\$ 2,344,351,100
Land and buildings - Homestead exemption	74,491,300
Personal property	221,870,900
Personal property - BETE exemption	<u>105,332,700</u>
Total valuation	<u><u>\$ 2,746,046,000</u></u>

COMMITMENT

Real estate, personal property (excludes Homestead and BETE exemptions)	\$ 2,566,222,000
Tax rate	<u>0.02250</u>
Total commitment	57,739,995

ADD

Supplemental taxes committed	<u>41,722</u>
	57,781,717

LESS

Collections 2017	56,513,791
Abatements	<u>116,643</u>
2017 taxes receivable at June 30, 2017	<u><u>\$ 1,151,283</u></u>

CITY OF BANGOR, MAINE
General Fund Unassigned Fund Balance Sufficiency Calculation
For the Fiscal Year Ended June 30, 2017

The City Charter states that the City Council shall target an a General Fund unassigned fund balance of no more than 16.66% of operating expenditures. The target balance is established at 8.33% of the last year's General Fund operating expenditures. The following table sets forth the calculation as of June 30, 2017.

General Fund expenditures/uses (Schedule A-2)

General government	\$ 5,292,146
Public safety	17,380,180
Health, community services and recreation	4,972,166
Public buildings and services	10,929,752
Other agencies	4,880,069
Education	51,709,777
Other appropriations	6,435,976
Other uses, gross*	1,350,614
Gross expenditures and uses	102,950,680
General Fund debt service	<u>7,520,573</u>
Net expenditures and uses	<u>\$ 95,430,107</u>
Indicated unassigned fund balance @ 8.33%	\$ 7,949,328
Actual unassigned fund balance (Schedule A-2)	\$ 12,171,566
Actual unassigned fund balance as a percentage of net expenditures and uses	12.75%

* excludes amounts appropriated from unassigned and assigned fund balance

STATISTICAL SECTION

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

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

Table 1

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

	Fiscal Year						
	2011	2012	2013	2014	2015	2016	2017
Governmental activities:							
Net investment in capital assets	\$ 40,176,260	\$ 67,253,588	\$ 54,540,288	\$ 49,674,874	\$ 50,030,025	\$ 47,792,253	\$ 49,367,869
Restricted*	5,033,496	5,054,449	3,966,494	4,745,034	4,494,021	4,045,808	3,547,716
Unrestricted	(3,751,473)	(28,635,920)	(24,261,524)	(29,701,463)	(25,459,136)	(16,048,402)	(15,045,713)
Total governmental activities net position	41,458,283	43,672,117	34,245,258	24,718,445	29,064,910	35,789,659	37,869,872
Business-type activities:							
Net investment in capital assets	155,344,528	152,749,709	165,548,784	159,116,820	156,544,970	159,537,793	153,328,264
Unrestricted	15,549,352	12,823,198	4,879,657	6,860,485	8,428,935	8,766,272	14,668,855
Total business-type activities net position	170,893,880	165,572,907	170,428,441	165,977,305	164,973,905	168,304,065	167,997,119
Primary government:							
Net investment in capital assets	195,520,788	220,003,297	220,089,072	208,791,694	206,574,995	207,330,046	202,696,133
Restricted*	5,033,496	5,054,449	3,966,494	4,745,034	4,494,021	4,045,808	3,547,716
Unrestricted	11,797,879	(15,812,722)	(19,381,867)	(22,840,978)	(17,030,201)	(7,282,130)	(376,858)
Total primary government net position	\$ 212,352,163	\$ 209,245,024	\$ 204,673,699	\$ 190,695,750	\$ 194,038,815	\$ 204,093,724	\$ 205,866,991

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

* Certain amounts within net position have been reclassified to conform with 2016 presentation.

Table 2

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 8,744,549	\$ 7,868,247	\$ 8,279,943	\$ 9,223,718	\$ 4,490,599	\$ 4,733,021	\$ 7,110,075	\$ 6,871,396	\$ 6,588,238	\$ 6,953,399
Public safety	14,945,855	15,671,645	16,898,374	17,018,427	18,016,430	17,864,294	18,050,107	17,933,525	18,107,357	18,841,238
Health, community services and recreation	8,413,205	9,168,870	9,331,784	9,523,225	8,455,977	9,298,196	9,586,571	9,692,379	10,112,526	9,497,729
Public services*	10,501,253	11,812,548	16,380,337	12,413,601	15,399,933	14,408,500	14,249,015	12,956,599	15,409,518	15,997,665
Other agencies	4,829,547	4,580,661	4,658,904	4,479,888	4,209,428	4,630,915	6,799,934	4,638,805	4,528,591	5,049,394
Education	47,537,197	54,294,824	52,763,860	50,986,350	51,223,806	50,145,937	50,594,050	52,297,774	51,901,230	55,079,037
Arena development	41,091	51,332	39,075	61,334	536,251	2,201,200	500,566	-	136	801,439
Community development	2,156,241	912,992	1,506,038	1,542,975	1,152,289	1,356,184	2,178,972	1,316,591	1,592,047	1,335,282
Waterfront	1,754,281	9,252,263	79,911	1,439,065	606,249	381,437	272,857	360,004	331,622	-
Public transportation	2,118,374	3,042,434	2,792,904	1,701,112	3,276,780	3,250,752	2,782,968	2,784,081	3,166,692	3,273,876
Economic development (tif)	1,066,192	1,114,112	1,630,081	1,383,662	1,502,503	1,334,470	1,440,452	1,568,811	929,322	711,220
Interest on debt	3,206,764	2,651,599	2,555,839	2,151,172	2,710,135	3,343,590	2,464,804	2,604,030	2,362,899	2,142,976
Total governmental activities expenses	105,314,549	120,421,527	116,917,050	111,924,529	111,580,380	112,948,496	116,030,371	113,023,995	115,030,178	119,683,255
Business-type activities:										
Sewer Utility	6,052,419	6,197,277	6,253,436	6,202,202	6,758,495	6,827,790	6,843,975	6,603,195	7,210,861	7,725,453
Airport	19,641,953	19,934,243	20,532,553	20,458,552	20,752,350	20,722,960	20,855,066	20,893,894	20,266,935	21,217,373
Park Woods	678,867	590,250	529,610	496,478	533,671	473,289	497,833	507,210	-	-
Stormwater Utility	-	-	-	-	-	-	149,590	241,082	400,924	509,884
Parking	1,438,125	1,374,909	1,402,922	1,206,989	995,631	972,327	925,595	978,658	931,676	1,037,558
Bass Park	1,993,205	1,851,914	1,923,073	2,075,644	1,919,301	3,314,865	6,317,039	7,855,957	7,735,775	7,886,589
Municipal Golf Course	695,969	745,339	733,380	664,311	671,113	687,317	643,323	849,164	613,930	604,127
Economic Development	695,851	712,195	634,764	618,980	615,816	586,140	628,252	698,294	508,234	466,485
Total business-type activities expenses	31,196,389	31,406,127	32,009,738	31,723,156	32,246,377	33,584,688	36,860,673	38,627,454	37,668,335	39,447,469
Total primary government expenses	\$ 136,510,938	\$ 151,827,654	\$ 148,926,788	\$ 143,647,685	\$ 143,826,757	\$ 146,533,184	\$ 152,891,044	\$ 151,651,449	\$ 152,698,513	\$ 159,130,724

* - 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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 2,282,374	\$ 1,869,711	\$ 2,386,637	\$ 2,070,189	\$ 2,501,326	\$ 2,214,675	\$ 2,764,659	\$ 2,493,428	\$ 2,196,463	\$ 2,117,874
Public safety	2,439,831	3,010,167	2,401,930	3,289,153	2,681,152	3,418,686	2,682,248	3,193,528	3,383,956	3,013,577
Health, community services and recreation	771,254	768,450	836,689	928,307	1,048,707	1,139,382	1,164,090	1,118,582	1,193,185	1,266,221
Public services	4,127,341	3,807,886	3,954,116	3,922,847	4,002,973	3,520,517	3,758,666	3,904,548	3,618,373	3,637,836
Other agencies	22,243	22,068	-	20,248	103,560	-	46,882	-	-	-
Education	4,539,787	4,386,457	4,533,041	5,165,261	3,806,614	3,835,409	3,446,006	4,699,101	4,506,591	5,705,049
Arena development	1,689,657	2,205,771	2,380,158	2,331,584	2,434,915	2,079,869	1,960,876	1,952,929	1,896,633	1,838,285
Community development	297,394	301,019	332,295	323,494	588,587	474,013	994,546	273,269	313,396	442,445
Public transportation	809,531	944,804	923,433	1,025,080	1,023,717	1,045,793	816,819	857,013	1,048,974	774,195
Tax increment financing	-	1,711	-	-	-	-	-	-	-	-
Operating grants and contributions	41,370,518	34,155,649	35,683,710	35,604,940	33,137,275	31,901,386	34,600,320	33,541,085	34,838,496	33,872,652
Capital grants and contributions	2,119,150	2,068,478	6,578,917	4,935,614	3,725,432	2,345,794	1,720,879	1,540,614	3,064,312	2,391,680
Total governmental activities program revenues	60,469,080	53,542,171	60,010,926	59,616,717	55,054,258	51,975,524	53,955,991	53,574,097	56,060,379	55,059,814
Business-type activities:										
Charges for services										
Sewer Utility	6,745,112	7,537,879	7,288,499	7,340,935	7,320,469	7,708,101	8,426,054	8,189,623	7,975,639	8,634,449
Airport	14,475,879	13,953,287	13,767,394	13,080,217	12,540,347	12,069,935	12,220,328	12,036,215	13,576,325	15,870,081
Park Woods	340,494	369,478	371,832	372,715	397,426	417,407	440,295	459,905	-	-
Stormwater Utility	-	-	-	-	-	-	359,029	1,088,119	1,000,864	1,053,892
Parking	1,001,697	997,111	1,050,579	1,057,710	1,012,109	960,947	1,002,164	1,022,305	1,030,872	1,008,494
Bass Park	1,426,599	1,253,236	1,382,947	1,276,869	1,304,384	1,249,595	2,683,094	3,239,457	3,346,951	3,387,105
Municipal Golf Course	655,834	608,930	658,053	643,501	628,869	592,825	575,020	611,132	732,016	644,303
Economic Development	422,716	569,549	507,867	585,785	409,486	462,033	515,339	589,383	674,066	503,905
Operating grants and contributions	-	-	-	-	-	-	-	193,061	-	-
Capital grants and contributions	3,426,732	4,113,557	8,684,860	3,717,755	2,351,779	6,121,523	4,039,968	6,947,799	8,776,331	3,776,705
Total business-type activities program revenues	28,495,063	29,403,027	33,712,031	28,075,487	25,964,869	29,582,366	30,261,291	34,376,999	37,113,064	34,878,934
Total primary government program revenues	\$ 88,964,143	\$ 82,945,198	\$ 93,722,957	\$ 87,692,204	\$ 81,019,127	\$ 81,557,890	\$ 84,217,282	\$ 87,951,096	\$ 93,173,443	\$ 89,938,748

Continued on next page

Table 2 (con't)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (expense)/revenue										
Governmental activities	\$ (44,845,469)	\$ (66,879,356)	\$ (56,906,124)	\$ (52,307,812)	\$ (56,526,122)	\$ (60,972,972)	\$ (62,074,380)	\$ (59,449,898)	\$ (58,969,799)	\$ (64,623,441)
Business-type activities	(2,701,326)	(2,003,100)	1,702,293	(3,647,669)	(6,281,508)	(4,002,322)	(6,599,382)	(4,250,455)	(555,271)	(4,568,535)
Total primary government expense	(47,546,795)	(68,882,456)	(55,203,831)	(55,955,481)	(62,807,630)	(64,975,294)	(68,673,762)	(63,700,353)	(59,525,070)	(69,191,976)
General revenues and other changes in net position										
Governmental activities:										
Property taxes	43,775,938	46,977,792	48,182,455	48,027,330	48,520,390	49,930,989	52,243,583	55,303,613	56,062,583	56,721,029
Payment in lieu of taxes	122,510	141,595	117,770	161,879	156,629	95,620	161,438	156,417	193,599	233,683
Excise taxes	4,641,320	4,752,005	4,694,936	4,515,752	4,596,947	4,594,821	5,400,100	5,844,800	6,272,270	6,170,792
Franchise taxes	300,768	322,526	348,163	367,672	372,542	362,088	350,014	341,605	336,979	346,303
Unrestricted grants and contributions	5,520,774	5,260,439	4,999,567	4,859,811	4,963,161	4,857,030	3,787,128	3,794,664	4,173,167	4,464,142
Unrestricted investment earnings	1,274,939	874,824	673,295	565,326	530,631	57,620	510,429	413,923	488,936	380,580
Gain on sale of asset	-	-	-	-	-	-	-	-	-	62,180
Miscellaneous	161,439	93,967	135,849	92,379	16,698	112,060	1,863	410,991	179,163	-
Transfers	(539,088)	(739,179)	761,103	(637,898)	(417,042)	(8,772,781)	(3,170,717)	(2,469,650)	(2,012,149)	(1,675,055)
Total governmental activities	55,258,600	57,683,969	59,913,138	57,952,251	58,739,956	51,237,447	59,283,838	63,796,363	65,694,548	66,703,654
Business-type activities:										
Property taxes	-	-	-	-	-	-	750,000	800,000	1,000,000	1,100,000
Unrestricted investment earnings	1,326,787	1,025,098	1,035,753	752,891	543,493	345,932	504,584	462,069	420,951	555,259
Gain (loss) on sale of asset	-	-	-	-	-	(260,857)	-	-	452,331	931,275
Special Item	-	-	-	-	-	-	-	(484,664)	-	-
Transfers	539,088	739,179	(761,103)	637,898	417,042	8,772,781	3,170,717	2,469,650	2,012,149	1,675,055
Total business-type activities	1,865,875	1,764,277	274,650	1,390,789	960,535	8,857,856	4,425,301	3,247,055	3,885,431	4,261,589
Total primary government	57,124,475	59,448,246	60,187,788	59,343,040	59,700,491	60,095,303	63,709,139	67,043,418	69,579,979	70,965,243
Change in net position										
Governmental activities	10,413,131	(9,195,387)	3,007,014	5,644,439	2,213,834	(9,735,525)	(2,790,542)	4,346,465	6,724,749	2,080,213
Business-type activities	(835,451)	(238,823)	1,976,943	(2,256,880)	(5,320,973)	4,855,534	(2,174,081)	(1,003,400)	3,330,160	(306,946)
Total primary government	\$ 9,577,680	\$ (9,434,210)	\$ 4,983,957	\$ 3,387,559	\$ (3,107,139)	\$ (4,879,991)	\$ (4,964,623)	\$ 3,343,065	\$ 10,054,909	\$ 1,773,267

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Tax Revenues										
Property taxes	\$ 43,775,938	\$ 46,977,792	\$ 48,182,455	\$ 48,027,330	\$ 48,520,390	\$ 49,930,989	\$ 52,243,583	\$ 55,303,613	\$ 56,062,583	\$ 56,721,029
Excise taxes	4,641,320	4,752,005	4,694,936	4,515,752	4,596,947	4,594,821	5,400,100	5,844,800	6,272,270	6,170,792
Franchise taxes	300,768	322,526	348,163	367,672	372,542	362,088	350,014	341,605	336,979	346,303
Total tax revenues	\$ 48,718,026	\$ 52,052,323	\$ 53,225,554	\$ 52,910,754	\$ 53,489,879	\$ 54,887,898	\$ 57,993,697	\$ 61,490,018	\$ 62,671,832	\$ 63,238,124

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	2015	2016	2017
General Fund:							
Nonspendable							
Advances to other funds	\$ 1,900,500	\$ 1,900,500	\$ 1,900,500	\$ 1,900,500	\$ 1,900,500	\$ 1,900,500	\$ 1,900,500
Inventory and prepaid items	963,770	860,187	873,714	853,265	672,248	1,238,139	1,061,973
Restricted							
Education purposes	1,213,508	936,158	186,871	974,012	889,481	1,354,267	745,039
Municipal purposes	405,119	349,362	288,519	288,857	19,803	19,830	19,883
Committed - municipal purposes	19,033	373,753	10,583	2,623	110,933	5,406	288,743
Assigned							
Encumbrances	1,389,501	1,548,268	777,788	31,347	15,987	244,899	72,264
Municipal purposes	3,115,199	3,240,838	3,415,627	3,386,444	4,626,740	5,509,947	6,367,677
Unassigned	8,017,940	7,563,658	7,727,014	9,598,472	9,995,105	11,315,235	12,171,566
Total general fund	<u>\$ 17,024,570</u>	<u>\$ 16,772,724</u>	<u>\$ 15,180,616</u>	<u>\$ 17,035,520</u>	<u>\$ 18,230,797</u>	<u>\$ 21,588,223</u>	<u>\$ 22,627,645</u>
All other governmental funds:							
Nonspendable							
Permanent Fund Principal	\$ 608,710	\$ 588,515	\$ 574,492	\$ 544,200	\$ 532,758	\$ 532,338	\$ 525,249
Capital Project Fund	-	-	-	-	-	-	1,120,229
Restricted							
Community Development Block Grant	346,605	415,956	252,479	-	-	-	50,811
Penobscot River	759	759	-	-	-	-	-
Nonmajor Special Revenue Funds	1,637,362	1,862,992	1,730,231	1,971,397	2,060,733	1,633,366	1,692,082
Nonmajor Permanent Funds	410,337	449,974	466,951	483,284	495,623	506,007	514,652
Committed							
Arena Fund	6,690,287	-	2,761,541	1,051,134	871,271	587,141	613,291
Assigned							
Capital Project Fund	826,179	-	4,426,655	4,868,248	4,657,905	7,169,264	2,581,181
Capital Project Fund Encumbrances	-	1,853,043	127,712	-	-	-	-
Unassigned							
Community Development Block Grant	-	-	-	(3,275)	(10,679)	(3,153)	-
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>	<u>\$ 8,607,611</u>	<u>\$ 10,424,963</u>	<u>\$ 7,097,495</u>

Only seven 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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Taxes:										
Property taxes	\$ 43,767,914	\$ 47,113,576	\$ 48,284,733	\$ 48,371,202	\$ 48,688,270	\$ 50,004,619	\$ 52,748,153	\$ 55,650,209	\$ 56,626,711	\$ 57,378,981
Excise taxes	4,641,320	4,752,005	4,694,936	4,515,752	4,596,947	4,594,821	5,400,100	5,844,800	6,272,270	6,170,792
Total tax revenues	48,409,234	51,865,581	52,979,669	52,886,954	53,285,217	54,599,440	58,148,253	61,495,009	62,898,981	63,549,773
Intergovernmental	41,345,956	41,123,520	46,211,718	45,304,160	40,536,525	39,029,824	40,025,974	38,563,450	41,912,419	40,506,368
Licenses and permits	956,965	644,621	633,339	601,202	948,267	576,559	1,389,717	831,968	755,273	644,795
Charges for services	13,283,275	13,449,587	13,655,764	15,226,575	13,594,482	14,079,514	12,782,036	14,889,219	14,802,549	15,525,283
Program income	296,325	288,677	329,800	314,203	575,460	462,380	765,142	247,549	284,619	407,403
Revenue from use of money and property	3,812,356	3,836,654	3,864,984	3,473,975	4,042,881	3,067,949	3,114,817	2,883,535	2,823,151	2,693,947
Other	7,691,463	428,220	1,108,213	279,426	561,118	165,686	156,659	516,714	227,243	275,771
Total revenues	115,795,574	111,636,860	118,783,487	118,086,495	113,543,950	111,981,352	116,382,598	119,427,444	123,704,235	123,603,340
Expenditures:										
General government**	5,122,152	5,103,378	5,422,805	4,858,721	5,390,049	5,612,408	5,172,972	5,391,279	5,172,435	5,133,047
Public safety	14,162,638	14,400,420	15,287,575	15,800,938	16,028,180	16,209,402	16,409,651	16,994,567	17,146,674	17,330,311
Health, community services and recreation	4,305,709	4,414,673	4,720,477	5,584,184	5,383,295	4,945,994	4,826,149	5,041,486	5,117,412	4,972,166
Public services	9,906,759	10,048,539	10,055,161	10,196,576	9,842,829	9,835,549	10,052,683	10,704,017	10,387,416	10,907,018
Other agencies	4,227,552	4,294,283	4,291,329	4,747,617	4,409,545	4,382,776	4,566,380	4,684,697	4,723,022	4,886,577
Education	48,293,846	50,380,309	51,590,324	51,391,657	50,159,407	49,880,770	50,771,925	53,037,177	52,655,986	54,722,897
Tax increment financing	-	215,483	432,033	165,133	524,013	550,308	632,364	724,347	717,260	711,220
Unclassified	166,994	63,115	54,451	118,216	260,685	2,323,972	590,627	74,128	104,422	44,568
Restricted grants	9,098,706	8,360,660	8,479,740	8,232,148	7,414,001	9,202,815	10,729,492	9,691,489	9,852,311	8,799,030
Capital outlay*	8,038,242	16,118,777	20,818,168	12,799,978	45,478,235	10,213,552	12,534,783	8,158,063	7,940,743	9,419,396
Debt service										
Principal	2,044,428	2,136,415	12,423,331	3,862,188	6,996,892	22,907,595	3,222,253	3,685,728	3,970,474	5,563,414
Interest	2,436,120	2,373,922	2,472,643	2,375,397	2,180,013	2,923,060	1,957,347	2,050,633	1,983,468	1,871,056
Other charges	299	6,000	61,952	45,988	-	-	-	-	-	-
Total expenditures	107,803,445	117,915,974	136,109,989	120,178,741	154,067,144	138,988,201	121,466,626	120,237,611	119,771,623	124,360,700
Excess (deficiency) of revenues over (under) expenditures	7,992,129	(6,279,114)	(17,326,502)	(2,092,246)	(40,523,194)	(27,006,849)	(5,084,028)	(810,167)	3,932,612	(757,360)
Other financing sources/(uses)										
Issuance of debt	-	3,100,000	3,100,000	2,086,100	30,659,143	10,378,985	8,369,000	3,602,000	3,014,000	-
Capital leases	-	-	-	-	-	456,581	-	-	61,152	-
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	161,439	104,620	135,849	117,558	84,507	186,709	187,760	565,717	179,163	144,369
Transfers to other funds	(2,690,305)	(2,865,418)	(1,789,024)	(2,015,003)	(1,861,301)	(9,783,007)	(4,406,771)	(3,698,558)	(4,015,412)	(4,238,315)
Transfers from other funds	2,151,217	2,126,239	2,550,127	1,377,105	1,444,259	1,010,226	1,236,054	1,228,908	2,003,263	2,563,260
Total other financing sources	(377,649)	9,557,369	13,593,592	1,565,760	30,326,608	(1,235,871)	5,519,595	1,698,067	1,242,166	(1,530,686)
Net change in fund balances	\$ 7,614,480	\$ 3,278,255	\$ (3,732,910)	\$ (526,486)	\$ (10,196,586)	\$ (28,242,720)	\$ 435,567	\$ 887,900	\$ 5,174,778	\$ (2,288,046)
Debt service as a percentage of noncapital expenditures	4.70%	4.64%	14.84%	6.17%	9.23%	25.09%	4.99%	5.39%	5.62%	6.92%

* - 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

Fiscal Year	Real Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Homestead Exemption¹	Business Equipment Tax Exemption²	Other Exemptions³
2008	\$ 2,082,355,000	254,991,600	2,337,346,600	17.74	\$ 68,742,200	-	754,362,000
2009	\$ 2,230,645,100	244,740,100	2,475,385,200	17.99	\$ 70,408,200	8,523,800	793,480,900
2010	\$ 2,299,385,800	257,018,100	2,556,403,900	17.98	\$ 70,357,600	24,801,200	780,391,900
2011	\$ 2,261,383,800	256,321,000	2,517,704,800	18.09	\$ 53,990,200	41,980,400	788,121,900
2012	\$ 2,274,528,200	248,183,200	2,522,711,400	18.00	\$ 54,283,600	57,635,300	795,735,300
2013	\$ 2,282,480,900	245,768,300	2,528,249,200	18.47	\$ 53,981,600	66,043,600	801,351,000
2014	\$ 2,306,517,400	244,302,800	2,550,820,200	19.56	\$ 52,765,500	72,600,700	894,525,200
2015	\$ 2,322,253,300	239,021,300	2,561,274,600	20.54	\$ 51,753,000	86,984,900	914,815,400
2016	\$ 2,370,220,600	229,981,900	2,600,202,500	20.69	\$ 50,758,900	101,258,300	918,968,900
2017	\$ 2,344,351,100	221,870,900	2,566,222,000	21.16	\$ 74,491,300	105,332,700	1,017,482,300

* Source - City of Bangor Commitment Report. It is City policy to assess at 100% of estimated actual value.

¹ The City receives reimbursement from the State of Maine for 50% of the tax loss related to the Homestead Exemption.

² The Business Equipment Tax Exemption began in 2009. Upon implementation, the City received reimbursement from the State of Maine for 100% of the tax loss; that reimbursement has declined to 58.0% for 2017.

³ Other exemptions consists of property owned by federal, state and local governments, various fully exempt organizations and non-reimbursable personal exemptions.

Table 7

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

Fiscal Year	General City Government	General Fund Debt Service	Education	Total Direct Tax Rate	Penobscot County	Total Tax/ (Mill) Rate
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
2015	8.89	1.65	10.00	20.54	1.26	21.80
2016	8.20	2.61	9.88	20.69	1.26	21.95
2017	8.33	2.64	10.19	21.16	1.34	22.50

Table 8

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

Taxpayer	Business	2017			2008		
		Assessed Value	Rank	% of Total Tax Base	Assessed Value	Rank	% of Total Tax Base
GLP Capital L.P.	Gaming	\$ 75,565,400	1	2.94%	-	-	-
Bangor Mall LLC	Shopping mall	62,230,900	2	2.43%	-	-	-
Emera Maine	Utility	40,761,500	3	1.59%	-	-	-
General Electric	Manufacturer	26,957,400	4	1.05%	\$ 81,913,200	1	3.40%
Walmart Stores	Retailer	21,864,000	5	0.85%	-	-	-
QV Realty Trust	Real estate interests	21,737,300	6	0.85%	15,602,200	5	0.65%
Bangor Gas Company LLC	Utility	20,722,100	7	0.81%	14,327,700	7	0.60%
Banres, LLC	Hotel	17,642,500	8	0.69%	-	-	-
HC Bangor LLC	Gaming	17,575,000	9	0.68%	-	-	-
Bangor Savings Bank	Commercial bank	17,388,100	10	0.68%	15,094,000	6	0.63%
BANMAK Associates	Shopping mall	-	-	-	56,985,700	2	2.37%
Paradigm Development LLC	Utility	-	-	-	31,251,400	3	1.30%
Inland Western Parkade	Shopping mall	-	-	-	26,206,600	4	1.09%
Eastern Maine Healthcare	Medical institution	-	-	-	13,464,500	8	0.56%
May Department Stores	Retailer	-	-	-	12,845,000	9	0.53%
Cabrel Company	Real estate interests	-	-	-	12,636,400	10	0.53%
Totals		<u>\$ 322,444,200</u>		<u>12.57%</u>	<u>\$ 280,326,700</u>		<u>11.66%</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			
2008	\$ 44,082,476	341,521	43,740,955	42,847,656	97.96%	\$ 841,791	43,689,447	99.88%
2009	\$ 47,235,370	275,489	46,959,881	45,688,356	97.29%	\$ 1,200,000	46,888,356	99.85%
2010	\$ 48,719,847	588,817	48,131,030	46,205,428	96.00%	\$ 1,790,348	47,995,776	99.72%
2011	\$ 48,362,646	168,932	48,193,714	46,857,606	97.23%	\$ 1,208,158	48,065,764	99.73%
2012	\$ 48,529,834	175,844	48,353,990	47,025,587	97.25%	\$ 1,200,139	48,225,726	99.73%
2013	\$ 49,713,855	134,598	49,579,257	48,276,445	97.37%	\$ 1,170,154	49,446,599	99.73%
2014	\$ 53,077,993	43,339	53,034,654	51,692,178	97.47%	\$ 1,171,531	52,863,709	99.68%
2015	\$ 55,903,061	282,782	55,620,279	53,708,753	96.56%	\$ 1,717,204	55,425,957	99.65%
2016	\$ 57,090,091	445,799	56,644,292	55,557,652	98.08%	\$ 582,806	56,140,458	99.11%
2017	\$ 57,781,717	116,643	57,665,074	56,513,791	98.00%	\$ -	56,513,791	98.00%

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*
2008	\$ 56,998,022	-	41,722,545	-	98,720,567	3,157.85	4.22%	10.62%
2009	\$ 56,687,684	7,091,928	37,623,522	-	101,403,134	3,236.72	4.10%	10.88%
2010	\$ 61,689,447	-	34,956,548	-	96,645,995	3,073.00	3.78%	10.33%
2011	\$ 58,455,666	-	31,985,337	-	90,441,003	2,737.40	3.59%	7.06%
2012	\$ 80,674,158	-	28,707,990	-	109,382,148	3,314.61	4.34%	9.47%
2013	\$ 62,727,567	361,009	82,492,223	-	145,580,799	4,416.49	5.76%	11.71%
2014	\$ 67,154,638	277,728	82,983,011	41,699	150,457,076	4,604.94	5.90%	13.12%
2015	\$ 65,147,398	549,636	83,619,820	33,082	149,349,936	4,585.79	5.83%	12.64%
2016	\$ 62,635,756	408,687	81,041,828	29,210	144,115,481	4,449.24	5.54%	12.27%
2017	\$ 55,502,169	181,526	81,332,351	20,026	137,036,072	4,284.39	5.34%	12.01%

* 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
2008	31,262	\$ 2,337,346,600	98,720,567	4.22%	3,157.85
2009	31,329	\$ 2,475,385,200	94,311,206	3.81%	3,010.35
2010	31,450	\$ 2,556,403,900	96,645,995	3.78%	3,073.00
2011	33,039	\$ 2,517,704,800	90,441,003	3.59%	2,737.40
2012	33,000	\$ 2,522,711,400	109,382,148	4.34%	3,314.61
2013	32,963	\$ 2,528,249,200	145,219,790	5.74%	4,405.54
2014	32,673	\$ 2,550,820,200	150,137,649	5.89%	4,595.16
2015	32,568	\$ 2,561,274,600	148,767,218	5.81%	4,567.90
2016	32,391	\$ 2,600,202,500	143,677,584	5.53%	4,435.73
2017	31,985	\$ 2,566,222,000	136,834,520	5.33%	4,278.08

* Source: U.S. Census Bureau.

CITY OF BANGOR, MAINE
Computation of Direct and Overlapping Debt
June 30, 2017

	Total Debt Outstanding	Percentage Applicable to Bangor	Amount Applicable to Bangor
Direct Debt			
City of Bangor			
General Obligation Bonds	\$ 55,502,169	100.00%	\$ 55,502,169
Capital Leases	181,526	100.00%	181,526
Total Debt	<u>\$ 55,683,695</u>		<u>\$ 55,683,695</u>

* - For year end June 30, 2017 the City had no overlapping debt obligations.

Table 13

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

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Percentage of Net Debt to Debt Limit
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%
2015	\$ 381,555,000	145,681,059	235,873,941	38.18%
2016	\$ 383,182,500	140,744,237	242,438,263	36.73%
2017	\$ 381,555,000	134,045,613	247,509,387	35.13%

Legal Debt Margin Calculation for Fiscal Year 2017

Total State Valuation	\$ 2,543,700,000
Debt Limitation: 15 % of State Valuation	381,555,000
Debt Applicable to Debt Limitation:	
General Obligation Bonds:	
Municipal	104,996,451
School	14,257,096
Sewer	14,792,066
Total debt applicable to limit	<u>134,045,613</u>
Legal Debt margin	<u>\$ 247,509,387</u>

Table 14

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

Fiscal Year	Population *	Median Household Income*	Per Capita Income*	Median Age*	Public School Enrollment**	Unemployment Rate ***
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%
2015	32,568	36,272	23,977	35.9	3,765	4.60%
2016	32,391	36,272	23,977	35.9	3,780	3.80%
2017	31,985	35,674	23,928	35.4	3,759	3.70%

* Source: U.S. Census.

** Source: Bangor School Department.

*** Source: Maine Bureau of Labor Statistics.

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

2017*			2008¹		
Employees	Employer	Location	Employees	Employer	Location
1000-4000	Eastern Maine Medical Center	Bangor	1000-4999	Eastern Maine Medical Center	Bangor
	St. Joseph Hospital	Bangor		Bangor Mall	Bangor
				City of Bangor	Bangor
500-999	Acadia Hospital	Bangor		Hannaford Supermarkets	Throughout
	Bangor Savings Bank	Bangor		Cianbro Corporation	Throughout
	Bank of America	Bangor			
	City of Bangor	Bangor	500-999	Acadia Hospital	Bangor
	Hannaford Supermarkets	Throughout		L.L. Bean	Bangor
	Husson University	Bangor		Bangor Savings Bank	Bangor
	Penobscot Community Health Care	Throughout		Hollywood Slots	Bangor
	Walmart	Throughout		Walmart	Throughout
				St. Joseph Hospital	Bangor

* Source - State of Maine, Department of Labor.

¹ Source - Bangor, Maine Community & Economic Profile Report, Published by City of Bangor Community & Economic Development.

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	100	100	100	100	99	97	92	103	74	77
Public safety										
Police	93	93	97	97	96	96	96	93	91	94
Fire	91	91	95	95	95	95	91	87	90	89
Health, community services and recreation	49	49	49	47	49	48	46	41	34	36
Public building and services	81	82	82	81	78	78	76	63	62	61
Education	618	618	621	610	580	580	568	578	570	580
Sewer utility	21	21	21	21	24	24	24	24	27	27
Airport	89	90	86	87	88	93	77	85	69	79
Park woods	2	2	2	2	2	2	1	-	-	-
Parking	3	3	3	3	3	3	3	3	2	2
Bass park	7	8	8	7	6	5	-	-	-	-
Municipal golf course	9	3	3	3	3	3	3	3	3	3
Totals	1,163	1,160	1,167	1,153	1,123	1,124	1,077	1,080	1,022	1,048

* 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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Code enforcement										
Building permits	485	501	427	518	405	453	433	454	517	571
Certificates of occupancy	430	440	341	448	350	361	395	452	630	609
Sign permits	118	103	90	96	70	69	82	83	86	89
Police										
Calls for service	32,392	34,329	32,351	30,167	31,640	33,740	36,153	36,967	38,347	38,505
Fire										
Calls for service	7,477	7,990	7,357	8,000	9,020	9,044	9,031	9,292	10,048	10,110
Sewer										
Treated flow (billions of gallons)	3.21	3.89	3.55	2.81	3.10	2.68	2.69	3.20	2.57	2.44
Biosolids (tons)	7,236	7,609	7,572	6,518	6,789	5,832	6,309	5,821	6,230	6,101

* Source - City of Bangor Departmental records.

Table 18

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

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	47	50	54	54	50	48	43	50	57	57
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Vehicles	28	27	25	25	26	26	26	26	24	25
Public works										
Streets (miles)	427	429	429	429	431	431	431	431	432	432
Sidewalks (miles)	99.6	99.6	99.6	101.4	101.4	101.4	101.4	101.4	101.4	101.4
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	47	49	49	49	49

* Source - City of Bangor Departmental records.

APPENDIX B

**PROPOSED FORM
OF
LEGAL OPINION**

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Upon issuance and delivery of the 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 \$3,355,000 2018 General Obligation Bonds dated September __, 2018

Ladies and Gentlemen:

We have acted as bond counsel to the City of Bangor, Maine (the "City") in connection with the issuance and sale of the City's \$3,355,000 2018 General Obligation Bonds dated September __, 2018 (the "Bonds"). In such capacity, we have examined the law, including the City Charter and Title 30-A, Section 5772 of the Maine Revised Statutes, as amended, and the record of proceedings submitted to us by the City, in connection with the issue and sale of the above-described Bonds, including among other documents, certified copies of Order 17-290 adopted by the City Council on August 28, 2017 and Order 18-321 adopted by the City Council on August 27, 2018, and an approval of the City's Finance Committee dated September __, 2018 (collectively the "Bond Authorizations").

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials without undertaking to verify such facts by independent investigations. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the originals of all documents submitted to us as copies.

We understand the Bonds are dated as of September __, 2018. The Bonds have been issued as serial bonds in the denominations, bearing interest payable on each March 1 and September 1, commencing March 1, 2019, until maturity or redemption prior to maturity, and maturing on September 1 of each year as reflected below:

<u>September 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>September 1</u>	<u>Amount</u>	<u>Interest Rate</u>
2019	\$285,000	%	2027	\$265,000	%
2020	\$285,000	%	2028	\$265,000	%
2021	\$285,000	%	2039	\$125,000	%
2022	\$270,000	%	2030	\$125,000	%
2023	\$270,000	%	2031	\$125,000	%
2024	\$270,000	%	2032	\$125,000	%
2025	\$270,000	%	2033	\$125,000	%
2026	\$265,000	%			

Bonds maturing on or before September 1, 2028 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing on and after September 1, 2029 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after September 1, 2028, 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.

The Bonds should be signed by the Finance Director of the City, countersigned by the Chairman 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 note that the Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements regarding the use, expenditure, and investment of the proceeds of the Bonds the use of the improvement financed with the proceeds of the Bonds, and timely payment of certain investment earnings to the U.S. Treasury that must be met on a continuing basis subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Failure of the City to comply with such requirements may cause may cause interest on the Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

In expressing the opinions set forth in paragraphs 3 and 5 below, 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 Code. The City, in executing such Tax Certificates, (i) has set forth facts, estimates, circumstances and reasonable expectations of the City as of the date hereof as to future events regarding the amount, use and investment of the proceeds of the Bonds and the use of the improvements financed or refinanced with the proceeds of the Bonds that are material for purposes of Sections 141 and 148 of the Code, and (ii) has certified that the information therein is true and accurate and that the City will comply with requirements of the Code and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds is not includable in gross income for federal income tax purposes. In rendering the opinions set forth in paragraphs 3 and 5 below, we have relied upon the representations and certifications of the City set forth in such Tax Certificates, and we have assumed that the City will comply with the requirements of the Code and with the representations, certifications, warranties, provisions and procedures set forth in such Tax Certificates.

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

We are of the opinion that:

1. Under the Constitution and laws of the State of Maine, the City has been duly created and validly exists as a body corporate and politic and a municipality under the name of the City of Bangor, with lawful power and authority to adopt the Bond Authorizations and to issue the Bonds.
2. The Bonds are in proper form, 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 (now repealed) Chapter 207 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) is subject to the levy of limited *ad valorem* taxes to pay the 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 Bonds issued to finance school improvements that will be 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, are not subject to the property tax levy limit in Section 5721-A.
3. Under existing law, interest payable on the Bonds is excludable from the gross income of the owners thereof for purposes of federal income taxation pursuant to Section 103 of the Code. In addition, such interest is not treated as a preference item in calculating the alternative minimum tax under the Code; provided, however, that such interest is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018.
4. Pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, interest paid on the Bonds is exempt from income tax within the State of Maine under existing statutes, regulations and decisions.
5. The Bonds will constitute "qualified tax-exempt obligations" under Section 265(b) of the Code.

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

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

We express no opinion, are not passing upon and do not assume any responsibility for the accuracy, adequacy or completeness of the statements made in the Preliminary Official Statement or Official Statement prepared with respect the Bonds.

City of Bangor, Maine
September __, 2018
Page 4

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

Very truly yours,

PIERCE ATWOOD LLP

APPENDIX C

**PROPOSED FORM
OF
CONTINUING DISCLOSURE AGREEMENT**

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

In connection with the issuance by the City of Bangor, Maine (the “Issuer”) of its \$3,355,000 2018 General Obligation Bonds, dated September 26, 2018 (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 under this Continuing Disclosure Agreement (the “Agreement”) 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. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board established under the Securities and Exchange Act of 1934, as amended, or any successor thereto (the “MSRB”). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org. The Issuer reserves the right to incorporate by reference its Official Statement dated September 11, 2018 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 MSRB: (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2018, certain updated financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement under the headings “CITY FINANCES,” “INDEBTEDNESS,” “RETIREMENT” and in APPENDIX B thereto and such other financial information and operating data as may be required to comply with the Rule; and (b) the updated information discussed in (a) above will include audited financial statements, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Issuer will provide audited financial statements when and if such audited financial statements become available. Such filings, if not completed by the required time in (a) above, but if filed when available, will not be deemed to be a “late filing”. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B to the Official Statement or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

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 through EMMA (in an electronic format as prescribed by the MSRB) notice of the occurrence of any of the following events with respect to the Bonds.
 - (a) Certain events whether material or not material:
 - (1) Principal and interest payment delinquencies;
 - (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (3) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (4) Substitution of credit or liquidity providers, or their failure to perform;
 - (5) Adverse tax opinions or events affecting the tax-exempt status of the Bonds, 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;
 - (6) Tender offers;
 - (7) Defeasances;

- (8) Rating changes;
- (9) Bankruptcy, insolvency, receivership or similar event of the Issuer (Note: For the purposes of the event identified in paragraph 1, 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 United States 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.);

(b) Certain events if material:

- (1) Non-payment related defaults;
- (2) Modifications to the rights of holders of the Bonds;
- (3) Bond calls;
- (4) The release, substitution, or sale of property securing repayment of the Bonds;
- (5) 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; and
- (6) Appointment of a successor or additional trustee or the change of name of a trustee.

The Issuer from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, but 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 Agreement is to provide on a continuing basis the information described in the Rule. The provisions of the Agreement 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 ("SEC") 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, the Issuer's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment of in full of all of the Bonds or 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 Agreement, 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 SEC 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. Except as disclosed in its Official Statement, the Issuer 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.
7. 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

Dated: _____, 20__

By: _____

Its: _____

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