



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 an item of tax preference for the purpose of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in the computation of certain taxes that may be imposed with respect to certain corporations, including, without limitation, in adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax. 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**

**\$6,772,000**

**2017 GENERAL OBLIGATION BONDS**

**Dated: Date of Delivery**

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

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2018	\$412,000	3.00%	0.80	2028	\$410,000	3.00%	2.05 <sup>†</sup>
2019	415,000	3.00	0.90	2029	410,000	2.50	2.15 <sup>†</sup>
2020	415,000	3.00	1.00	2030	355,000	2.50	2.25 <sup>†</sup>
2021	410,000	3.00	1.10	2031	355,000	2.75	2.35 <sup>†</sup>
2022	410,000	3.00	1.20	2032	355,000	2.75	2.45 <sup>†</sup>
2023	410,000	3.00	1.30	2033	155,000	3.00	2.55 <sup>†</sup>
2024	410,000	3.00	1.45	2034	155,000	3.00	2.65 <sup>†</sup>
2025	410,000	3.00	1.65	2035	155,000	3.00	2.75 <sup>†</sup>
2026	410,000	3.00	1.80	2036	155,000	3.00	2.85 <sup>†</sup>
2027	410,000	3.00	1.95	2037	155,000	3.00	100

The City of Bangor, Maine 2017 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 denomination of \$5,000 or any integral multiple thereof, and with one denomination of \$2,000 that will mature on September 1, 2018. 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, 2018 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 may be levied without limit as to rate or amount upon all the taxable property within the territorial limits of 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 development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds (see "CITY FINANCES—TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS" herein). Bonds issued for school improvements that will be included in the school budget 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 development projects described in the development programs adopted with respect to the districts. Within the limits established by statute, the City has the right to designate additional development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. The opinion will indicate that the enforceability of the obligations of the City, including the Bonds, is subject to and may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the original purchasers.

Bonds maturing on and before March 1, 2027 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after March 1, 2028 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after March 1, 2027 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, of Portland, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC on or about September 28, 2017.



NOTE: <sup>(†)</sup> Priced at stated yield to the March 1, 2027 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 issuer for purposes of Securities and Exchange Commission’s Rule 15c2-12(b) [17 C.F.R. §240.15c2-12(b)] except for the omission from the Preliminary Official Statement of such information as is permitted by such Rule.

Deborah A. Cyr  
Finance Director  
City of Bangor, Maine

**OFFICIAL STATEMENT  
CITY OF BANGOR, MAINE  
\$6,772,000  
2017 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 2017 General Obligation Bonds (the “Bonds”).

**THE BONDS**

**DESCRIPTION OF THE BONDS**

The Bonds will be issued only as fully-registered bonds without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York (“DTC” or the “Securities Depository”). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, and with one denomination of \$2,000 that will mature September 1, 2018. The Bonds will be dated September 28, 2017 and will bear interest (accrued on the basis of a 360-day year with twelve 30-day months) payable on March 1, 2018 and semi-annually thereafter on September 1 and March 1 of each year until maturity, or redemption prior to maturity. It is expected that the Bonds will be available for delivery at DTC on or about September 28, 2017. The Bonds will mature as follows:

<u>Amount</u>	<u>March 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>March 1,</u>	<u>CUSIP</u>
\$412,000	2018	060096AA2	\$410,000	2028	060096AL8
415,000	2019	060096AB0	410,000	2029	060096AM6
415,000	2020	060096AC8	355,000	2030	060096AN4
410,000	2021	060096AD6	355,000	2031	060096AP9
410,000	2022	060096AE4	355,000	2032	060096AQ7
410,000	2023	060096AF1	155,000	2033	060096AR5
410,000	2024	060096AG9	155,000	2034	060096AS3
410,000	2025	060096AH7	155,000	2035	060096AT1
410,000	2026	060096AJ3	155,000	2036	060096AU8
410,000	2027	060096AK0	155,000	2037	060096AV6

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

**OPTIONAL REDEMPTION PRIOR TO MATURITY**

Bonds maturing on or before March 1, 2027 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing on and after March 1, 2028 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after March 1, 2027, 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.

## **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 15<sup>th</sup> day of the month preceding each interest payment date for the Bonds, and if such day is not a regular business day of the Paying Agent the next day preceding 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; see "CITY OF BANGOR – GOVERNMENT" herein) and Council orders, as displayed below, to provide funds to finance the respective project being defined herein.

<u>Project</u>	<u>Order #</u>	<u>Date of Passage</u>	<u>Amount Authorized</u>	<u>Amount Financed</u>
Cameron Stadium Locker Rooms	16-284	July 25, 2016	\$668,000	\$545,000
14 <sup>th</sup> Street School Roof Repair	16-284	July 25, 2016	332,000	130,000
Streets & Sidewalks	16-285	July 25, 2016	1,808,000	1,599,000
Street/Retaining Wall	16-285	July 25, 2016	1,650,000	1,650,000
Fire Apparatus	16-285	July 25, 2016	1,200,000	1,170,000
Equipment	16-285	July 25, 2016	330,000	297,700
Building Improvements	16-285	July 25, 2016	160,000	115,300
Penobscot River Remediation	16-285	July 25, 2016	750,000	750,000
WWTP Infrastructure	16-285	July 25, 2016	<u>1,105,000</u>	<u>735,000</u>
			\$8,003,000	\$6,992,000 <sup>(1)</sup>

NOTE: <sup>(1)</sup> Includes use of \$220,000 in Original Issue Bid Premium.

### 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 2017 equalized State valuation currently being \$2,553,900,000 x 0.0005 = \$1,275,450) 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.

**AMORTIZATION OF THE BONDS**

<u>Due</u> <u>March 1,</u>	<u>Streets &amp;</u> <u>Sidewalks</u>	<u>Street/</u> <u>Wall</u>	<u>Fire</u> <u>Equip</u>	<u>Equip</u>	<u>Bldg.</u> <u>Improv.</u>	<u>Penob.</u> <u>River</u>	<u>WWTP</u>	<u>Total</u> <u>City</u>	<u>Cameron</u> <u>Stadium</u>	<u>14th St</u> <u>School</u>	<u>Total</u> <u>School</u>	<u>Total</u> <u>CIP</u>
2018	104,074	76,918	76,152	19,380	5,628	61,019	35,879	379,050	26,604	6,346	32,950	412,000
2019	104,092	79,861	76,165	19,383	5,629	61,029	35,885	382,044	26,609	6,347	32,956	415,000
2020	104,092	79,861	76,165	19,383	5,629	61,029	35,885	382,044	26,609	6,347	32,956	415,000
2021	102,838	78,898	75,247	19,149	5,562	60,294	35,453	377,441	26,288	6,271	32,559	410,000
2022	102,838	78,898	75,247	19,149	5,562	60,294	35,453	377,441	26,288	6,271	32,559	410,000
2023	102,838	78,903	75,247	19,145	5,562	60,294	35,453	377,441	26,288	6,271	32,559	410,000
2024	102,838	78,903	75,247	19,145	5,562	60,294	35,453	377,441	26,288	6,271	32,559	410,000
2025	102,838	78,903	75,247	19,145	5,562	60,294	35,453	377,441	26,288	6,271	32,559	410,000
2026	102,838	78,903	75,247	19,145	5,562	60,294	35,453	377,441	26,288	6,271	32,559	410,000
2027	102,838	78,903	75,247	19,145	5,562	60,294	35,453	377,441	26,288	6,271	32,559	410,000
2028	102,838	78,903	75,247	19,145	5,562	60,294	35,453	377,441	26,288	6,271	32,559	410,000
2029	102,838	78,903	75,247	19,145	5,562	60,294	35,453	377,441	26,288	6,271	32,559	410,000
2030	103,679	81,981	75,863	19,301	5,607		35,743	322,175	26,503	6,322	32,825	355,000
2031	103,679	81,981	75,863	19,301	5,607		35,743	322,175	26,503	6,322	32,825	355,000
2032	103,679	81,981	75,863	19,301	5,607		35,743	322,175	26,503	6,322	32,825	355,000
2033		81,118			5,585		35,602	122,305	26,398	6,297	32,695	155,000
2034		81,118			5,585		35,602	122,305	26,398	6,297	32,695	155,000
2035		81,118			5,585		35,602	122,305	26,398	6,297	32,695	155,000
2036		81,118			5,585		35,602	122,305	26,398	6,297	32,695	155,000
2037		81,118			5,585		35,602	122,305	26,398	6,297	32,695	155,000
	1,548,835	1,598,293	1,133,294	288,360	111,686	725,725	711,963	6,118,156	527,918	125,926	653,844	6,772,000

## **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 may be levied without limit as to rate or amount upon all the taxable property within the territorial limits of 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 development districts as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds (see “CITY FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS” herein). Bonds issued for school improvements that will be included in the school budget 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 development project within the districts. Within the limits established by statute, the City has the right to designate additional development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. 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. The Maine statutes provide that executions against a town shall be issued against the personal property of the residents of that town and real estate within its boundaries, whether or not owned by the town. Only town real estate not used for public purposes, however, is subject to such execution. In addition, the Maine statutes provide that the personal property of the residents and the real estate within the boundaries of any town may be taken to pay any debt of the town. There has been no judicial determination as to whether the statutory remedy of taking property of residents to satisfy debts of or judgments against a municipality is constitutional under current due process and equal protection standards and Bond Counsel expresses no opinion thereon. There also 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 of 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 become subject to taxation for the first time, or taxed 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 Limit in any year by an amount equal to net new funds provided by the State for existing services funded in whole or in part by the property tax levy.

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

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

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

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

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

Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, does not limit the amount of taxes which may be raised by a municipality to pay items included in the school budget, governed by and appropriated in accordance with Title 20-A, Chapter 606-B of the Maine Revised Statutes, as amended. Debt service on the school improvements, such as the School Projects, financed by the Bonds is includable in the school budget and the City is therefore able to levy ad valorem property taxes without limit as to rate or amount to pay the debt service on that portion of the 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 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 an item of tax preference for the purpose of the federal alternative minimum tax imposed on to individuals and corporations, however, interest on the Bonds is taken into account in the computation of certain taxes that may be imposed with respect to certain corporations, including, without limitation, in adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax. 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 and improvements financed by 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.

### **Designated 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**

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

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

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

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

### **Changes in Federal Tax Law**

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.

### **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](http://www.dtcc.com).

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

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

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

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

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

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

Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

## **RATINGS**

The Bonds are rated "Aa2" by Moody's Investors Service ("Moody's") and "AA-" by 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 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. 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.

### **Financial Filings**

As a general rule, the City files its Annual Financial Report in January to mid-February of each year, within the applicable 270-day filing period. However, following a 2009 change to the Rule, the City inadvertently continued to file with the Nationally Recognized Municipal Securities Information Repository ("NRMSIR"), but not with the MSRB through its EMMA System 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, and the City, therefore, accepts that this was a “late filing”. Such delay caused the City to make a second submission to the NRMSIR in June 2010, for the 2009 filing, and to also post on EMMA, on October 11, 2012, as a duplicate filing, when this was discovered and on October 21, 2014, an Event Filing “failure to File Annual Financial Information” was posted on EMMA.

**City’s Recent Filing History**

The following are recent filings of the City:

<b>Financial Statements</b> <b><u>FY ended June 30,</u></b>	<b><u>Filed with EMMA</u></b>	
	<b><u>Date</u></b> <b><u>Filed</u></b>	<b><u>Days after</u></b> <b><u>Fiscal Period</u></b>
2016	12/30/16	183
2015	12/31/15	178
2014	02/22/15	237
2013	12/31/13	184
2012	12/31/12	184

NOTE: Searches using some specific series’ CUSIP numbers may not show all filings.

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



## **GOVERNMENT**

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

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

## **MUNICIPAL SERVICES**

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

### **Public Safety**

The Police Department is staffed by employees who include a Chief of Police, a Deputy Police Chief, four Lieutenants, 11 Sergeants, 12 Detectives and approximately 54 Police Officers. The Police Department operates from its downtown Police Station. The Police Department operates 53 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, 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.

Since January 1, 1988, the City has transported solid waste collected from its residents, and has directed solid waste generated by businesses and institutions within its borders, to the Penobscot Energy Recovery Company's ("PERC") waste-to-energy facility in Orrington, Maine. The City currently pays a tipping fee for solid waste disposal of \$78.50 per ton, which is adjusted quarterly based on a formula set forth in the waste disposal agreement between the City and PERC that is scheduled to terminate on March 31, 2018.

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 PERC 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, Fiberight, LLC ("Fiberight"), 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 Fiberight 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 as of April 1, 2018, as required to succeed the existing agreement between the City and PERC. In the event the new processing facility is not in commercial operation by April 1, 2018, Coastal and Fiberight are nonetheless 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. The MRC projects that the facility will be capable of accepting waste from the City as of April 1, 2018, inasmuch as construction of the building that will host the processing equipment is scheduled to be completed this fall; the access road has already been constructed; an equity financing has been completed; an arrangement for debt financing is in process with a closing scheduled for October 2017; and arrangements for installation of the processing equipment are in process. The MRC has also set aside a cash reserve of \$1.0 million to prepare for contingency costs incurred by its members that if waste needs to be sent to the back-up disposal facility for a temporary period in the event of unforeseen financing or construction delays.

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 are scheduled to be released early in 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 distributed to the City, by April 2018.

### **Sewer Department**

The Sewer Department is established as an Enterprise Activity with the intent that the department provides services on a continuing basis, financed entirely through user charges. As of June 30, 2016 total net assets for the Sewer Utility Fund were \$59.8 million. Sewer rates are reviewed annually to ensure that the fee structure is sufficient to cover costs. One superintendent and approximately 27 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**

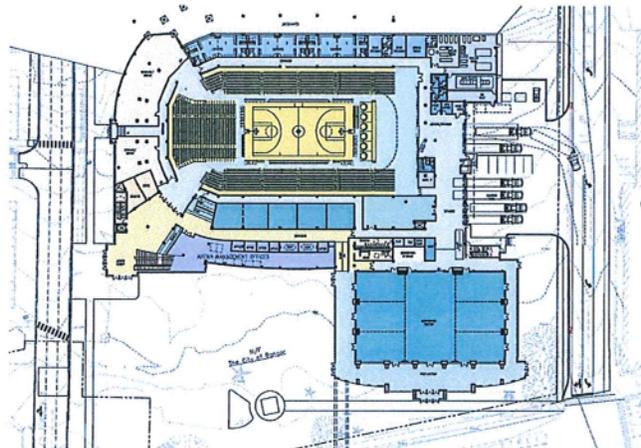
The City has created a Stormwater Utility Fund, the source of proceeds being assessments to property owners of a fee based on the amount of impervious surface to fund the cost associated with stormwater management. The fund received \$1,000,864 in fees during the fiscal year ended June 30, 2016.

### **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.

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

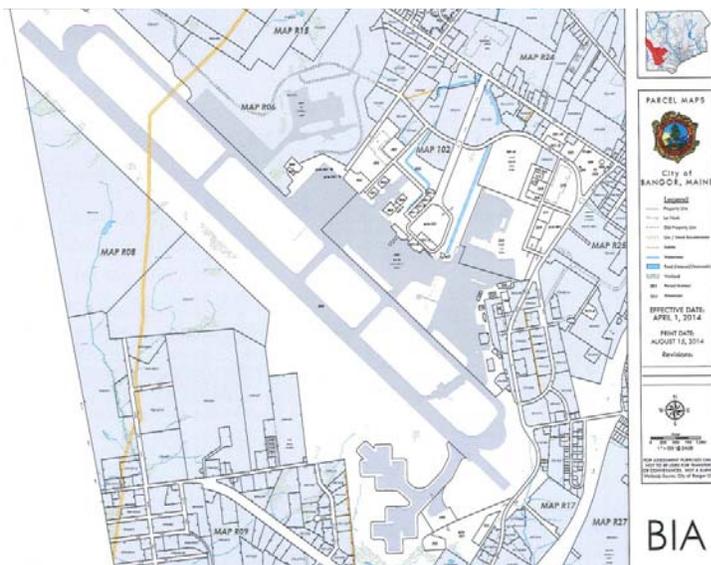
## Municipal Golf Course

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, 2016 BIA’s net assets were \$128.9 million.

### Bangor International Airport



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

## 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>Enrollment</u>
Abraham Lincoln	K - 3	280	225
Downeast	K - 3	400	329
Fourteenth Street	K - 3	176	139
Fruit Street	K - 3	376	348
Vine Street	K - 3	260	178
Fairmount	4 - 5	408	263
Mary Snow	4 - 5	410	270
James F. Doughty	6 - 8	630	389
William S. Cohen	6 - 8	628	397
Bangor High School	9 - 12	1,500	1,201

<b>April 1,</b>	<b>Grades</b>				<b>Total Enrollment</b>
	<b>K-3</b>	<b>4-5</b>	<b>6-8</b>	<b>9-12</b>	
2017	1,219	533	786	1,201	3,739
2016	1,246	566	791	1,135	3,738
2015	1,295	571	787	1,112	3,765
2014	1,336	506	794	1,174	3,810
2013	1,314	507	779	1,198	3,798
2012	1,327	568	771	1,199	3,865
2011	1,292	530	780	1,228	3,830
2010	1,296	480	802	1,243	3,821
2009	1,248	517	808	1,350	3,878
2008	1,240	516	795	1,335	3,886

### Career and Technical Education

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

The City is a member of the *United Technologies Center, Region #4* (“Region #4”), a Region. The City currently sends 107 students to Region #4, or 20.2% of the 529 total current student enrollment. The City is responsible for its proportionate share of Region #4’s operating expenses, including debt service, which is assessed to the City annually. The City’s share of Region #4’s 2017/2018 assessment is \$524,158 or 19.25% of Region #4’s total assessments of \$2,721,957. Region #4’s territory is comprised by the following 14 SAUs:

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

**Other Education**

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

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

**BANGOR PUBLIC LIBRARY**

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

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

The Library completed a \$9 million campaign to provide funds to renovate its interior, replacing its century-old copper roof and to grow its endowment. The copper roof project was completed in 2014 and the interior renovations were completed in 2017.

## 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 <sup>(1)</sup>	Approximate # Employees	Bargaining Unit	Date of Contract	
			Effective	Expiration
MAP	13	Police Command Staff	7/1/15	6/30/18
MAP	64	Police Officers	7/1/15	6/30/18
Teamsters	13	Police Support Staff	7/1/15	6/30/18
IAFF	87	Firefighters	7/1/15	6/30/18
BFPE-AFT	12	Motor Pool	7/1/15	6/30/18
AFSCME	2	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	7/1/15	6/30/17 <sup>(2)</sup>
AFSCME	16	Airfield & Building Maintenance	7/1/15	6/30/18
AFSCME	53	Public Works	7/1/15	6/30/18
ATU (Local 714)	32	Community Connector Bus Drivers	7/1/15	6/30/17 <sup>(2)</sup>
MEA	233	School Teachers	9/1/15	8/31/18
MEA	32	School Instructional Assistants	7/1/15	6/30/18
AFL/CIO	18	School Administrators	7/1/15	6/30/18
MEA	31	School Support Staff	7/1/15	6/30/18

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

<sup>(2)</sup> 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		
		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
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
2007	4.7	5.2	4.6	4.7

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

## FORMER BANGOR METROPOLITAN STATISTICAL AREA

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



### Transportation Center

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

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

### Commuter Patterns

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

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

## Employment Center

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

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

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

NOTE: <sup>(1)</sup> 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 2016, Bangor realized 8.3% of the State’s retail sales.

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

	<b>Business/ Operating</b>	<b>Building Supply</b>	<b>Food Store</b>	<b>General Mdse.</b>	<b>Other Retail</b>	<b>Auto/ Transp.</b>	<b>Rest. &amp; Lodging</b>	<b>Group Total</b>	<b>Consumer Sales</b>
<b>2016</b>	79,990	159,174	77,652	347,261	112,096	386,370	205,069	1,367,612	1,287,622
<b>2015</b>	86,960	161,440	62,908	326,292	110,528	387,167	193,593	1,328,887	1,241,927
<b>2014</b>	83,134	163,520	59,988	333,363	111,468	349,008	192,729	1,293,208	1,210,075
<b>2013</b>	72,951	145,323	56,673	345,160	111,955	329,796	185,541	1,247,399	1,174,448
<b>2012</b>	75,404	135,242	55,498	350,465	108,596	304,660	178,906	1,208,772	1,133,368
<b>2011</b>	81,695	135,459	54,776	354,738	107,018	306,949	170,994	1,211,628	1,129,933
<b>2010</b>	80,563	118,552	54,081	353,260	106,308	288,042	165,083	1,165,889	1,085,326
<b>2009</b>	81,442	119,879	57,043	334,884	102,791	281,097	158,112	1,135,248	1,053,806
<b>2008</b>	103,073	146,425	56,174	339,196	109,475	301,917	153,231	1,209,492	1,106,419
<b>2007</b>	110,803	162,274	54,968	341,365	110,740	311,844	151,890	1,243,884	1,133,081

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

**Building Permits**

<b>Calendar Year</b>	<b>Permits</b>			<b>Est. Cost of Construction</b>
	<b>Residential</b>	<b>Non-Resid't'l</b>	<b>Total</b>	
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 <sup>(1)</sup>
2012	137	178	315	24,795,673
2011	130	145	275	102,434,811 <sup>(2)</sup>
2010	156	205	361	39,936,826
2009	145	196	241	39,730,383
2008	105	169	274	67,284,359
2007	136	169	205	114,805,564 <sup>(3)</sup>

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

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

<sup>(3)</sup> Major component comprised of Hollywood Casino & Hotel Project

**Post-secondary School Education**

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

<b>Location</b>	<b>School</b>	<b>Enrollment</b>	<b>Faculty</b>
Orono	University of Maine	9,297	845
Bangor	Eastern Maine Community College	1,923	142
Bangor	Husson University	2,691	349
Bangor	University of Maine at Augusta, Bangor Campus	1,000	73
Bangor	New England School of Communication	499	73
Bangor	Beal College	464	40

NOTE: Source: 2016 Peterson's<sup>®</sup>, a part of The Thompson Corporation; except University of Maine at Augusta, Bangor Campus: <https://learn.maine.edu/blog/university-college-bangor/>.

## 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)

	2014	2015	2016	2017	2018
<b>Revenues</b>					
Taxes	\$55,013	\$58,099	\$59,382	\$60,062	\$60,894
Intergovernmental	24,185	22,783	23,796	24,377	25,666
Licenses and Permits	677	702	708	620	623
Charges for Services	11,436	11,439	11,182	11,504	11,665
Fines, Forfeits and Penalties	32	32	33	23	23
Use of Property	721	697	660	650	635
Other Sources	1,482	1,452	1,472	1,411	1,562
<b>Total Revenues</b>	<b>93,546</b>	<b>95,204</b>	<b>97,233</b>	<b>98,647</b>	<b>101,068</b>
<b>Expenditures</b>					
General Government	7,567	7,780	7,818	8,190	8,402
Public Safety	16,767	17,298	17,884	17,903	18,511
Health, Welfare and Recreation	4,992	4,939	4,966	5,119	5,226
Public Services	10,284	10,319	10,701	10,835	11,042
Other Agencies	4,493	4,593	4,663	4,827	4,875
Education	42,803	43,328	44,067	44,462	45,407
Other	2,987	2,846	2,865	3,128	3,274
Debt Service	3,653	4,101	4,269	4,183	4,331
<b>Total Expenditures</b>	<b>\$93,546</b>	<b>\$95,204</b>	<b>\$97,233</b>	<b>\$98,647</b>	<b>\$101,068</b>

## CAPITAL IMPROVEMENT PLAN

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

## PROPERTY TAX LEVY LIMIT

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

Fiscal year:	<u>2013/2014</u>	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>
State Personal Income Factor:	1.05%	1.09%	0.86%	2.67%	2.84%
City Property Growth Factor:	<u>3.42%</u>	<u>3.43%</u>	<u>2.32%</u>	<u>1.58%</u>	<u>1.81%</u>
Growth Limitation Factor:	4.47%	4.52%	3.18%	4.25%	4.65%
Property Tax Levy Limit:	\$27,741,178	\$28,996,160	\$29,919,669	\$31,191,575	\$31,309,758
Property Tax Levy:	<u>23,666,134</u>	<u>24,854,280</u>	<u>25,865,420</u>	<u>25,976,015</u>	<u>26,180,550</u>
Over/(under) Property Tax Levy Limit:	(\$4,075,044)	(\$4,141,880)	(\$4,054,249)	(\$5,215,560)	(\$5,129,208)

## 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:

	<b>Fiscal Year Ended June 30,</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Assigned and Unassigned General Fund Balance	\$12,352,764	\$11,920,429	\$13,016,263	\$14,637,832	\$17,070,081
Prior Years' Expenses (less Debt Service)	86,633,312	86,862,545	88,206,129	92,008,967	92,956,802
Fund Bal as % Prior Years' Expenses	14.26%	13.72%	14.76%	15.91%	18.36%
Unassigned General Fund Balance	\$7,563,658	\$7,727,014	\$9,598,472	\$9,995,105	\$11,315,235
Prior Years' Expenses (less Debt Service)	86,633,312	86,862,545	88,206,129	92,008,967	92,956,802
Fund Bal as % Prior Years' Expenses	8.73%	8.90%	10.88%	10.86%	12.17%

## 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, 2016. This is the 19<sup>th</sup> 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,)**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>					
Cash	\$12,014,827	\$11,711,326	\$12,701,394	\$8,058,272	\$13,164,922
Investments	50,000	50,000	50,000	50,000	50,000
Receivables:					
Taxes	2,670,489	3,333,089	2,765,960	2,810,832	2,674,944
Accounts (net of allowances)	1,016,994	1,825,765	751,691	1,246,085	725,537
Inter-fund loans	8,251,179	5,768,579	3,455,129	6,415,524	4,528,785
Intergovernmental	3,706,733	1,862,538	3,438,342	2,625,755	2,116,745
Loan	611,511	684,336	753,992	820,615	884,339
Inventory, at cost	568,474	542,476	748,711	797,655	819,345
Prepaid items	669,665	129,772	104,554	76,059	40,842
<b>TOTAL ASSETS</b>	<b>29,559,872</b>	<b>25,907,881</b>	<b>24,769,773</b>	<b>22,900,797</b>	<b>25,005,459</b>
<b>LIABILITIES</b>					
Accounts payable	1,257,728	1,026,306	1,138,907	996,982	1,740,176
Accrued wages and benefits	4,271,124	4,091,659	4,000,984	4,013,128	3,993,853
Unearned revenues	0	0	36,919	45,161	0
<b>TOTAL LIABILITIES</b>	<b>5,528,852</b>	<b>5,117,965</b>	<b>5,176,810</b>	<b>5,055,271</b>	<b>5,734,029</b>
<b>DEFERRED RESOURCES</b>	<b>2,442,797</b>	<b>2,559,119</b>	<b>2,557,443</b>	<b>2,664,910</b>	<b>2,498,706</b>
<b>FUND BALANCE</b>					
Non-spendable	3,138,639	2,572,748	2,753,765	2,774,214	2,760,687
Restricted	1,374,097	909,284	1,262,869	475,390	1,285,520
Committed	5,406	110,933	2,623	10,583	373,753
Assigned	5,754,846	4,642,727	3,417,791	4,193,415	4,789,106
Unassigned	11,315,235	9,995,105	9,598,472	7,727,014	7,563,658
<b>TOTAL FUND BALANCE</b>	<b>21,588,223</b>	<b>18,230,797</b>	<b>17,035,520</b>	<b>15,180,616</b>	<b>16,772,724</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$29,559,872</b>	<b>\$24,769,773</b>	<b>\$22,900,797</b>	<b>\$25,005,459</b>	<b>\$25,533,118</b>

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,)**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>REVENUES</b>					
Taxes	\$60,894,710	\$59,468,512	\$56,005,218	\$51,862,260	\$50,707,941
Intergovernmental	30,563,862	29,323,747	30,285,356	30,157,317	32,916,799
Licenses and permits	755,273	831,968	1,389,717	576,559	948,267
Charges for services	13,980,385	14,045,126	11,970,430	13,019,247	12,548,967
Revenue from use of property	721,087	739,052	769,067	833,643	947,722
Other	34,910	27,119	27,263	32,696	41,628
<b>TOTAL REVENUES</b>	<b>106,950,227</b>	<b>104,435,524</b>	<b>100,447,051</b>	<b>96,481,722</b>	<b>98,111,324</b>
<b>EXPENDITURES</b>					
General government	5,172,435	5,391,279	5,172,972	5,612,408	5,390,049
Public safety	17,146,674	16,994,567	16,409,651	16,209,402	16,028,180
Health, com. serv. and recreation	5,117,412	5,041,486	4,826,149	4,945,994	5,383,295
Public buildings and services	10,387,416	10,704,017	10,052,683	9,835,549	9,842,829
Other agencies	4,723,022	4,684,697	4,566,380	4,382,776	4,409,545
Education	52,655,986	53,037,177	50,771,925	49,880,770	50,159,407
TIF	717,260	724,347	632,364	550,308	524,013
Unclassified	22,452	48,043	90,061	122,772	33,100
Capital outlay	674,067	570,654	64,768	1,027,506	366,021
Debt service	5,756,272	5,537,031	5,102,600	4,871,912	4,822,905
<b>TOTAL EXPENDITURES</b>	<b>102,372,996</b>	<b>102,733,298</b>	<b>97,689,553</b>	<b>97,439,397</b>	<b>96,959,344</b>
<b>EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENDITURES</b>	<b>4,577,231</b>	<b>1,702,226</b>	<b>2,757,498</b>	<b>(957,675)</b>	<b>1,151,980</b>
<b>OTHER FINANCING SOURCES (USES)</b>	<b>(1,219,805)</b>	<b>(506,949)</b>	<b>(902,594)</b>	<b>(634,433)</b>	<b>(1,403,826)</b>
<b>EXCESS (DEFICIENCY) REVENUES/EARNINGS OVER EXPENDITURES/OTHER USES</b>	<b>3,357,426</b>	<b>1,195,277</b>	<b>1,854,904</b>	<b>(1,592,108)</b>	<b>(251,846)</b>
<b>BEGINNING FUND BALANCE</b>	<b>18,230,797</b>	<b>17,035,520</b>	<b>15,180,616</b>	<b>16,772,724</b>	<b>17,024,570</b>
<b>ENDING FUND BALANCE</b>	<b>\$21,588,223</b>	<b>\$18,230,797</b>	<b>\$17,035,520</b>	<b>\$15,180,616</b>	<b>\$16,772,724</b>

Prepared from Audited Financial Statements

## **PROPERTY TAXATION**

The principal tax of the City is the tax on real and personal property. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The City's Tax Collector receives the tax commitment from the City Assessor, with assessed values as of April 1 of each year, after which time the tax bills are due. For fiscal 2017/2018 the tax due dates are September 15, 2017 and March 15, 2018. All taxes paid after the due dates are subject to interest established under Title 39, Section 186 of the Maine Revised Statutes, as amended, currently at the rate of 7.0% per annum.

### **Real Estate Tax**

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

### **Business Personal Property Tax**

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

Pursuant to the BETE Act, the State reimburses municipalities with respect to the lost property taxes associated with this exemption through one of 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".

3. 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:

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

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

### Tax Levy and Collections

<b>Fiscal Yr. End June 30,</b>	<b>Equalized State Valuation (000)</b>	<b>Assessed Valuation (000)</b>	<b>Tax Rate (per 000)</b>	<b>Gross Tax Levy (000)</b>	<b>Collections (after Supplements and Abatements)</b>		
					<b>Year End (000)</b>	<b>% of Levy</b>	<b>% of Levy A/O 08/31/17</b>
2017	\$2,553,900	\$2,677,959	\$22.50	\$57,740	----- In Process -----		
2016	2,543,700	2,650,961	21.95	57,090	55,558	98.08%	98.08%
2015	2,481,850	2,613,028	21.80	55,903	53,709	96.56	99.02
2014	2,464,250	2,603,586	20.80	53,078	51,692	97.47	99.57
2013	2,462,650	2,582,242	19.65	49,714	48,276	97.37	99.64
2012	2,456,450	2,576,995	19.20	48,530	47,026	97.25	99.64
2011	2,466,650	2,578,274	19.20	48,363	46,858	97.23	99.66
2010	2,436,000	2,626,791	19.05	48,720	46,205	96.00	100.00
2009	2,377,800	2,544,916	19.05	47,235	45,689	97.29	100.00
2008	2,358,250	2,406,089	18.80	44,082	42,848	97.96	100.00

## 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%
<b>Top Ten Taxpayers</b>		<b>\$93,755,700</b>	<b>\$187,794,700</b>	<b>\$40,597,200</b>	<b>\$322,147,600</b>	<b>12.53%</b>
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%
<b>Top Twenty-five Taxpayers</b>		<b>\$225,971,000</b>	<b>\$517,693,800</b>	<b>\$88,869,100</b>	<b>\$832,533,900</b>	<b>32.37%</b>

## TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE DEVELOPMENT HOUSING DISTRICTS

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

each cannot exceed 5% of the municipality's total value of taxable property. Excluded from this limit as applicable to TIF districts is any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality's total assessed value. In addition, the foregoing limitations do not apply to approved downtown TIF districts, TIF districts that consist solely of one or more community wind power generation facilities owned by a community wind power generator that has been certified by the Public Utilities Commission pursuant to Title 35-A, Section, 3403, subsection 3 of the Maine Revised Statutes, as amended, or transit oriented development districts.

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

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

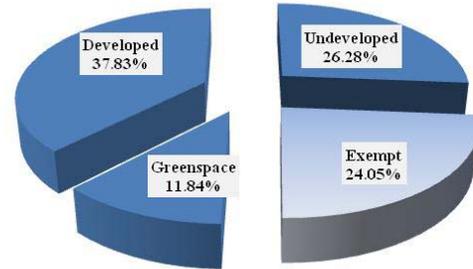
costs. Beginning April 1, 2017, the maximum amount of the exemption is \$20,000, with the State reimbursing 50% of the property tax reduction due to the exemption. The State annually estimates state aid but actual payments may vary from the estimate. The following table displays revenues received by 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		
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 <sup>(1)</sup>	26,260,214
2012	3,637,838	16,812,421	4,599,927	777,196	521,123	2,325,675	28,674,180

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

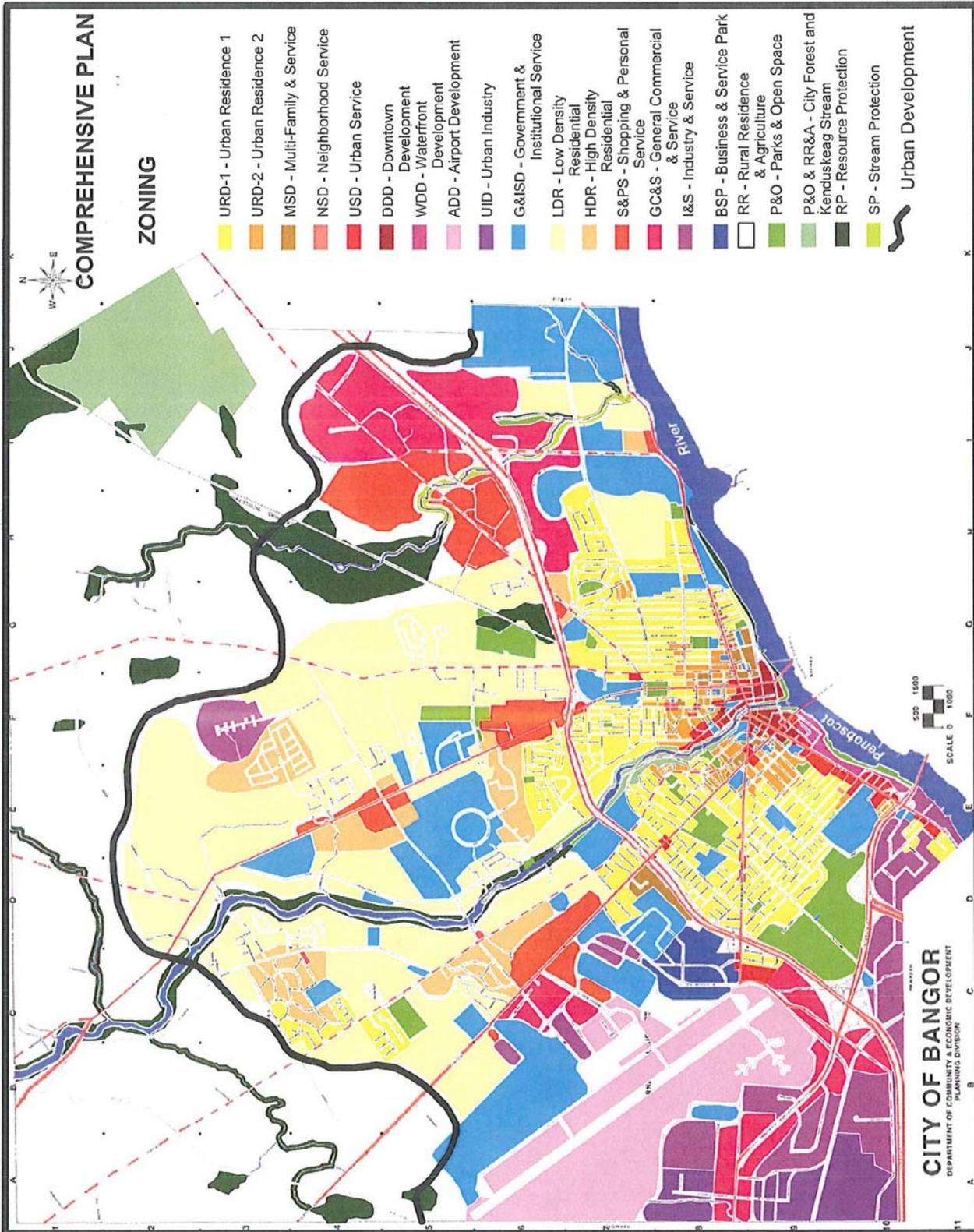
### TAX BASE AND TAX BASE GROWTH

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



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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 2017 equalized state valuation (“equalized State Valuation”) is listed at \$2,553,900,000. The 15% debt limit is \$383,085,000. As of June 30, 2016 the City’s long term general obligation debt outstanding was \$140,744,237, or 5.51% of the equalized State Valuation.

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

**DEBT SUMMARY**

Year Issued	Amount Issued (\$/000)	Final Date	Balance A/O June 30, 2017				Projected, June 30, 2018	
			General Fund		Enterprise	Total	Payments	Balance Due
			City	School	Funds	Debt		
1997A	2,452.40	10/1/2017			152,798	152,798	(152,798)	0
1998 <sup>(1)</sup>	280	11/1/2017	12,333			12,333	(12,333)	0
1999A <sup>(2)</sup>	259.8	7/17/2017			19,857	19,857	(19,857)	0
2001 <sup>(1)</sup>	699.9	9/1/2021	249,476			249,476	(45,602)	203,874
2003(SRF) <sup>(3)</sup>	3,000.00	10/1/2022			944,082	994,082	(158,849)	835,233
2003 <sup>(4)</sup>	1,300.00	3/1/2023			535,372	535,372	(79,603)	455,769
2005(SRF) <sup>(3)</sup>	2,650.00	10/1/2024			1,183,401	1,183,401	(138,170)	1,045,231
2006 <sup>(2)</sup>	2,250.00	12/1/2025			1,283,287	1,283,287	(116,381)	1,166,906
2006(SRF) <sup>(3)</sup>	2,000.00	4/1/2027			1,081,156	1,081,156	(100,375)	980,781
2007(SRF) <sup>(3)</sup>	2,000.00	4/1/2028			1,188,030	1,188,030	(98,579)	1,089,451
2009A	3,100.00	9/1/2028	1,860,000			1,860,000	(155,000)	1,705,000
2009ARRA <sup>(5)</sup>	1,960.00	4/1/2029			581,345	581,345	(48,445)	532,900
2009ARRA <sup>(5)</sup>	1,040.00	4/1/2030			333,944	333,944	(25,688)	308,256
2009B	14,425.00	9/1/2019	1,095,452	2,222,732	226,816	3,545,000	(1,645,000)	1,900,000
2011	6,391.00	4/1/2021	785,876		1,844,124	2,630,000	(675,000)	1,955,000
2011 QSCB	5,610.00	7/15/2028		5,605,000		5,605,000	(5,000)	5,600,000
2012	6,525.00	4/1/2022	1,217,466	1,096,039	721,495	3,035,000	(630,000)	2,405,000
2012B	53,800.00	7/15/2042			50,715,000	50,715,000	(1,135,000)	49,580,000
2012 QSCB	2,800.00	7/15/2035		2,800,000		2,800,000	(5,000)	2,795,000
2013A	9,030.00	11/1/2032	5,787,685		1,192,315	6,980,000	(820,000)	6,160,000
2013B	4,300.00	11/1/2033			3,635,000	3,635,000	(255,000)	3,380,000
2014A	8,669.00	3/1/2034	5,925,000	1,020,000	255,000	7,200,000	(490,000)	6,710,000
2014(SRF) <sup>(3)</sup>	2,500.00	11/1/2034			2,252,243	2,252,243	(124,065)	2,128,178
2015A	3,120.00	4/1/2030	2,350,000	320,000		2,670,000	(225,000)	2,445,000
2015B	1,600.00	4/1/2035			1,440,000	1,440,000	(80,000)	1,360,000
2016A	3,294.00	9/1/2030	2,914,000		261,000	3,175,000	(320,000)	2,855,000
2016B	920.0	9/1/2027			840,000	840,000	(80,000)	760,000
2016(SRF) <sup>(3)</sup>	4,280.0	9/1/2036			4,280,000	4,280,000	(214,000)	4,066,000
<b>Sub-totals (as of 6/30/2017)</b>			22,197,288	13,063,771	74,966,265	110,277,324	(7,854,745)	102,422,579
2017	6,772.00	9/1/2037			6,772,000	6,772,000	(412,000)	6,360,000
<b>Sub-totals (as of 10/1/2017)</b>								
2002(POB) <sup>(6)</sup>	34,030.00	6/1/2026	18,569,762	1,193,325	4,001,913	23,765,000	(1,665,000)	22,100,000
<b>Total Projected Debt</b>			<b>40,767,050</b>	<b>14,257,096</b>	<b>85,960,178</b>	<b>141,034,324</b>	<b>(9,931,745)</b>	<b>130,872,579</b>

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

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

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

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

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

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

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

<b>FY End June 30,</b>	<b>1997 A</b>	<b>2002 POB</b>	<b>2003 SRF</b>	<b>2005 SRF</b>	<b>2007 SRF</b>	<b>2008 SRF</b>	<b>2009 A</b>	<b>2009 B</b>	<b>2009 ARRA</b>	<b>2009 ARRA</b>	<b>2011</b>	<b>2011 QSCB</b>	<b>2012</b>	<b>2012 Sr B</b>	<b>2012 QSCB</b>	<b>2013 Sr A</b>	<b>2013 Sr B</b>	<b>2014 Sr A</b>	<b>2014 SRF</b>	<b>2015 Sr A</b>	<b>2015 Sr B</b>	<b>2016 Sr A</b>	<b>2016 Sr B</b>	<b>2016 SRF</b>	<b>2017</b>	<b>Total Debt</b>
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	412	9,658
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	415	9,047
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	9,216
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	410	8,375
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	8,165
2023		2,850	173	152	109	108	155		48	26		5		1,455	5	725	250	480	125	220	80	265	75	214	410	7,930
2024		3,145		155	111	110	155		48	26		5		1,520	5	720	250	480	125	220	80	265	75	214	410	8,118
2025		3,460		158	112	112	155		48	26		5		1,585	5	560	255	480	125	220	80	265	75	214	410	8,350
2026		3,800			114	114	155		48	26		5		1,650	5	415	150	480	125	180	80	265	75	214	410	8,311
2027					116	116	155		48	26		5		1,715	5	285	160	450	125	180	80	265	75	214	410	4,430
2028						118	155		48	26		5		1,780	5	285	165	450	125	180	80	120	75	214	410	4,241
2029							155		48	26		5,550		1,830	5	40	170	450	125	180	80	100		214	410	9,384
2030														1,890	5	40	180	300	126	180	80	100		214	355	3,495
2031														1,945	5	45	185	300	126		80	100		214	355	3,355
2032														2,005	5	45	195	300	126		80			214	355	3,325
2033														2,065	5	45	205	300	126		80			214	155	3,195
2034														2,135	5		215	300	126		80			214	155	3,230
2035														2,205	5				126		80			214	155	2,785
2036														2,275	2,710						80			214	155	5,354
2037														2,350										214	155	2,719
2038														2,435												2,435
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	138,713

City BIA Notes: 262  
Privately Placed Notes: 1,303  
Briggs Building Note: 536  
Total: 140,814

**PROJECTED DEBT SERVICE REQUIREMENTS**

Fiscal Yr. End June 30,	Prior Debt				The Bonds			Projected Total Debt Service
	Principal	Interest	POBs	Total	Pro-forma			
		(and fees)	(Total D/S)	Prior Debt	Principal	Interest	Total	
2018	\$7,854,745	\$3,148,382	\$3,197,842	\$14,200,969	\$412,000	\$83,846	\$495,846	\$14,696,815
2019	7,020,064	2,924,957	3,290,450	13,235,471	415,000	184,925	599,925	13,835,396
2020	6,981,145	2,718,313	3,390,158	13,089,616	415,000	172,475	587,475	13,677,091
2021	5,923,025	2,519,037	3,490,675	11,932,737	410,000	160,025	570,025	12,502,762
2022	5,470,928	2,384,796	3,596,035	11,451,759	410,000	147,725	557,725	12,009,484
2023	4,913,203	2,162,374	3,704,948	10,780,525	410,000	135,425	545,425	11,325,950
2024	4,719,407	2,020,073	3,816,122	10,555,602	410,000	123,125	533,125	11,088,727
2025	4,644,139	1,860,070	3,928,270	10,432,479	410,000	110,825	520,825	10,953,304
2026	4,273,258	1,723,691	4,045,100	10,042,049	410,000	98,525	508,525	10,550,574
2027	4,020,369	1,594,022		5,614,391	410,000	86,225	496,225	6,110,616
2028	3,831,391	1,474,076		5,305,467	410,000	73,925	483,925	5,789,392
2029	8,973,569	1,363,542		10,337,111	410,000	63,675	473,675	10,810,786
2030	3,140,249	1,265,671		4,405,920	355,000	53,425	408,425	4,814,345
2031	2,999,687	1,175,948		4,175,635	355,000	43,663	398,663	4,574,298
2032	2,969,813	1,090,030		4,059,843	355,000	33,900	388,900	4,448,743
2033	3,039,938	1,000,846		4,040,784	155,000	23,250	178,250	4,219,034
2034	3,075,065	907,519		3,982,584	155,000	18,600	173,600	4,156,184
2035	2,630,190	815,132		3,445,322	155,000	13,950	168,950	3,614,272
2036	5,199,000	730,789		5,929,789	155,000	9,300	164,300	6,094,089
2037	2,564,000	653,386		3,217,386	155,000	4,650	159,650	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
<b>TOTAL</b>	<b>\$110,273,185</b>	<b>\$35,468,642</b>	<b>\$32,459,600</b>	<b>\$178,201,427</b>	<b>\$6,772,000</b>	<b>\$1,641,459</b>	<b>\$8,413,459</b>	<b>\$186,614,886</b>

**DEBT SERVICE COMPONENT OF OPERATING EXPENSES**

(\$ in thousands)	Audited				Budgeted	
	2013	2014	2015	2016	2017	2018
Gross Current Debt Service:	\$11,779	\$12,242	\$13,839	\$14,332	\$15,916	\$14,684
(less Self Support Enterprise):	(4,279)	(4,804)	(6,234)	(6,492)	(6,137)	(6,767)
(less State Qual. School):	(311)	(0)	(0)	(0)	(0)	(0)
(less POB):	(2,803)	(2,885)	(2,974)	(3,063)	(3,151)	(3,198)
(less Refunded Debt):	0	(0)	(0)	(0)	(1,555)	(0)
Tax Backed Current Debt Service:	\$4,386	\$4,553	\$4,631	\$4,777	\$5,073	\$4,719
Budgeted Operating Expense:	91,899	93,546	95,204	97,233	98,647	101,068
Debt Service as % Oper. Expense:	<b>4.77%</b>	<b>4.87%</b>	<b>4.86%</b>	<b>4.91%</b>	<b>5.14%</b>	<b>4.67%</b>

## DEBT RATIOS

### Bonded Debt to Equalized State Valuation and Per Capita Debt Ratios

Fiscal Yr. End June 30,	Pop	Equal. State Val. (000)	Assessed Valuation (000)	Total Debt (000)	Gross Debt		Net of POB	
					as % Eq. Val.	Per Capita	as % Eq. Val.	Per Capita
2016	32,391	\$2,543,700	\$2,650,961	\$140,744	5.53%	\$4,345	4.54%	\$3,564
2015	32,568	2,481,850	2,613,028	145,681	5.87%	4,473	4.80%	3,655
2014	32,673	2,464,250	2,603,586	146,954	5.96%	4,498	4.83%	3,647
2013	32,963	2,462,650	2,582,242	145,219	5.90%	4,406	4.73%	3,531
2012	33,000	2,456,450	2,576,995	89,382	3.64%	2,705	2.43%	1,808
2011	33,039	2,466,650	2,578,274	90,441	3.67%	2,737	2.43%	1,815
2010	31,450	2,436,000	2,626,791	96,645	3.97%	2,925	2.69%	2,083
2009	31,329	2,377,800	2,544,916	94,311	3.87%	3,035	2.63%	1,999
2008	31,262	2,358,250	2,406,089	98,721	4.19%	3,177	2.82%	2,125
2007	31,749	2,213,950	2,224,049	104,132	4.70%	3,351	3.22%	2,247

### 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		
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	45,039	17,688	82,492	145,219	1.8%	0.7%	3.4%	5.9%	1,366	537	2,503	4,406
2012	44,434	16,240	28,708	89,382	1.8%	0.7%	1.2%	3.6%	1,346	492	870	2,709
2011	46,585	11,870	31,985	90,441	1.9%	0.5%	1.3%	3.7%	1,410	359	968	2,737
2010	48,509	13,181	34,957	96,645	1.9%	0.5%	1.4%	3.9%	1,542	419	1,112	3,073
2009	48,390	8,298	37,623	94,311	2.0%	0.3%	1.6%	3.9%	1,545	265	1,201	3,010
2008	47,552	9,446	41,723	98,721	2.0%	0.4%	1.8%	4.2%	1,521	302	1,335	3,158
2007	49,711	10,610	43,810	104,131	2.2%	0.5%	2.0%	4.7%	1,566	334	1,380	3,280

## 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, 2017, the City's equalized State Valuation of \$2,553,900,000 was 24.48% of the County's 2017 equalized State Valuation of \$10,431,700,000 (excluding Unorganized Territories). The County has \$0 long-term debt outstanding as of June 30, 2016.

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, 2016, Region #4 had \$0 long-term debt outstanding.

## CONTINGENT DEBT

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

**TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT**

	<b>General Fund</b>	<b>Enterprise</b>	<b>Overlapping</b>	<b>Total Debt</b>
C/O Bangor-School	\$14,295,811			\$14,295,811
C/O Bangor-School (POB)	1,267,365			1,267,365
C/O Bangor-Other Gen'l Fund	26,734,592			26,734,592
C/O Bangor-Other Gen'l Fund (POB)	19,770,707			19,770,707
C/O Bangor- Enterprise		\$74,425,551		74,425,551
C/O Bangor- Enterprise (POB)		4,250,211		4,250,211
County of Penobscot			0	0
Region #4			0	0
<b>Total A/O June 30, 2016</b>	<b>\$62,068,475</b>	<b>\$78,675,762</b>	<b>\$0</b>	<b>\$140,744,237</b>
<b>% ESV</b>	<b>2.44%</b>	<b>3.09%</b>	<b>0.00%</b>	<b>5.53%</b>
<b>Per Capita</b>	<b>\$1,916.23</b>	<b>\$2,428.94</b>	<b>\$0.00</b>	<b>\$4,345.16</b>

**FUTURE FINANCING**

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

**Bangor Nursing & Rehabilitation Center**

On November 26, 2007, the City Council authorized the issuance of up to \$600,000 in general obligation bonds for the purpose of renovating and rehabilitating property located at 103 Texas Avenue. As of June 30, 2016, \$155,000 remains authorized and unissued. The City does not expect to issue any further debt for this project.

**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, 2016, \$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**

By Order #15-268, on August 10, 2015 and Order # 16-089, on February 22, 2016, the City Council approved a borrowing, not to exceed \$3,870,000 and \$2,145,000, respectively, (or a consolidated \$6,015,000) 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 December 9, 2016, the City borrowed \$4,280,000 from the CWSRF leaving \$1,735,000 remaining as authorized but unissued. The City does not expect to issue any further debt for this project.

## RETIREMENT

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

### A. DEFINED CONTRIBUTION PLAN

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

**Funding Policy** - Plan members not covered by employment contracts are required to contribute 6.5% of their annual covered salary and the City is required to contribute either 8% or 10% depending upon the employee's classification. For fiscal year 2015 covered payroll was \$17,569,991 and City contributions were \$1,515,539. 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 \$475,631 and \$55,053, respectively, in fiscal year 2015.

### 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, 2016 ranged from 8.9% - 14.0% depending on the applicable benefit structure. The City’s contributions to the pension plan were \$779,134 for the year ended June 30, 2016.

**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, 2016 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 \$843,679 for the year ended June 30, 2016.

**Pension Liabilities, Expense and Deferred Outflows and Inflows of Resources** – The net pension liabilities were measured as of June 30, 2015, 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, 2016, the City’s reported liability of its proportionate share of the net pension liability was \$6,299,478. At June 30, 2015, the City’s proportion of the PLD plan was 1.9745%.

**SET Plan** – At June 30, 2016, 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:	\$1,479,608
State’s proportionate share of the net pension liability:	<u>28,378,344</u>
Total:	\$29,857,952

At June 30, 2015, the City’s proportion of the SET Plan was 0.1096%.

For the year ended June 30, 2016, the City recognized pension expense of \$4,832,999 for the PLD Plan and expense of \$3,681,732 and revenue of \$2,561,417 for support provided by the State for the SET Plan. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience:	\$-	\$814,548
Changes of Assumptions:	556,705	-
Net difference between projected and actual earnings on pension investments:	2,257,333	-
Changes in proportion and differences between contributions and proportionate share of contributions:	0	173,720
The City's contributions subsequent to the measurement date:	1,622,813	-
Total:	<u>\$4,436,851</u>	<u>\$988,268</u>

\$1,622,813 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year ended June 30,</u></b>	<b><u>PLD Plan</u></b>
2017	\$451,285
2018	405,076
2019	405,076
2020	564,333

### **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, 2016" pages II - 55 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”):	\$604,811
Amortization adjustment to ARC:	(202,630)
Interest:	<u>140,155</u>
Annual OPEB cost:	\$542,336

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

	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Annual OPEB cost:	\$550,729	\$547,590	\$542,336
City contributions:	<u>(235,369)</u>	<u>(253,004)</u>	<u>(253,004)</u>
Increase in OPEB	315,360	294,586	289,332
Net OPEB, beginning year:	<u>2,893,929</u>	<u>3,209,289</u>	<u>3,503,875</u>
Net OPEB, end year:	\$3,209,289	\$3,503,875	\$3,793,207
% contributed:	42.74%	46.20%	46.65%

**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”):	\$5,299,817	\$1,536,274	\$6,836,091
Actuarial value of plan assets:	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (“UAAL”):	5,299,817	1,536,274	6,836,091
Covered payroll:	\$17,142,698	\$6,969,206	\$22,111,904
UAAL as a percentage of covered payroll:			30.92%

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**

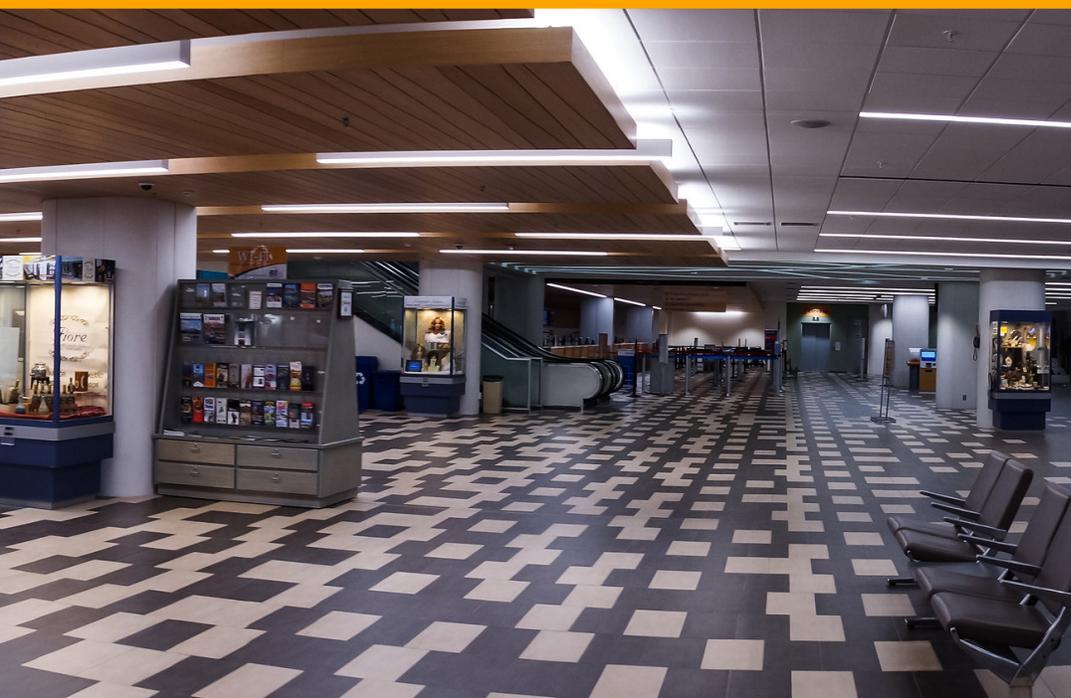
**CITY OF BANGOR, MAINE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR  
FISCAL YEAR ENDED JUNE 30, 2016**

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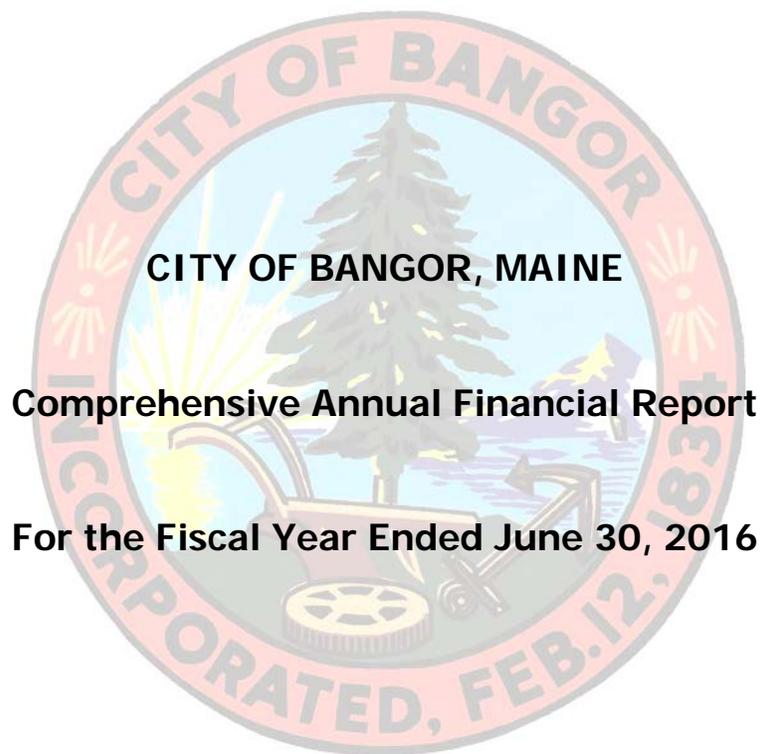


**CITY OF  
BANGOR  
MAINE**

**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**



**FOR  
FISCAL  
YEAR  
JUNE 30, 2016**



**CITY OF BANGOR, MAINE**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2016**

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, 2016**

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# **INTRODUCTORY SECTION**

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

December 28, 2016

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

In accordance with the requirements of both our City Charter and state statutes, the City of Bangor's comprehensive annual financial report for the fiscal year ended June 30, 2016 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Bangor. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the City of Bangor on a government wide and fund basis.

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

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

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

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

The City provides a full range of municipal services including police and fire, highways and sanitation, health and welfare, parks and recreation, education, public transportation, planning, business and economic development, code enforcement,

and general administrative services 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, golf course, and economic development, which are accounted for in the City's enterprise funds.

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

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

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

## **Factors Affecting Financial Condition**

**Local Economy.** The City of Bangor is recognized as the major service center in northern and eastern Maine for communications, banking, commercial, industrial, healthcare, and governmental sectors of the State. In addition, Bangor serves as northern New England's economic link to the Canadian Maritimes and eastern Quebec.

Bangor has a stable and varied economic base. Major employers include a diversified mix of health care, educational, professional, retail, manufacturing, and governmental entities. Bangor's 2016 unemployment rate of 3.8% continues to be on par with or below both country and state rates of 5.1% and 3.7%, 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 2016, Bangor's retail taxable sales were \$1.36 billion and represent 6.6% of total State retail taxable sales.

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) have more than doubled since FY 2011, 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 13.14% in the tax rate from 2007 to 2016.

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

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

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

- \$5.2 million invested in streets, sidewalks, traffic control, and other infrastructure;
- \$14 million reconstruction of Bangor International Airport's domestic air service terminal;
- Additional grant funding for further expansion of C&L Aerospace, which provides worldwide operators with aircraft parts, service, maintenance, sales and leasing services;
- Continued investment in the City's core downtown to encourage mixed use development, including residential, commercial and cultural opportunities;
- Improvements to our local environment and protection of natural resources, including parks and open space, with the major emphasis being storm water management with the implementation of a storm water utility in order to fund the associated costs.

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 formation and operation of 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, 2016 was 12.17% 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, 2015. 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

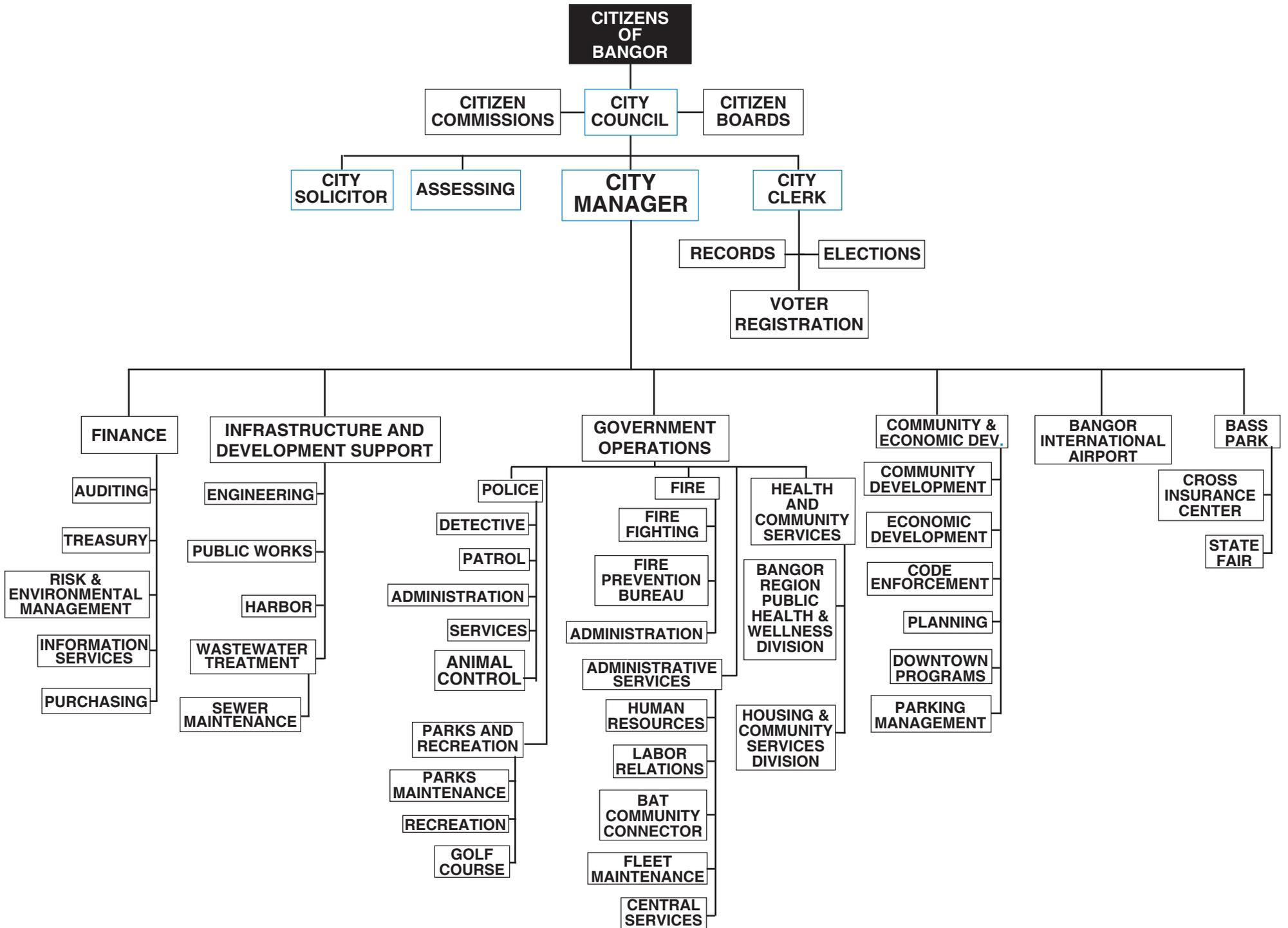
**City of Bangor  
Maine**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

CITY OF BANGOR ORGANIZATIONAL CHART Revised (09-13)



**City of Bangor, Maine  
Elected Officials and Principal Administrative Officers  
June 30, 2016**

**City Council**

Sean Faircloth, Chair

Joseph Baldacci  
Gibran Graham  
Sarah Nichols  
Joshua Plourde

Nelson Durgin  
David Nealley  
Joseph Perry  
Benjamin Sprague

**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  
Marlene Susi

Brian Doore  
Susan Sorg  
Jay Ye, Vice Chair

**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, 2016, 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, 2016, 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 schedules 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 December 28, 2016, on our consideration of the City of Bangor, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bangor, Maine's internal control over financial reporting and compliance.



December 28, 2016  
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, 2016. 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 \$204.1 million (net position).
- At the close of fiscal year 2016, the City of Bangor's governmental funds reported combined ending fund balances of \$32.0 million, an increase of \$5.2 million over the prior year balance of \$26.8 million. The Capital Projects Fund fund balance increased by \$2.5 million, due to unexpended current refunding bond proceeds and Downtown TIF funds. Both were expended and/or appropriated in FY 17. The General Fund fund balance increased by \$3.4 million. General Fund revenues exceeded estimates by \$3.3 million as follows; excise taxes \$1.4 million, intergovernmental revenues \$977 thousand, and charges for service \$675 thousand. All other governmental fund fund balances remained relatively unchanged from prior year amounts. Approximately 77% of the total amount, or \$24.8 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 \$11.3 million, or 12.17% 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 activities and enterprise funds decreased \$2.6 million and \$2.0 million, respectively. For governmental activities, the decrease is wholly attributable to the reduction in the net pension deferred inflows of resources, while the reduction in the enterprise funds is a result of principal payments on general obligation bonds exceeding proceeds by \$2.5 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-18 to II-19 of this report.

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

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

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

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

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

The City maintains seven individual proprietary funds, of which the Sewer Utility, Airport, 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 Activities		Business-type Activities		Total	
	2016	2015*	2016	2015	2016	2015
Current & other assets	\$ 45,360,502	\$ 40,071,698	\$ 27,577,992	\$ 26,939,311	\$ 72,938,494	\$ 67,011,009
Capital assets, net of accumulated depreciation	75,420,521	78,323,398	230,444,082	230,272,012	305,864,603	308,595,410
Total assets	120,781,023	118,395,096	258,022,074	257,211,323	378,803,097	375,606,419
Deferred outflows of resources	3,633,929	1,872,874	802,922	249,572	4,436,851	2,122,446
Total deferred outflows	3,633,929	1,872,874	802,922	249,572	4,436,851	2,122,446
Long-term debt outstanding	76,604,213	76,883,732	84,529,953	86,022,899	161,134,166	162,906,631
Other liabilities	6,689,682	6,106,273	5,737,793	5,733,542	12,427,475	11,839,815
Total liabilities	83,293,895	82,990,005	90,267,746	91,756,441	173,561,641	174,746,446
Deferred inflows of resources	5,331,398	8,213,055	253,185	730,549	5,584,583	8,943,604
Total deferred inflows	5,331,398	8,213,055	253,185	730,549	5,584,583	8,943,604
Net position:						
Net investment in capital assets	47,792,253	50,030,025	159,537,793	156,544,970	207,330,046	206,574,995
Restricted	4,045,808	4,494,021	-	-	4,045,808	4,494,021
Unrestricted	(16,048,402)	(25,459,136)	8,766,272	8,428,935	(7,282,130)	(17,030,201)
Total net position	\$ 35,789,659	\$ 29,064,910	\$ 168,304,065	\$ 164,973,905	\$ 204,093,724	\$ 194,038,815

\* Certain amounts have been reclassified to conform with 2016 presentation.

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 \$7.3 million, the governmental activities deficit of \$16.0 million is partially offset by the business type activities balance of \$8.8 million. The governmental activities deficit is primarily due to \$21.0 million in outstanding pension obligation bonds.

Governmental activities net position increased \$6.7 million. The major components associated with the increase in governmental activities net position is a reduction of the net pension liability and related deferred inflows of \$1.9 million and increases in operating and capital grants contributions and general tax revenues of \$2.8 million and \$1.2 million, respectively.

Business-type net position increased \$3.3 million over FY 2015 net position. The increase in net position is largely due to a \$1.8 million increase in capital grants and contributions received by the Airport Fund for the domestic terminal renovation and runway projects. Sewer user fees continue to be adjusted annually to ensure adequate resources to fund improvements required under a recently completed consent decree with the EPA (Refer to Note C), this rate increase contributed \$794 thousand towards the net position increase. The Stormwater Fund completed its second full year of operations, providing an accumulation of resources to undertake stormwater management projects on a pay as you go basis. Its operation resulted in a \$432 thousand increase to net position.

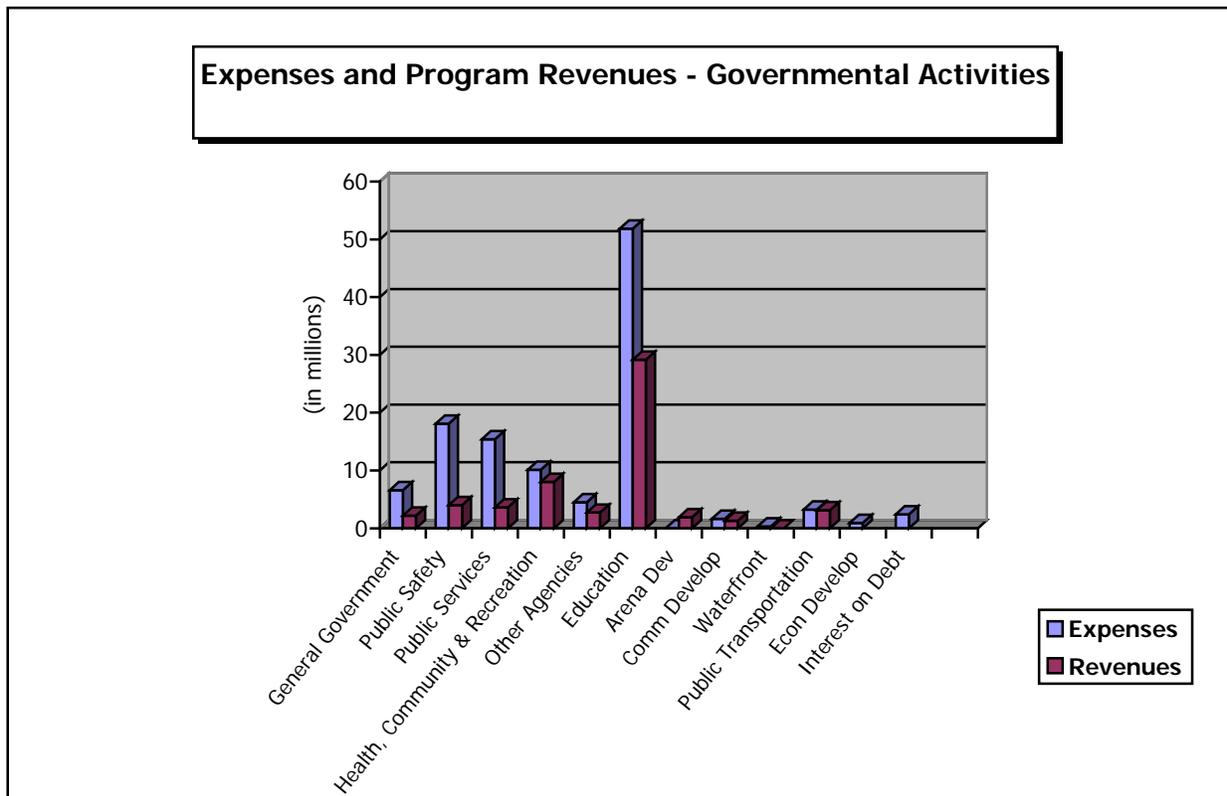
## Changes in Net Position

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

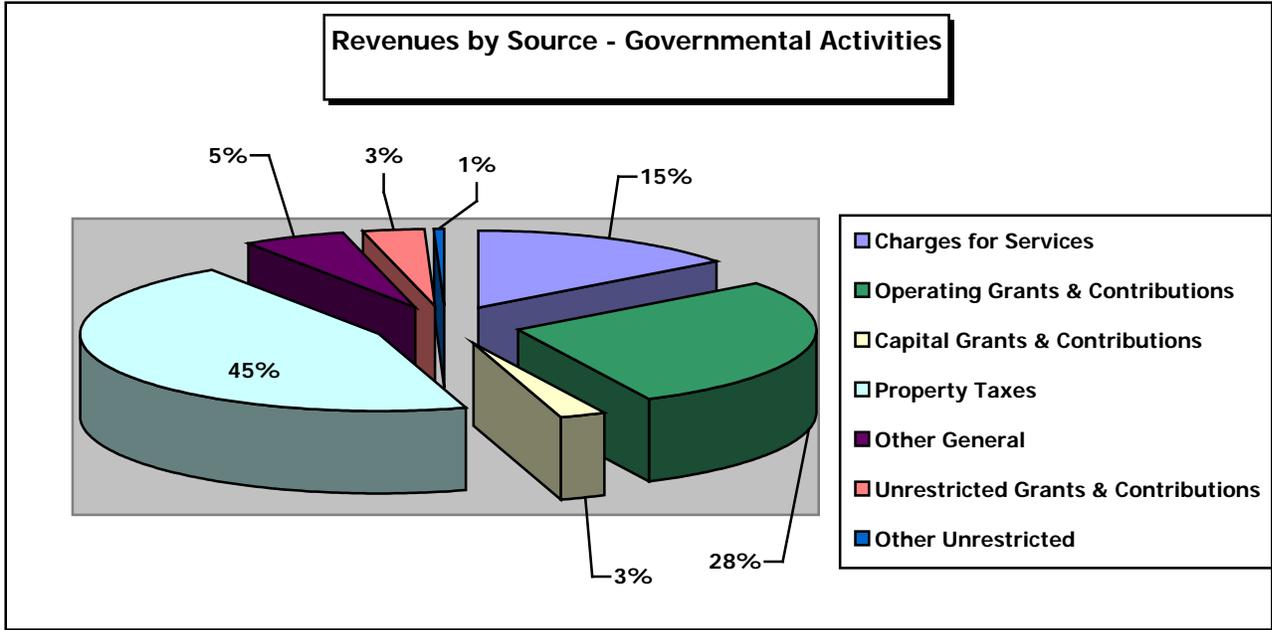
	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 18,157,571	\$ 18,492,398	\$ 28,366,080	\$ 27,236,139	\$ 46,523,651	\$ 45,728,537
Operating grants & contributions	34,838,496	33,541,085	-	193,061	34,838,496	33,734,146
Capital grants & contributions	3,064,312	1,540,614	8,776,331	6,947,799	11,840,643	8,488,413
General Revenues						
Property and other taxes	62,865,431	61,646,435	1,000,000	800,000	63,865,431	62,446,435
Grants and contributions not restricted to specific programs	4,173,167	3,794,664	-	-	4,173,167	3,794,664
Other	668,099	824,914	420,951	462,069	1,089,050	1,286,983
<b>Total Revenues</b>	<b>123,767,076</b>	<b>119,840,110</b>	<b>38,563,362</b>	<b>35,639,068</b>	<b>162,330,438</b>	<b>155,479,178</b>
<b>Expenses</b>						
General government	6,588,238	6,871,396	-	-	6,588,238	6,871,396
Public safety	18,107,357	17,933,525	-	-	18,107,357	17,933,525
Health, community and recreation	10,112,526	9,692,379	-	-	10,112,526	9,692,379
Public services	15,409,518	12,956,599	-	-	15,409,518	12,956,599
Other agencies	4,528,591	4,638,805	-	-	4,528,591	4,638,805
Education	51,901,230	52,297,774	-	-	51,901,230	52,297,774
Arena development	136	-	-	-	136	-
Community development	1,592,047	1,316,591	-	-	1,592,047	1,316,591
Waterfront	331,622	360,004	-	-	331,622	360,004
Public transportation	3,166,692	2,784,081	-	-	3,166,692	2,784,081
Interest on debt	2,362,899	2,604,030	-	-	2,362,899	2,604,030
Economic development (tif)	929,322	1,568,811	-	-	929,322	1,568,811
Sewer Utility	-	-	7,210,861	6,603,195	7,210,861	6,603,195
Airport	-	-	20,266,935	20,893,894	20,266,935	20,893,894
Park Woods	-	-	-	507,210	-	507,210
Stormwater Utility	-	-	400,924	241,082	400,924	241,082
Parking	-	-	931,676	978,658	931,676	978,658
Bass Park	-	-	7,735,775	7,855,957	7,735,775	7,855,957
Municipal Golf Course	-	-	613,930	849,164	613,930	849,164
Economic Development	-	-	508,234	698,294	508,234	698,294
<b>Total Expenses</b>	<b>115,030,178</b>	<b>113,023,995</b>	<b>37,668,335</b>	<b>38,627,454</b>	<b>152,698,513</b>	<b>151,651,449</b>
<b>Excess (deficiency) before special items and transfers</b>	<b>8,736,898</b>	<b>6,816,115</b>	<b>895,027</b>	<b>(2,988,386)</b>	<b>9,631,925</b>	<b>3,827,729</b>
Gain on disposition of asset	-	-	422,984	-	422,984	-
Special Item	-	-	-	(484,664)	-	(484,664)
Transfers	(2,012,149)	(2,469,650)	2,012,149	2,469,650	-	-
<b>Change in net position</b>	<b>6,724,749</b>	<b>4,346,465</b>	<b>3,330,160</b>	<b>(1,003,400)</b>	<b>10,054,909</b>	<b>3,343,065</b>
<b>Beginning net position</b>	<b>29,064,910</b>	<b>24,718,445</b>	<b>164,973,905</b>	<b>165,977,305</b>	<b>194,038,815</b>	<b>190,695,750</b>
<b>Ending net position</b>	<b>\$ 35,789,659</b>	<b>\$ 29,064,910</b>	<b>\$ 168,304,065</b>	<b>\$ 164,973,905</b>	<b>\$ 204,093,724</b>	<b>\$ 194,038,815</b>

## Governmental Activities

The cost of all governmental activities was \$115.0 million. As shown on the Statement of Activities, the total amount financed by the property tax was \$56.1 million, or 49% of expenses. Those who directly benefit from an activity provided \$18.2 million in payments. Other governments and organizations subsidized certain activities with operating grants and contributions in the amount of \$34.8 million. Capital grants and contributions accounted for \$3.1 million. The City also received \$11.6 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 \$2.0 million over the prior year, \$1.1 million of the increase was related to the loss on the disposition of capital assets previously used for public safety and transportation purposes. Public services expenses increased \$2.5 million as there was an increase in project based federal grant funding for streets and sidewalks. Excluding the loss on the disposal of capital assets, public safety expenses decreased by \$178 thousand, as a result of lower equipment costs, which vary from year to year depending upon needs and available funding. Economic development (tif) expenses decreased by \$640 thousand due to the expiration of an agreement during FY 2016. School expenses decreased \$397 thousand as result of changes to its vacation and sick leave policies. During FY 2016, City employees did receive a cost of living adjustment of 1% and realized a health insurance rate decrease of 3.5% which resulted in approximately \$209 thousand of increased expenses.

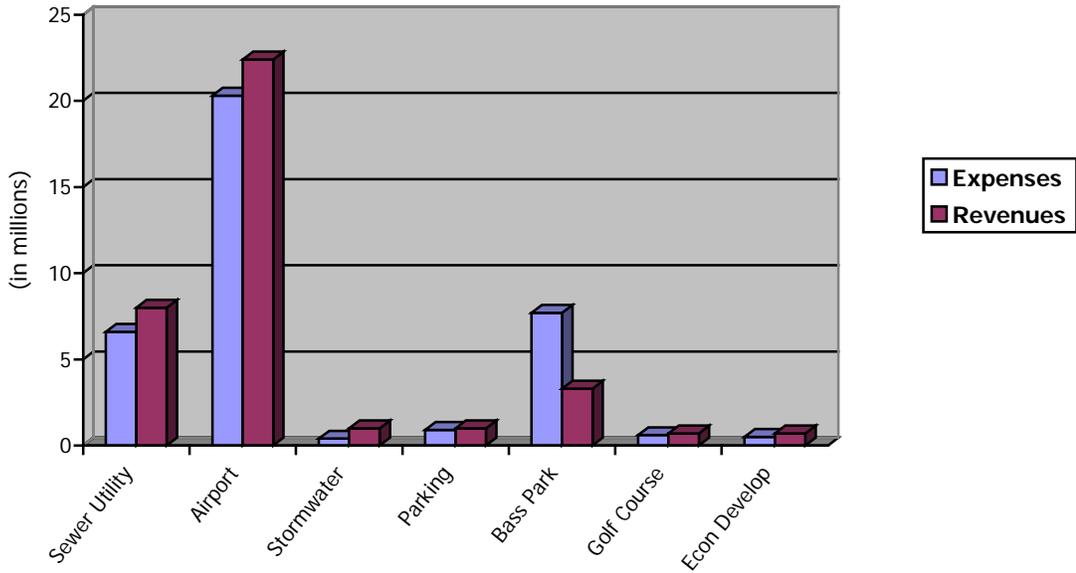


Total governmental activities' revenues increased \$3.9 million, or 3.3%. The largest single source of revenue continues to be the property tax, which increased \$759 thousand. In addition, the City realized increases in excise taxes of \$427 thousand. Capital grants and contributions increased \$1.52 million due to increased project specific federal funding of streets/sidewalks. Operating grants and contributions increased \$1.3 million due to higher State and Federal funding of education and health and community services programs. In total, charges for services decreased \$335 thousand.

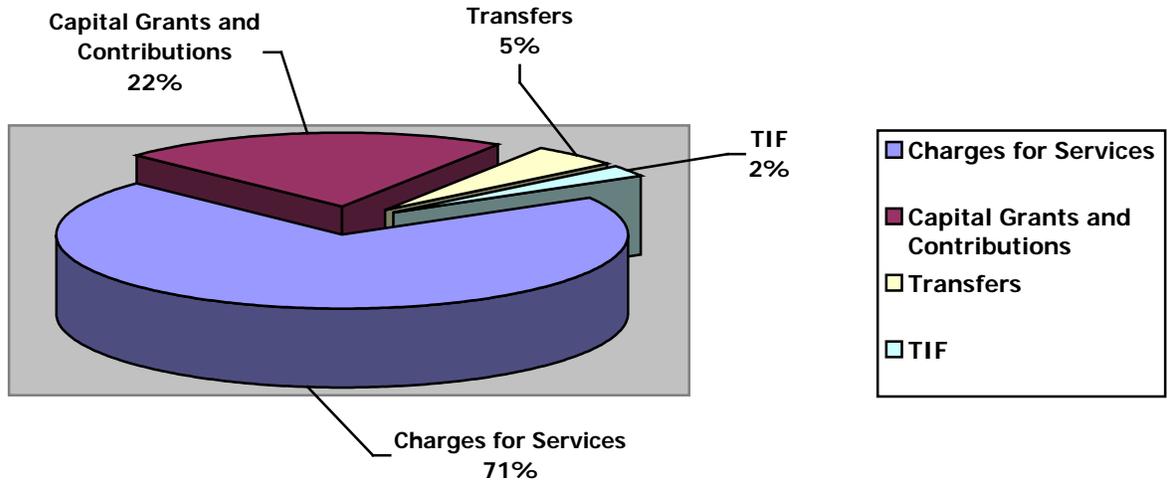
**Business-type Activities**

Total business-type activities expenses decreased \$959 thousand. In FY 2015, the City disposed of the Park Woods Fund, which reported \$507 thousand of expenses in FY 2015. This disposal comprises the majority of the decrease in expenses. Employees working in business-type activities did receive a cost of living adjustment of 1% and realized a health insurance decrease of 3.5%.

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



### Revenues by Source - Business-type Activities



In total, business-type activities revenue increased \$2.9 million or 8.2%, this increase is wholly attributable to the Airport Fund. Capital grants and contribution increased \$1.8 million as a result of federal and PFC funding associated with the domestic terminal renovation and runway projects. Airport Fund charges for services increased \$1.5 million due to an increase in the number of gallons of jet fuel sold as well as an increase on the per gallon margin charged to customers.

## 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 \$32.0 million, an increase of \$5.2 million over the prior year balance. The increase is due to General Fund revenue receipts exceeding estimates by \$3.3 million. Major revenues that exceeded estimates are as follows; excise taxes \$1.4 million, intergovernmental revenues \$980 thousand, and charges for service \$680 thousand. In addition, the Capital Projects Fund fund balance increased by \$2.5 million, due to \$1.6 million of current refunding bond unexpended bond proceeds and \$800 thousand of unexpended Downtown TIF funds. All other governmental fund fund balances remained relatively unchanged from prior year amounts. Of the ending balance of \$32.0 million, approximately 78% of this total (\$24.8 million) is either committed, assigned or unassigned and is available for spending by formal action of the City Council and \$3.5 million, or 10.98%, 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 \$21.6 million, a \$3.4 million increase from the prior year's balance of \$18.2 million. The overall increase in fund balance is related to additional automobile excise tax, intergovernmental revenues and charges for service receipts.

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 2016 increased \$100 thousand over the prior year amount. This is reflective of increased program revenues received and the continued draw down of federal funds the City had set aside for specific targeted areas, including the west side neighborhood revitalization, enhanced residential rehabilitation programs and specific economic development projects, which were completed during the prior year. While the FY 2016 federal funding amount remained relatively flat, it does represent a nearly 35% reduction since FY 2012.

The Arena Fund accounts for the allocation of slot and table game revenues received by the City from the operation of the casino. The fund was established to finance the cost to replace the aging Bangor Auditorium and Civic Center. During the year, the Arena provided \$2.15 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 remained relatively flat with an increase of \$300 thousand over the prior year. Significant project costs incurred in FY 2016 included \$5.0 million investment in streets/sidewalks and other infrastructure and \$1.1 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 increased by \$3.3 million to \$168.3 million. The majority of the increase is related to increased Airport Fund revenues including capital grants and contributions and increased charges for services related to jet fuel sales.

## **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 \$2.9 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 3.27%, or \$3.3 million, municipal expenditures were under budget by 0.95%, or \$474 thousand. Education expenditures were under budget by \$3.7 million or 6.9% and by statute, education balances must be segregated from municipal balances.

## **Capital Asset and Debt Administration**

**Capital assets.** As of June 30, 2016, the City of Bangor's investment in capital assets for its governmental and business-type activities amounted to \$305.9 million (net of accumulated depreciation), a decrease of \$2.7 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 \$16.4 million. Governmental activities invested \$2.1 million, and business-type activities invested \$14.2 million and depreciation expense was \$4.0 million and \$13.5 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 \$1.6 million and spent \$477 thousand and \$451 thousand to replace vehicles and equipment, respectively.
- The Airport Fund invested \$10.9 million in operational assets at Bangor International Airport. The largest individual project is the renovation of the domestic terminal building, which will be completed in FY 2017. This project entails 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. Total project cost is estimated at \$13.9. The project includes federal and passenger facility charge funds and a \$1.6 million local share. During FY 2016, \$4.6 million was invested in this project. In addition to the terminal project, the Airport invested nearly \$3.8 million in runway system upgrades which are funded through the Federal Department of Transportation's Airport Improvement Plan.

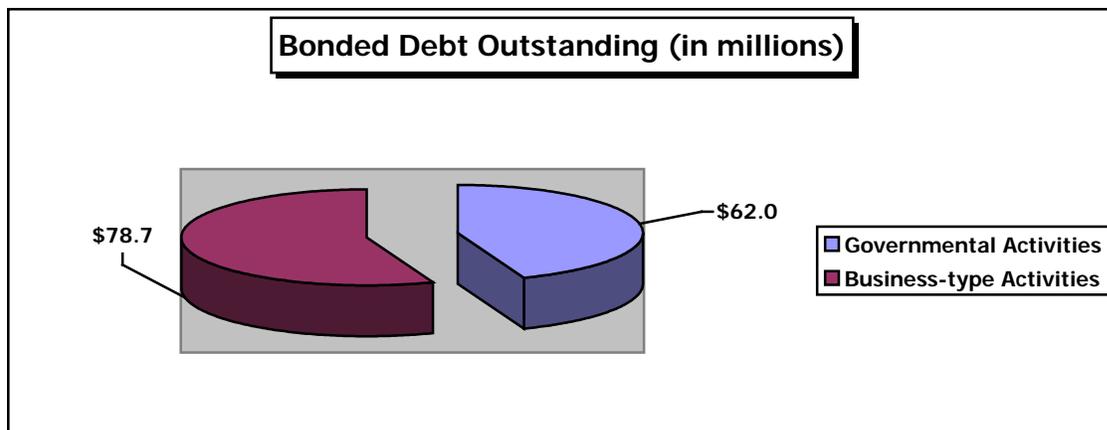
- The Sewer Fund invested \$3.1 million in sewer replacement and separation projects and treatment plant upgrades.
- During FY 2016, the Economic Development Fund sold a property for redevelopment valued at \$864 thousand.

### Capital Assets (net of depreciation)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Land and improvements	11,742,166	4,723,761
Buildings and improvements	41,724,708	65,903,545
Machinery and equipment	1,589,628	3,101,381
Vehicles	6,728,771	-
Infrastructure	11,823,892	46,858,506
Parking structures	-	2,177,690
Aircraft operational assets	-	85,323,763
Construction in process	1,811,356	22,355,436
Total	75,420,521	230,444,082

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 \$140.7 million, a decrease of \$5.0 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 \$383.2 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-45 to II-48 of this report.

## **Quality of Life**

Bangor offers a diversity of experiences for our residents and visitors alike. The City serves as the urban, commercial, healthcare, governmental service and cultural center of a large geographic area. This diversity coupled with the City's commitment to support core municipal services, academic excellence and arts and culture distinguishes it from surrounding communities. While this activity has been beneficial to our citizens and the region, it presents some additional social challenges for Bangor. Specifically, Bangor serves as the regional center for medical care, social services and affordable housing. 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 created significant challenges for the City. Moreover, these reductions were implemented just as significant job losses were occurring throughout the region.

These challenges have led the City to be more proactive in its approach to dealing with issues that have arisen. We identify neighborhoods that would benefit from strategic investment to encourage and foster single occupancy ownership. Typical investments include; infrastructure improvements, such as sidewalks, parks and streets, the acquisition and redevelopment of blighted housing stock as well as provided opportunities for residents to invest in their own homes through loans and incentives for home ownership. The City implemented a disruptive property ordinance, which will allow us to work with landlords directly if tenants are causing disruptions in neighborhoods. A foreclosed property registration program was established, which provides staff with access to the entities tasked with maintenance of properties during the foreclosure process to ensure properties are properly maintained. The City has become more aggressive in identifying blighted housing and removing them or getting them restored and sold. Lastly, the City has been at the center of a community group to address substance abuse issues. The group includes all major healthcare providers in our area and has made great strides in educating, working to standardize best practices, and promoting legislative changes on this issue.

## **Communication and Technology**

Recognizing our role in providing service and information to our citizens, the City continues to invest in initiatives to enhance communication with our varied constituents. We actively manage and update our own website, which integrates with our service request and notification subscription system, developed our own mobile app, post to social media, and manage our own television channel, which broadcasts all City meetings and provides information on City programs and services and offer live streaming of all meetings. The City Council and staff also attend town hall forums and neighborhood meetings to get more feedback directly from residents. We continually work to ensure that we are providing the information citizens want in the form that best fits their need. During FY 2016, the City began implementing an electronic content management (ECM) system. The project involves digitizing all our documents. This effort will allow all City staff to access records on their own, thereby increasing efficiency, as well as provide a public portal to allow direct access to the public.

## Tax Shift

One of the largest challenge 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 the 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 City has reduced/limited spending by limiting cost of living increases, reducing its workforce, managing health care costs, participating in regional efforts, investing in energy efficiency improvements and technology, as well as limiting its long term exposure by not contributing to retiree health coverage and no longer offering a defined benefit pension plan for new employees.

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

- The unemployment rate for the City of Bangor in 2016 was 3.8%, which continues to be on par with or below both the national and State rates of 5.1% and 3.7%, respectively.
- While Bangor represents less than 3% of the state's population, businesses within the City generate 6.6% 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 2017 increased \$4.1 million, or 4.0%, for a total of \$105.3 million.

The City is subject to a state statutory tax levy calculation system (known as LD 1). Generally, the growth of the tax levy is limited to an increase equal to the ten year average percentage change in real statewide personal income plus taxes from property value resulting from new construction, major renovations to existing properties, or the subdivision of property less any "net new state funding". For Fiscal Year 2016, the City's LD 1 tax levy limit was as follows:

Prior Year Base Municipal Commitment	\$	28,624,717
Growth Factor:		3.18%
Average Real Personal Income	0.86%	
Property Growth Factor	2.32%	
Net New State Funds		-
Municipal Commitment Limit	\$	25,868,303

The Fiscal Year 2016 budget was within the statutory tax levy limit.

The State's "Essential Programs and Services" model is a mechanism designed to allocate state funding to local school units and to control local school expenditures. While the State's model recognizes what it considers to be essential programs and their appropriate funding level, the Bangor School Department has identified a number of programs that are either under-funded or not funded by this model. As a result, both the School Committee and the City Council voted to increase the educational spending limits for both Fiscal Year 2016 and 2017 in order to fund such services and programs and their actions were approved, as required, via a local election.

The City realized a \$7.4 million reduction in taxable valuation for FY 2017. New construction and market adjustments were not sufficient to offset the \$23.8 million increase in the homestead exemption and a \$29 million reduction in value related to two substantial tax abatements.

The City continues to see only slight increases in foreclosure and lien rates and will continue to monitor these levels and take steps to assist our tax/rate payers in obtaining assistance wherever possible. Both residential and commercial construction and permitting remains generally flat. We continue to monitor key revenue areas such as: flat investment yield curves, automobile excise taxes, and property tax collection rates. The fiscal year 2017 budget reflects the City's historical results for these revenue sources, and actual results to date appear to be on track with budgetary estimates. User fees for governmental and business-type activities are reviewed on an annual basis to ensure that fee structures are sufficient to cover service costs. Many fees are adjusted annually for inflation. For the Fiscal Year 2017 budget, the City Council's goal was to minimize any tax rate increase, continue to recover from austere budget trends and increase operating efficiencies. As always, this goal was challenging due to continued reductions in State and Federal funding, relatively flat non-property tax revenue projections and assessed value. These challenges were partially offset by strategic reductions in staffing, a continued increase in BETE valuation and an increase in the homestead exemption, thereby providing some relief to residential property owners. The afore referenced actions coupled with a small increase in property taxes of 2.5% allowed the City Council to provide a 1.25% cost of living increase to employees, maintain increased levels of investment in infrastructure, as well as the practice of funding assigned fund balances for future capital purchases on a current basis.

In advance of the State of Maine's 2018-2019 Biennial budget, municipalities were recently notified that one of the Governor's top priorities will be the reduction and eventual elimination of the income tax. The letter states "municipalities will have to get more creative to provide local services without increasing property taxes". Unfortunately, municipalities have limited ability to raise revenues beyond property taxes. Therefore, city and school staff and elected officials will be closely monitoring legislative actions and continue to work collaboratively with other municipalities and professional organizations and actively participate in the 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](mailto:finance@bangormaine.gov).

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**BASIC FINANCIAL STATEMENTS**



**CITY OF BANGOR, MAINE**  
**Statement of Net Position**  
**June 30, 2016**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bangor Public Library
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,991,282	\$ 4,508,087	\$ 22,499,369	\$ 535,729
Investments	2,940,440	15,156,097	18,096,537	11,827,317
Receivables:				
Accounts (net of allowance of \$465,108 and \$705,000, respectively)	1,254,500	9,617,974	10,872,474	209,735
Intergovernmental	4,505,357	2,868,924	7,374,281	-
Taxes and liens - prior years	1,583,849	-	1,583,849	-
Taxes receivable - current year	1,086,640	-	1,086,640	-
Special assessments	30,130	87,664	117,794	-
Loans and notes	6,706,816	1,797,067	8,503,883	-
Internal balances	8,023,349	(8,023,349)	-	-
Inventories	568,474	238,944	807,418	-
Prepaid items	669,665	644,638	1,314,303	420
Other assets	-	681,946	681,946	-
Non-depreciable capital assets	6,903,724	25,951,710	32,855,434	-
Depreciable capital assets, net	68,516,797	204,492,372	273,009,169	13,154,994
Total assets	120,781,023	258,022,074	378,803,097	25,728,195
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Net pension	3,633,929	802,922	4,436,851	-
Total deferred outflows of resources	3,633,929	802,922	4,436,851	-
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	2,164,505	4,395,819	6,560,324	571,538
Accrued wages and benefits payable	4,274,575	293,271	4,567,846	-
Unearned revenues	250,602	1,048,703	1,299,305	-
Noncurrent liabilities:				
Due within one year	9,348,749	4,506,978	13,855,727	115,765
Due in more than one year	67,255,464	80,022,975	147,278,439	164,880
Total liabilities	83,293,895	90,267,746	173,561,641	852,183
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenues - loans and assessments	4,596,315	-	4,596,315	-
Net pension	735,083	253,185	988,268	-
Total deferred inflows of resources	5,331,398	253,185	5,584,583	-
<b>NET POSITION</b>				
Net investment in capital assets	47,792,253	159,537,793	207,330,046	12,940,406
Restricted for:				
Nonexpendable trust principal	532,338	-	532,338	4,397,779
Expendable income	506,007	-	506,007	6,822,175
Grants and other balances	3,007,463	-	3,007,463	-
Unrestricted	(16,048,402)	8,766,272	(7,282,130)	715,652
<b>Total net position</b>	<b>\$ 35,789,659</b>	<b>\$ 168,304,065</b>	<b>\$ 204,093,724</b>	<b>\$ 24,876,012</b>

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2016**

Functions/programs	Program Revenues				Net (expense) revenue and changes in net position			Component Unit
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total	Bangor Public Library
					Governmental activities	Business-type activities		
<b>Primary government</b>								
Governmental activities:								
General government	\$ 6,588,238	\$ 2,196,463	\$ 3,122	\$ -	\$ (4,388,653)	\$ -	\$ (4,388,653)	\$ -
Public safety	18,107,357	3,383,956	374,040	229,838	(14,119,523)	-	(14,119,523)	-
Health, community services and recreation	10,112,526	1,193,185	6,774,741	22,144	(2,122,456)	-	(2,122,456)	-
Public services	15,409,518	3,618,373	4,904	-	(11,786,241)	-	(11,786,241)	-
Other agencies	4,528,591	-	-	2,701,299	(1,827,292)	-	(1,827,292)	-
Education	51,901,230	4,506,591	24,685,903	-	(22,708,736)	-	(22,708,736)	-
Arena development	136	1,896,633	-	-	1,896,497	-	1,896,497	-
Community development	1,592,047	313,396	1,013,211	-	(265,440)	-	(265,440)	-
Waterfront	331,622	-	-	-	(331,622)	-	(331,622)	-
Public transportation	3,166,692	1,048,974	1,982,575	111,031	(24,112)	-	(24,112)	-
Economic development (tif)	929,322	-	-	-	(929,322)	-	(929,322)	-
Interest on debt	2,362,899	-	-	-	(2,362,899)	-	(2,362,899)	-
<b>Total governmental activities</b>	<b>115,030,178</b>	<b>18,157,571</b>	<b>34,838,496</b>	<b>3,064,312</b>	<b>(58,969,799)</b>	<b>-</b>	<b>(58,969,799)</b>	<b>-</b>
Business-type activities:								
Sewer Utility	7,210,861	7,975,639	-	-	-	764,778	764,778	-
Airport	20,266,935	13,576,325	-	8,776,331	-	2,085,721	2,085,721	-
Stormwater Utility	400,924	1,000,864	-	-	-	599,940	599,940	-
Parking	931,676	1,030,872	-	-	-	99,196	99,196	-
Bass Park	7,735,775	3,346,951	-	-	-	(4,388,824)	(4,388,824)	-
Municipal Golf Course	613,930	732,016	-	-	-	118,086	118,086	-
Economic Development	508,234	674,066	-	-	-	165,832	165,832	-
<b>Total business-type activities</b>	<b>37,668,335</b>	<b>28,336,733</b>	<b>-</b>	<b>8,776,331</b>	<b>-</b>	<b>(555,271)</b>	<b>(555,271)</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 152,698,513</b>	<b>\$ 46,494,304</b>	<b>\$ 34,838,496</b>	<b>\$ 11,840,643</b>	<b>(58,969,799)</b>	<b>(555,271)</b>	<b>(59,525,070)</b>	<b>-</b>
<b>Component unit</b>								
<b>Bangor Public Library</b>	<b>\$ 2,798,808</b>	<b>\$ 13,008</b>	<b>\$ 1,906,322</b>	<b>\$ 29,109</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ (850,369)</b>
General revenues:								
Property taxes, levied for general purposes					56,062,583	1,000,000	57,062,583	-
Payment in lieu of taxes					193,599	-	193,599	-
Excise taxes					6,272,270	-	6,272,270	-
Franchise taxes					336,979	-	336,979	-
Grants and contributions not restricted to specific programs:								
Homestead/BETE exemption					1,850,107	-	1,850,107	-
Other State aid					25,897	-	25,897	-
State Revenue Sharing					2,297,163	-	2,297,163	-
Unrestricted investment earnings (loss)					488,936	420,951	909,887	(441,477)
Miscellaneous revenues					179,163	-	179,163	-
Gain on sale of assets					-	452,331	452,331	-
Transfers					(2,012,149)	2,012,149	-	-
<b>Total general revenues and transfers</b>					<b>65,694,548</b>	<b>3,885,431</b>	<b>69,579,979</b>	<b>(441,477)</b>
Change in net position					6,724,749	3,330,160	10,054,909	(1,291,846)
Net position, beginning of year					29,064,910	164,973,905	194,038,815	26,167,858
<b>Net position, end of year</b>					<b>\$ 35,789,659</b>	<b>\$ 168,304,065</b>	<b>\$ 204,093,724</b>	<b>\$ 24,876,012</b>

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General	Community Development Block Grant	Arena Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 12,014,827	\$ 48,637	\$ 466,615	\$ 4,469,435	\$ 991,768	\$ 17,991,282
Investments	50,000	-	-	2,765,868	124,572	2,940,440
Receivables:						
Taxes	2,670,489	-	-	-	-	2,670,489
Accounts (net of allowance of \$465,108)	1,016,994	-	125,989	-	111,517	1,254,500
Interfund	8,251,179	-	-	-	-	8,251,179
Intergovernmental	3,706,733	93,672	-	513,125	191,827	4,505,357
Loans and notes	611,511	4,406,185	-	-	1,689,120	6,706,816
Unearned special assessments	-	-	-	30,130	-	30,130
Inventory, at cost	568,474	-	-	-	-	568,474
Prepaid items	669,665	-	-	-	-	669,665
<b>Total assets</b>	<b>29,559,872</b>	<b>4,548,494</b>	<b>592,604</b>	<b>7,778,558</b>	<b>3,108,804</b>	<b>45,588,332</b>
<b>LIABILITIES</b>						
Accounts payable	1,257,728	1,335	5,463	378,326	49,263	1,692,115
Accrued wages and benefits payable	4,271,124	3,451	-	-	-	4,274,575
Interfund loans payable	-	-	-	-	227,830	227,830
Unearned revenues	-	49,764	-	200,838	-	250,602
Due to rehabilitation recipients	-	90,912	-	-	-	90,912
<b>Total liabilities</b>	<b>5,528,852</b>	<b>145,462</b>	<b>5,463</b>	<b>579,164</b>	<b>277,093</b>	<b>6,536,034</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues - property taxes	2,442,797	-	-	-	-	2,442,797
Unavailable revenues - loans	-	4,406,185	-	-	160,000	4,566,185
Unavailable revenues - special assessments	-	-	-	30,130	-	30,130
<b>Total deferred inflows of resources</b>	<b>2,442,797</b>	<b>4,406,185</b>	<b>-</b>	<b>30,130</b>	<b>160,000</b>	<b>7,039,112</b>
<b>FUND BALANCES (DEFICITS) (Note J)</b>						
Nonspendable	3,138,639	-	-	-	532,338	3,670,977
Restricted	1,374,097	-	-	-	2,139,373	3,513,470
Committed	5,406	-	587,141	-	-	592,547
Assigned	5,754,846	-	-	7,169,264	-	12,924,110
Unassigned	11,315,235	(3,153)	-	-	-	11,312,082
<b>Total fund balances (deficits)</b>	<b>21,588,223</b>	<b>(3,153)</b>	<b>587,141</b>	<b>7,169,264</b>	<b>2,671,711</b>	<b>32,013,186</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 29,559,872</b>	<b>\$ 4,548,494</b>	<b>\$ 592,604</b>	<b>\$ 7,778,558</b>	<b>\$ 3,108,804</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

75,420,521

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

2,442,797

Long-term liabilities, including bonds payable \$62,068,475, accrued interest \$381,478, accrued compensated absences \$2,135,014, self insurance liability \$2,259,949, net OPEB obligation \$2,927,496, bond premium \$567,282, capital leases \$408,687 and net pension liability, including deferred outflows and inflows of resources \$3,338,464 are not due and payable in the current period and, therefore, are not reported in the funds.

(74,086,845)

Net position of governmental funds

**\$ 35,789,659**

*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, 2016**

	General	Community Development Block Grant	Arena Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 60,894,710	\$ -	\$ -	\$ 2,004,271	\$ -	\$ 62,898,981
Intergovernmental	30,563,862	1,013,211	-	2,980,168	7,355,178	41,912,419
Licenses and permits	755,273	-	-	-	-	755,273
Charges for services	13,980,385	-	-	-	822,164	14,802,549
Program income	-	284,619	-	-	-	284,619
Revenue from use of money and property	721,087	-	1,896,633	129,049	76,382	2,823,151
Other	34,910	28,777	-	84,144	79,412	227,243
<b>Total revenues</b>	<b>106,950,227</b>	<b>1,326,607</b>	<b>1,896,633</b>	<b>5,197,632</b>	<b>8,333,136</b>	<b>123,704,235</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government	5,172,435	-	-	-	-	5,172,435
Public safety	17,146,674	-	-	-	-	17,146,674
Health, community services and recreation	5,117,412	-	-	-	-	5,117,412
Public services	10,387,416	-	-	-	-	10,387,416
Other agencies	4,723,022	-	-	-	-	4,723,022
Education	52,655,986	-	-	-	-	52,655,986
Tax increment financing	717,260	-	-	-	-	717,260
Unclassified	22,452	-	29,942	-	-	52,394
Restricted grants	-	1,319,081	-	-	8,533,230	9,852,311
Capital outlay	674,067	-	-	7,266,676	-	7,940,743
Debt service	5,756,272	-	-	249,698	-	6,005,970
<b>Total expenditures</b>	<b>102,372,996</b>	<b>1,319,081</b>	<b>29,942</b>	<b>7,516,374</b>	<b>8,533,230</b>	<b>119,771,623</b>
Excess (deficiency) of revenues over (under) expenditures	4,577,231	7,526	1,866,691	(2,318,742)	(200,094)	3,932,612
<b>Other financing sources (uses)</b>						
Issuance of debt	61,152	-	-	3,014,000	-	3,075,152
Sale of assets	125,043	-	-	54,120	-	179,163
Transfers to other funds	(1,527,822)	-	(2,150,821)	(116,305)	(220,464)	(4,015,412)
Transfers from other funds	121,822	-	-	1,878,286	3,155	2,003,263
<b>Total other financing sources (uses)</b>	<b>(1,219,805)</b>	<b>-</b>	<b>(2,150,821)</b>	<b>4,830,101</b>	<b>(217,309)</b>	<b>1,242,166</b>
Changes in fund balances	3,357,426	7,526	(284,130)	2,511,359	(417,403)	5,174,778
Fund balances (deficits), beginning of year	18,230,797	(10,679)	871,271	4,657,905	3,089,114	26,838,408
<b>Fund balances (deficits), end of year</b>	<b>\$ 21,588,223</b>	<b>\$ (3,153)</b>	<b>\$ 587,141</b>	<b>\$ 7,169,264</b>	<b>\$ 2,671,711</b>	<b>\$ 32,013,186</b>

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2016**

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Net change in fund balances - total governmental funds (from Exhibit 4)	\$	5,174,778
<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 depreciation expense of \$3,952,238 and loss on disposal of assets of \$1,098,508 exceeds capital outlays of \$2,147,869.</p>		
		(2,902,877)
<p>Financing proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which principal payments of \$5,665,640 exceeded general obligation bond proceeds and capital leases of \$3,075,151.</p>		
		2,590,489
<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 (\$224,310), self insurance liability (\$238,861), unavailable revenues (\$116,322) and decreases in accrued compensated absences (\$490,528), interest (\$13,077), net pension liability, including deferred outflows and inflows of resources (\$1,876,146) and bond premium (\$62,101).</p>		
		1,862,359
<b>Change in net position of governmental activities (see Exhibit 2)</b>		<b>\$ 6,724,749</b>

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*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Statement of Revenues, Expenditures and Changes in**  
**Unassigned Fund Balance - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2016**

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 59,440,794	\$ 59,332,058	\$ 60,894,710	\$ 1,562,652
Intergovernmental	26,612,842	26,612,842	27,589,805	976,963
Licenses and permits	707,466	707,466	755,273	47,807
Charges for services:				
municipal	8,367,109	8,367,109	9,207,028	839,919
school	4,630,636	4,630,636	4,465,299	(165,337)
Fines, forfeits and penalties	33,000	33,000	34,910	1,910
Revenue from use of money and property				
municipal	665,350	665,350	687,673	22,323
Total revenues	100,457,197	100,348,461	103,634,698	3,286,237
<b>Expenditures</b>				
Current:				
General government	5,165,939	5,150,939	5,188,003	(37,064)
Public safety	17,884,309	17,802,117	17,328,630	473,487
Health, community services and recreation	4,965,641	4,977,488	5,117,305	(139,817)
Public buildings and services	10,474,617	10,452,617	10,313,334	139,283
Other agencies	4,721,927	4,724,124	4,723,238	886
Education	51,555,864	54,368,946	50,643,693	3,725,253
Unclassified	776,962	776,962	739,496	37,466
Debt service	5,756,091	5,756,091	5,756,272	(181)
Total expenditures	101,301,350	104,009,284	99,809,971	4,199,313
Excess (deficiency) of revenues over (under) expenditures	(844,153)	(3,660,823)	3,824,727	7,485,550
<b>Other financing sources (uses)</b>				
Appropriation from restricted, committed and assigned fund balances	1,385,802	1,385,802	73,801	(1,312,001)
Appropriation to assigned fund balance	-	-	(1,731,039)	(1,731,039)
Appropriation from unassigned fund balance	14,851	14,851	-	(14,851)
Sale of assets	9,000	9,000	16,841	7,841
Contributions	-	-	400	400
Insurance settlements	7,500	40,155	41,982	1,827
Transfers to other funds	(600,000)	(740,000)	(740,000)	-
Transfers from other funds	27,000	27,000	20,000	(7,000)
Total other financing sources (uses)	844,153	736,808	(2,318,015)	(3,054,823)
Net change in fund balance	\$ -	\$ (2,924,015)	1,506,712	\$ 4,430,727
Unassigned fund balance, beginning of year			9,995,105	
Changes in fund balance classification in accordance with GAAP				
Changes in balances carried			379,309	
Inventory and prepaids (GASB 54)			(565,891)	
<b>Unassigned fund balance, end of year</b>			<b>\$ 11,315,235</b>	

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

**Business-type Activities - Enterprise Funds**

	Sewer Utility Fund	Airport Fund	Bass Park Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 1,444,946	\$ 6,260	\$ 1,332,086	\$ 1,724,795	\$ 4,508,087
Investments	280,017	10,567,869	-	-	10,847,886
Accounts receivable	3,409,420	6,108,637	313,010	491,907	10,322,974
Less allowance for uncollectible accounts	(45,000)	(660,000)	-	-	(705,000)
Net accounts receivable	3,364,420	5,448,637	313,010	491,907	9,617,974
Due from other governments	-	2,868,924	-	-	2,868,924
Inventories, at cost	-	206,937	32,007	-	238,944
Prepaid items	50,027	359,382	94,082	141,147	644,638
Total current assets	5,139,410	19,458,009	1,771,185	2,357,849	28,726,453
Noncurrent assets					
Capital Assets:					
Land and improvements	683,865	-	579,157	5,209,495	6,472,517
Buildings and improvements	29,026,578	-	68,958,075	4,435,235	102,419,888
Machinery and equipment	6,549,762	-	2,020,234	553,257	9,123,253
Infrastructure	60,302,324	-	-	683,189	60,985,513
Aircraft operational assets	-	271,001,326	-	-	271,001,326
Parking structures	-	-	-	11,331,311	11,331,311
Construction in process	2,907,185	19,448,251	-	-	22,355,436
Total capital assets	99,469,714	290,449,577	71,557,466	22,212,487	483,689,244
Less accumulated depreciation	(45,601,654)	(185,677,563)	(8,927,307)	(13,038,638)	(253,245,162)
Net capital assets	53,868,060	104,772,014	62,630,159	9,173,849	230,444,082
Investments	-	4,308,211	-	-	4,308,211
Loans receivable	-	368,253	-	1,428,814	1,797,067
Unearned special assessments	87,664	-	-	-	87,664
Due from bond trustee	681,946	-	-	-	681,946
Total noncurrent assets	54,637,670	109,448,478	62,630,159	10,602,663	237,318,970
Total assets	59,777,080	128,906,487	64,401,344	12,960,512	266,045,423
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Net pension	192,976	595,369	-	14,577	802,922
Total deferred outflows of resources	192,976	595,369	-	14,577	802,922

*See accompanying notes to financial statements.*

Continued on next page

**CITY OF BANGOR, MAINE**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

**Business-type Activities - Enterprise Funds**

	Sewer Utility Fund	Airport Fund	Bass Park Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	1,135,029	1,612,394	472,121	36,099	3,255,643
Accrued wages and benefits payable	39,171	128,727	110,434	14,939	293,271
Accrued interest	51,839	50,932	973,848	63,557	1,140,176
Workers' compensation	20,000	127,519	-	2,111	149,630
Interfund loans payable	-	6,225,775	1,797,574	-	8,023,349
General obligation debt payable	1,579,986	584,819	1,143,191	590,768	3,898,764
Capital lease obligation payable	-	-	9,184	-	9,184
Accrued compensated absences	73,504	268,305	-	16,880	358,689
Unearned revenue	-	-	1,048,703	-	1,048,703
Other liabilities	-	-	90,711	-	90,711
<b>Total current liabilities</b>	<b>2,899,529</b>	<b>8,998,471</b>	<b>5,645,766</b>	<b>724,354</b>	<b>18,268,120</b>
Long-term liabilities					
Workers' compensation	-	153,696	-	7,889	161,585
General obligation debt payable	10,512,066	8,652,012	51,094,556	4,518,364	74,776,998
Capital lease obligation payable	-	-	20,026	-	20,026
Accrued compensated absences	48,483	160,439	-	16,105	225,027
Net OPEB obligation	182,083	643,746	-	39,882	865,711
Net pension liability	370,554	1,143,231	-	27,991	1,541,776
Other long-term liabilities	156,498	-	2,275,354	-	2,431,852
<b>Total long-term liabilities</b>	<b>11,269,684</b>	<b>10,753,124</b>	<b>53,389,936</b>	<b>4,610,231</b>	<b>80,022,975</b>
<b>Total liabilities</b>	<b>14,169,213</b>	<b>19,751,595</b>	<b>59,035,702</b>	<b>5,334,585</b>	<b>98,291,095</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Net pension	60,851	187,737	-	4,597	253,185
<b>Total deferred inflows of resources</b>	<b>60,851</b>	<b>187,737</b>	<b>-</b>	<b>4,597</b>	<b>253,185</b>
<b>NET POSITION</b>					
Net investment in capital assets	43,239,365	99,415,086	11,624,244	5,259,098	159,537,793
Unrestricted	2,500,627	10,147,438	(6,258,602)	2,376,809	8,766,272
<b>Total net position</b>	<b>\$ 45,739,992</b>	<b>\$ 109,562,524</b>	<b>\$ 5,365,642</b>	<b>\$ 7,635,907</b>	<b>\$ 168,304,065</b>

*See accompanying notes to financial statements.*

Continued from previous page

**CITY OF BANGOR, MAINE**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**

**Business-type Activities - Enterprise Funds**

	Sewer Utility Fund	Airport Fund	Bass Park Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
Operating revenues					
Charges for services	\$ 7,975,639	\$ 13,576,325	\$ 3,346,951	\$ 3,437,818	\$ 28,336,733
<b>Total operating revenues</b>	<b>7,975,639</b>	<b>13,576,325</b>	<b>3,346,951</b>	<b>3,437,818</b>	<b>28,336,733</b>
Operating expenses					
Operating expenses other than depreciation and amortization	5,139,877	11,685,911	2,904,022	1,753,609	21,483,419
Depreciation and amortization	1,816,315	8,215,781	2,954,048	517,538	13,503,682
<b>Total operating expenses</b>	<b>6,956,192</b>	<b>19,901,692</b>	<b>5,858,070</b>	<b>2,271,147</b>	<b>34,987,101</b>
<b>Operating income (loss)</b>	<b>1,019,447</b>	<b>(6,325,367)</b>	<b>(2,511,119)</b>	<b>1,166,671</b>	<b>(6,650,368)</b>
Nonoperating revenue (expenses)					
Interest income	93,574	241,579	-	85,798	420,951
Interest expense	(254,669)	(365,243)	(1,877,705)	(183,617)	(2,681,234)
Taxes (Downtown TIF)	-	-	1,000,000	-	1,000,000
Gain (loss) on sale of assets	29,347	-	-	422,984	452,331
Miscellaneous income (expense)	-	-	-	-	-
<b>Total nonoperating revenue (expenses)</b>	<b>(131,748)</b>	<b>(123,664)</b>	<b>(877,705)</b>	<b>325,165</b>	<b>(807,952)</b>
<b>Net income (loss) before grants/contributions and transfers</b>	<b>887,699</b>	<b>(6,449,031)</b>	<b>(3,388,824)</b>	<b>1,491,836</b>	<b>(7,458,320)</b>
Grants/contributions received for capital assets	-	8,776,331	-	-	8,776,331
Transfers to other funds	-	(107,998)	-	(296,570)	(404,568)
Transfers from other funds	177,998	-	2,150,821	87,898	2,416,717
<b>Change in net position</b>	<b>1,065,697</b>	<b>2,219,302</b>	<b>(1,238,003)</b>	<b>1,283,164</b>	<b>3,330,160</b>
<b>Net position, beginning of year</b>	<b>44,674,295</b>	<b>107,343,222</b>	<b>6,603,645</b>	<b>6,352,743</b>	<b>164,973,905</b>
<b>Net position, end of year</b>	<b>\$ 45,739,992</b>	<b>\$ 109,562,524</b>	<b>\$ 5,365,642</b>	<b>\$ 7,635,907</b>	<b>\$ 168,304,065</b>

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**  
**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	\$ 8,122,818	\$ 10,223,083	\$ 3,448,143	\$ 3,273,333	\$ 25,067,377
Cash paid to suppliers for goods and services	(3,392,098)	(5,082,379)	(2,820,993)	(1,077,711)	(12,373,181)
Cash paid to employees for services	(1,836,385)	(6,582,195)	-	(799,497)	(9,218,077)
Net cash provided by (used in) operating activities	2,894,335	(1,441,491)	627,150	1,396,125	3,476,119
Cash flows from noncapital financing activities					
Interfund loans (repayments)	-	3,435,000	(300,000)	(857,900)	2,277,100
Taxes (Downtown TIF)	-	-	1,000,000	-	1,000,000
Transfers in	177,998	-	2,150,821	87,898	2,416,717
Transfers out	-	(107,998)	-	(296,570)	(404,568)
Net cash provided by (used in) noncapital financing activities	177,998	3,327,002	2,850,821	(1,066,572)	5,289,249
Cash flows from capital and related financing activities					
Proceeds from general obligation bonds	280,000	920,000	-	-	1,200,000
Acquisition and construction of capital assets	(2,490,009)	(11,939,333)	-	(258,350)	(14,687,692)
Principal paid on general obligation bonds/capital leases	(1,536,408)	(490,125)	(1,089,204)	(575,415)	(3,691,152)
Interest paid on general obligation bonds	(261,583)	(361,898)	(1,994,489)	(186,554)	(2,804,524)
Proceeds from sale of property	29,347	-	-	985,996	1,015,343
Grant/contribution monies received for capital assets	-	9,262,013	-	-	9,262,013
Net cash used in capital and related financing activities	(3,978,653)	(2,609,343)	(3,083,693)	(34,323)	(9,706,012)
Cash flows from investing activities					
Net sales (purchases) of investments	(280,017)	276,110	-	-	(3,907)
Investment of unexpended bond proceeds	237,591	-	-	-	237,591
Interest on investments	93,574	241,579	-	116,617	451,770
Loan repayments	-	184,833	-	-	184,833
Net cash provided by investing activities	51,148	702,522	-	116,617	870,287
Net increase (decrease) in cash	(855,172)	(21,310)	394,278	411,847	(70,357)
Cash, beginning of year	2,300,118	27,570	937,808	1,312,948	4,578,444
<b>Cash, end of year</b>	<b>\$ 1,444,946</b>	<b>\$ 6,260</b>	<b>\$ 1,332,086</b>	<b>\$ 1,724,795</b>	<b>\$ 4,508,087</b>

Schedule of noncash investing, capital and financing activities:

During the year, the Airport Fund had an unrealized gain on investments in the amount of \$367,271.

*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, 2016**

	<b>Business-type Activities - Enterprise Funds</b>				
	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)	\$ 1,019,447	\$ (6,325,367)	\$ (2,511,119)	\$ 1,166,671	\$ (6,650,368)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	1,816,315	8,215,781	2,954,048	517,538	13,503,682
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	147,179	(3,353,242)	(97,463)	(94,577)	(3,398,103)
(Increase) decrease in inventories	-	(7,264)	9,948	-	2,684
(Increase) decrease in prepaid items	(35,342)	(352,916)	(75,201)	(77,186)	(540,645)
Increase (decrease) in accounts payable	(26,568)	420,593	99,182	(88,874)	404,333
Increase (decrease) in unearned revenue	-	-	198,655	-	198,655
Increase (decrease) in other liabilities	(26,696)	(39,076)	49,100	(27,447)	(44,119)
Total adjustments	1,874,888	4,883,876	3,138,269	229,454	10,126,487
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 2,894,335</b>	<b>\$ (1,441,491)</b>	<b>\$ 627,150</b>	<b>\$ 1,396,125</b>	<b>\$ 3,476,119</b>

*See accompanying notes to financial statements.*

**CITY OF BANGOR, MAINE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 129,456
<b>Total assets</b>	<b>129,456</b>
<b>LIABILITIES</b>	
Amounts held for others	129,456
<b>Total liabilities</b>	<b>\$ 129,456</b>

*See accompanying notes to financial statements.*

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## INDEX OF NOTES TO THE FINANCIAL STATEMENTS

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**CITY OF BANGOR, MAINE**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**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 67% of the operating financial support received by the Library during the year ended June 30, 2016. 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, 2015 (most recent data available) the City of Bangor's share of the Joint Venture's net position was \$6,241,919. Complete financial statements may be obtained from Municipal Review Committee, 395 State Street, Ellsworth, ME 04605.

**B. Government-wide and Fund Financial Statements**

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The Arena Fund accounts for the percentage of slot revenues received by the City from the operation of the casino. Said funds will be used to fund a portion of the debt service related to the construction of the Cross Insurance Center.

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund type:

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

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

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

**1. Deposits and Investments**

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

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

Investments are reported at fair value. 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. The cost of inventories are recognized as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Capital Assets**

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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**

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**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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**A. Budgetary Information**

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

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

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

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

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 \$2,974,057. 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**

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**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED**

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**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)	\$ 1,506,712
Activity in assigned fund balance	1,192,998
2016 encumbrances	1,930,757
2015 encumbrances paid	(1,272,378)
2015 encumbrances lapsed	<u>(663)</u>
Excess of revenues and other financing sources over expenditures and other uses (GAAP)	<u>\$ 3,357,426</u>

**C. Excess of Expenditures Over Appropriations**

The following General Fund departments were over-expended by the indicated dollar amounts; Executive \$155,882, Assessing \$11,694, Legal \$2,276, Insurance \$1,215, Health and Community Services \$70,327, Parks and Recreation \$69,490, Other Agencies \$1,095 and Tax Increment Financing Payments \$4,984. These over-expenditures were funded by receipt of revenues in excess of appropriations and under-expenditures within other General Fund departments.

**D. Deficit Fund Equity**

The Community Development Block Grant Fund has a deficit fund equity of \$3,153 due to accrued expenses reimbursed in the subsequent year.

**E. Restricted Assets**

Donations received by the City whose use is limited are placed in the appropriate Special Revenue fund, depending upon whether or not the principal can be expended. All changes in market value are added to the earnings, which is allowable by State Statute. As these amounts are invested in a note receivable, there was no change in market value for fiscal year 2016.

**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, 2016, \$0 of the City's bank balance of \$26,921,389 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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, 2016, the City had the following investments and maturities:

Investment types	Rating	Fair Value	Not Applicable	Maturity (years)		
				<1	1-5	6-10
Mutual Funds		\$ 13,352,673	\$ 13,352,673	\$ -	\$ -	\$ -
Repurchase Agreements		7	7	-	-	-
US Treasuries	AA	4,107,715	-	-	3,045,910	1,061,805
Corporate Bonds	BBB	200,495	-	-	200,495	-
Common Stock		385,647	385,647	-	-	-
Certificate of Deposit		50,000	-	50,000	-	-
<b>Totals</b>		<b>\$ 18,096,537</b>	<b>\$ 13,738,327</b>	<b>\$ 50,000</b>	<b>\$ 3,246,405</b>	<b>\$ 1,061,805</b>

Investment types	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual Funds	\$ 13,352,673	\$ 13,352,673	\$ -	\$ -
US Treasuries	4,107,715	4,107,715	-	-
Corporate Bonds	200,495	200,495	-	-
Common Stock	385,647	385,647	-	-
<b>Totals</b>	<b>\$ 18,046,530</b>	<b>\$ 18,046,530</b>	<b>\$ -</b>	<b>\$ -</b>

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**

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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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, 2016, 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 16, 2015, 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, 2015 and March 15, 2016. 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, 2016 was as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,092,368	\$ -	\$ -	\$ 5,092,368
Construction in process	2,884,303	2,723,771	3,796,718	1,811,356
Total capital assets not being depreciated	<u>7,976,671</u>	<u>2,723,771</u>	<u>3,796,718</u>	<u>6,903,724</u>
Capital assets, being depreciated:				
Land improvements	11,309,931	626,411	-	11,936,342
Buildings and improvements	72,176,984	286,140	1,182,745	71,280,379
Machinery and equipment	11,851,522	357,534	-	12,209,056
Vehicles	18,838,005	828,794	1,735,870	17,930,929
Infrastructure	22,944,937	1,121,937	516	24,066,358
Total capital assets being depreciated	<u>137,121,379</u>	<u>3,220,816</u>	<u>2,919,131</u>	<u>137,423,064</u>
Less accumulated depreciation for:				
Land improvements	(4,777,278)	(509,266)	-	(5,286,544)
Buildings and improvements	(28,469,804)	(1,481,340)	(395,473)	(29,555,671)
Machinery and equipment	(10,166,041)	(453,387)	-	(10,619,428)
Vehicles	(11,473,915)	(1,152,903)	(1,424,660)	(11,202,158)
Infrastructure	(11,887,614)	(355,342)	(490)	(12,242,466)
Total accumulated depreciation	<u>(66,774,652)</u>	<u>(3,952,238)</u>	<u>(1,820,623)</u>	<u>(68,906,267)</u>
Total capital assets being depreciated, net	<u>70,346,727</u>	<u>(731,422)</u>	<u>1,098,508</u>	<u>68,516,797</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 78,323,398</u></b>	<b><u>\$ 1,992,349</u></b>	<b><u>\$ 4,895,226</u></b>	<b><u>\$ 75,420,521</u></b>

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,615,996	\$ -	\$ 19,722	\$ 3,596,274
Construction in process	12,567,617	12,883,717	3,095,898	22,355,436
Total capital assets not being depreciated	<u>16,183,613</u>	<u>12,883,717</u>	<u>3,115,620</u>	<u>25,951,710</u>
Capital assets, being depreciated:				
Land improvements	2,876,243	-	-	2,876,243
Buildings and improvements	102,923,544	360,729	864,385	102,419,888
Machinery and equipment	8,620,529	532,233	29,509	9,123,253
Infrastructure	59,630,887	1,354,626	-	60,985,513
Airport operational assets	268,808,921	2,192,405	-	271,001,326
Parking structures	11,320,359	10,952	-	11,331,311
Total capital assets being depreciated	<u>454,180,483</u>	<u>4,450,945</u>	<u>893,894</u>	<u>457,737,534</u>
Less accumulated depreciation for:				
Land improvements	(1,689,419)	(59,337)	-	(1,748,756)
Buildings and improvements	(32,972,069)	(3,865,370)	(321,095)	(36,516,344)
Machinery and equipment	(5,567,839)	(483,541)	(29,509)	(6,021,871)
Infrastructure	(13,517,766)	(609,241)	-	(14,127,007)
Airport operational assets	(177,461,782)	(8,215,781)	-	(185,677,563)
Parking structures	(8,883,209)	(270,412)	-	(9,153,621)
Total accumulated depreciation	<u>(240,092,084)</u>	<u>(13,503,682)</u>	<u>(350,604)</u>	<u>(253,245,162)</u>
Total capital assets being depreciated, net	<u>214,088,399</u>	<u>(9,052,737)</u>	<u>543,290</u>	<u>204,492,372</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 230,272,012</u></b>	<b><u>\$ 3,830,980</u></b>	<b><u>\$ 3,658,910</u></b>	<b><u>\$ 230,444,082</u></b>

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

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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

Governmental Activities:	
General government	\$ 1,344,521
Public safety	788,523
Health, community services and recreation	95,663
Public services	523,277
Education	<u>1,200,254</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 3,952,238</u></b>
Business-type activities:	
Sewer Utility Fund	\$ 1,816,315
Airport Fund	8,215,781
Bass Park Fund	2,954,048
Stormwater	8,246
Economic Development Fund	169,950
Parking Fund	270,412
Municipal Golf Course	<u>68,930</u>
<b>Total depreciation expense - business-type activities</b>	<b><u>\$ 13,503,682</u></b>

Construction commitments

The government has active construction projects as of June 30, 2016. The projects include traffic flow improvements of \$1.7 million, reconstruction of runways, terminal redesign and renovations amounting to \$2.1 million, and \$2.1 million of sewer combined overflow projects and plant upgrades.

**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, 2016 the balances were as follows:

	Receivable	Payable
General Fund	\$ 8,251,179	\$ -
Grant Fund	-	227,830
Airport Fund	-	6,225,775
Bass Park Fund	-	1,797,574
	<u>\$ 8,251,179</u>	<u>\$ 8,251,179</u>

Individual fund transfers to and from other funds for the fiscal year ended June 30, 2016 are comprised primarily of transfers from fund balances to fund capital projects and to provide operating subsidies to certain proprietary funds.

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

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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	Transfers to	Transfers from
General Fund	\$ 1,527,822	\$ 121,822
Arena Fund	2,150,821	-
Other Nonmajor Special Revenue Funds	200,464	3,155
Capital Projects Fund	116,305	1,878,286
Other Nonmajor Permanent Funds	20,000	-
Bass Park Fund	-	2,150,821
Sewer Fund	-	177,998
Stormwater Utility Fund	270,000	77,398
Parking Fund	-	10,500
Municipal Golf Course Fund	26,570	-
Airport Fund	107,998	-
	\$ 4,419,980	\$ 4,419,980

**E. Due From Other Governments**

Due from other governments is comprised of the following amounts at June 30, 2016:

	Federal Government	State of Maine	Other	Total
General Fund	\$ 777,232	\$ 2,403,605	\$ 525,896	\$ 3,706,733
Community Development	93,672	-	-	93,672
Nonmajor Special Revenue Funds	165,263	26,564	-	191,827
Capital Projects Fund	11,034	502,091	-	513,125
Airport Fund	2,420,728	448,196	-	2,868,924

Amounts due from Federal Government are comprised of operating and capital grants for all fund types. Of the General Fund's \$2,403,605 due from State of Maine, \$1,463,339 represents school grant and State agency billings, and \$414,506 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 \$189,535 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 2036, respectively. Minimum future rentals to be received on noncancelable leases as of June 30, 2016 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
2017	\$ 1,726,971	\$ 1,332,955
2018	1,078,323	1,273,621
2019	844,549	316,988
2020	642,848	276,040
2021	577,973	263,752
Subsequent to 2022	3,649,542	2,742,722
	<u>\$ 8,520,206</u>	<u>\$ 6,206,078</u>

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. The Airport received \$1,883,975 in contingent rentals in fiscal year 2016.

The carrying amounts of the leased assets are as follows:

	Airport	Economic Development
Land	\$ 565,532	\$ 2,717,047
Buildings	22,886,327	3,522,628
Less accumulated depreciation	(17,976,197)	(1,430,834)
Total	<u>\$ 5,475,662</u>	<u>\$ 4,808,841</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, 2016:

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 630,581	\$ 52,837
Less accumulated depreciation	(395,007)	(20,401)
Carrying value	<u>\$ 235,574</u>	<u>\$ 32,436</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, 2016:

Fiscal Year ending June 30,	Governmental Activities	Business-type Activities
2017	237,574	10,074
2018	142,005	10,074
2019	47,130	7,929
2020	-	2,937
Total minimum lease payments	<u>426,709</u>	<u>31,014</u>
Less: amount representing interest	(18,022)	(1,804)
Present value of future minimum lease payments	<u>\$ 408,687</u>	<u>\$ 29,210</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	\$ 681,946
Total	\$ 681,946

**H. Unearned Revenue**

Community Development Block Grant and Capital Projects Fund unearned revenues consist of \$49,764 and \$200,838 in advance deposits, respectively. Bass Park Fund unearned revenues consist of \$1,048,703 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 \$192,231,948. The following is a summary of general obligation bond and note transactions of the City for the fiscal year ended June 30, 2016:

Bonds and notes payable at June 30, 2015	\$ 145,681,059
Add: principal additions	4,214,000
Less: principal repayments	9,150,822
Bonds and notes payable at June 30, 2016	\$ 140,744,237

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

**DETAILED NOTES ON ALL FUNDS, CONTINUED**

Bonds and notes payable at June 30, 2016 are comprised of the following:

Long-term debt	Fiscal year of maturity	Interest rate	Governmental Activities		Business-type Activities	Total June 30, 2016
			City	School		
Combined sewer overflow	2017	3.52%	-	-	191,203	191,203
Combined sewer overflow	2018	3.03%	-	-	301,404	301,404
Tax increment financing note*	2018	4.50%	36,189	-	-	36,189
Maine Business Enterprise Park	2018	5.00%	-	-	38,770	38,770
Public improvements note*	2020	4.50%	293,115	-	-	293,115
Pension obligation bonds	2026	3.06% - 6.45%	19,770,707	1,267,365	4,250,211	25,288,283
Combined sewer overflow	2023	1.94%	-	-	1,150,461	1,150,461
Briggs building note	2023	4.50%	-	-	611,511	611,511
Combined sewer overflow	2025	1.41%	-	-	1,318,942	1,318,942
Chancellor's property note	2026	5.00%	-	-	1,394,126	1,394,126
Public improvements/refunding	2026	4.00% - 4.20%	279,657	-	30,343	310,000
Combined sewer overflow	2027	1.64%	-	-	1,179,911	1,179,911
Public improvements - 2007	2027	4.00%	1,755,000	-	-	1,755,000
Combined sewer overflow	2028	1.81%	-	-	1,284,856	1,284,856
Public improvements - 2009	2029	2.00% - 4.375%	2,015,000	-	-	2,015,000
ARRA - CWSRF	2029	0.00%	-	-	629,790	629,790
ARRA - CWSRF	2030	0.00%	-	-	359,632	359,632
Public improvements/refunding	2020	2.00% - 3.25%	1,644,702	3,120,000	415,298	5,180,000
Public improvements/refunding	2021	2.00% - 3.25%	1,000,192	-	2,284,808	3,285,000
Qualified school construction bond	2028	4.65%	-	5,605,861	-	5,605,861
Refunding/public improvements	2022	2.00% - 2.25%	1,479,792	1,329,950	870,258	3,680,000
Arena	2043	3.25% - 5.00%	-	-	51,795,000	51,795,000
Qualified school construction bond	2035	4.05%	-	2,800,000	-	2,800,000
Refunding/public improvements	2032	2.00% - 4.00%	6,341,945	-	1,313,055	7,655,000
Refunding/airport improvements	2033	.50% - 4.25%	-	-	3,890,000	3,890,000
Public improvements	2034	2.00% - 4.00%	6,340,000	1,080,000	270,000	7,690,000
Combined sewer overflow	2034	0.10%	-	-	2,376,183	2,376,183
Public improvements	2030	2.00% - 2.75%	2,535,000	360,000	-	2,895,000
Airport improvements	2035	3.00% - 3.65%	-	-	1,520,000	1,520,000
Refunding/public improvements	2030	2.00% - 3.00%	3,014,000	-	280,000	3,294,000
Airport improvements	2027	0.95% - 3.25%	-	-	920,000	920,000
Total bonds and notes payable			\$ 46,505,299	\$ 15,563,176	\$ 78,675,762	\$ 140,744,237

\* Notes aggregating \$329,404 are held by the City's Airport Fund at fixed, taxable market rates of interest.

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

Fiscal year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 7,084,002	\$ 2,226,585	\$ 3,898,764	\$ 2,706,676
2018	5,469,808	2,005,662	3,835,937	2,592,153
2019	5,044,052	1,811,043	3,627,012	2,463,631
2020	5,116,641	1,614,642	3,735,504	2,335,343
2021	4,287,500	1,421,326	3,741,525	2,528,659
2022-2026	21,751,472	4,148,647	17,032,748	10,642,678
2027-2031	9,730,000	462,616	12,165,266	6,212,168
2032-2036	3,585,000	66,263	12,259,006	4,359,981
2037-2041	-	-	12,625,000	2,345,050
2042-2043	-	-	5,755,000	232,500
Total	\$ 62,068,475	\$ 13,756,784	\$ 78,675,762	\$ 36,418,839

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

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**Legal Debt Margin**

The City is subject to the laws of the State of Maine, which limits the amount of long-term debt to 15% of the state's assessed valuation of the City. At June 30, 2016, the statutory limit for the City was \$383,182,500. The City's outstanding long-term debt of \$140,744,237 at June 30, 2016 was within the statutory limit.

**Refunding**

The City issued \$1,555,000 in public improvement general obligation bonds with interest rates ranging from 2.00% - 3.00%. The proceeds were used subsequent to year end to redeem the 2007 general obligation bonds maturing on or after September 1, 2017. The 2007 general obligation bonds had an interest rate of 4.00%. This redemption did not extend the final maturity date of the debt and resulted in a reduction of total debt service payments over 10 years of \$226,839 and an economic gain of \$219,502 (difference between the present value of the debt service payments on the old and new debt).

**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, 2016, \$155,000 remains authorized and unissued. The City expects to issue the debt within the next twenty-four months.

On August 8, 2011, the City Council authorized the issuance of up to \$1,590,000 in general obligation bonds to provide funding for remediation of the Penobscot River. As of June 30, 2016, no debt for this purpose had been issued. The City will continue to monitor when and if the debt will be issued.

On August 10, 2015 and February 24, 2016, the City Council authorized the issuance of up to \$3,870,000 and \$2,145,000, respectively, in general obligation bonds through the Maine Municipal Bond Bank State Revolving Fund to finance sewer infrastructure improvements. The City issued a portion of this debt subsequent to year end (refer to Note F - Subsequent Events for additional information).

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

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance			Balance	
	June 30, 2015	Additions	Reductions	June 30, 2016	Due within one year
<b>Governmental activities:</b>					
General obligation debt	\$ 64,518,015	\$ 3,014,000	\$ 5,463,540	\$ 62,068,475	\$ 7,084,002
Accrued compensated absences*	2,625,542	1,556,610	2,047,138	2,135,014	1,313,422
Capital leases	549,636	61,151	202,100	408,687	227,164
Bond premium	629,383	-	62,101	567,282	53,728
Net OPEB obligation*	2,703,186	420,457	196,147	2,927,496	-
Net pension liability	3,836,882	2,400,428	-	6,237,310	-
Self insurance liability	2,021,088	632,736	393,875	2,259,949	670,433
Governmental activities long-term liabilities	<u>\$ 76,883,732</u>	<u>\$ 8,085,382</u>	<u>\$ 8,364,901</u>	<u>\$ 76,604,213</u>	<u>\$ 9,348,749</u>
<b>Business-type activities:</b>					
General obligation debt	\$ 81,163,044	\$ 1,200,000	\$ 3,687,282	\$ 78,675,762	\$ 3,898,764
Accrued compensated absences*	537,807	470,433	424,524	583,716	358,689
Capital leases	33,082	-	3,872	29,210	9,184
Bond premium	2,456,777	-	90,712	2,366,065	90,711
Net OPEB obligation*	800,689	121,879	56,857	865,711	-
Net pension liability	649,637	2,525,510	1,633,371	1,541,776	-
Self insurance liability	225,365	225,763	139,913	311,215	149,630
Other	156,498	-	-	156,498	-
Business-type activities long-term liabilities	<u>\$ 86,022,899</u>	<u>\$ 4,543,585</u>	<u>\$ 6,036,531</u>	<u>\$ 84,529,953</u>	<u>\$ 4,506,978</u>

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

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

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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**J. Fund Balances**

As of June 30, 2016, fund balances components consisted of the following:

	Nonspendable	Restricted	Committed	Assigned
General Fund:				
Advances to other funds	\$ 1,900,500	\$ -	\$ -	\$ -
Inventory and prepaid items	1,238,139	-	-	-
PEG capital support	-	19,830	-	-
School capital	-	356,039	-	-
School Department				
Regular	-	423,054	-	-
Adult education	-	29,185	-	-
General evening	-	101,428	-	-
Reading assessment	-	247	-	-
Special revenue	-	123,797	-	-
School lunch	-	8,423	-	-
Trust and agency	-	312,094	-	-
Cultural Commission/Public Safety	-	-	5,406	-
Subsequent year expenditures	-	-	-	244,899
Pooled equipment reserve	-	-	-	350,777
Bus equipment reserve	-	-	-	551,548
Fire equipment reserve	-	-	-	357,098
Self insurance reserve	-	-	-	2,259,948
Improvement reserve	-	-	-	1,162,726
Demolition reserve	-	-	-	52,630
Benefit reserve	-	-	-	733,457
Parks & Recreation reserve	-	-	-	41,763
Subtotal	<u>3,138,639</u>	<u>1,374,097</u>	<u>5,406</u>	<u>5,754,846</u>
Arena Fund				
	-	-	587,141	-
Capital Projects Fund				
	-	-	-	7,169,264
Other Governmental Funds:				
Nonexpendable trust principal	532,338	-	-	-
Nonmajor Special Revenue Funds				
Infrastructure	-	444,146	-	-
Public Safety	-	190,572	-	-
Transportation	-	82,952	-	-
Economic Develop	-	274,538	-	-
Parks	-	528,895	-	-
Health	-	47,547	-	-
Other Municipal	-	64,716	-	-
Nonmajor Permanent Funds				
Cemetery	-	107,219	-	-
Missionary	-	89,503	-	-
Education	-	111,592	-	-
Other Municipal	-	197,693	-	-
Subtotal	<u>532,338</u>	<u>2,139,373</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,670,977</u>	<u>\$ 3,513,470</u>	<u>\$ 592,547</u>	<u>\$ 12,924,110</u>

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

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**DETAILED NOTES ON ALL FUNDS, CONTINUED**

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Encumbrances at year end were \$1,930,757 for General Fund, \$2,586,804 for Capital Projects Fund, \$2,053,760 for Airport Fund, \$2,218,161 for Sewer Utility Fund and \$23,824 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, 2016:

	Governmental	Business-type
Capital assets	\$ 144,326,788	\$ 483,689,244
Accumulated depreciation	(68,906,267)	(253,245,162)
Bonds payable	(62,068,475)	(78,675,762)
Capital leases	(408,687)	(29,210)
Non capital related bonds payable	32,405,843	8,509,731
Non capital related capital leases	244,465	-
Premium on long term debt	(567,282)	(2,366,065)
Unspent bond proceeds	2,765,868	1,655,017
Net investment in capital assets	\$ 47,792,253	\$ 159,537,793

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**OTHER INFORMATION**

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**A. Risk Management**

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

The City purchases coverage under a number of commercially available insurance policies such as; commercial general liability, auto, property damage and crime and dishonesty, each with limits and deductibles deemed prudent given the risks, cost of coverage and the City's ability to fund certain types of losses. For those claims covered by commercial insurance, the amount of settlements has not exceeded the coverage for the years ended June 30, 2016, 2015 and 2014.

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, 2016, the amount of self-insurance liabilities was \$2,571,164. This liability is the City's best estimate based on available information.

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

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**OTHER INFORMATION, CONTINUED**

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Changes in the reported liabilities since July 1, 2014 resulted from the following:

	Workers' Compensation	All other self- insured risks	Total
Unpaid claims as of July 1, 2014	\$ 1,899,395	\$ 313,357	\$ 2,212,752
Incurred claims	361,719	-	361,719
Payments	(552,255)	-	(552,255)
Changes in estimates and other adjustments	224,731	(494)	224,237
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	<u>\$ 2,257,928</u>	<u>\$ 313,236</u>	<u>\$ 2,571,164</u>

**B. Tax Increment Financing Districts**

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

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

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

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

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

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

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

Maine Hall Affordable Housing Development District – To partially fund conversion of the former Bangor Seminary property into affordable housing units.

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

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**OTHER INFORMATION, CONTINUED**

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**C. Contingent Liabilities**

In 2002, the City filed suit against Citizens Communication Company (Citizens), a potentially responsible party to force cleanup of contamination of the Penobscot River bottom due to the inability to reach settlement. In July 2007, the City reached a settlement agreement with Citizens, whereby the City received \$7.625 million to be held in escrow and applied to the cost of remediation. A Consent Decree has been negotiated with the 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](http://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**

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**OTHER INFORMATION, CONTINUED**

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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 2016 covered payroll was \$18,971,630 and City contributions were \$1,640,040. 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 \$395,662 and \$47,278 respectively, in fiscal year 2016.

**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](http://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 SETP 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 7.5% of their annual pay. The City's contractually required contribution rate for the year June 30, 2016 ranged from 8.9% - 14% depending on the applicable benefit structure. The City's contributions to the pension plan were \$779,134 for the year ended June 30, 2016.

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, 2016 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 \$843,679 for the year ended June 30, 2016.

**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, 2015, 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, 2016, the City's reported liability of its proportionate share of the net pension liability was \$6,299,478. At June 30, 2015, the City's proportion of the PLD plan was 1.9745%.

SET Plan – At June 30, 2016, 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	\$1,479,608
<u>State's proportionate share of the net pension liability</u>	<u>\$28,378,344</u>
<u>Total</u>	<u>\$29,857,952</u>

At June 30, 2015, the City's proportion of the SET Plan was .1096%.

For the year ended June 30, 2016, the City recognized pension expense of \$4,832,999 for the PLD Plan and \$3,681,732 and revenue of \$2,561,417 for support provided by the State for the SET Plan. At June 30, 2016, 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	\$ -	\$ 814,548
Changes of assumptions	556,705	-
Net Difference between projected and actual earnings on pension plan investments	2,257,333	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	173,720
City contributions subsequent to the measurement date	1,622,813	-
	\$ 4,436,851	\$ 988,268

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

**OTHER INFORMATION, CONTINUED**

\$1,622,813 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, 2017. 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:

2017	\$451,285
2018	405,076
2019	405,076
2020	564,333

Actuarial assumptions - The total pension liability in the June 30, 2015 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	3.5%	3.5%
Salary Increases, per year	3.5% to 9.5%	3.5% to 13.5%
Investment return, per annum, compounded annually	7.125%	7.125%
Cost of living benefit increases, per annum	2.55%	2.55%

Mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

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, 2015 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%	5.2%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.7%
<u>Total</u>	<u>100%</u>	

**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 7.125% 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 7.125%, 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 (6.125% for PLD and SET Plans) or 1 percentage-point higher (8.125% for PLD and SET Plans) than the current rate:

	1% Decrease <u>(6.125%)</u>	Current Discount Rate <u>(7.125%)</u>	1% Increase <u>(8.125%)</u>
PLD Plan	\$ 12,550,427	\$ 6,299,478	\$373,193
	1% Decrease <u>(6.125%)</u>	Current Discount Rate <u>(7.125%)</u>	1% Increase <u>(8.125%)</u>
SET Plan	\$ 2,590,444	\$ 1,479,608	\$ 554,410

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, 2016.

**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](http://www.cigna.com). Full-time City employees age 50 or older and covered under the active medical plan are eligible to participate. Retirees that are designated in a plan pay 100% of the coverage premium. A Medicare Supplement plan is available for eligible retirees. For retirees without Medicare, coverage is available without a Medicare offset.

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

Annual required contribution (ARC)	\$	604,811
Amortization adjustment to ARC		(202,630)
Interest on net OPEB obligation		140,155
Annual OPEB cost	<u>\$</u>	<u>542,336</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, 2014, 2015 and 2016 are as follows:

	June 30, 2014	June 30, 2015	June 30, 2016
Annual OPEB cost	\$ 550,729	\$ 547,590	\$ 542,336
City contributions	(235,369)	(253,004)	(253,004)
Increase in net OPEB obligation	315,360	294,586	289,332
Net OPEB obligation, beginning of year	2,893,929	3,209,289	3,503,875
Net OPEB obligation, end of year	<u>\$ 3,209,289</u>	<u>\$ 3,503,875</u>	<u>\$ 3,793,207</u>
Percentage contributed	42.74%	46.20%	46.65%

The unfunded actuarial accrued liability as a percentage of covered payroll for June 30, 2016 is as follows:

	Governmental Activities	Business-type Activities	Total June 30, 2016
Actuarial accrued liability (AAL)	\$ 5,299,817	\$ 1,536,274	\$ 6,836,091
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,299,817</u>	<u>\$ 1,536,274</u>	<u>\$ 6,836,091</u>
Covered payroll	<u>\$ 17,142,698</u>	<u>\$ 4,969,206</u>	<u>\$ 22,111,904</u>
UAAL as a percentage of covered payroll	30.92%		

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

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**OTHER INFORMATION, CONTINUED**

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

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

Actuarial valuation date	06/30/15
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar
Amortization period	30 years - open
Actuarial assumptions:	
Inflation rate	3.0%
Investment rate of return	4.0%
Payroll growth	3.0%
Healthcare cost trend rate	9.0% - 5.0%
Post retirement benefit increases	0.0% - retirees pay 100% of premium

**F. Subsequent Events**

On August 8, 2016 the City Council authorized the issuance of up to \$8,003,000 in general obligation bonds for the purpose of funding street and sidewalk work, bus replacement, the City's annual fleet/equipment replacement, WWTP infrastructure and school improvements.

On December 9, 2016, the City issued \$4,280,000 in general obligation bonds through the Maine Municipal Bond Bank State Revolving Fund, which were previously authorized, to finance sewer infrastructure improvements.

**CITY OF BANGOR, MAINE**  
**Required Supplementary Information**  
**Schedule of Funding Progress - Retiree Healthcare Plan**  
**For the Fiscal Year Ended June 30, 2016**

	Fiscal Year							
	2009	2010	2011	2012	2013*	2014	2015	2016
	7/1/2008	7/1/2008	1/1/2011	1/1/2011	6/30/2013	6/30/2013	6/30/2015	6/30/2015
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
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
Funded ratio	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
Business-type activities:								
Actuarial value of assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	2,710,336	2,710,336	1,095,160	1,072,491	1,587,047	1,657,448	1,525,576	1,536,274
Unfunded actuarial accrued liability (UAAL)	\$ 2,710,336	\$ 2,710,336	\$ 1,095,160	\$ 1,072,491	\$ 1,587,047	\$ 1,657,448	\$ 1,525,576	\$ 1,536,274
Funded ratio	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	\$ 5,053,806	\$ 5,117,794	\$ 4,754,453	\$ 4,969,206
Primary government:								
Actuarial value of assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	11,198,763	11,198,763	4,502,798	4,502,798	6,871,092	6,871,092	6,836,091	6,836,091
Unfunded actuarial accrued liability (UAAL)	\$ 11,198,763	\$ 11,198,763	\$ 4,502,798	\$ 4,502,798	\$ 6,871,092	\$ 6,871,092	\$ 6,836,091	\$ 6,836,091
Funded ratio	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	\$ 21,955,590	\$ 21,216,250	\$ 21,304,659	\$ 22,111,904
UAAL as a percentage of covered payroll	52.21%	49.41%	19.62%	19.97%	31.30%	32.39%	32.09%	30.92%

Only eight 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.

**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\***

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	<u>2015</u>	<u>2016</u>
<b>PLD Plan</b>		
Proportion of the net pension liability	2.2584%	1.9745%
Proportionate share of the net pension liability	3,475,288	6,299,478
Covered-employee payroll	9,799,964	8,662,976
Proportion share of the net pension liability as a percentage of its covered-employee payroll	35.46%	72.72%
Plan fiduciary net position as a percentage of the total pension liability	94.10%	88.27%
<b>SET Plan</b>		
Proportion of the net pension liability	0.0936%	0.1096%
City's proportionate share of the net pension liability	\$1,011,232	\$1,479,608
State's proportionate share of the net pension liability	22,516,392	28,378,344
Total	<u>23,527,624</u>	<u>29,857,952</u>
Covered-employee payroll	25,212,217	25,111,931
Proportion share of the net pension liability as a percentage of its covered-employee payroll	4.01%	5.89%
Plan fiduciary net position as a percentage of the total pension liability	83.91%	81.18%

\* 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**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>PLD Plan</b>										
Contractually required contributions	486,678	492,537	468,553	474,008	584,306	724,134	769,519	782,913	807,117	779,134
Contributions in relation to the contractually required contribution	486,678	492,537	468,553	474,008	584,306	724,134	769,519	782,913	807,117	779,134
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	15,026,926	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
Contributions as a percentage of covered-employee payroll	3.24%	3.24%	3.21%	3.22%	3.95%	5.49%	6.48%	7.35%	8.24%	8.99%
<b>SET Plan*</b>										
Contractually required contributions	-	-	-	-	-	-	-	647,014	668,126	843,679
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	647,014	668,126	843,679
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	-	-	-	-	-	-	-	24,415,639	25,212,217	25,111,931
Contributions as a percentage of covered-employee payroll	-	-	-	-	-	-	-	2.65%	2.65%	3.36%

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

**Notes to Required Supplementary Information**

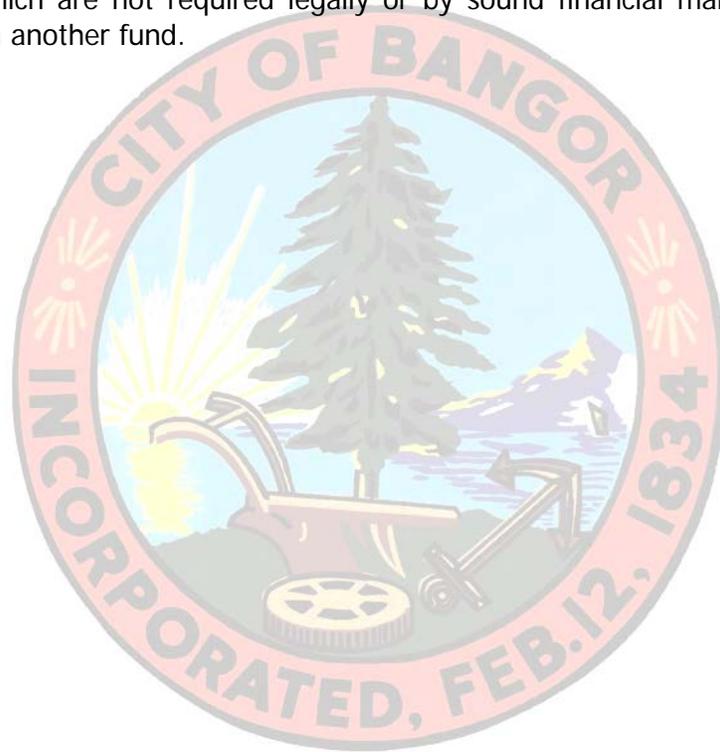
**Change of benefit terms**      None

**Changes of assumptions**      The PLD changed the discount rate from 7.25% in the 2014 valuation to 7.125% in the 2015 valuation.  
The PLD changed the cost of living assumption to 2.55% in the 2015 valuation.

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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, 2016**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 12,014,827
Investments	50,000
Receivables:	
Taxes	2,670,489
Accounts (net of allowance of \$465,108)	1,016,994
Interfund	8,251,179
Intergovernmental	3,706,733
Loans	611,511
Inventory, at cost	568,474
Prepaid items	669,665
<b>Total assets</b>	<b>29,559,872</b>
<b>LIABILITIES</b>	
Accounts payable	1,257,728
Accrued wages and benefits payable	4,271,124
Total liabilities	5,528,852
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenues - property taxes	2,442,797
Total deferred inflows of resources	2,442,797
<b>FUND BALANCES</b>	
Nonspendable	3,138,639
Restricted	1,374,097
Committed	5,406
Assigned	5,754,846
Unassigned	11,315,235
Total fund balance	21,588,223
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 29,559,872</b>

**CITY OF BANGOR, MAINE**  
**Schedule of Revenues, Expenditures and Changes in Unassigned**  
**Fund Balance - Budget and Actual - Budgetary Basis**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2016**

	Balances			Variance	
	Carried 7/1/2015	Budget	Actual	Surplus	Carried
Revenues					
Taxes					
Real and personal property	\$ (108,736)	\$ 56,821,074	\$ 56,678,680	\$ (33,658)	\$ -
Change in unavailable property tax	-	-	116,322	116,322	-
Tax increment financing district	-	(2,620,368)	(2,620,368)	-	-
Payment in lieu of taxes	-	169,088	193,599	24,511	-
Excise	-	4,871,000	6,272,270	1,401,270	-
Interest on delinquent taxes	-	200,000	254,207	54,207	-
<b>Total taxes</b>	<b>(108,736)</b>	<b>59,440,794</b>	<b>60,894,710</b>	<b>1,562,652</b>	<b>-</b>
Intergovernmental					
State revenue sharing	-	2,090,000	2,297,163	207,163	-
School subsidy	-	17,719,329	18,152,412	-	433,083
Other -					
municipal	-	3,422,128	3,580,796	158,668	-
school	-	3,381,385	3,559,434	-	178,049
<b>Total intergovernmental</b>	<b>-</b>	<b>26,612,842</b>	<b>27,589,805</b>	<b>365,831</b>	<b>611,132</b>
Other revenue					
Licenses and permits	-	707,466	755,273	47,807	-
Charges for service -					
municipal	-	8,367,109	9,207,028	839,919	-
school	-	4,630,636	4,465,299	-	(165,337)
Fines, forfeits and penalties	-	33,000	34,910	1,910	-
Revenue from use of money and property					
municipal	-	660,350	646,381	(13,969)	-
school	-	5,000	41,292	-	36,292
<b>Total other</b>	<b>-</b>	<b>14,403,561</b>	<b>15,150,183</b>	<b>875,667</b>	<b>(129,045)</b>
<b>Total revenues</b>	<b>(108,736)</b>	<b>100,457,197</b>	<b>103,634,698</b>	<b>2,804,150</b>	<b>482,087</b>

**CITY OF BANGOR, MAINE**  
**Schedule of Revenues, Expenditures and Changes in Unassigned**  
**Fund Balance - Budget and Actual - Budgetary Basis**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2016**

	Balances			Variance	
	Carried 7/1/2015	Budget	Actual	Surplus	Carried
Expenditures					
General government					
Council	-	30,593	30,076	517	-
Executive	-	816,067	971,949	(155,882)	-
Human resources	-	135,404	117,839	17,565	-
City clerk	-	385,694	349,412	36,282	-
Assessing	-	336,998	348,692	(11,694)	-
Legal	-	285,327	287,603	(2,276)	-
Finance	-	1,694,071	1,675,457	18,614	-
Insurance	-	180,200	181,415	(1,215)	-
Planning, econ dev, code enforcement	-	1,286,585	1,225,560	61,025	-
Total general government	-	5,150,939	5,188,003	(37,064)	-
Public safety					
Police	-	8,803,654	8,652,556	151,098	-
Fire	-	8,998,463	8,676,074	318,964	3,425
Total public safety	-	17,802,117	17,328,630	470,062	3,425
Health, community services and recreation					
Health and community services	-	3,056,921	3,127,248	(70,327)	-
Parks and recreation	-	1,920,567	1,990,057	(69,490)	-
Total health, commun. serv and rec.	-	4,977,488	5,117,305	(139,817)	-
Public buildings and services					
Public buildings and services	-	10,452,617	10,313,334	139,283	-

**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, 2016**

	Balances			Variance	
	Carried 7/1/2015	Budget	Actual	Surplus	Carried
Expenditures, continued					
Other agencies					
County tax	-	3,132,856	3,132,856	-	-
Downtown Development District	-	58,650	58,650	-	-
Public library	-	1,411,821	1,411,821	-	-
Other agencies	2,197	118,600	119,911	(1,095)	1,981
Total other agencies	2,197	4,721,927	4,723,238	(1,095)	1,981
Education					
Regular instruction	-	19,349,598	19,079,747	-	269,851
Special education	-	6,732,601	6,714,992	-	17,609
Instructional support	-	497,500	493,412	-	4,088
System administration	-	1,323,170	1,260,528	-	62,642
CTE instruction	-	3,855,064	3,797,533	-	57,531
School administration	-	1,086,632	1,047,971	-	38,661
Facilities maintenance	-	2,413,733	2,316,434	-	97,299
Transportation	-	1,835,000	1,831,865	-	3,135
Other instruction	-	5,114,370	5,093,172	-	21,198
Debt service	-	1,553,538	1,538,745	-	14,793
Contingency & other	-	126,139	103,542	-	22,597
Regular	2,392,222	43,887,345	43,277,941	-	3,001,626
Adult education	97,148	649,151	630,840	-	115,459
School lunch	3,753	1,450,247	1,453,246	-	754
Special revenue	66,534	3,135,385	2,995,085	-	206,834
Trust and agency	253,425	2,433,736	2,286,581	-	400,580
Total education	2,813,082	51,555,864	50,643,693	-	3,725,253
Other appropriations					
Pensions and other fringe benefits	-	2,264,439	2,222,217	42,222	-
Debt service	-	3,277,694	3,277,647	47	-
Tax increment financing payments	-	990,920	995,904	(4,984)	-
Total other appropriations	-	6,533,053	6,495,768	37,285	-
Total expenditures	2,815,279	101,194,005	99,809,971	468,654	3,730,659
Excess (deficiency) of revenues over/under expenditures	(2,924,015)	(736,808)	3,824,727	3,272,804	4,212,746

**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, 2016**

	Balances			Variance	
	Carried 7/1/2015	Budget	Actual	Surplus	Carried
Other financing sources (uses)					
Appropriation from restricted, committed and assigned fund balances	-	1,385,802	73,801	-	(1,312,001)
Appropriation from unassigned fund balance	-	14,851	-	(14,851)	-
Appropriation to assigned fund balances	-	-	(1,731,039)	(1,375,000)	(356,039)
Sale of assets	-	9,000	16,841	7,841	-
Contributions	-	-	400	400	-
Insurance Settlements	-	40,155	41,982	1,827	-
Transfers to other funds	-	(740,000)	(740,000)	-	-
Transfers from other funds	-	27,000	20,000	(7,000)	-
Total other financing sources (uses)	-	736,808	(2,318,015)	(1,386,783)	(1,668,040)
Net change in unassigned fund balance	\$ (2,924,015)	\$ -	\$ 1,506,712	\$ 1,886,021	\$ 2,544,706
Unassigned fund balance, beginning of year				9,995,105	
Changes in amounts required to be shown as nonspendable fund balance					
Inventory and prepaids				(565,891)	
<b>Unassigned fund balance, end of year</b>				<b>\$ 11,315,235</b>	

# NONMAJOR GOVERNMENTAL FUNDS

## Special Revenue Funds

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

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

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

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

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

## Permanent Fund

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

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**CITY OF BANGOR, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 991,768	\$ -	\$ 991,768
Investments	-	124,572	124,572
Receivables:			
Accounts	111,517	-	111,517
Loans and notes	775,347	913,773	1,689,120
Intergovernmental	191,827	-	191,827
<b>Total assets</b>	<b>2,070,459</b>	<b>1,038,345</b>	<b>3,108,804</b>
<b>LIABILITIES</b>			
Accounts payable	49,263	-	49,263
Interfund loans payable	227,830	-	227,830
Total liabilities	277,093	-	277,093
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable resources - loans	160,000	-	160,000
Total deferred inflows of resources	160,000	-	160,000
<b>FUND BALANCES</b>			
Nonspendable	-	532,338	532,338
Restricted	1,633,366	506,007	2,139,373
Total fund balances	1,633,366	1,038,345	2,671,711
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,070,459</b>	<b>\$ 1,038,345</b>	<b>\$ 3,108,804</b>

**CITY OF BANGOR, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2016**

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
<b>Revenues</b>			
Intergovernmental	\$ 7,355,178	\$ -	7,355,178
Charges for services	822,164	-	822,164
Revenue from use of money and property	44,688	-	44,688
Other revenue	76,537	2,875	79,412
Interest revenue	-	31,694	31,694
Total revenues	8,298,567	34,569	8,333,136
<b>Expenditures</b>			
Current:			
Personnel	1,201,073	-	1,201,073
Payments to beneficiaries	239,951	4,605	244,556
Other	4,118,761	-	4,118,761
Bus operations	2,968,840	-	2,968,840
Total expenditures	8,528,625	4,605	8,533,230
Excess (deficiency) of revenues over (under) expenditures	(230,058)	29,964	(200,094)
<b>Other financing uses</b>			
Transfers to other funds	(200,464)	(20,000)	(220,464)
Transfers from other funds	3,155	-	3,155
Total other financing uses	(197,309)	(20,000)	(217,309)
Net change in fund balances	(427,367)	9,964	(417,403)
Fund balances, beginning of year	2,060,733	1,028,381	3,089,114
<b>Fund balances, end of year</b>	<b>\$ 1,633,366</b>	<b>\$ 1,038,345</b>	<b>\$ 2,671,711</b>

**CITY OF BANGOR, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2016**

	Other HUD Funds	Grant Fund	Dedicated Revenue Funds	Other	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 274,538	\$ 335	150,301	\$ 566,594	\$ 991,768
Receivables:					
Accounts	-	111,517	-	-	111,517
Loans and notes	160,000	-	615,347	-	775,347
Intergovernmental	-	191,827	-	-	191,827
<b>Total assets</b>	<b>434,538</b>	<b>303,679</b>	<b>765,648</b>	<b>566,594</b>	<b>2,070,459</b>
<b>LIABILITIES</b>					
Accounts payable	-	31,556	-	17,707	49,263
Interfund loans payable	-	227,830	-	-	227,830
Total liabilities	-	259,386	-	17,707	277,093
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable resources - loans	160,000	-	-	-	160,000
Total deferred inflows of resources	160,000	-	-	-	160,000
<b>FUND BALANCES</b>					
Restricted	274,538	44,293	765,648	548,887	1,633,366
Total fund balances	274,538	44,293	765,648	548,887	1,633,366
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 434,538</b>	<b>\$ 303,679</b>	<b>\$ 765,648</b>	<b>\$ 566,594</b>	<b>\$ 2,070,459</b>

**CITY OF BANGOR, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2016**

	Other HUD Funds	Grant Fund	Dedicated Revenue Funds	Other	Totals
Revenues					
Intergovernmental	\$ -	\$ 7,355,178	\$ -	\$ -	7,355,178
Charges for services	-	822,164	-	-	822,164
Revenue from use of money and property	-	-	24,979	19,709	44,688
Contributions	-	250	940	75,347	76,537
Total revenues	-	8,177,592	25,919	95,056	8,298,567
Expenditures					
Current:					
Personnel	-	1,201,073	-	-	1,201,073
Payments to beneficiaries	-	-	1,609	238,342	239,951
Other	98,445	4,020,316	-	-	4,118,761
Bus operations	-	2,968,840	-	-	2,968,840
Total expenditures	98,445	8,190,229	1,609	238,342	8,528,625
Excess (deficiency) of revenues over (under) expenditures	(98,445)	(12,637)	24,310	(143,286)	(230,058)
Other financing uses					
Transfers to other funds	-	(50,000)	-	(150,464)	(200,464)
Transfers from other funds	-	-	-	3,155	3,155
Total other financing uses	-	(50,000)	-	(147,309)	(197,309)
Net change in fund balances	(98,445)	(62,637)	24,310	(290,595)	(427,367)
Fund balances, beginning of year	372,983	106,930	741,338	839,482	2,060,733
<b>Fund balances, end of year</b>	<b>\$ 274,538</b>	<b>\$ 44,293</b>	<b>\$ 765,648</b>	<b>\$ 548,887</b>	<b>\$ 1,633,366</b>

**CITY OF BANGOR, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Permanent Funds**  
**June 30, 2016**

	Other Funds	Revolving Loan Funds	Totals
<b>ASSETS</b>			
Investments	\$ -	\$ 124,572	\$ 124,572
Loans receivable	913,773	-	913,773
<b>Total assets</b>	<b>913,773</b>	<b>124,572</b>	<b>1,038,345</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances			
Nonspendable	407,766	124,572	532,338
Restricted	506,007	-	506,007
<b>Total fund balances</b>	<b>913,773</b>	<b>124,572</b>	<b>1,038,345</b>
<b>Total liabilities and and fund balances</b>	<b>\$ 913,773</b>	<b>\$ 124,572</b>	<b>\$ 1,038,345</b>

**CITY OF BANGOR, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Permanent Funds**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Other Funds</b>	<b>Revolving Loan Funds</b>	<b>Totals</b>
<b>Revenues</b>			
Investment income	\$ 30,500	\$ 1,194	\$ 31,694
Lot sales	2,875	-	2,875
Total revenues	33,375	1,194	34,569
<b>Expenditures</b>			
Current:			
Payments to beneficiaries	128	4,477	4,605
Total expenditures	128	4,477	4,605
Excess (deficiency) of revenues over (under) expenditures	33,247	(3,283)	29,964
<b>Other financing uses</b>			
Transfer to other funds	(20,000)	-	(20,000)
Total other financing uses	(20,000)	-	(20,000)
Net change in fund balances	13,247	(3,283)	9,964
Fund balances, beginning of year	900,526	127,855	1,028,381
<b>Fund balances, end of year</b>	<b>\$ 913,773</b>	<b>\$ 124,572</b>	<b>\$ 1,038,345</b>

# ENTERPRISE FUNDS

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

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

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, 2016**

<b>Business-type Activities - Enterprise Funds</b>					
	<b>Stormwater Utility</b>	<b>Economic Development Fund</b>	<b>Parking Fund</b>	<b>Municipal Golf Course</b>	<b>Total Nonmajor Proprietary Funds</b>
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 615,840	\$ 148,445	\$ 572,844	\$ 387,666	\$ 1,724,795
Accounts receivable	417,075	74,532	300	-	491,907
Net accounts receivable	417,075	74,532	300	-	491,907
Prepaid items	2,615	69,908	61,228	7,396	141,147
Total current assets	1,035,530	292,885	634,372	395,062	2,357,849
Noncurrent assets					
Capital Assets:					
Land and improvements	-	3,614,763	-	1,594,732	5,209,495
Buildings and improvements	-	3,522,628	-	912,607	4,435,235
Machinery and equipment	247,398	-	-	305,859	553,257
Infrastructure	-	683,189	-	-	683,189
Parking structures	-	-	11,331,311	-	11,331,311
Total capital assets	247,398	7,820,580	11,331,311	2,813,198	22,212,487
Less accumulated depreciation	(8,246)	(1,901,286)	(9,153,621)	(1,975,485)	(13,038,638)
Net capital assets	239,152	5,919,294	2,177,690	837,713	9,173,849
Loans receivable	-	1,428,814	-	-	1,428,814
Total noncurrent assets	239,152	7,348,108	2,177,690	837,713	10,602,663
Total assets	1,274,682	7,640,993	2,812,062	1,232,775	12,960,512
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Net pension	-	-	14,577	-	14,577
Total deferred outflows of resources	-	-	14,577	-	14,577

Continued on next page

**CITY OF BANGOR, MAINE**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**June 30, 2016**

<b>Business-type Activities - Enterprise Funds</b>					
	<b>Stormwater Utility</b>	<b>Economic Development Fund</b>	<b>Parking Fund</b>	<b>Municipal Golf Course</b>	<b>Total Nonmajor Proprietary Funds</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	11,923	9,164	1,236	13,776	36,099
Accrued wages and benefits payable	3,216	-	2,936	8,787	14,939
Accrued interest	-	51,992	9,345	2,220	63,557
Workers' compensation	-	-	2,111	-	2,111
General obligation debt payable	74,133	255,890	225,508	35,237	590,768
Accrued compensated absences	-	-	8,881	7,999	16,880
<b>Total current liabilities</b>	<b>89,272</b>	<b>317,046</b>	<b>250,017</b>	<b>68,019</b>	<b>724,354</b>
Long-term liabilities					
Workers' compensation	-	-	7,889	-	7,889
General obligation debt payable	915,289	2,218,519	1,055,305	329,251	4,518,364
Accrued compensated absences	-	-	8,624	7,481	16,105
Net OPEB obligation	1,189	-	12,746	25,947	39,882
Net pension liability	-	-	27,991	-	27,991
<b>Total long-term liabilities</b>	<b>916,478</b>	<b>2,218,519</b>	<b>1,112,555</b>	<b>362,679</b>	<b>4,610,231</b>
<b>Total liabilities</b>	<b>1,005,750</b>	<b>2,535,565</b>	<b>1,362,572</b>	<b>430,698</b>	<b>5,334,585</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Net pension	-	-	4,597	-	4,597
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>4,597</b>	<b>-</b>	<b>4,597</b>
<b>NET POSITION</b>					
Net investment in capital assets	239,152	3,444,885	1,030,747	544,314	5,259,098
Unrestricted	29,780	1,660,543	428,723	257,763	2,376,809
<b>Total net position</b>	<b>\$ 268,932</b>	<b>\$ 5,105,428</b>	<b>\$ 1,459,470</b>	<b>\$ 802,077</b>	<b>\$ 7,635,907</b>

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**CITY OF BANGOR, MAINE**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Nonmajor Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Business-type Activities - Enterprise Funds</b>				
	<b>Stormwater Utility</b>	<b>Economic Development Fund</b>	<b>Parking Fund</b>	<b>Municipal Golf Course</b>	<b>Total Nonmajor Proprietary Funds</b>
Operating revenues					
Charges for services	\$ 1,000,864	\$ 674,066	\$ 1,030,872	\$ 732,016	\$ 3,437,818
Operating expenses					
Operating expenses other than depreciation and amortization	392,678	217,048	615,339	528,544	1,753,609
Depreciation and amortization	8,246	169,950	270,412	68,930	517,538
Total operating expenses	400,924	386,998	885,751	597,474	2,271,147
Operating income	599,940	287,068	145,121	134,542	1,166,671
Nonoperating revenue (expenses)					
Interest income	24,940	60,464	223	171	85,798
Interest expense	-	(121,236)	(45,925)	(16,456)	(183,617)
Gain on sale of assets	-	422,984	-	-	422,984
Total nonoperating revenue (expenses)	24,940	362,212	(45,702)	(16,285)	325,165
Net income before transfers	624,880	649,280	99,419	118,257	1,491,836
Transfers to other funds	(270,000)	-	-	(26,570)	(296,570)
Transfers from other funds	77,398	-	10,500	-	87,898
Change in net position	432,278	649,280	109,919	91,687	1,283,164
Net position, beginning of year	(163,346)	4,456,148	1,349,551	710,390	6,352,743
<b>Net position, end of year</b>	<b>\$ 268,932</b>	<b>\$ 5,105,428</b>	<b>\$ 1,459,470</b>	<b>\$ 802,077</b>	<b>\$ 7,635,907</b>

**CITY OF BANGOR, MAINE**  
**Combining Statement of Cash Flows - Nonmajor Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**  
**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	\$ 960,515	\$ 548,691	\$ 1,032,111	\$ 732,016	\$ 3,273,333
Cash paid to suppliers for goods and services	(258,923)	(250,934)	(324,585)	(243,269)	(1,077,711)
Cash paid to employees for services	(131,286)	-	(330,747)	(337,464)	(799,497)
Net cash provided by operating activities	570,306	297,757	376,779	151,283	1,396,125
Cash flows from noncapital financing activities					
Interfund loans (repayments)	-	(857,900)	-	-	(857,900)
Transfers in	77,398	-	10,500	-	87,898
Transfers out	(270,000)	-	-	(26,570)	(296,570)
Net cash provided by (used in) noncapital financing activities	(192,602)	(857,900)	10,500	(26,570)	(1,066,572)
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(247,398)	-	(10,952)	-	(258,350)
Principal paid on general obligation bonds	(74,134)	(247,648)	(218,878)	(34,755)	(575,415)
Interest paid on general obligation bonds	-	(123,411)	(47,083)	(16,060)	(186,554)
Proceeds from sale of property	-	985,996	-	-	985,996
Net cash provided by (used in) capital and related financing activities	(321,532)	614,937	(276,913)	(50,815)	(34,323)
Cash flows from investing activities					
Interest on investments	24,940	91,283	223	171	116,617
Net cash provided by investing activities	24,940	91,283	223	171	116,617
Net increase in cash	81,112	146,077	110,589	74,069	411,847
Cash, beginning of year	534,728	2,368	462,255	313,597	1,312,948
<b>Cash, end of year</b>	<b>\$ 615,840</b>	<b>\$ 148,445</b>	<b>\$ 572,844</b>	<b>\$ 387,666</b>	<b>\$ 1,724,795</b>

Continued on next page

**CITY OF BANGOR, MAINE**  
**Combining Statement of Cash Flows - Nonmajor Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**  
**Business-type Activities - Enterprise Funds**

	Stormwater Utility	Economic Development Fund	Parking Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income	\$ 599,940	\$ 287,068	\$ 145,121	\$ 134,542	\$ 1,166,671
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	8,246	169,950	270,412	68,930	517,538
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(40,349)	(55,467)	1,239	-	(94,577)
(Increase) decrease in prepaid items	(2,615)	(63,669)	(3,506)	(7,396)	(77,186)
Increase (decrease) in accounts payable	4,360	(40,125)	(42,541)	(10,568)	(88,874)
Increase (decrease) in other liabilities	724	-	6,054	(34,225)	(27,447)
Total adjustments	(29,634)	10,689	231,658	16,741	229,454
<b>Net cash provided by operating activities</b>	<b>\$ 570,306</b>	<b>\$ 297,757</b>	<b>\$ 376,779</b>	<b>\$ 151,283</b>	<b>\$ 1,396,125</b>

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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, 2016**

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>ASSETS</b>				
Cash:				
School Activity Funds	\$ 139,525	\$ 191,784	\$ 201,853	\$ 129,456
<b>Total assets</b>	<b>139,525</b>	<b>191,784</b>	<b>201,853</b>	<b>129,456</b>
<b>LIABILITIES</b>				
Funds held for others:				
School Activity Funds	139,525	191,784	201,853	129,456
<b>Total liabilities</b>	<b>\$ 139,525</b>	<b>\$ 191,784</b>	<b>\$ 201,853</b>	<b>\$ 129,456</b>

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



**CITY OF BANGOR, MAINE**  
**Capital Assets Used in the Operation of Governmental Funds**  
**(net of accumulated depreciation)**  
**Schedule of Changes by Function and Activity**  
**For the Fiscal Year Ended June 30, 2016**

Function and Activity	Balance 2015	Additions	Deletions	Balance 2016
General government				
BAT community connector	\$ 1,774,501	\$ 147,422	\$ 431,961	\$ 1,489,962
Central service	19,754	-	2,421	17,333
City hall	547,558	159,645	66,277	640,926
Community and economic development	9,462,354	-	441,488	9,020,866
Engineering	11,199	-	6,921	4,278
Information services	153,200	-	32,317	120,883
Motor pool	3,486,540	1,172,245	1,245,623	3,413,162
Other - unclassified	50,462	-	41,682	8,780
Total general government	15,505,568	1,479,312	2,268,690	14,716,190
Public safety				
Fire	5,077,352	-	459,647	4,617,705
Police	9,516,410	147,592	1,189,644	8,474,358
Total public safety	14,593,762	147,592	1,649,291	13,092,063
Health, community services and recreation				
Parks and recreation	3,241,041	152,931	172,128	3,221,844
Total health, community services and recreation	3,241,041	152,931	172,128	3,221,844
Public building and services				
Public works	14,627,949	3,585,518	3,557,103	14,656,364
Total public buildings and services	14,627,949	3,585,518	3,557,103	14,656,364
Education	30,355,078	579,234	1,200,252	29,734,060
<b>Total governmental fund capital assets</b>	<b>\$ 78,323,398</b>	<b>\$ 5,944,587</b>	<b>\$ 8,847,464</b>	<b>\$ 75,420,521</b>

## OTHER INFORMATION



**CITY OF BANGOR, MAINE**  
**Assessed Valuation, Commitment and Collections**  
**For the Fiscal Year Ended June 30, 2016**

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**VALUATION**

Land and buildings	\$ 2,370,220,600
Land and buildings - Homestead exemption	50,758,900
Personal property	229,981,900
Personal property - BETE exemption	<u>101,258,300</u>
Total valuation	<u><u>\$ 2,752,219,700</u></u>

**COMMITMENT**

Real estate, personal property (excludes Homestead and BETE exemptions)	\$ 2,600,202,500
Tax rate	<u>0.02195</u>
Total commitment	57,074,445

**ADD**

Supplemental taxes committed	<u>15,646</u>
	57,090,091

**LESS**

Collections 2016	55,557,652
Abatements	<u>445,799</u>
2016 taxes receivable at June 30, 2016	<u><u>\$ 1,086,640</u></u>

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**CITY OF BANGOR, MAINE**  
**General Fund Unassigned Fund Balance Sufficiency Calculation**  
**For the Fiscal Year Ended June 30, 2016**

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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, 2016.

General Fund expenditures/uses ( Schedule A-2)

General government	\$ 5,188,003
Public safety	17,328,630
Health, community services and recreation	5,117,305
Public buildings and services	10,313,334
Other agencies	4,723,238
Education	50,643,693
Other appropriations	6,495,768
Other uses, gross*	740,000
Gross expenditures and uses	100,549,971
General Fund debt service	<u>7,593,169</u>
Net expenditures and uses	<u><u>\$ 92,956,802</u></u>
Indicated unassigned fund balance @ 8.33%	\$ 7,743,302
Actual unassigned fund balance (Schedule A-2)	\$ 11,315,235
Actual unassigned fund balance as a percentage of net expenditures and uses	12.17%

\* excludes amounts appropriated from unassigned and assigned fund balance

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# STATISTICAL SECTION

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

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

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Table 1

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

	Fiscal Year					
	2011	2012	2013	2014	2015	2016
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
Restricted*	5,033,496	5,054,449	3,966,494	4,745,034	4,494,021	4,045,808
Unrestricted	(3,751,473)	(28,635,920)	(24,261,524)	(29,701,463)	(25,459,136)	(16,048,402)
Total governmental activities net position	<u>41,458,283</u>	<u>43,672,117</u>	<u>34,245,258</u>	<u>24,718,445</u>	<u>29,064,910</u>	<u>35,789,659</u>
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
Unrestricted	15,549,352	12,823,198	4,879,657	6,860,485	8,428,935	8,766,272
Total business-type activities net position	<u>170,893,880</u>	<u>165,572,907</u>	<u>170,428,441</u>	<u>165,977,305</u>	<u>164,973,905</u>	<u>168,304,065</u>
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
Restricted*	5,033,496	5,054,449	3,966,494	4,745,034	4,494,021	4,045,808
Unrestricted	11,797,879	(15,812,722)	(19,381,867)	(22,840,978)	(17,030,201)	(7,282,130)
Total primary government net position	<u>\$212,352,163</u>	<u>\$209,245,024</u>	<u>\$204,673,699</u>	<u>\$190,695,750</u>	<u>\$194,038,815</u>	<u>\$204,093,724</u>

Only six 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)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
General government	\$ 7,052,860	\$ 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
Public safety	13,756,962	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
Health, community services and recreation	7,348,875	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
Public services*	11,544,128	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
Other agencies	3,787,970	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
Education	46,106,647	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
Unclassified	1,136	-	-	-	-	-	-	-	-	-
Arena development	417,030	41,091	51,332	39,075	61,334	536,251	2,201,200	500,566	-	136
Community development	1,865,026	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
Waterfront	399,015	1,754,281	9,252,263	79,911	1,439,065	606,249	381,437	272,857	360,004	331,622
Public transportation	1,841,516	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
Economic development (tif)	1,101,078	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
Interest on debt	1,952,612	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
Total governmental activities expenses	97,174,855	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
Business-type activities:										
Sewer Utility	6,052,420	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
Airport	18,645,140	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
Park Woods	678,867	678,867	590,250	529,610	496,478	533,671	473,289	497,833	507,210	-
Stormwater Utility	-	-	-	-	-	-	-	149,590	241,082	400,924
Parking	1,438,125	1,438,125	1,374,909	1,402,922	1,206,989	995,631	972,327	925,595	978,658	931,676
Bass Park	1,993,205	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
Municipal Golf Course	695,969	695,969	745,339	733,380	664,311	671,113	687,317	643,323	849,164	613,930
Economic Development	695,851	695,851	712,195	634,764	618,980	615,816	586,140	628,252	698,294	508,234
Total business-type activities expenses	30,199,577	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
Total primary government expenses	\$ 127,374,432	\$ 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

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

Continued on next page

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ 2,334,040	\$ 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
Public safety	2,182,680	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
Health, community services and recreation	681,583	771,254	768,450	836,689	928,307	1,048,707	1,139,382	1,164,090	1,118,582	1,193,185
Public services	3,871,412	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
Other agencies	-	22,243	22,068	-	20,248	103,560	-	46,882	-	-
Education	4,408,431	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
Unclassified	61,128	-	-	-	-	-	-	-	-	-
Arena development	1,630,360	1,689,657	2,205,771	2,380,158	2,331,584	2,434,915	2,079,869	1,960,876	1,952,929	1,896,633
Community development	658,141	297,394	301,019	332,295	323,494	588,587	474,013	994,546	273,269	313,396
Public transportation	659,960	809,531	944,804	923,433	1,025,080	1,023,717	1,045,793	816,819	857,013	1,048,974
Tax increment financing	-	-	1,711	-	-	-	-	-	-	-
Operating grants and contributions	30,534,706	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
Capital grants and contributions	2,604,652	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
Total governmental activities program revenues	49,627,093	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
Business-type activities:										
Charges for services										
Sewer Utility	6,663,408	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
Airport	13,555,003	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
Park Woods	340,494	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
Parking	1,001,697	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
Bass Park	1,426,599	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
Municipal Golf Course	655,834	655,834	608,930	658,053	643,501	628,869	592,825	575,020	611,132	732,016
Economic Development	422,716	422,716	569,549	507,867	585,785	409,486	462,033	515,339	589,383	674,066
Operating grants and contributions	-	-	-	-	-	-	-	-	193,061	-
Capital grants and contributions	4,377,242	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
Total business-type activities program revenues	28,442,993	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
Total primary government program revenues	\$ 78,070,086	\$ 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

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Table 2 (con't)

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (47,547,762)	\$ (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)
Business-type activities	(1,756,584)	(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)
Total primary government expense	(49,304,346)	(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)
<b>General revenues and other changes in net position</b>										
Governmental activities:										
Property taxes	41,702,775	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
Payment in lieu of taxes	145,000	122,510	141,595	117,770	161,879	156,629	95,620	161,438	156,417	193,599
Excise taxes	4,668,614	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
Franchise taxes	296,566	300,768	322,526	348,163	367,672	372,542	362,088	350,014	341,605	336,979
Unrestricted grants and contributions	4,968,217	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
Unrestricted investment earnings	1,183,796	1,274,939	874,824	673,295	565,326	530,631	57,620	510,429	413,923	488,936
Miscellaneous	260,733	161,439	93,967	135,849	92,379	16,698	112,060	1,863	410,991	179,163
Transfers	(871,864)	(539,088)	(739,179)	761,103	(637,898)	(417,042)	(8,772,781)	(3,170,717)	(2,469,650)	(2,012,149)
Total governmental activities	52,353,837	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
Business-type activities:										
Property taxes	-	-	-	-	-	-	-	750,000	800,000	1,000,000
Unrestricted investment earnings	1,346,799	1,326,787	1,025,098	1,035,753	752,891	543,493	345,932	504,584	462,069	420,951
Gain (loss) on sale of asset	-	-	-	-	-	-	(260,857)	-	-	452,331
Special Item	-	-	-	-	-	-	-	-	(484,664)	-
Transfers	539,088	539,088	739,179	(761,103)	637,898	417,042	8,772,781	3,170,717	2,469,650	2,012,149
Total business-type activities	1,885,887	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
Total primary government	54,239,724	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
<b>Change in net position</b>										
Governmental activities	4,806,075	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
Business-type activities	129,303	(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
Total primary government	\$ 4,935,378	\$ 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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Tax Revenues</b>										
Property taxes	\$ 41,702,775	\$ 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
Excise taxes	4,668,614	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
Franchise taxes	296,566	300,768	322,526	348,163	367,672	372,542	362,088	350,014	341,605	336,979
Total tax revenues	\$ 46,667,955	\$ 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

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
<b>General Fund:</b>						
Nonspendable						
Advances to other funds	\$ 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
Restricted						
Education purposes	1,213,508	936,158	186,871	974,012	889,481	1,354,267
Municipal purposes	405,119	349,362	288,519	288,857	19,803	19,830
Committed - municipal purposes	19,033	373,753	10,583	2,623	110,933	5,406
Assigned						
Encumbrances	1,389,501	1,548,268	777,788	31,347	15,987	244,899
Municipal purposes	3,115,199	3,240,838	3,415,627	3,386,444	4,626,740	5,509,947
Unassigned	8,017,940	7,563,658	7,727,014	9,598,472	9,995,105	11,315,235
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>
<b>All other governmental funds:</b>						
Nonspendable						
Permanent Fund Principal	\$ 608,710	\$ 588,515	\$ 574,492	\$ 544,200	\$ 532,758	\$ 532,338
Restricted						
Community Development Block Grant	346,605	415,956	252,479	-	-	-
Penobscot River	759	759	-	-	-	-
Nonmajor Special Revenue Funds	1,637,362	1,862,992	1,730,231	1,971,397	2,060,733	1,633,366
Nonmajor Permanent Funds	410,337	449,974	466,951	483,284	495,623	506,007
Committed						
Arena Fund	6,690,287	-	2,761,541	1,051,134	871,271	587,141
Assigned						
Capital Project Fund	826,179	-	4,426,655	4,868,248	4,657,905	7,169,264
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>

Only six 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)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
Taxes:										
Property taxes	\$ 42,145,912	\$ 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
Excise taxes	4,668,614	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
Total tax revenues	46,814,526	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
Intergovernmental	37,774,922	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
Licenses and permits	982,879	956,965	644,621	633,339	601,202	948,267	576,559	1,389,717	831,968	755,273
Charges for services	12,598,776	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
Program income	657,987	296,325	288,677	329,800	314,203	575,460	462,380	765,142	247,549	284,619
Revenue from use of money and property	3,621,988	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
Other	279,261	7,691,463	428,220	1,108,213	279,426	561,118	165,686	156,659	516,714	227,243
Total revenues	102,730,339	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
<b>Expenditures:</b>										
General government**	4,736,885	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
Public safety	13,476,656	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
Health, community services and recreation	4,086,513	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
Public services	9,363,365	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
Other agencies	3,783,720	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
Education	45,224,974	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
Tax increment financing	-	-	215,483	432,033	165,133	524,013	550,308	632,364	724,347	717,260
Unclassified	597,262	166,994	63,115	54,451	118,216	260,685	2,323,972	590,627	74,128	104,422
Restricted grants	7,787,297	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
Capital outlay*	9,100,357	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
Debt service										
Principal	4,237,096	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
Interest	3,095,434	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
Other charges	4,850	299	6,000	61,952	45,988	-	-	-	-	-
Total expenditures	105,494,409	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
Excess (deficiency) of revenues over (under) expenditures	(2,764,070)	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
<b>Other financing sources/(uses)</b>										
Issuance of debt	3,555,000	-	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	320,034	161,439	104,620	135,849	117,558	84,507	186,709	187,760	565,717	179,163
Transfers to other funds	(3,300,247)	(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)
Transfers from other funds	2,428,383	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
Total other financing sources	3,003,170	(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
Net change in fund balances	\$ 239,100	\$ 7,614,480	\$ 3,278,255	\$ (3,732,910)	\$ (526,486)	\$ (10,196,586)	\$ (28,242,720)	\$ 435,567	\$ 887,900	\$ 5,174,778
Debt service as a percentage of noncapital expenditures	7.74%	4.26%	4.00%	11.14%	5.52%	7.97%	19.35%	4.46%	4.95%	5.12%

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

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

Table 6

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

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Homestead Exemption<sup>1</sup></b>	<b>Business Equipment Tax Exemption<sup>2</sup></b>	<b>Other Exemptions<sup>3</sup></b>
2007	\$ 1,896,440,700	259,703,500	2,156,144,200	18.33	\$ 67,904,400	-	712,610,400
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

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

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

<sup>2</sup> 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 58.2% for 2016.

<sup>3</sup> 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**

<b>Fiscal Year</b>	<b>General City Government</b>	<b>General Fund Debt Service</b>	<b>Education</b>	<b>Total Direct Tax Rate</b>	<b>Penobscot County</b>	<b>Total Tax/ (Mill) Rate</b>
2007	7.79	1.18	9.36	18.33	1.07	19.40
2008	7.69	1.18	8.87	17.74	1.06	18.80
2009	8.12	1.16	8.71	17.99	1.06	19.05
2010	8.01	1.27	8.70	17.98	1.07	19.05
2011	7.94	1.40	8.75	18.09	1.11	19.20
2012	7.75	1.42	8.83	18.00	1.20	19.20
2013	8.08	1.41	8.98	18.47	1.18	19.65
2014	8.67	1.48	9.41	19.56	1.24	20.80
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

Table 8

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

Taxpayer	Business	2016			2007		
		Assessed Value	Rank	% of Total Tax Base	Assessed Value	Rank	% of Total Tax Base
GLP Capital L.P.	Gaming	\$ 75,565,400	1	2.91%	-	-	-
Bangor Mall LLC	Shopping mall	61,978,900	2	2.38%	-	-	-
Emera Maine	Utility	38,632,600	3	1.49%	-	-	-
General Electric	Manufacturer	36,681,400	4	1.41%	\$ 92,999,700	1	4.18%
Walmart Stores	Retailer	22,282,000	5	0.86%	-	-	-
Bangor Gas Company LLC	Utility	19,734,200	6	0.76%	-	-	-
HC Bangor LLC	Gaming	19,283,500	7	0.74%	-	-	-
GM Realty of Bangor LLC	Real estate interests	16,937,700	8	0.65%	-	-	-
QV Realty Trust	Real estate interests	16,713,100	9	0.64%	13,348,500	7	0.60%
Banres, LLC	Hotel	16,459,600	10	0.63%	-	-	-
BANMAK Associates	Shopping mall	-	-	-	53,870,800	2	2.42%
Paradigm Development LLC	Utility	-	-	-	30,822,300	3	1.39%
Eastern Maine Healthcare	Medical institution	-	-	-	17,772,600	4	0.80%
Bangor Savings Bank	Commercial bank	-	-	-	17,344,400	5	0.78%
Inland Western Parkade	Shopping mall	-	-	-	15,297,400	6	0.69%
May Department Stores	Retailer	-	-	-	12,166,000	8	0.55%
Cabrel Company	Real estate interests	-	-	-	11,814,700	9	0.53%
Airport Mall Associates	Shopping mall	-	-	-	11,534,900	10	0.52%
Totals		<u>\$ 324,268,400</u>		<u>12.47%</u>	<u>\$ 276,971,300</u>		<u>12.46%</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			
2007	\$ 41,990,985	269,636	41,721,349	40,819,923	97.84%	\$ 851,324	41,671,247	99.88%
2008	\$ 44,082,476	341,521	43,740,955	42,847,656	97.96%	\$ 831,159	43,678,815	99.86%
2009	\$ 47,235,370	275,489	46,959,881	45,688,356	97.29%	\$ 1,179,997	46,868,353	99.81%
2010	\$ 48,719,847	588,817	48,131,030	46,205,428	96.00%	\$ 1,764,765	47,970,193	99.67%
2011	\$ 48,362,646	168,932	48,193,714	46,857,606	97.23%	\$ 1,170,863	48,028,469	99.66%
2012	\$ 48,529,834	175,844	48,353,990	47,025,587	97.25%	\$ 1,155,490	48,181,077	99.64%
2013	\$ 49,713,855	134,598	49,579,257	48,276,445	97.37%	\$ 1,126,569	49,403,014	99.64%
2014	\$ 53,077,993	43,339	53,034,654	51,692,178	97.47%	\$ 1,115,487	52,807,665	99.57%
2015	\$ 55,903,061	282,782	55,620,279	53,708,753	96.56%	\$ 1,364,513	55,073,266	99.02%
2016	\$ 57,090,091	445,799	56,644,292	55,557,652	98.08%	\$ -	55,557,652	98.08%

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*
2007	\$ 60,321,264	-	43,809,953	-	104,131,217	3,279.83	4.83%	11.03%
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%

\* 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
2007	31,749	\$ 2,156,144,200	104,131,217	4.83%	3,279.83
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

\* Source: U.S. Census Bureau.

**CITY OF BANGOR, MAINE**  
**Computation of Direct and Overlapping Debt**  
**June 30, 2016**

	<b>Total Debt Outstanding</b>	<b>Percentage Applicable to Bangor</b>	<b>Amount Applicable to Bangor</b>
Direct Debt			
City of Bangor			
General Obligation Bonds	\$ 143,677,584	100.00%	\$ 143,677,584
Capital Leases	437,897	100.00%	437,897
Overlapping Debt			
Penobscot County*	\$ -		\$ -
Total Debt	<u>\$ 144,115,481</u>		<u>\$ 144,115,481</u>

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

Table 13

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

<b>Fiscal Year</b>	<b>Debt Limit</b>	<b>Total Net Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>	<b>Percentage of Net Debt to Debt Limit</b>
2007	\$ 332,092,500	104,131,217	227,961,283	31.36%
2008	\$ 353,737,500	98,720,567	255,016,933	27.91%
2009	\$ 356,670,000	94,311,206	262,358,794	26.44%
2010	\$ 365,400,000	96,645,995	268,754,005	26.45%
2011	\$ 369,997,500	90,441,003	279,556,497	24.44%
2012	\$ 368,467,500	109,382,148	259,085,352	29.69%
2013	\$ 369,300,000	145,219,790	224,080,210	39.32%
2014	\$ 369,637,500	146,954,498	222,683,002	39.76%
2015	\$ 381,555,000	145,681,059	235,873,941	38.18%
2016	\$ 383,182,500	140,744,237	242,438,263	36.73%

**Legal Debt Margin Calculation for Fiscal Year 2016**

Total State Valuation	\$ 2,554,550,000
Debt Limitation: 15 % of State Valuation	383,182,500
Debt Applicable to Debt Limitation:	
General Obligation Bonds:	
Municipal	113,089,014
School	15,563,172
Sewer	12,092,051
Total debt applicable to limit	<u>140,744,237</u>
Legal Debt margin	<u><u>\$ 242,438,263</u></u>

Table 14

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

<b>Fiscal Year</b>	<b>Population *</b>	<b>Median Household Income*</b>	<b>Per Capita Income*</b>	<b>Median Age*</b>	<b>Public School Enrollment**</b>	<b>Unemployment Rate ***</b>
2007	31,749	29,740	19,295	36.1	3,913	4.40%
2008	31,262	29,740	19,295	36.1	3,886	5.10%
2009	31,329	29,740	19,295	36.1	3,878	7.80%
2010	31,450	29,740	19,295	36.1	3,821	8.10%
2011	33,039	38,775	25,344	36.7	3,830	7.50%
2012	33,000	34,993	25,344	37.5	3,819	7.10%
2013	32,963	37,707	24,945	36.8	3,875	6.70%
2014	32,673	35,107	23,791	36.5	3,810	5.40%
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%

\* 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**

<b>2012</b>			<b>2006</b>		
<b>Employees</b>	<b>Employer</b>	<b>Location</b>	<b>Employees</b>	<b>Employer</b>	<b>Location</b>
1000-4000	Eastern Maine Medical Center	Bangor	1000-4000	Eastern Maine Medical Center	Bangor
	Bangor Mall	Bangor		Bangor Mall	Bangor
	University of Maine	Orono		University of Maine	Orono
	City of Bangor	Bangor		City of Bangor	Bangor
	Hannaford Supermarkets	Throughout		Shop & Save Supermarkets	Throughout
	Cianbro Corporation	Throughout			
	WalMart	Throughout			
500-999	Bangor Savings Bank	Bangor	500-999	Bangor Savings Bank	Bangor
	LL Bean	Bangor		General Electric Corp	Bangor
	Microdyne	Orono		Microdyne	Orono
	Acadia Hospital	Bangor		Acadia Hospital	Bangor
	Verso Corp Paper Mill	Bucksport		St. Joseph Hospital	Bangor
	St. Joseph Hospital	Bangor			
	Community Health & Counseling	Bangor			

\* Source - Bangor, Maine Community & Economic Profile Report - 2012 represents the latest data available.  
 Published by City of Bangor Community and Economic Development Department.

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

<b>Function</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
General government	100	100	100	100	100	99	97	92	103	74
Public safety										
Police	93	93	93	97	97	96	96	96	93	91
Fire	91	91	91	95	95	95	95	91	87	90
Health, community services and recreation	49	49	49	49	47	49	48	46	41	34
Public building and services	81	81	82	82	81	78	78	76	63	62
Education	562	618	618	621	610	580	580	568	578	570
Sewer Utility	21	21	21	21	21	24	24	24	24	27
Airport	83	89	90	86	87	88	93	77	85	69
Park Woods	2	2	2	2	2	2	2	1	-	-
Parking	3	3	3	3	3	3	3	3	3	2
Bass Park	9	7	8	8	7	6	5	-	-	-
Municipal Golf Course	3	9	3	3	3	3	3	3	3	3
<b>Totals</b>	<b>1,097</b>	<b>1,163</b>	<b>1,160</b>	<b>1,167</b>	<b>1,153</b>	<b>1,123</b>	<b>1,124</b>	<b>1,077</b>	<b>1,080</b>	<b>1,022</b>

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

Table 17

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

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Code enforcement										
Building permits	550	485	501	427	518	405	453	433	454	517
Certificates of occupancy	446	430	440	341	448	350	361	395	452	630
Sign permits	116	118	103	90	96	70	69	82	83	86
Police										
Calls for service	28,157	32,392	34,329	32,351	30,167	31,640	33,740	36,153	36,967	38,347
Fire										
Calls for service	7,992	7,477	7,990	7,357	8,000	9,020	9,044	9,031	9,292	10,048
Sewer										
Treated flow (billions of gallons)	3.62	3.21	3.89	3.55	2.81	3.10	2.68	2.69	3.20	2.57
Biosolids (tons)	7,043	7,236	7,609	7,572	6,518	6,789	5,832	6,309	5,821	6,230

\* Source - City of Bangor Departmental records.

Table 18

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

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	52	47	50	54	54	50	48	43	50	57
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Vehicles	27	28	27	25	25	26	26	26	26	24
Public works										
Streets (miles)	422	427	429	429	429	431	431	431	431	432
Sidewalks (miles)	99.6	99.6	99.6	99.6	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	44	47	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  
\$6,772,000 2017 General Obligation Bonds  
Dated as of September \_\_\_\_, 2017

Ladies and Gentlemen:

We have acted as bond counsel to the City of Bangor, Maine (the "City") in connection with the issuance and sale by the City of \$6,772,000 principal amount of its 2017 General Obligation Bonds dated as of September \_\_\_\_, 2017 (the "Bonds"). In such capacity, we have examined the law, including the Charter of the City and Title 30-A, Section 5772 of the Maine Revised Statutes, as amended, and the record of proceedings submitted to us by the City, in connection with the issue and sale of the above-described Bonds, including among other documents, certified copies of Order 16-284 and Order 16-285 adopted by the City Council on July 25, 2016 and an approval of the City's Finance Committee dated September 12, 2017 (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 \_\_\_\_, 2017. The Bonds have been issued as serial bonds in the denominations, bearing interest payable on each March 1 and September 1, commencing March 1, 2018, until maturity or redemption prior to maturity, and maturing on March 1 of each year as reflected hereinbelow:

<u>March 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>March 1</u>	<u>Amount</u>	<u>Interest Rate</u>
2018	\$412,000	%	2028	\$410,000	%
2019	\$415,000	%	2029	\$410,000	%
2020	\$415,000	%	2030	\$355,000	%
2021	\$410,000	%	2031	\$355,000	%
2022	\$410,000	%	2032	\$355,000	%
2023	\$410,000	%	2033	\$155,000	%
2024	\$410,000	%	2034	\$155,000	%
2025	\$410,000	%	2035	\$155,000	%
2026	\$410,000	%	2036	\$155,000	%
2027	\$410,000	%	2037	\$155,000	%

Bonds maturing on or before March 1, 2027 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing on and after March 1, 2028 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after March 1, 2027, 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 and countersigned by the Chairman of the City Council to be sealed with the seal of the City attested by its Clerk, and should bear the signed certificate of the certifying agent identified thereon.

We note that the Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements regarding 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 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 hereinbelow, we have examined and relied upon the Arbitrage and Use of Proceeds Certificate, the General Certificate of the Finance Director of the City and the City's Certificate Regarding Qualified and Designated Status (collectively the "Tax Certificates") delivered concurrently herewith, which contain representations, certifications, warranties, provisions and procedures regarding compliance with the requirements of the 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 and have been duly authorized and executed by the City and, subject to due authentication, are valid and binding general obligations of the City, enforceable in accordance with their terms and all taxable property within the City (except to the extent that the City may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, and except to the extent that the City establishes or has established municipal development districts as tax increment financing districts or municipal affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the 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 included in the school budget 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 an item of tax preference under the Code for purposes of computing alternative minimum tax; however, interest on the bonds will be taken into account in the calculation of the alternative minimum tax of certain corporations as a result of the inclusion of interest on the Bonds in the "adjusted current earnings" of such corporations.
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 are not passing upon and do not assume any responsibilities for the accuracy or adequacy of the statements made in any Preliminary Official Statement or Official Statement, other offering material or similar information prepared or provided by the City with respect to the Bonds and we express no opinion, advice or representation to any person with respect to any such Preliminary Official Statement or Official Statement, other offering material or similar information.

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

By: \_\_\_\_\_  
James M. Saffian  
A Partner

**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 \$6,772,000 2017 General Obligation Bonds, dated as of September 28, 2017 (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](http://www.emma.msrb.org). The Issuer reserves the right to incorporate by reference its Official Statement dated September 12, 2017 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, 2017, 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 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 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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