

CITY OF BANGOR, MAINE

**Reports Required by *Government Auditing
Standards*, OMB Circular A-133 and the *Passenger Facility
Charge Audit Guide for Public Agencies***

For the Year Ended June 30, 2013

CITY OF BANGOR, MAINE
Reports Required by *Government Auditing Standards*, OMB Circular A-133
and the *Passenger Facility Charge Audit Guide for Public Agencies*
For the year ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City Council
City of Bangor, Maine

We have audited, in accordance with the 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Bangor, Maine's basic financial statements, and have issued our report thereon dated December 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bangor, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bangor, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bangor, Maine's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bangor, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City of Bangor, Maine in a separate letter dated December 20, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 20, 2013
South Portland, Maine

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City Council
City of Bangor, Maine

Report on Compliance for Each Major Federal Program

We have audited the City of Bangor, Maine's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Bangor, Maine's major federal programs for the year ended June 30, 2013. The City of Bangor, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Bangor, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bangor, Maine's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Bangor, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Bangor, Maine, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED

Report on Internal Control Over Compliance

Management of the City of Bangor, Maine, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bangor, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bangor, Maine's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

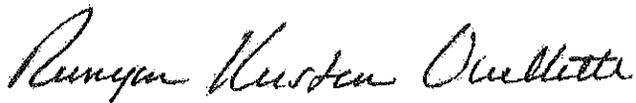
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Bangor, Maine's basic financial statements. We issued our report thereon dated December 20, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



December 20, 2013
South Portland, Maine

CITY OF BANGOR, MAINE
 Schedule of Expenditures of Federal Awards
 For year ended June 30, 2013

Federal Awards	Federal CFDA number	Award amount	Pass-through/ grantor number	ARRA Funds	Beginning balance	Revenue		Transfers/ Adjustments	Expenditures	Ending balance
						Federal	State			
Received Directly										
Department of Housing and Urban Development:										
Community Development Block Grants:										
B11, 12 -MC-23-0004	14.218	\$ 3,825,727	N/A		(111,250)	522,833	461,179	527,206	1,134,486	265,482
Shelter Plus Care:										
ME 0082C1T011100 TRA (8712)	14.238	36,480	N/A		-	1,721	-	-	1,721	-
ME 0083C1T011100 TRA (8728)	14.238	36,480	N/A		-	1,293	-	-	1,293	-
ME 0026C1T011104 PRA (8716)	14.238	74,496	N/A		-	41,265	-	-	41,034	231
ME 0029L1T001205 TRA (8714)	14.238	334,211	N/A		-	71,373	-	-	71,373	-
ME 0026C1T011003 PRA (8716)	14.238	78,240	N/A		-	43,192	-	-	43,192	-
ME 0028C1T011003 TRA (8715)	14.238	346,296	N/A		-	63,306	-	-	63,306	-
ME0028C1T01104 TRA (8715)	14.238	325,292	N/A		-	267,252	-	-	257,168	84
ME 0029C1T011004 TRA (8714)	14.238	282,156	N/A		-	216,100	-	-	216,100	-
ME 01C60-1002 PRA (8718)	14.238	126,720	N/A		-	24,161	-	-	24,161	-
Total Department of Housing and Urban Development					(111,250)	1,252,495	461,179	527,206	1,863,834	265,797
Department of Justice:										
ARRA - COPS Hiring Recovery Program										
ARRA - COPS Hiring Recovery Program	16.710	704,880	2009R(KW)0421	Y	-	187,100	-	-	187,100	-
ARRA - Edward Byrne Memorial Program (7705)	16.738	221,689	N/A	Y	-	56,630	-	-	56,630	-
Edward Byrne Memorial Program (7701)	16.738	35,384	2009DJ-BX-0709		-	3,418	-	-	3,418	-
Edward Byrne Memorial Program (7914)	16.738	26,148	2011DJ-BX-2417		-	484	-	-	484	-
Edward Byrne Memorial Program (7918)	16.738	21,793	2012DJ-BX-0631		-	13,166	-	-	13,166	-
Edward Byrne Memorial Program (7909)	16.738	29,947	N/A		-	1,185	-	-	1,185	-
Total Department of Justice					-	261,983	-	-	261,983	-
Department of Homeland Security:										
Law Enforcement Reimbursement Program										
Law Enforcement Reimbursement Program	97.090	1,262,809	HSTS0208HSLR025		-	28,560	-	-	28,560	-
Law Enforcement Reimbursement Program	97.090	361,350	HSTS0213HSLR008		-	71,350	-	-	71,350	-
NEDCTP (8713)	97.072	784,000	HSTS0208HCAN071		-	40,069	-	-	40,069	-
NEDCTP (8713)	97.072	910,000	HSTS0212HCAN507		-	138,459	-	-	138,459	-
Transportation Security Administration:										
Checked Baggage Screening Design Services Project										
Federal Emergency Management Agency:	97.100	100,000	HSTS0410HCT1039		(91,479)	91,479	-	-	-	-
SAFER Hiring Grant	97.083	291,442	EMW2009FH01155		-	76,784	-	-	76,784	-
Assistance to Firefighters Grant (7505)	97.044	54,900	EMW2011FC04650		-	31,449	6,100	-	34,943	2,606
Total Department of Homeland Security					(91,479)	478,150	6,100	-	390,165	2,606
Department of Transportation:										
Airport Improvement Plan:										
3-23-0005-52 (8582)	20.106	807,596	N/A		(80,291)	80,760	2,125	-	23,808	-
3-23-0005-53 (8579)	20.106	477,610	N/A		(26,182)	25,138	661	-	10,154	-
3-23-0005-54 (8577)	20.106	419,339	N/A		(105,582)	173,449	4,565	-	82,255	-
3-23-0005-55 (8584)	20.106	5,459,029	N/A		(24,839)	4,290,160	251,437	-	4,766,844	-
3-23-0005-56 (8561)	20.106	175,037	N/A		-	135,118	15,013	-	150,131	-
3-23-0005-57 (8568)	20.106	165,709	N/A		-	134,033	7,446	-	148,926	-
3-23-0005-59 (8589)	20.106	756,007	N/A		-	32,747	1,819	-	36,385	-
Urban Mass Transit:										
Operating	20.507	404,946	ME 90-X195		-	404,946	-	1,619,899	2,024,845	-
Operating - PM	20.507	250,400	ME 90-X195		-	250,400	62,600	-	913,000	-
Operating - ADA	20.507	84,367	ME 90-X195		-	84,367	21,092	-	105,459	-
Operating - JARC	20.516	35,000	ME 90-X010		-	32,199	32,199	-	64,398	-
Operating - JARC	20.516	45,000	ME 37-X009		-	4,500	4,500	-	9,000	-
Total Department of Transportation					(236,894)	5,647,817	268,053	2,056,229	7,735,203	-
Department of Health & Human Services:										
Substance Abuse and Mental Health Services Administration:										
Drug-Free Communities Support Program	93.276	125,000	N/A		-	63,711	-	-	63,711	-
Total Department of Health & Human Services					-	63,711	-	-	63,711	-

CITY OF BANGOR, MAINE
 Schedule of Expenditures of Federal Awards, Continued
 For year ended June 30, 2013

Federal Awards	Federal CFDA number	Award amount	Pass-through/ grantor number	ARRA Funds	Beginning balance	Revenue		Transfers/ Adjustments	Ending balance
						Federal	State		
Pass Through									
Department of Agriculture, passed through Maine Department of Health and Human Services:									
Women, Infant and Children - Admin:									
WIC 12-168	10.557	\$ 443,407	CDC 12-168		(190)	134,210	-	-	134,020
WIC 13-168	10.557	508,057	CDC 13-168		-	365,043	-	-	377,726 (14,683)
Women, Infant and Children - Food:									
WIC 12-168	10.557	2,272,820	CDC 12-168		-	231,297	-	-	231,297
WIC 13-168	10.557	1,714,801	CDC 13-168		-	1,717,082	-	-	1,717,082
Passed through Maine Department of Conservation:									
Project Canopy	10.575	8,000	11-DG-11420004-098		-	8,000	-	(4,125)	3,875
Passed through Maine Bureau of Health:									
Supplemental Nutrition Assistance Program (8710)	10.561	164,818	OF 13-351		-	69,080	-	-	70,527 (1,447)
Supplemental Nutrition Assistance Program (8727)	10.561	453,274	CDC-12-337		(13,870)	3,846	10,024	-	-
Passed through Maine Department of Education:									
Fresh Fruits and Veggies After School Program	10.582	N/A	013-3028		-	49,338	-	-	49,338
PBR	10.555	N/A	013-3022		-	11,638	-	-	11,638
Food Distribution - Food Donation Program	10.555	N/A	013-3022		-	16,207	-	-	16,207
School Breakfast Program	10.553	N/A	013-3014		-	70,562	-	-	70,562
School Lunch Program	10.553	N/A	013-3022		-	163,062	-	-	163,062
						667,197	-	-	667,197
Total Department of Agriculture					(14,060)	3,504,562	10,024	(4,125)	3,512,531 (16,130)
Department of Commerce, passed through the State of Maine, ConnectIME Authority:									
State Broadband Data and Development	11.558	1,500	020-3112	Y	-	1,500	-	-	926 574
Total Department of Commerce						1,500	-	-	926 574
Department of Homeland Security:									
Office of Domestic Preparedness, passed through Maine Emergency Management Agency:									
Homeland Security Grant Program (7906)	97.067	362,745	N/A		-	234,900	-	-	234,900
Total Department of Homeland Security						234,900	-	-	234,900
Environmental Protection Agency, passed through the State Revolving Loan Fund Program:									
Combined Sewer Overflow	66.458	2,000,000	N/A		-	225,600	-	-	225,600
Environmental Protection Agency:									
NPS - Sucker Brook (7604)	66.460	28,942	2012 FT22		-	6,246	-	-	6,350 (104)
Performance Partnership (7602)	66.605	60,000	2011 RT16		2,186	28,438	-	-	30,624
Total Environmental Protection Agency					2,186	260,284	-	-	262,574 (104)
Department of Health & Human Services, passed through the Maine Bureau of Health:									
GPCC Assist & Support (8707)	93.958	4,500	MH3-13-119		-	4,500	-	-	2,120 2,380
Substance Abuse Prevention/Treatment (8704)	93.959	5,000	OSA 13-112		-	3,969	-	-	3,969
Comprehensive Cancer Control (8726)	93.283	5,280	CDC 12-1216		1,290	-	-	-	1,290
Substance Abuse Prevention (8702)	93.959	15,000	OSA 13-154		-	13,831	-	-	13,831
Drug Prevention (8709)	93.243	79,185	OSA 13-154		-	55,429	-	-	50,794 4,635
Community Transformation (8711)	93.531	90,000	CDC 13-1407		-	57,990	-	-	59,053 (1,063)
Community Transformation (8710)	93.531	90,000	CDC 12-337		47,508	21,413	-	-	68,921
Healthy Maine Partnership (8701)	93.959	80,000	CDC 13-337		-	77,870	-	-	80,000 (2,130)
HIV Prevention (8708)	93.940	42,472	CDC 13-289		-	21,236	-	19,209	40,445
HIV Prevention (8706)	93.940	42,472	CDC 12-289		(12,848)	24,236	-	-	38,567
Substance Abuse Prevention, Treatment (8710)	93.959	26,667	CDC-12-337		65	-	-	-	65
Substance Abuse Prevention (8702)	93.959	5,000	SA3-12-107		1,585	-	-	(1,585)	-
STD prevention (8708)	93.977	36,528	CDC 12-289		-	18,264	-	-	18,264
STD Prevention (8706)	93.977	36,528	CDC-12-289		(270)	18,266	-	-	17,996
Total Department of Health & Human Services					37,330	314,004	49,388	(1,585)	395,315 3,822

CITY OF BANGOR, MAINE
Schedule of Expenditures of Federal Awards, Continued
For year ended June 30, 2013

Federal Awards	Federal CFDA number	Award amount	Pass-through/ grantor number	ARRA Funds	Beginning balance	Revenue		Transfers/ Adjustments	Expenditures	Ending balance
						Federal	State			
Pass Through - Continued										
Department of Justice, passed through the Maine Bureau of Health:										
Prescription Drug Monitoring (8702)	16.754	\$ 8,000	SA3-12-107		2,536	-	-	(2,536)	-	-
Total Department of Justice					2,536	-	-	(2,536)	-	-
Department of Interior, passed through the Maine Department of Transportation:										
Boating Infrastructure Grant	15.622	100,000	PIN 18075.00		(4,930)	100,000	-	-	95,070	-
Total Department of Interior					(4,930)	100,000	-	-	95,070	-
Department of Education, passed through the Maine Department of Education:										
Adult Basic Education										
Title 1A	84.002	66,281	013-6296		-	66,281	-	-	66,281	-
Title 1A Continuous Improvement	84.010	1,263,225	020-3107		-	1,162,708	-	-	1,162,708	-
Title 1A SES	84.010	N/A	013-3106		(5,791)	27,163	-	-	16,983	4,389
Special Education - Grants to Local States	84.027	952,404	013-3046		-	11,321	-	-	11,321	-
Impact Aid	84.041B	30,082	029-2012		-	730,872	-	-	730,869	3
Preschool Local Entitlement	84.173	21,561	013-6241		-	21,561	-	-	30,082	-
Teacher Incentive Fund	84.367	285,445	013-3042		-	283,569	-	-	283,569	-
ARRA - Title 1A	84.374	25,179	N/A	Y	-	25,179	-	-	25,179	-
ARRA - Education Jobs Fund	84.389	4,157	020-3107	Y	(2,033)	2,717	-	-	2,717	-
Total Department of Education	84.410	770,209	013-3099	Y	(7,824)	83,562	-	-	81,529	-
Department of Transportation, passed through Maine										
Transit Hub Study										
Transportation Enhancement	20.205	31,250	CSN 31625		-	-	-	-	5,517	(5,517)
Transportation Enhancement	20.205	93,600	PIN 017479.00		(828)	-	-	828	-	-
BACTS - Stillwater Hazard (7621)	20.205	127,200	PIN 017480.00		(28,753)	-	-	28,753	-	-
BACTS - Hogan Rd (7625)	20.205	29,000	PIN 19022, CSN 29295		-	4,745	-	-	5,951	-
BACTS - Hammond St (7626)	20.205	252,707	PIN 19210, CSN 29018		(8,137)	14,103	1,763	-	9,492	-
BACTS - Me Ave & Godfrey (7627)	20.205	1,047,700	PIN 17326, CSN 26689		(14,094)	45,487	5,686	-	42,765	-
BACTS - Outer Hammond (7629)	20.205	1,075,000	PIN 17321, CSN 27949		-	533,032	66,629	-	732,659	(66,369)
BACTS - Maine Avenue (7630)	20.205	392,319	PIN 19202, CSN 29020		(7,206)	301,859	37,732	-	370,117	-
BACTS - Bangor Mall (7631)	20.205	183,274	PIN 19203, CSN 28991		(4,851)	93,072	11,634	-	111,794	(45)
BACTS - Maine Avenue (7608)	20.205	293,400	PIN 18215, CSN 29452		-	192,845	24,105	-	241,123	(68)
BACTS - Hogan/Haskell (7632)	20.205	25,000	PIN 19439, CSN 29025		-	4,449	556	-	5,561	-
BACTS - Ohio Street	20.205	639,800	PIN 19440, CSN 29026		-	4,158	520	-	5,198	-
Operating	20.507	691,743	PIN 14792, CSN 25447		(8,088)	-	8,088	-	-	-
Total Department of Transportation			ME 90-X189		(71,757)	54,206	-	54,205	108,411	-
Total Federal Awards		\$			(496,142)	15,812,378	417,864	2,793,838	548,541	188,958

See accompanying notes to schedule of expenditures of federal awards.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES,
ISSUED BY THE FEDERAL AVIATION ADMINISTRATION**

City Council
City of Bangor, Maine

Report on Compliance

We have audited the City of Bangor, Maine's compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide) for its passenger facility charge program for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, and contracts applicable to the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Bangor, Maine's passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City of Bangor, Maine's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide legal determination of the City of Bangor, Maine's compliance.

Opinion on the Passenger Facility Charge Program

In our opinion, the City of Bangor, Maine, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program for the year ended June 30, 2013.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES,
ISSUED BY THE FEDERAL AVIATION ADMINISTRATION, CONTINUED**

Report on Internal Control Over Compliance

Management of the City of Bangor, Maine, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bangor, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bangor, Maine's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

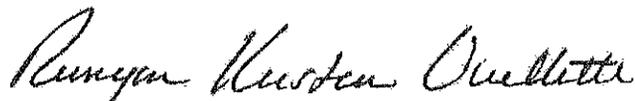
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES,
ISSUED BY THE FEDERAL AVIATION ADMINISTRATION, CONTINUED**

Report on Schedule of Expenditures of Passenger Facility Charges Required by the Guide

We have audited the 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Bangor, Maine's basic financial statements. We issued our report thereon dated December 20, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as specified in the Guide, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of passenger facility charges is fairly stated in all material respects in relation to the basic financial statements as a whole.



December 20, 2013
South Portland, Maine

CITY OF BANGOR, MAINE
 Schedule of Expenditures of Passenger Facility Charges
 For the Year and Each Quarter Within the Year Ended June 30, 2013

	Approved Amounts Impose and Use	Cumulative Total June 30, 2012	Quarter Ended September 30, 2012	Quarter Ended December 31, 2012	Quarter Ended March 31, 2013	Quarter Ended June 30, 2013	Year Ended June 30, 2013	Revenue Allocated to the New PFC 12-03-C-00BGR	Memorandum Only Cumulative Totals June 30, 2013
95-01-C-00-BGR (as amended)									
Passenger facility charge revenue and interest	\$ 8,961,006	7,627,512	-	-	-	-	-	-	7,627,512
Expenditures:									
Reconstruct Domestic Terminal Apron - South	2,301,222	2,301,222	-	-	-	-	-	-	2,301,222
Reconstruct Domestic Terminal Apron - North	1,070,596	937,451	-	-	-	-	-	-	937,451
Reconstruct International Terminal Apron - North	3,464,415	2,213,478	-	-	-	-	-	-	2,213,478
Reconstruct Commuter Apron Area	2,124,773	2,175,361	-	-	-	-	-	-	2,175,361
Total expenditures	\$ 8,961,006	7,627,512	-	-	-	-	-	-	7,627,512
10-02-C-00-BGR									
Passenger facility charge revenue and interest	\$ 1,998,100	1,998,100	-	-	-	-	-	(103,558)	1,894,542
Expenditures:									
PFC application assistance	23,100	23,100	-	-	-	-	-	-	23,100
Snow removal equipment	1,975,000	1,871,442	-	-	-	-	-	-	1,871,442
Total expenditures	\$ 1,998,100	1,894,542	-	-	-	-	-	-	1,894,542
12-03-C-00-BGR									
Passenger facility charge revenue and interest	\$ 2,576,497	407,305	235,843	210,118	167,185	274,298	887,444	103,558	1,398,307
Expenditures:									
Electrical Improvement	604,797	604,797	90,811	50,586	9,744	55,468	206,609	-	811,406
Terminal Renovations	1,928,000	-	-	-	-	-	-	-	-
PFC Application Costs	43,700	-	-	-	-	-	-	-	-
Total expenditures	\$ 2,576,497	604,797	90,811	50,586	9,744	55,468	206,609	-	811,406

CITY OF BANGOR, MAINE
Notes to Schedule of Expenditures of Federal Awards
and the Schedule of Expenditures of Passenger Facility Charges
June 30, 2013

PURPOSE OF THE SCHEDULE

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, and the Passenger Facility Charge Audit Guide for Public Agencies require a Schedule of Expenditures of Federal Awards and a Schedule of Expenditures of Passenger Facility Charges showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA) and each passenger facility charge program.

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs and passenger facility charge programs of the City of Bangor, Maine for the fiscal year ended June 30, 2013. The reporting entity is defined in notes to basic financial statements of the City of Bangor, Maine.
- B. Basis of Presentation - The information in the accompanying schedule of expenditures of federal awards and the schedule of expenditures of passenger facility charges is presented in accordance with OMB Circular A-133 and the Audit Guide for Public Agencies.
1. Pursuant to OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
 2. Major Programs - OMB Circular A-133 establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for the City of Bangor, Maine are identified in the summary of auditor's results in the schedule of findings and questioned costs.
 3. The Passenger Facility Charge Programs are defined by the Federal Aviation Administration's Record of Decision for each program.
- C. Basis of Accounting - The information presented in the schedule of expenditures of federal awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the City's fund financial statements. The schedule of expenditures of passenger facility charges is presented on the cash basis of accounting.

CITY OF BANGOR, MAINE
Schedule of Findings and Questioned Costs
For the year ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:
 Material weaknesses identified? no
 Significant deficiencies identified? none reported

Noncompliance material to financial statements noted? no

Federal Awards

Internal Control over major programs:
 Material weaknesses identified? no
 Significant deficiencies identified? none reported

Type of auditor's report issued on compliance
 for major programs: unmodified

Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.557	WIC - Nutrition Program
16.710	ARRA - COPS Hiring Grant
20.106	Airport Improvement Program
14.218	Community Development Block Grant
14.238	Shelter Plus Care
10.553 – 10.555	School Nutrition Cluster

Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 566,626

Auditee qualified as low-risk auditee? no

CITY OF BANGOR, MAINE
Schedule of Findings and Questioned Costs, Continued

Section II - Findings Required to be Reported Under *Government Auditing Standards*

None

CITY OF BANGOR, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Federal Awards

None

CITY OF PORTLAND, MAINE
Schedule Findings and Questioned Costs, Continued

Section IV - Findings and Questioned Costs for Expenditures of the *Passenger Facility Charge Program*

None

CITY OF BANGOR, MAINE
Schedule of Findings and Questioned Costs, Continued

Section V - Status of Prior Year Findings and Questioned Costs under *Government Auditing Standards*

SIGNIFICANT DEFICIENCY

#2012-1 - Sewer System Controls (repeated)

Controls at the sewer utility are potentially weakened because of the utility's relationship with the Bangor Water District, which is a separate, non-City entity. The problem arises because the water and sewer utilities share many aspects of billing and collection. Specifically, sewer bills are based upon water usage data, as provided by the water districts; water and sewer bills are mailed together; sewer payments may be made at, among other places, the Water District; and the Water District's billing and payment software, which is incompatible with the City's general accounting software, is also employed by the sewer utility.

As a result, a number of problems arise. First, where payments are made at the Water District, City funds remain outside the City's control for the period of time between their receipt from customers and the forwarding of payment to the City. This, combined with the increased handling of the City assets introduces the potential for diversion of City property by non-City employees. Second, the flow of funds between the two utilities and their timing often results in the "float" of relatively large amounts due the City. Third, the incompatibility of systems between the sewer utility and the rest of City government makes timely tracking of sewer utility performance difficult. Further, it makes reconciliation increasingly important and time consuming.

We recommend the City review its relationship with the water utility to correct these cash handling and accounting deficiencies.

Status: During the year, the City no longer went through the Water District for billing and started doing its own billing. This is no longer considered an issue.

CITY OF BANGOR, MAINE
Schedule of Findings and Questioned Costs, Continued

Section V - Status of Prior Year Findings and Questioned Costs for Federal Awards

None

CITY OF BANGOR, MAINE
Schedule of Findings and Questioned Costs, Continued

Section V - Status of Prior Year Findings and Questioned Costs for the *Passenger Facility Charge Program*

None