



MOORS & CABOT
INVESTMENTS
Banking & Advisory Group

NEW ISSUE

Moody's: Aa2
S&P: AA

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

CITY OF BANGOR, MAINE

\$9,030,000

2013 GENERAL OBLIGATION BONDS – SERIES A

Dated: Date of Delivery

Due: November 1, as shown below

CITY OF BANGOR, MAINE

\$4,300,000

2013 GENERAL OBLIGATION BONDS – SERIES B (FEDERALLY TAXABLE)

Dated: Date of Delivery

Due: November 1, as shown below

The Series A Bonds and Series B Bonds (together, 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. 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 The Bank of New York Mellon Trust Company, N.A., Providence, Rhode Island, as Paying Agent. Interest on the Bonds will be payable on November 1, 2013 and semi-annually on each May 1 and November 1 thereafter until maturity, or redemption prior to maturity.

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

Bonds maturing on and after November 1, 2024 are subject to redemption prior to maturity, at the option of the City, on and after November 1, 2023 as more fully set forth herein (see "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein). The Series B Bonds due November 1, 2033 are subject to mandatory redemption, as more fully set forth herein (see "THE BONDS—MANDATORY REDEMPTION" herein).

The Bonds are offered when, as and if issued, subject to the approval of legality by Pierce Atwood LLP, Portland, Maine, Bond Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine. Moors & Cabot, Inc., Boston, Massachusetts, serves as Financial Advisor to the City. The Bank of New York Mellon Trust Company, N.A. will serve as Escrow Agent. Causey Demgen & Moore P.C., Denver, Colorado, will serve as Verification Agent. It is expected that the Bonds in definitive form will be available for delivery to DTC on or about June 5, 2013.

RAYMOND JAMES

CITY OF BANGOR, MAINE
\$9,030,000^(†)
2013 GENERAL OBLIGATION BONDS – SERIES A

Dated: Date of Delivery				Due: November 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>
2013	\$305,000	2.00%	0.35%	2019	\$740,000	3.25%	1.35%
2014	335,000	2.00	0.45	2020	735,000	3.25	1.60
2015	735,000	2.00	0.60	2021	730,000	3.50	1.75
2016	675,000	2.00	0.70	2022	725,000	3.50	1.85
2017	820,000	3.25	1.00	2023	720,000	3.75	2.00
2018	750,000	3.25	1.15	2024	560,000	3.50	2.07 ^(*)

\$985,000^(†) 2.125% Bond, due November 1, 2027, to Yield 2.125%
\$215,000^(†) 4.00% Bond, due November 1, 2032, to Yield 2.80%^(*)

CITY OF BANGOR, MAINE
\$4,300,000^(†)
2013 GENERAL OBLIGATION BONDS – SERIES B (FEDERALLY TAXABLE)

Dated: Date of Delivery				Due: November 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>
2014	\$150,000	0.50%	100%	2019	\$250,000	1.85%	100%
2015	260,000	0.70	100	2020	250,000	2.10	2.20
2016	255,000	0.90	100	2021	250,000	2.35	2.45
2017	255,000	1.30	100	2022	250,000	2.60	2.70
2018	250,000	1.60	100	2023	250,000	2.85	2.95

\$1,880,000^(†) 4.25% Bond, due November 1, 2033, to Yield 4.25%

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.

^(†) Series A Bonds due November 1, 2027 and November 1, 2032 and Series B Bonds due November 1, 2033 are subject to mandatory redemption, as more fully set forth herein. See “THE BONDS - MANDATORY REDEMPTION” herein.

^(*) Priced assuming redemption on November 1, 2023, at the option of the City (see “THE BONDS - OPTIONAL REDEMPTION PRIOR TO MATURITY”).

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**CERTIFICATE
CONCERNING OFFICIAL STATEMENT**

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

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

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

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

Deborah A. Cyr
Finance Director
City of Bangor, Maine

**OFFICIAL STATEMENT
CITY OF BANGOR, MAINE
\$9,030,000 2013 GENERAL OBLIGATION BONDS – SERIES A
and
\$4,300,000 2013 GENERAL OBLIGATION BONDS – SERIES B
(FEDERALLY TAXABLE)**

This Official Statement is provided for the purpose of presenting certain information relating to the City of Bangor, Maine (the “City” or “Bangor”) in connection with the sale of its 2013 General Obligation Bonds – Series A (the “Series A Bonds”) and of its General Obligation Bonds – Series B (Federally Taxable) (the “Series B Bonds” and, together with the Series A Bonds, the “Bonds”).

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be issued only as fully-registered bonds without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York (“DTC”). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be dated June 5, 2013. The Bonds will bear interest, payable on November 1, 2013 and semi-annually thereafter on May 1 and November 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 June 5, 2013. The Bonds will mature as follows:

Series A Bonds

<u>Amount</u>	<u>November 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>November 1,</u>	<u>CUSIP</u>
\$305,000	2013	0600954T0	\$740,000	2019	0600954Z6
335,000	2014	0600954U7	735,000	2020	0600955A0
735,000	2015	0600954V5	730,000	2021	0600955B8
675,000	2016	0600954W3	725,000	2022	0600955C6
820,000	2017	0600954X1	720,000	2023	0600955D4
750,000	2018	0600954Y9	560,000	2024	0600955E2
	\$985,000	Bonds due November 1, 2027 ^(†)		0600955F9	
	\$215,000	Bonds due November 1, 2032 ^(†)		0600955G7	

Series B Bonds

<u>Amount</u>	<u>November 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>November 1,</u>	<u>CUSIP</u>
\$150,000	2014	0600954G8	\$250,000	2019	0600954M5
260,000	2015	0600954H6	250,000	2020	0600954N3
255,000	2016	0600954J2	250,000	2021	0600954P8
255,000	2017	0600954K9	250,000	2022	0600954Q6
250,000	2018	0600954L7	250,000	2023	0600954R4
	\$1,880,000	Bonds due November 1, 2033 ^(†)		0600954S2	

NOTE: ^(†)Series A Bonds due November 1, 2027 and November 1, 2032 and Series B Bonds due November 1, 2033 are subject to mandatory redemption, as more fully set forth herein. See “THE BONDS - MANDATORY REDEMPTION” herein.

Principal of and interest on the Bonds will be payable in Clearing House Funds to DTC, or its nominee, as registered owner of the Bonds by The Bank of New York Mellon Trust Company, N.A., Providence, Rhode Island, 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 November 1, 2023 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing on and after November 1, 2024 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after November 1, 2023, as a whole or in part at any time, in such order of maturity as the City, in its discretion, may determine at a price of par (100% of the principal amount to be redeemed), together with interest accrued and unpaid to the redemption date, if any.

MANDATORY REDEMPTION

Series A Bonds due November 1, 2027 and due November 1, 2032 and Series B Bonds due November 1, 2033 are subject to mandatory redemption, plus accrued interest to the date of redemption thereof, on November 1 in the following years and principal amounts:

<u>Series A Bonds</u>				<u>Series B Bonds</u>			
<u>Due November 1, 2027</u>		<u>Due November 1, 2032</u>		<u>Due November 1, 2033</u>			
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2025	\$415,000	2028	\$40,000	2024	\$255,000	2029	\$180,000
2026	285,000	2029	40,000	2025	150,000	2030	185,000
2027 ^(*)	285,000	2030	45,000	2026	160,000	2031	195,000
		2031	45,000	2027	165,000	2032	205,000
		2032 ^(*)	45,000	2028	170,000	2033 ^(*)	215,000

NOTE: ^(*) Year of final maturity.

GENERAL PROVISIONS REGARDING REDEMPTION

Notice of Redemption

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

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

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

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

Cancellation

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

Partial Redemption of Bonds

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

RECORD DATE; PAYMENT

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

PLAN OF REFUNDING

Attached hereto, as APPENDIX C, is a description of the Bonds to be refunded (the "Refunded Bonds") with the proceeds of a portion of the Bonds (the "Refunding Bonds" as defined herein).

Upon delivery of the Bonds, the City will enter into an Escrow Agreement with The Bank of New York Mellon Trust Company, N.A., or its successor, as Escrow Agent (the "Escrow Agent"), to provide for the refunding of the Refunded Bonds. See "THE BONDS – ESCROW AGENT" and APPENDIX C - THE

REFUNDED BONDS herein. Upon receipt of the proceeds of the Bonds, the Escrow Agent will deposit in the 2013 Escrow Funds established under the Escrow Agreement the amount which (except for any outstanding cash balances) will be invested in direct general obligations of the United States of America or in obligations directly and unconditionally guaranteed by the United States of America (collectively, "Government Obligations") maturing in amounts and bearing interest at rates sufficient to pay when due, interest on, and upon maturity or redemption, the outstanding principal of and redemption premium, if any, on the Refunded Bonds. The 2013 Escrow Funds, including the interest earnings on the Government Obligations, are pledged solely for the benefit of the owners of the Refunded Bonds and is not available to pay the Bonds offered hereby. See APPENDIX D – PROPOSED FORM OF ESCROW AGREEMENT herein.

AUTHORIZATION AND PURPOSE

The Bonds are being issued pursuant to Title 30-A, Section 5772 of the Maine Revised Statutes, as amended, Article VIII, Section 13(d) - (f) and Section 19 of the City's Charter (as defined herein) and Council orders: 12-248, for the Series A New Money Projects; 13-065, for the Series B New Money Project; 13-142, for the Series B Refunding Project; and 13-143, for the Series A Refunding Projects, all as defined herein (the "Orders").

Bond Referendum Requirement

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

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

Article VIII, Section 19(a)(2) requires that, with certain exceptions, orders or resolves directly or indirectly obligating the City to expend, over a term greater than one municipal year, municipal tax funds in excess of an amount greater than seven and one-half one-hundredths of one percent of the last certified State Valuation of the City (currently being \$2,462,000,000 x 0.00075 = \$1,723,000) for a single capital improvement or item of capital equipment be submitted to voter referendum.

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

Each project that is being financed by the Bonds is either less than the threshold amount pursuant to the requirements of Article VIII, Section 19(a)(1) or is an exception to the voter referendum requirement via Article VIII, Section 19(b)(i), (ii) or (iii).

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

The Projects	Project Costs	Bonds Outstanding	2013 Bonds ⁽²⁾	Original Order #	Authorizations	
					Ref'd'g Order #	Date
<u>Series A Bonds</u>						
<u>Series A New Money Projects</u>						
Fire Engine ⁽¹⁾	\$500,000		\$475,000	12-248		Aug. 13, 2012
Parks & Rec Equipment ⁽¹⁾	170,000		165,000	12-248		Aug. 13, 2012
Streets & Bridges ⁽¹⁾	2,480,000		2,335,000	12-248		Aug. 13, 2012
Vehicles/Equipment ⁽¹⁾	815,000		770,000	12-248		Aug. 13, 2012
WWTP Infrastructure	<u>750,000</u>		<u>700,000</u>	12-248		Aug. 13, 2012
Total New Money Projects	\$4,715,000		\$4,445,000			
<u>Series A Refunded Projects</u>						
Series 2003A – Waterfront Improv.		\$250,000	\$240,000	01-318		Aug. 27, 2001
Series 2004:						
Vehicle Replacement		50,000	48,788	03-275		Sept. 8, 2003
Police Station		1,350,000	1,322,376	03-275		Sept. 8, 2003
BACTS Project		45,000	43,836	03-275		Sept. 8, 2003
Series 2005A:						
Grant's Building		500,000	485,000	04-174		June 28, 2004
Vehicle Replacement		100,000	98,250	04-248		Aug. 9, 2004
Police Station		1,000,000	976,750	04-113		Apr. 26, 2004
Series 2006:						
Vehicle Replacement		55,000	55,000	05-292		Sept. 26, 2005
Police Station		886,716	886,716	05-292		Sept. 26, 2005
Golf Course		266,015	266,015	05-292		Sept. 26, 2005
City Hall		73,597	73,597	05-292		Sept. 26, 2005
Bangor Nursing & Rehab Center		<u>88,672</u>	<u>88,672</u>	06-111		Mar. 27, 2006
Total Series A Refunded Projects		\$4,665,000	4,585,000		13-143	May 13, 2013
Total Series A Bonds			\$9,030,000			
<u>Series B Bonds</u>						
<u>Series B New Money Project</u>						
BIA Hangers	\$3,100,000		\$3,045,000	13-065		Feb. 11, 2013
<u>Series B Refunded Project</u>						
Series 2005B - BIA Hangers		\$1,150,000		05-099		Mar. 28, 2004
Refunding Series 2005B			<u>1,255,000</u>		13-142	May 13, 2013
Total Series B Bonds			\$4,300,000			

NOTE: ⁽¹⁾ Collectively, general fund CIP (“GF CIP”).

⁽²⁾ Discrepancies between 2013 Bonds issued and Project Costs or Bonds Outstanding is due to use of bond premium or discount.

“BACTS” is an acronym for the Bangor Area Comprehensive Transportation System, the organization designated by federal and Maine state governments to carry out transportation planning in the Greater Bangor urbanized area.

Amortization of Series A New Money Projects

<u>Fiscal yr.</u> <u>June 30,</u>	<u>Fire</u> <u>Engine</u>	<u>Parks</u> <u>& Rec</u>	<u>Streets</u> <u>& Bridges</u>	<u>Var</u> <u>Equip</u>	<u>Total GF</u> <u>CIP</u>	<u>WWTP</u>	<u>Total</u> <u>2013 CIP</u>
2014	\$30,000	\$10,000	\$155,000	\$50,000	\$245,000	\$30,000	\$275,000
2015	35,000	15,000	160,000	55,000	265,000	25,000	290,000
2016	35,000	15,000	160,000	55,000	265,000	25,000	290,000
2017	35,000	15,000	155,000	55,000	260,000	30,000	290,000
2018	35,000	10,000	155,000	55,000	255,000	30,000	285,000
2019	35,000	10,000	155,000	50,000	250,000	30,000	280,000
2020	30,000	10,000	155,000	50,000	245,000	30,000	275,000
2021	30,000	10,000	155,000	50,000	245,000	30,000	275,000
2022	30,000	10,000	155,000	50,000	245,000	35,000	280,000
2023	30,000	10,000	155,000	50,000	245,000	35,000	280,000
2024	30,000	10,000	155,000	50,000	245,000	35,000	280,000
2025	30,000	10,000	155,000	50,000	245,000	35,000	280,000
2026	30,000	10,000	155,000	50,000	245,000	35,000	280,000
2027	30,000	10,000	155,000	50,000	245,000	40,000	285,000
2028	30,000	10,000	155,000	50,000	245,000	40,000	285,000
2029						40,000	40,000
2030						40,000	40,000
2031						45,000	45,000
2032						45,000	45,000
2033						45,000	45,000
Bonds	475,000	165,000	2,335,000	770,000	3,745,000	700,000	\$4,445,000
Premium	35,059	11,671	173,530	56,866	277,126	59,277	336,403
(Expenses)	(5,616)	(1,941)	(27,686)	(9,117)	(44,360)	(8,579)	(52,940)
(Rounding)	(4,443)	(4,730)	(844)	(2,749)	(12,766)	(698)	(13,463)
Total	\$500,000	\$170,000	\$2,480,000	\$815,000	\$3,965,000	\$750,000	\$4,715,000

Amortization of Series A Refunded Projects

Fiscal yr. <u>June 30,</u>	2003 Sr A	2004 Series				2005 Sr A				2006 Series						Total Sr A Ref'd'd Projects
	Water front	Vehicle Replace	Police Station	BACTS Project	Total 2004	Grant's Building	Vehicle Replace	Police Station	Total 2005A	Vehicle Replace	Police Station	Golf Course	City Hall	BN & RC	Total 2006	
2014	0		9,756	244	10,000	2,500	0	7,500	10,000	0	7,617	1,480	410	493	10,000	30,000
2015	25,000		9,756	244	10,000	1,250	0	3,750	5,000	0	3,808	740	205	247	5,000	45,000
2016	25,000	48,788	156,090	5,122	210,000	51,250	48,250	105,500	205,000	0	3,808	740	205	247	5,000	445,000
2017	25,000		150,000	5,000	155,000	50,000	50,000	100,000	200,000	0	3,808	740	205	247	5,000	385,000
2018	25,000		150,000	5,000	155,000	48,333		96,667	145,000	55,000	102,333	32,712	9,050	10,904	210,000	535,000
2019	25,000		145,161	4,839	150,000	48,333		96,667	145,000		101,146	30,344	8,395	10,115	150,000	470,000
2020	25,000		145,161	4,839	150,000	48,333		96,667	145,000		97,775	29,332	8,115	9,777	145,000	465,000
2021	25,000		140,323	4,677	145,000	48,333		96,667	145,000		97,775	29,332	8,115	9,777	145,000	460,000
2022	25,000		140,323	4,677	145,000	46,667		93,333	140,000		94,403	28,321	7,835	9,440	140,000	450,000
2023	20,000		140,323	4,677	145,000	46,667		93,333	140,000		94,403	28,321	7,835	9,440	140,000	445,000
2024	20,000		135,484	4,516	140,000	46,667		93,333	140,000		94,403	28,321	7,835	9,440	140,000	440,000
2025						46,667		93,333	140,000		94,403	28,321	7,835	9,440	140,000	280,000
2026											91,032	27,310	7,556	9,103	135,000	135,000
Totals	240,000	48,788	1,322,376	43,836	1,415,000	485,000	98,250	976,750	1,560,000	55,000	886,716	266,015	73,597	88,672	1,370,000	4,585,000

Amortization of Series B New Money Project and Series B Refunded Project

<u>Fiscal yr.</u> <u>June 30,</u>	<u>2013</u> <u>BIA</u>	<u>Ref'd'g</u> <u>Series 2005B</u>	<u>Total</u> <u>Series B</u>
2014	\$0	\$0	\$0
2015	120,000	30,000	150,000
2016	120,000	140,000	260,000
2017	120,000	135,000	255,000
2018	125,000	130,000	255,000
2019	125,000	125,000	250,000
2020	125,000	125,000	250,000
2021	130,000	120,000	250,000
2022	135,000	115,000	250,000
2023	135,000	115,000	250,000
2024	140,000	110,000	250,000
2025	145,000	110,000	255,000
2026	150,000		150,000
2027	160,000		160,000
2028	165,000		165,000
2029	170,000		170,000
2030	180,000		180,000
2031	185,000		185,000
2032	195,000		195,000
2033	205,000		205,000
2034	215,000		215,000
Bonds	3,045,000	1,255,000	4,300,000
(Discount)	(4,275)	(3,622)	(7,897)
(Expenses)	(37,787)	(14,925)	(52,712)
(Rounding)	(2,937)	(322)	(3,260)
Total	\$3,000,000	\$1,236,131	\$4,236,131

SOURCES AND USES OF FUNDS

<u>Sources for Series A Bonds</u>		<u>Uses for Series A Bonds</u>	
Par Amount of the Series A Bonds	\$9,030,000.00	Deposit to the 2013A Escrow Fund:	
Premium	813,121.40	Series 2003A Bonds	\$255,188.93
		Series 2004 Bonds	1,540,777.75
		Series 2005A Bonds	1,695,532.16
		Series 2006 Bonds	1,508,001.87
		Series A New Money Projects	4,715,000.00
		Underwriter's Discount	48,536.09
		Cost of Issuance	59,183.14
		Rounding	20,901.47
Total Sources of Funds	<u>\$9,843,121.40</u>	Total Uses of Funds	<u>\$9,843,121.40</u>
 <u>Sources for Series B Bonds</u>		 <u>Uses for Series B Bonds</u>	
Par Amount of the Series B Bonds	\$4,300,000.00	Deposit to the 2013B Escrow Fund:	
Discount	(7,897.50)	Series 2005B Bonds	\$1,236,130.96
		Series B New Money Project	3,000,000.00
		Underwriter's Discount	24,545.16
		Cost of Issuance	28,166.86
		Rounding	3,259.52
Total Sources of Funds	<u>\$4,292,102.50</u>	Total Uses of Funds	<u>\$4,292,102.50</u>

SOURCE OF PAYMENT AND REMEDIES

General Obligation Pledge

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

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

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

Limitation on Municipal Property Tax Levy

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

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

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

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

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

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

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

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

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

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

TAX MATTERS

The Bonds

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

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

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

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

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

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

Qualified Tax-Exempt Obligations

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

Original Issue Discount

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

Original Issue Premium

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

Additional Federal Income Tax Consequences

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

Prospective purchasers of the Series A Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Series A Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign

corporations and certain S corporations. Prospective purchasers of the Series A Bonds should consult their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

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

Changes in Federal Tax Law

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

Extent of Opinion

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

BOOK-ENTRY-ONLY SYSTEM

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities

transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

RATINGS

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

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

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

CONTINUING DISCLOSURE

In order to assist Raymond James & Associates, Inc. (the “Underwriter” or “Raymond James”) in complying with the Securities Exchange Commission’s Rule 15c2-12 (the “Rule”), the City will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Rule by not later than 270 days after the end of each fiscal year (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events. The covenants will be contained in a “Continuing Disclosure Certificate” (the “Certificate”), the proposed form of which is provided in APPENDIX C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. Except as discussed below, the City has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.

Bloomberg Municipal Repositories (a former Nationally Recognized Municipal Securities Information Repository (“NRMSIR”)) reports the City’s 2008 filing was received on April 16, 2009 (290 days after the end of Fiscal Year 2008), and the 2009 filing was received June 21, 2010 (356 days after the end of Fiscal Year 2009). The City files its Annual Report in mid-January to mid-February of each year, thus within the applicable 270-day filing period, including the 2008 and 2009 filings. The City contends that it had followed its formal filing procedure for those filings, and that any delay was on behalf of the NRMSIR. However, the City is unable to provide documentation to prove that the 2008 and 2009 filings were received in a timely manner, and the City, therefore, acquiesces that these are “late filings”.

The Rule was changed such that on and after July 1, 2009, filings were no longer filed with the four former NRMSIRs but were instead to be filed with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (“EMMA”). However, the City inadvertently continued to file with the NRMSIRs, but not to EMMA (2008 and 2009 are therefore deemed late, as discussed above). Such delay caused the City to make a second submission to the NRMSIRs in June 2010, of the 2009 filing, as the first filing apparently was not posted by the NRMSIR in a timely manner and to also post on EMMA, on October 11, 2012 as a duplicate filing, when this was discovered.

The City has posted timely filings with EMMA for the fiscal years 2010, 2011 and 2012 respectively. It is currently expected that, at or before June 30, 2013, the City Council of the City will adopt a post-issuance compliance policy that will provide for timely filings with EMMA or its successor repository, if any, for the above and prior continuing disclosure undertakings. The following table lists the filings history of the City:

<u>Financial Statements</u> <u>FY ended June 30,</u>	<u>Date</u> <u>Filed</u>	<u>Days after</u> <u>Fiscal Period end</u>	<u>Filed With</u>
2005	02/22/2006	237	NRMSIRs
2006	02/15/2007	230	NRMSIRs
2007	01/09/2008	193	NRMSIRs
2008	04/16/2009	290 ⁽¹⁾	NRMSIRs
2009	06/21/2010	356 ⁽¹⁾	NRMSIRs
2010	01/18/2011	202	EMMA
2011	01/03/2012	187	EMMA
2012	12/31/2012	184	EMMA

NOTE: ⁽¹⁾ See preceding discussion and explanations.

FINANCIAL ADVISOR

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

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in certain schedules provided by the Underwriter on behalf of the City relating to computation of anticipated receipts of, principal of, and interest on the Government Obligations and anticipated payments of principal and interest to redeem the Refunded Bonds, was examined by Causey, Demgen & Moore P.C., certified public accountants and consultants (the “Verification Agent”). Such computations were based solely upon assumptions and information supplied by the Underwriter, on behalf of the City. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of such computations and has not made any study or evaluation of the assumptions and information upon which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events.

ESCROW AGENT

Upon delivery of the Bonds the City and The Bank of New York Mellon Trust Company, N.A., a national banking association, with a corporate trust office located in Providence, Rhode Island, as Escrow Agent, will enter into an Escrow Agreement, to be dated June __, 2013 (the “Escrow Agreement”). See “APPENDIX D – PROPOSED FORM OF ESCROW AGREEMENT” herein.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Pierce Atwood LLP, Portland, Maine, Bond Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine.

UNDERWRITING

The Bonds are being purchased by the Underwriter. The Underwriter has agreed, subject to certain conditions, to purchase the Series A Bonds at a price of \$9,794,585.31, which purchase price reflects an Underwriter’s discount, from the initial offering price of the Bonds, in the amount of \$48,536.09 and a premium in the amount of \$813,121.40; and the Series B Bonds at a price of \$4,267,557.34, which purchase price reflects an Underwriter’s discount, from the initial offering price of the Bonds, in the amount of \$24,545.16 and an original issue discount in the amount of \$7,897.50. The contract relating to purchasing the Bonds provides that the Underwriter will purchase all of the Bonds, if any Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract. The initial public offering price of the Bonds may be changed, from time to time, by the Underwriter. The Town has been advised by the Underwriter that (i) it presently intends to make a market in the Bonds, (ii) it is not, however, obligated to do so, (iii) any market making may be discontinued at any time and (iv) there can be no assurance that an active public market for the Bonds will develop. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices lower than the public offering prices stated on the cover page hereof.

CUSIP IDENTIFICATION NUMBERS

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

STATUTORY REFERENCES

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

CONDITIONS PRECEDENT TO DELIVERY

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

No Litigation

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

Approval of Legality

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

Certificate With Respect to Official Statement

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

Certificate With Respect to Debt Limits

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

CITY OF BANGOR

GENERAL

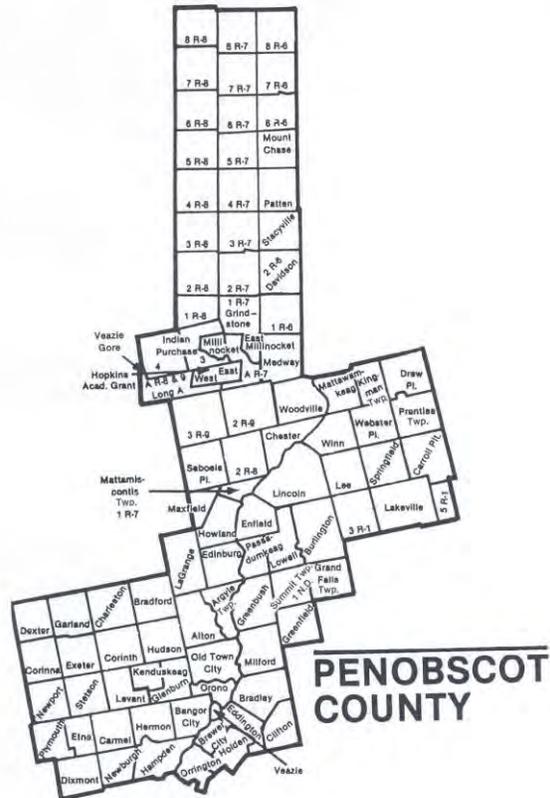
The City of Bangor is located in the south-central section of the County of Penobscot, in the eastern section of the State of Maine. The City is approximately 235 miles north-northeast of Boston, Massachusetts, 140 miles northeast of Portland, Maine, the State's largest city, and approximately 76 miles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

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

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

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

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



GOVERNMENT

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

The City operates under a charter initially adopted as Chapter 54 of the Private and Special Laws of Maine (1931), as amended and supplemented, most recently on November 2, 2010 (the “Charter”). The Charter provides for a Council-Manager form of government with a nine-member City Council whose members are elected from the registered voters of the entire City at-large for three-year staggered terms. The Charter grants to the City Council all powers to enact, amend, or repeal rules, ordinances and resolutions relating to the City’s property, affairs and government; to preserve the public peace, health and safety; to establish personnel policies; to give effect to any vote of the City; and to authorize the issuance of debt. The entire Council adopts an annual budget and provides for an annual audit. The City Manager is the chief administrative officer of the City.

MUNICIPAL SERVICES

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

Public Safety

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

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

Public Works

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

On January 1, 1988 the City began transporting solid waste to the Penobscot Energy Recovery Company's ("PERC") waste-to-energy facility in Orrington. The City currently pays a basic tipping fee of \$74.75/ton of solid waste disposed until June 30, 2013. The tipping fee is adjusted quarterly based upon a formula set forth in an agreement between PERC and the City that expires in 2018. The City's Assistant City Manager is one of the nine members of a Municipal Review Committee (the "Review Committee") elected from the 130 charter communities who send waste to PERC (the "Charter Communities"). The Review Committee oversees PERC's management in an advisory capacity to ensure that the Charter Communities' interests are protected. As a Charter Community of PERC, the City also receives a quarterly performance credit. The credits scheduled for fiscal years 2012/2013 and 2013/2014 bring the net tipping fee to \$48 and \$51 per ton, respectively. The Charter Communities currently own approximately a 23% share of the limited partnership interest in the facility. The limited partnership interests total 90% of ownership interest; the general partnership interest comprises the remaining 10% ownership interest. The Charter Communities are currently working together to develop a plan for post-2018, when the current agreements with PERC expire.

Sewer Department

The Sewer Department is established as an Enterprise Activity with the intent that the department provides services on a continuing basis, financed entirely through user charges. As of June 30, 2012 total net assets for the Sewer Utility Fund were \$40.7 million. Sewer rates are reviewed annually to ensure that the fee structure is sufficient to cover costs. Effective July 1, 2012, sewer rates were increased by 8.6%, to \$5.40 per 100 cubic feet. One superintendent and approximately 23 employees staff the Sewer Department. The Sewer Department maintains one plant, five pumping stations and approximately 166 miles of 8" to 72" sewer lines.

Bangor International Airport

The City owns the land encompassing the Bangor International Airport ("BIA"), the domestic and international terminal building and several properties that are leased to various commercial/industrial concerns. Through BIA, the City serves in the capacity of a fixed-base operator, in that it provides certain operating/maintenance functions as well as serves as a fuel vendor for aircraft. The BIA is unique as a municipal facility in that the airport services domestic carriers but also caters to numerous international carriers for purchase of fuel and passenger handling, thus diversifying its revenue base to support its operations. At the close of the 2012 fiscal year BIA's net assets were \$116.5 million.

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

Park Woods

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

Pickering Square Parking Garage

The City owns a 500-car municipal parking garage. The parking garage opened in September 1989, and was established as an Enterprise Activity, with the City’s intent that the facility provides services on a continuing basis, financed entirely through user charges. It was anticipated that the garage would require General Fund subsidy, in declining amounts, through its first 15 years of operation. In actuality, the Parking Fund experienced a historical record of, albeit declining, net operating losses since its inception and beginning in fiscal year 2011/2012, this activity no longer requires General Fund subsidy.

Bass Park Complex

The Bass Park Complex (“Bass Park”) encompasses the Bangor Raceway, Bangor State Fair and the 55-year-old Bangor Auditorium/ Civic Center (the “Existing Facility”). Bass Park is established as an Enterprise Activity with the intent of the City that services provided are financed primarily through user charges. However, in recent years General Fund subsidies have been required. On August 15, 2012 the City issued \$53,800,000 of its 2012 General Obligation Bonds (the “Arena Project Bonds”) to provide \$56,500,000 in funds to finance a portion of a \$68,600,000 state-of-the-art 5,800-seat arena and adjoining convention center at the site of the Existing Facility. The City expects to receive sufficient revenues to pay debt service on the Arena Project Bonds from arena fund revenues and the Downtown Development Tax Increment Finance District revenues.

Municipal Golf Course

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

PUBLIC EDUCATION

The City operates its educational program for grades K through 12 under its own supervision. Article II-A of the City’s Charter, as amended, provides that the Department of Education for the City be administered by a Superintending School Committee (the “School Committee”) comprised of seven members, who are elected by the voters of the City at-large for three-year staggered terms. The School Committee performs all duties and functions in regard to the care and management of the public schools of the City. The School Committee prepares and submits its budget to the City Manager, who includes it in the budget process. See also “CITY FINANCES - BUDGETARY PROCESS” section herein. The School’s staff consists of a Superintendent, an Assistant Superintendent, one Director of Pupil Services, nine full-time principals, approximately 621 full-time equivalent teachers and various other professional and non-professional staff. The City’s schools and enrollment trends are listed below:

School	Grade	Estimated Capacity	Enrollment
Abraham Lincoln	K - 3	340	198
Downeast	K - 3	400	344
Fourteenth Street	K - 3	200	151
Fruit Street	K - 3	385	352
Vine Street	K - 3	385	236
Fairmount	4 - 5	430	302
Mary Snow	4 - 5	410	266
James F. Doughty	6 - 8	630	377
William S. Cohen	6 - 8	640	394
Bangor High School	9 - 12	1,500	1,199

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

Other Education

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

The City is a member of the *United Technologies Center, Region #4* (“Region #4”), a Region. Region #4’s territory encompasses three cities, including Bangor, 11 towns, one plantation, four School Administrative Districts (“SADs”) and one Community School District (“CSD”). The City currently sends an average of 89 students to Region #4, or 20.6% of the 431 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 2012/2013 assessment is \$465,317 or 19% of Region #4’s total assessments of \$2,423,955.

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

BANGOR PUBLIC LIBRARY

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

The Library occupies a 67,000 square foot building with a Greco-Roman façade, which opened in 1913, and was designed by Peabody and Stearns of Boston with a 27,000 square foot addition to the facility, in

1998. The Library houses over 500,000 volumes of books, periodicals, government documents and other materials, has over 44,000 registered borrowers and lends over 22,000 volumes per year. The Library is staffed by a director and approximately 20 full-time and ten part-time employees. Approximately 55% of its funding is derived from the City, 35% from endowment funds and 10% from the State Library.

LABOR RELATIONS

The City employs approximately 1,100 full-time equivalent employees, approximately 610 of whom are employed by the School Department. The following lists the various bargaining units that are represented by a union, and the status of its current contract. City employees not included in the below table are not represented by unions.

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

Union ⁽¹⁾	Approximate # Employees	Bargaining Unit	Date of Contract	
			Effective	Expiration
MAP	14	Police Command Staff	7/1/12	6/30/15
MAP	60	Police Officers	7/1/12	6/30/15
Teamsters	14	Police Support Staff	7/1/12	6/30/15
IAFF	87	Firefighters	7/1/12	6/30/15
BFPE-AFT	13	Motor Pool	7/1/12	6/30/15
AFSCME	4	Airport Aircraft Mechanics	7/1/12	6/30/15
AFSCME	6	Aircraft Weather Observers	7/1/12	6/30/15
AFSCME	23	Ramp Supervisors & Attendants	7/1/11	6/30/12 ⁽²⁾
AFSCME	14	Airfield & Building Maintenance	7/1/12	6/30/15
AFSCME	10	Airport CSRs & PT Ramp Attend.	7/1/10	6/30/12 ⁽²⁾
AFSCME	55	Public Works	7/1/12	6/30/15
ATU (Local 714)	35	Community Connector Bus Drivers	NA ⁽³⁾	NA ⁽³⁾
MEA	250	School Teachers	9/1/12	8/31/15
MEA	34	School Instructional Assistants	7/1/12	6/30/15
AFL/CIO	17	School Administrators	7/1/12	6/30/15
MEA	40	School Support Staff	7/1/12	6/30/15

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

⁽²⁾ For contracts expiring on June 30, 2012, the respective unit and the City is, or will be, negotiating on the terms of a new contract. The employees continue to perform duties pursuant to the terms of the expired contract. The City has provided in its budget amounts that it expects that the City would incur in the successor contract.

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

ECONOMIC CHARACTERISTICS

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

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

Population Characteristics ^(a)	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 ^(a)	City of Bangor	Penobscot County	State of Maine	USA
Median family income	\$37,467	\$42,658	\$46,933	\$51,914
% below poverty level	18.70%	15.70%	12.60%	13.80%
Per capita income	\$24,179	\$22,977	\$25,385	\$27,334

Housing	City of Bangor	Penobscot County	State of Maine	USA
% owner occupied ^(a)	46.2%	68.3%	71.3%	65.1%
% Built before 1939 ^(b)	45.0%	28.3%	29.1%	15.0%
% Built since 1990 ^(b)	6.5%	13.8%	14.6%	17.0%
Owner occupied med. value ^(a)	\$146,400	\$133,600	\$176,200	\$188,400
Median gross rent ^(a)	\$694	\$669	\$707	\$841
Occupied housing units ^(a)	14,342	62,282	551,125	-

SOURCE: ^(a) 2010 Census; ^(b) 2000 census, U.S. Department of Commerce, Bureau of the Census.

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

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

FORMER BANGOR METROPOLITAN STATISTICAL AREA

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



Transportation Center

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

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

Commuter Patterns

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

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

Employment Center

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

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

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

Commercial Center

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

Encompassing the State's eight eastern and northern counties, Bangor has the second largest retail market in Maine, following the Portland area. With less than 3% of the State's population, the City's share of the State's retail sales is proportionally higher. In 2011, Bangor realized 9% of the State's retail sales; and 75% of Penobscot County's.

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

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

	Business/ Operating	Building Supply	Food Store	General Mdse.	Other Retail	Auto/ Transp.	Rest. & Lodging	Group Total	Consumer Sales
2012	75,625	135,237	55,487	349,917	108,482	304,934	178,823	1,208,504	1,132,880
2011	81,891	135,458	54,764	354,738	107,005	306,956	170,990	1,211,802	1,129,911
2010	80,533	118,552	54,081	353,260	106,308	288,042	165,083	1,165,860	1,085,326
2009	81,442	119,879	57,043	334,884	102,791	281,097	158,112	1,135,248	1,053,806
2008	103,073	146,425	56,174	339,196	109,475	301,917	153,231	1,209,492	1,106,419
2007	110,803	162,274	54,968	341,365	110,740	311,844	151,890	1,243,884	1,133,081
2006	111,732	167,502	53,845	332,446	127,291	322,285	146,400	1,261,500	1,149,769
2005	109,874	164,050	51,848	322,789	131,096	320,077	143,780	1,243,515	1,133,641
2004	97,674	158,058	49,404	307,286	120,828	318,600	138,651	1,190,501	1,092,827
2003	96,513	143,309	50,978	288,905	117,295	318,384	130,151	1,145,536	1,049,023
2002	88,206	131,052	50,748	293,756	106,359	291,669	129,497	1,091,286	1,003,080

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

Building Permits

Calendar Year	Permits			Est. Cost of Construction
	Residential	Non-Resid't'l	Total	
2012	275	178	453	\$24,795,673
2011	260	145	405	102,434,811
2010	313	205	518	39,936,826
2009	290	196	486	39,730,383
2008	211	169	380	67,284,359
2007	273	169	442	114,805,564
2006	334	206	550	47,717,741
2005	329	208	537	67,027,954
2004	310	194	504	43,696,735
2003	310	38	348	34,662,800
2002	277	199	476	30,390,000

Post-secondary School Education

Seven post-secondary schools are located in the Greater Bangor Area, six of which are located within the City. These schools and their location, by approximate enrollment, are:

Location	School	Enrollment	Faculty
Orono	University of Maine	9,484 ⁽¹⁾	798 ⁽¹⁾
Bangor	Eastern Maine Community College	1,923 ⁽¹⁾	142 ⁽¹⁾
Bangor	Husson University	2,442 ⁽¹⁾	109 ⁽¹⁾
Bangor	University College of Bangor, campus of UMA	1,000 ⁽²⁾	73 ⁽²⁾
Bangor	New England School of Communication	499 ⁽¹⁾	69 ⁽¹⁾
Bangor	Beal College	411 ⁽¹⁾	12 ⁽¹⁾
Bangor	Bangor Theological Seminary	159 ⁽³⁾	9 ⁽³⁾

NOTE: ⁽¹⁾ Source: 2010 Peterson's[®], a part of The Thompson Corporation.

⁽²⁾ Source: www.uma.edu/UCB.

⁽³⁾ Source: www.bts.edu.

CITY FINANCES

BUDGETARY PROCESS

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

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

	2009	2010	2011	2012	2013
Revenues					
Taxes	\$49,362	\$49,754	\$50,428	\$50,630	\$51,751
Intergovernmental	25,627	27,226	26,326	25,245	25,447
Licenses and Permits	593	606	653	656	677
Charges for Services	11,050	11,361	11,250	11,550	11,827
Fines, Forfeits and Penalties	15	37	37	33	33
Use of Property	857	818	656	709	689
Other Sources	1,418	1,448	1,341	1,348	1,475
Total Revenues	88,922	91,250	90,691	\$90,171	91,899
Expenditures					
General Government	7,280	7,406	7,293	7,549	7,469
Public Safety	15,068	15,506	15,947	16,078	16,436
Health, Welfare and Recreation	4,449	4,509	4,388	4,949	5,670
Public Services	10,362	10,589	10,159	10,287	10,296
Other Agencies	4,226	4,288	4,251	4,341	4,327
Education	41,453	42,915	42,536	40,917	41,419
Other	3,338	3,012	2,769	2,641	2,865
Debt Service	2,746	3,025	3,348	3,409	3,417
Total Expenditures	\$88,922	\$91,250	\$90,691	\$90,171	\$91,899

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>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>
State Personal Income Factor:	2.24%	2.28%	1.78%	1.66%	1.43%
City Property Growth Factor:	<u>4.05%</u>	<u>5.29%</u>	<u>5.34%</u>	<u>3.14%</u>	<u>3.44%</u>
Growth Limitation Factor:	6.29%	7.57%	7.12%	4.80%	4.87%
Property Tax Levy Limit:	\$20,648,899	\$22,554,913	\$24,160,432	\$25,320,961	\$26,554,981
Property Tax Levy:	<u>20,967,582</u>	<u>21,414,760</u>	<u>21,996,254</u>	<u>21,143,656</u>	<u>21,794,144</u>
Over/(under) Property Tax Levy Limit:	\$318,683	(\$1,551,704)	(\$2,892,671)	(\$4,177,035)	(\$4,760,837)

FUND BALANCE POLICY

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

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

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

	Fiscal Year Ended June 30,				
	2008	2009	2010	2011	2012
Assigned and Unassigned ⁽¹⁾ General Fund Balance	\$11,602,190	\$12,922,086	\$13,202,140	\$12,522,640	\$12,352,764
Prior Years' Expenses (less Debt Service)	82,886,231	84,428,098	85,088,991	88,013,947	86,633,312
Fund Bal as % Prior Years' Expenses	14.00%	15.31%	15.52%	14.23%	14.26%
Unassigned ⁽²⁾ General Fund Balance	\$8,008,116	\$8,743,388	\$8,499,692	\$8,017,940	\$7,563,658
Prior Years' Expenses (less Debt Service)	82,886,231	84,428,098	85,088,991	88,013,947	86,633,312
Fund Bal as % Prior Years' Expenses	9.66%	10.36%	9.99%	9.11%	8.73%

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

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

INVESTMENT POLICY

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

FINANCIAL STATEMENTS

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

FUNDS

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

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

General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

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

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

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

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

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

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

	2012	2011	2010	2009	2008
ASSETS					
Cash	\$13,164,922	\$13,518,284	\$12,953,810	\$433,563	\$2,309,062
Investments	50,000	50,000	50,000	12,203,155	8,451,582
Receivables:					
Taxes	2,674,944	2,555,470	2,412,585	2,227,194	1,953,560
Accounts (net of allowances)	725,537	1,425,307	657,371	954,359	833,323
Inter-fund loans	4,528,785	3,251,585	3,293,510	3,055,385	4,439,998
Intergovernmental	2,116,745	2,823,413	1,917,845	1,792,720	1,768,425
Loan	884,339	945,289	996,806	1,045,178	1,090,598
Inventory, at cost	819,345	912,743	855,035	806,288	754,990
Prepaid items	40,842	51,027	84,252	27,717	56,667
TOTAL ASSETS	25,005,459	25,533,118	23,221,214	22,545,559	21,658,205
LIABILITIES					
Accounts payable	1,740,176	1,111,343	987,276	1,235,546	1,241,244
Accrued wages and benefits	3,993,853	5,091,810	3,991,851	3,771,990	4,347,373
Deferred revenue	2,498,706	2,305,395	2,319,816	2,078,764	1,830,278
TOTAL LIABILITIES	8,232,735	8,508,548	7,298,943	7,086,300	7,418,895
FUND BALANCE					
Reserved:					
Prepaid	-	-	967,379	858,956	929,853
Encumbrances	-	-	84,252	27,717	56,667
Inter-fund loans or advances	-	-	1,650,500	1,650,500	1,650,500
Unreserved:					
Designated	-	-	4,720,448	4,178,698	3,594,074
Undesignated	-	-	8,499,692	8,743,388	8,008,116
Non-spendable ⁽¹⁾	2,760,687	2,864,270	-	-	-
Restricted ⁽¹⁾	1,285,520	1,618,627	-	-	-
Committed ⁽¹⁾	373,753	19,033	-	-	-
Assigned ⁽¹⁾	4,789,106	4,504,700	-	-	-
Unassigned ⁽¹⁾	7,563,658	8,017,940	-	-	-
TOTAL FUND BALANCE	16,772,724	17,024,570	15,922,271	15,459,259	14,239,210
TOTAL LIABILITIES AND FUND BALANCE	\$25,005,459	\$25,533,118	\$23,221,214	\$22,545,559	\$21,658,105

Prepared from Audited Financial Statements

NOTE: ⁽¹⁾ Redefined, pursuant to GASB 54.

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

	2012	2011	2010	2009	2008
REVENUES					
Taxes	\$50,707,941	\$50,578,542	\$49,976,511	\$49,432,293	\$47,247,684
Intergovernmental	32,916,799	34,312,276	34,253,927	33,257,147	32,108,498
Licenses and permits	948,267	601,202	633,339	644,621	956,965
Charges for services	12,548,967	14,141,121	12,735,266	12,467,845	12,372,417
Revenue from use of property	947,722	810,705	1,021,850	1,269,847	1,331,794
Other	41,628	39,090	30,657	43,706	24,361
TOTAL REVENUES	98,111,324	100,482,936	98,651,550	97,115,459	94,041,719
EXPENDITURES					
General government	5,390,049	4,858,721	5,422,805	5,103,378	5,122,152
Public safety	16,028,180	15,800,938	15,287,575	14,400,420	14,162,638
Health, com. serv. and recreation	5,383,295	5,584,184	4,720,477	4,414,673	4,305,709
Public buildings and services	9,842,829	10,196,576	10,055,161	10,048,539	9,906,759
Other agencies	4,409,545	4,347,617	4,291,329	4,294,283	4,227,552
Education	50,159,407	51,391,657	51,590,324	50,380,309	48,293,846
TIF	524,013	165,133	432,033	215,483	-
Unclassified	33,100	56,882	48,010	47,989	146,679
Capital outlay	366,021	529,990	427,746	371,509	855,173
Debt service	4,822,905	4,813,592	4,490,927	4,429,337	4,398,513
TOTAL EXPENDITURES	96,959,344	97,745,290	96,766,387	93,705,920	91,419,021
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENDITURES	1,151,980	2,737,646	1,885,163	3,409,539	2,622,698
OTHER FINANCING SOURCES (USES)	(1,403,826)	(1,635,347)	(1,422,151)	(2,189,590)	(2,187,534)
EXCESS (DEFICIENCY) REVENUES/EARNINGS OVER EXPENDITURES/OTHER USES	(251,846)	1,102,299	463,012	1,219,949	435,164
BEGINNING FUND BALANCE	17,024,570	15,922,271	15,459,259	14,239,310	13,804,146
ENDING FUND BALANCE	\$16,772,724	\$17,024,570	\$15,922,271	\$15,459,259	\$14,239,310

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 in two installments. For fiscal 2012/2013 the tax due dates are September 17, 2012 and March 15, 2013. All taxes paid after the due dates are subject to interest, at the rate of 7.0% per annum.

Real Estate Tax

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

Business Personal Property Tax

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

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

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

For the purposes of identifying the municipality’s valuation for determining the local property tax rate, the value of all property made exempt by the BETE Act in the municipality must be considered part of that municipality’s local valuation to the extent the municipality is being reimbursed for its lost property taxes by the State other than property located in, and the assessed value of which is retained in, a tax increment financing district. The following table identifies the value of the property subject to BETE reimbursement:

<u>Fiscal Year</u>	<u>BETE Exempt Value</u>
2012/2013	\$66,043,600
2011/2012	57,635,300
2010/2011	41,980,400
2009/2010	27,467,500
2008/2009	8,523,800

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.

Proposed Changes to BETE

Governor Paul LePage, in his proposed 2013 Supplemental Budget and 2014/2015 Biennial Budget dated January 11, 2013 (the “Governor’s Budget Proposal”), would modify BETE as follows: effective with tax years beginning on and after April 1, 2014, currently taxable personal property that qualified for State reimbursement under the Business Equipment Tax Reimbursement (“BETR”) program would become completely exempt from property tax under BETE. At the same time, State reimbursement to municipalities would be increased to 60% for property tax year 2014, 55% for property tax year 2015, and 50% thereafter. This change excludes property located at a retail sales facility and used in a retail sales activity.

Tax Levy and Collections

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (per 000)	Gross Tax Levy (000)	Collections (after Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy A/O 08/31/12
2013	\$2,462,650	\$2,582,242	\$19.65	\$49,690	----- In Process -----		
2012	2,456,450	2,576,995	19.20	48,530	\$47,026	97.25%	97.25%
2011	2,466,650	2,578,274	19.20	48,363	46,858	97.23	98.73
2010	2,436,000	2,626,791	19.05	48,720	46,205	96.00	100.00
2009	2,377,800	2,544,916	19.05	47,235	45,689	97.29	100.00
2008	2,358,250	2,406,089	18.80	44,082	42,848	97.96	100.00
2007	2,213,950	2,224,049	19.40	41,991	40,820	97.84	100.00
2006	2,063,300	2,059,677	20.40	41,099	39,717	98.14	100.00
2005	1,861,350	1,868,245	22.05	40,474	39,206	97.25	100.00
2004	1,741,600	1,740,329	23.35	39,866	38,589	97.22	100.00
2003	1,609,250	1,691,229	23.60	39,021	37,785	97.46	100.00
2002	1,606,250	1,588,392	23.75	36,685	35,633	97.13	100.00

LARGEST TAXPAYERS

Taxpayer	Business	As of April 1, 2012 (\$ in thousands)				
		Real Estate	Personal Property	Assessed Total	Property Tax	% Total Levy
Bangor Historic Track	Racino/Hotel/Raceway	\$85,812,400	\$26,559,600	\$112,372,000	\$2,157,542	4.36%
General Electric	Steam Turbine Manf.	30,839,500	33,479,000	64,318,500	1,234,915	2.50
Bangor Mall LLC	Shopping Mall	57,608,500	201,000	57,809,500	1,109,942	2.24
Bangor Hydro Electric	Utility	31,597,100	6,780,300	38,377,400	736,846	1.49
Inland Western	Shopping Mall	28,342,400	16,100	28,358,500	544,483	1.10
Wal Mart Real Estate	Retailer	17,989,000	3,260,800	21,249,800	407,996	0.82
QV Realty Trust	Shopping Mall	15,859,900	-	15,859,900	304,510	0.62
Grant Trailer Sales	Real Estate	14,868,500	485,900	15,354,400	294,804	0.60
Harvest Sunbury	Retirement	13,870,000	236,400	14,106,400	270,843	0.55
Airport Mall Assoc.	Shopping Mall	13,645,200	22,000	<u>13,667,200</u>	262,410	<u>0.53</u>
				\$381,473,600		14.80%

TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE DEVELOPMENT HOUSING DISTRICTS

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

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

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

The City has designated various tax increment financing districts and may consider proposals for other districts on an ongoing basis. All districts will be evaluated based upon the City’s comprehensive plan for economic development, which includes tax increment financing as one of its aspects. In no event will the City’s districts exceed the statutory limitation of total area and aggregate equalized value within all districts, determined as of their date of designation, as set out above.

REVENUES FROM THE STATE

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

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

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

Fiscal Yr. End June 30,	State Revenue Sharing	State School Subsidy	Other School	BETE	Homestead Exemption	Other State	Total From State
2012	\$3,637,838	\$16,812,421	\$4,599,927	\$777,196	\$521,123	\$2,325,675	\$28,674,180
2011	3,670,723	18,517,665	3,456,485	645,033	518,306	2,787,262	29,595,474
2010	3,832,933	17,759,621	5,333,857	472,683	670,156	1,925,578	29,994,828
2009	4,411,277	17,611,968	4,464,488	162,562	662,997	1,689,495	29,002,787
2008	4,852,999	16,684,132	3,960,990	-	646,925	1,603,998	27,749,044

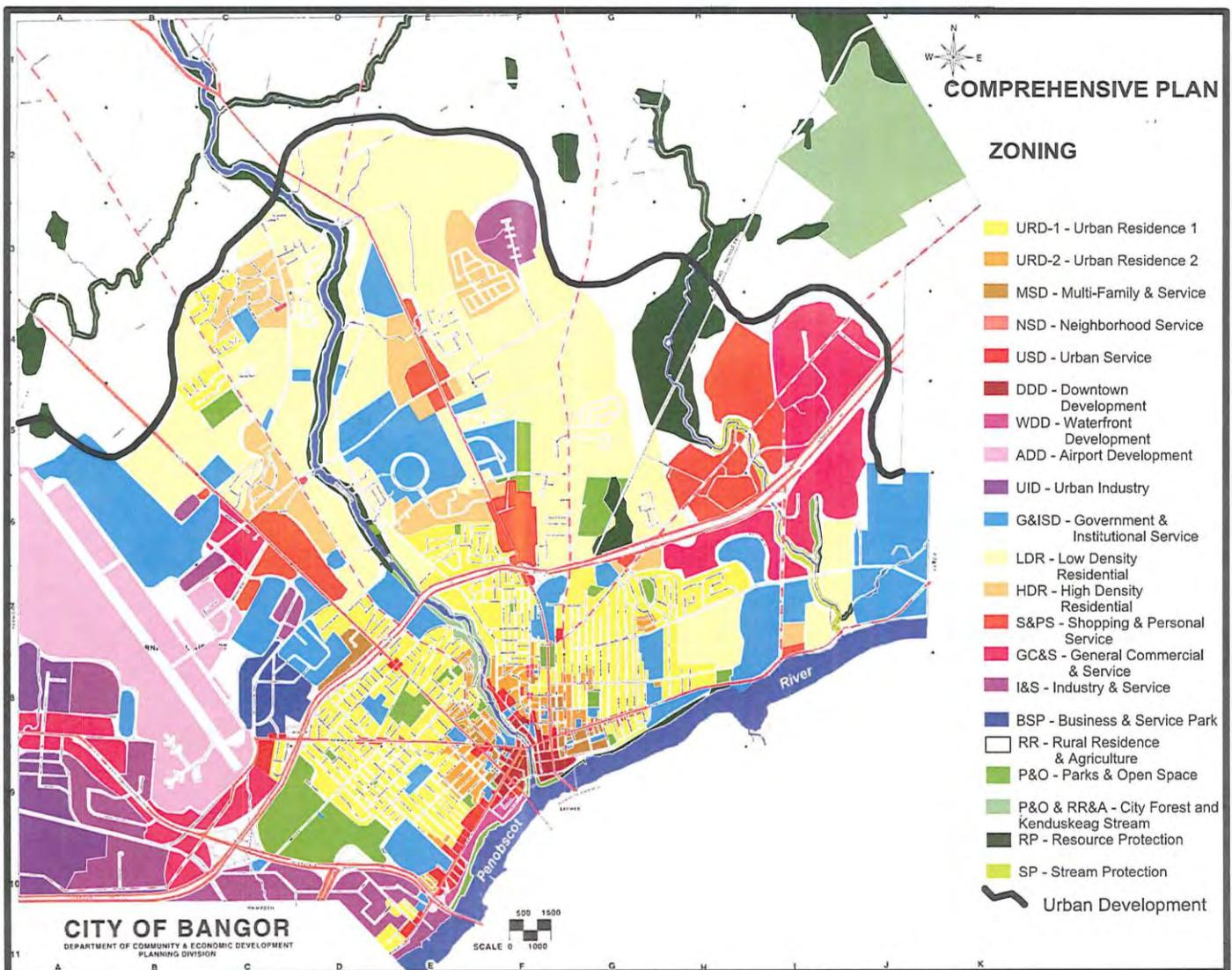
Proposed Changes to State Revenues

Under the Governor's Budget Proposal, State revenues to the City would be affected as follows:

- The State's municipal revenue sharing to municipalities would be suspended for FY14 and FY15;
- The Homestead Property Tax Exemption would be doubled from \$10,000 to \$20,000 but limited to resident homeowners age 65 and older, effective on or after April 1, 2014;
- The State's public K-12 EPS would be flat funded for FY14 and FY15;
- A reduction in the State's funding of teachers' retirement premium from 100% to 50% of normal cost (see "RETIREMENT - DEFINED BENEFIT PENSION PLAN-TEACHERS GROUP" herein); and
- The State's General Assistance Program would be capped at \$10.1 million in FY14 and FY15.

ZONING

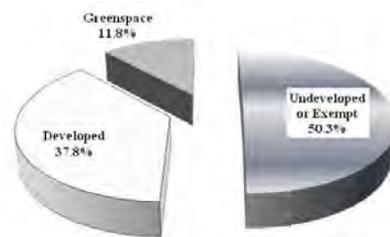
The Zoning Map displays the composition of land area available for current and future tax base.



TAX BASE AND TAX BASE GROWTH

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

<u>By Land Area (acres)</u>		<u>% Total</u>
Undeveloped ⁽¹⁾	5,791	26.28%
Exempt	<u>5,298</u>	<u>24.05%</u>
Sub-total	11,089	50.33%
Developed	8,335	37.83%
Greenspace ⁽²⁾	<u>2,608</u>	<u>11.84%</u>
Total City	22,032	100.00%



NOTE: ⁽¹⁾ May include an undetermined amount of land that cannot be developed.

⁽²⁾ Includes Resource Protection; Parks & Open Space; and Stream Protection, which land is not currently viewed as developable by the City.

INDEBTEDNESS

LIMITATIONS AND EXCLUSIONS

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

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

The City's 2013 equalized state valuation (“equalized State Valuation”) is listed at \$2,462,000,000. The 15% debt limit is \$369,300,000. As of June 30, 2012 the City's long term general obligation debt outstanding was \$89,382,148, or 3.63% 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, 2012			Projected, June 30, 2013			
			General Fund City	School	Enterprise Funds	Total Debt	Payments	Refunded	Balance Due
1991	19,000.0	10/1/12			950,000	950,000	(950,000)	0	
1993A	1,864.0	10/1/13			186,400	186,400	(93,200)	93,200	
1993B	1,986.0	10/1/13			198,600	198,600	(99,300)	99,300	
1996B	2,942.9	10/1/16			896,642	896,642	(168,090)	728,552	
1996 ⁽¹⁾	975.0	5/1/16	383,047			383,047	(89,467)	293,580	
1997A	2,452.4	10/1/17			857,883	857,883	(133,802)	724,081	
1998 ⁽¹⁾	280.0	11/1/17	121,669			121,669	(19,965)	101,704	
1999A ⁽²⁾	259.8	7/17/17			105,832	105,832	(15,559)	90,273	
2001 ⁽¹⁾	699.9	9/1/21	449,848			449,848	(36,593)	413,255	
2003A&B	6,910.0	11/1/23	314,902	330,000	635,098	1,280,000	(1,005,000)	(250,000)	25,000
2003(SRF) ⁽³⁾	3,000.0	10/1/22			1,753,261	1,753,261	(147,482)	1,605,779	
2003 ⁽¹⁾	200.0	7/1/14	51,214			51,214	(16,683)	34,531	
2003 ⁽⁴⁾	1,300.0	3/1/23			884,339	884,339	(63,724)	820,615	
2004	9,227.0	11/1/23	2,075,000			2,075,000	(210,000)	(1,445,000)	420,000
2005(SRF) ⁽³⁾	2,650.0	10/1/24			1,835,798	1,835,798	(125,514)	1,710,284	
2005A	3,650.0	11/1/24	1,565,000		650,000	2,215,000	(205,000)	(1,600,000)	410,000
2005B	2,315.0	10/1/24			1,495,000	1,495,000	(115,000)	(1,150,000)	230,000
2006 ⁽²⁾	2,250.0	12/1/25			1,787,157	1,787,157	(91,188)	1,695,969	
2006	4,933.0	9/1/25	2,592,266		417,734	3,010,000	(330,000)	(1,370,000)	1,310,000
2006(SRF) ⁽³⁾	2,000.0	4/1/27			1,559,251	1,559,251	(92,534)	1,466,717	
2007	3,555.0	9/1/26	2,555,000			2,555,000	(200,000)	2,355,000	
2007(SRF) ⁽³⁾	2,000.0	4/1/28			1,655,251	1,655,251	(90,122)	1,565,129	
2009A	3,100.0	9/1/28	2,635,000			2,635,000	(155,000)	2,480,000	
2009ARRA ⁽⁵⁾	1,960.0	4/1/29			823,572	823,572	(48,445)	775,127	
2009ARRA ⁽⁵⁾	1,040.0	4/1/30			462,384	462,384	(25,688)	436,696	
2009B	14,425.0	9/1/19	3,812,480	6,521,024	1,176,496	11,510,000	(1,460,000)	10,050,000	
2011	6,391.0	4/1/21	1,856,103		3,928,897	5,785,000	(620,000)	5,165,000	
2011 QSCB	5,610.0	7/15/28		5,610,000		5,610,000	0	5,610,000	
2012	6,525.0	4/1/22	2,753,438	2,295,705	1,475,857	6,525,000	(780,000)	5,745,000	
2012B	53,800.0	7/15/42				0	0	53,800,000	
2012 QSCB	2,800.0	7/15/35				0	0	2,800,000	
Sub-totals			21,164,967	14,756,729	23,735,452	59,657,148	(7,372,441)	(5,815,000)	103,054,791
2002(POB) ⁽⁶⁾	34,030.0	6/1/26	23,269,300	1,483,162	4,972,538	29,725,000	(890,000)		28,835,000
Sub-totals			44,434,267	16,239,891	28,707,990	89,382,148	(8,262,441)	(5,815,000)	131,889,791
2013A	8,990.0	11/01/32				0		8,990,000	
2013B	4,290.0	11/01/33				0	4,290,000	4,290,000	
Total Projected Debt						89,382,148		145,169,791	

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

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

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

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

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

⁽⁶⁾ "POB" indicates Pension Obligation Bonds.

PROJECTED DEBT SERVICE REQUIREMENTS

Fiscal Yr. End June 30,	Prior Debt					The Bonds			Total Debt Service
	Principal	Interest (and fees)	POBs (Total D/S)	(Ref'd'd Bonds)	Total Debt	Sr A Bonds	Sr B Bonds	The Bonds	
2013	\$7,387,357	\$2,436,130	\$2,802,724	\$0	\$12,626,211	\$0	\$0	\$0	\$12,626,211
2014	5,604,292	3,390,741	2,884,858	(255,791)	11,624,100	543,750	109,984	653,735	12,277,835
2015	6,364,261	3,223,516	2,973,745	(280,304)	12,281,218	592,569	271,080	863,649	13,144,867
2016	6,436,151	3,031,764	3,062,635	(788,136)	11,742,414	981,869	379,795	1,361,664	13,104,078
2017	6,354,827	2,828,519	3,150,883	(715,749)	11,618,480	907,769	372,738	1,280,506	12,898,987
2018	6,096,700	2,614,659	3,197,843	(846,038)	11,063,164	1,032,694	369,933	1,402,626	12,465,790
2019	5,281,876	2,415,050	3,290,450	(764,066)	10,223,309	937,181	361,275	1,298,456	11,521,765
2020	5,257,832	2,231,602	3,390,158	(733,148)	10,146,444	902,969	356,963	1,259,931	11,406,376
2021	4,209,588	2,059,741	3,490,675	(707,103)	9,052,900	874,000	352,025	1,226,025	10,278,925
2022	3,767,367	1,903,088	3,596,035	(680,826)	8,585,664	844,281	346,463	1,190,744	9,776,408
2023	3,218,833	1,757,689	3,704,948	(654,365)	8,027,104	813,819	340,275	1,154,094	9,181,198
2024	3,025,595	1,645,441	3,816,123	(627,734)	7,859,426	782,631	333,463	1,116,094	8,975,519
2025	2,925,204	1,517,182	3,928,270	(425,235)	7,945,421	599,331	329,481	928,813	8,874,233
2026	2,579,197	1,415,117	4,045,100	(148,045)	7,891,370	440,122	215,875	655,997	8,547,366
2027	2,331,184	1,320,139	0		3,651,323	302,684	219,288	521,972	4,173,295
2028	2,137,080	1,239,835	0		3,376,916	296,628	217,381	514,009	3,890,925
2029	7,639,805	1,168,084	0		8,807,889	47,800	215,263	263,063	9,070,952
2030	1,895,000	1,106,119	0		3,001,119	46,200	217,825	264,025	3,265,144
2031	1,950,000	1,048,594	0		2,998,594	49,500	215,069	264,569	3,263,163
2032	2,010,000	989,344	0		2,999,344	47,700	216,994	264,694	3,264,038
2033	2,070,000	927,003	0		2,997,003	45,900	218,494	264,394	3,261,397
2034	2,140,000	860,044	0		3,000,044		219,569	219,569	3,219,613
2035	2,210,000	789,519	0		2,999,519				2,999,519
2036	4,985,000	716,719	0		5,701,719				5,701,719
2037	2,350,000	641,563	0		2,991,563				2,991,563
2038	2,435,000	560,763	0		2,995,763				2,995,763
2039	2,520,000	474,050	0		2,994,050				2,994,050
2040	2,610,000	384,275	0		2,994,275				2,994,275
2041	2,710,000	284,400	0		2,994,400				2,994,400
2042	2,820,000	173,800	0		2,993,800				2,993,800
2043	2,935,000	58,700	0		2,993,700				2,993,700
TOTAL	\$116,257,149	\$45,213,188	\$47,334,447	(\$7,626,539)	\$201,178,245	\$11,089,398	\$5,879,229	\$16,968,627	\$218,146,871

DEBT SERVICE COMPONENT OF OPERATING EXPENSES

(\$ in thousands)	Audited				Budgeted	
	2008	2009	2010	2011	2012	2013
Gross Current Debt Service:	\$12,187	\$11,940	\$17,271	\$14,694	\$16,994	\$11,779
(less Self Support Enterprise):	(4,458)	(4,456)	(4,389)	(4,130)	(4,272)	(4,279)
(less State Qual. School):	(691)	(679)	(616)	(375)	(357)	(311)
(less POB):	(2,595)	(2,661)	(2,572)	(2,646)	(2,723)	(2,803)
(less Refunded Debt):	0	0	(5,750)	(5,075)	(5,230)	0
Tax Backed Current Debt Service:	\$4,443	\$4,144	\$3,944	\$2,468	\$4,412	\$4,386
Budgeted Operating Expense:	\$85,321	\$88,922	\$91,250	\$90,691	\$90,171	91,899
Debt Service as % Oper. Expense:	5.21%	4.66%	4.32%	2.72%	4.89%	4.77%

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
2012	33,039	\$2,462,000	\$2,576,995	\$89,382	3.63%	\$7,705	2.42%	\$1,806
2011	33,039	2,456,450	2,578,274	90,441	3.68%	2,737	2.44%	1,815
2010	31,074	2,436,000	2,626,791	96,645	3.97%	2,925	2.69%	1,983
2009	31,074	2,377,800	2,544,916	94,311	3.87%	3,035	2.57%	2,015
2008	31,074	2,358,250	2,406,089	98,721	4.19%	3,177	2.82%	2,138
2007	31,074	2,213,950	2,224,049	104,132	4.70%	3,351	4.70%	2,272
2006	31,074	2,063,300	2,060,055	106,785	5.18%	3,436	3.53%	2,344
2005	31,595	1,861,350	1,868,245	106,193	5.71%	3,361	3.88%	2,284
2004	31,550	1,741,600	1,740,329	108,874	6.25%	3,451	4.33%	2,375
2003	31,541	1,609,250	1,691,229	105,523	6.56%	3,346	4.45%	2,267

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		
2012	\$44,434	\$16,240	\$28,708	\$89,382	1.8%	0.7%	1.2%	3.6%	\$1,345	\$492	\$869	\$1,806
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	96,646	1.9%	0.5%	1.4%	3.9%	1,468	399	1,058	2,925
2009	48,390	8,298	37,623	94,311	2.0%	0.3%	1.6%	3.9%	1,557	267	1,211	3,035
2008	47,552	9,446	41,723	98,721	2.0%	0.4%	1.8%	4.2%	1,530	304	1,343	3,177
2007	49,711	10,610	43,810	104,131	2.2%	0.5%	2.0%	4.7%	1,600	341	1,410	3,351
2006	49,231	11,772	45,781	106,785	2.4%	0.6%	2.2%	5.2%	1,584	379	1,473	3,436
2005	46,493	12,926	46,774	106,193	2.5%	0.7%	2.5%	5.7%	1,472	409	1,480	3,361
2004	45,391	15,488	47,994	108,874	2.6%	0.9%	2.8%	6.3%	1,439	491	1,521	3,451
2003	42,505	15,164	47,854	105,523	2.6%	0.9%	3.0%	6.6%	1,348	481	1,517	3,346

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, 2013 the City's equalized State Valuation of \$2,462,000,000

was 22.98% of the County’s 2013 equalized State Valuation of \$10,687,200,000 (including Unorganized Territories). The County has \$0 long-term debt outstanding as of June 30, 2012.

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, 2012, Region #4 had \$0 long-term debt outstanding.

CONTINGENT DEBT

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

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	General Fund	Enterprise	Overlapping	Total Debt
C/O Bangor-School	\$14,756,729			\$14,756,729
C/O Bangor-School (POB)	1,483,162			1,483,162
C/O Bangor-Other Gen’l Fund	21,164,967			21,164,967
C/O Bangor-Other Gen’l Fund (POB)	23,269,300			23,269,300
C/O Bangor- Enterprise		\$23,735,452		23,735,452
C/O Bangor- Enterprise (POB)		4,972,538		4,972,538
County of Penobscot			\$0	0
Region #4			0	0
Total A/O June 30, 2012	\$60,674,158	\$28,707,990	\$0	\$89,382,148

FUTURE FINANCING

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

Bangor Nursing & Rehabilitation Center

On November 26, 2007, the City Council authorized the issuance of up to \$600,000 in general obligation bonds for the purpose of renovating and rehabilitating the Bangor Nursing & Rehabilitation Center, a wholly-separate, not-for-profit 501(c)(3) organization formerly owned and operated by the City, located at 103 Texas Avenue. As of June 30, 2012 \$155,000 remains authorized and unissued. The City expects to issue the debt within the next 36 months.

Bangor Public Library

At its April 8, 2012 meeting, the City Council approved Order 13-117 (the “Order”), authorizing the City’s general obligation bonds, in an amount not to exceed \$3,000,000, to be issued to provide funds to finance a capital grant (the “Library Grant”) to the Bangor Public Library the proceeds of which would be used to repair the Library roof (see “CITY OF BANGOR – BANGOR PUBLIC LIBRARY” herein).

Pursuant to Article VIII, Section 19 of the City's Charter (see "THE BONDS - AUTHORIZATION AND PURPOSE - Bond Referendum Requirement" herein) the question of whether the voters approve the Order has been submitted to be voted on by the City's voters at the June 18, 2013 municipal election. If the Order is approved by the voters, then construction is expected to begin on June 19, 2013. The City expects to finance the Library Grant through bonds that are expected to be issued in calendar year 2014.

Cameron Stadium Improvements

At its meeting scheduled for May 29, 2013, the City Council will hold a Public Hearing and Second Reading on an order that, if passed, would authorize the City to issue bonds in the amount of \$1,200,000, to provide a portion of the funds to finance replacement of the existing bleachers, including the press box, construct restroom and cold storage facilities and upgrade the current electrical service at the Cameron Stadium located behind the William S. Cohen School on Garland Street in the City. The total estimated cost of the project is \$1,625,000. In addition to the proposed bond funding, the proposal would appropriate \$355,000 from an existing Cameron Stadium Reserve as well as approximately \$70,000 in private donations. This project is less than the amount required for voter referendum pursuant to Article VIII, Section 19 of the City's Charter. If approved by the Council, the City expects to issue bonds in calendar year 2014.

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 2012 covered payroll was \$14,696,711 and City contributions were \$1,254,952. 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 \$462,404 and \$53,075, respectively, in fiscal year 2012.

B. DEFINED BENEFIT PENSION PLAN

Description of the Plan - The City is a "participating local district" pursuant to Regular Plan AC, Special Plan 1C and Special Plan 2C of the Consolidated Plan for Participating Local Districts ("CPPLD") and contributes to Maine Public Employees Retirement System's ("MainePERS") successor to the Maine State Retirement System ("MSRS"), a cost-sharing multiple-employer defined benefit pension plan. The MSRS was established in 1942, and effective September 20, 2007, by virtue of Chapter 58 of the Public

Laws of 2007, MSRS was renamed MainePERS. MainePERS was established and is administered under the Maine State Retirement System Laws, Title 5, Chapters 421, 423 and 425 of the Maine Revised Statutes, as amended. The CPPLD provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the state legislature. The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the CPPLD. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members (City employees other than those served by the Teachers Retirement Plan, described in C, below) are required to contribute 6.5% of their annual covered salary. The City is currently required to contribute at actuarially determined rates of annual covered payroll of 5.3% for Plan AC, 12.2% for Special Plan 1C and 7.5% for Special Plan 2C. The contribution rates of plan members and the City are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. The City's contributions to the MSRS CPPLD for the years ended June 30, 2012, 2011 and 2010 were \$942,629, \$794,677 and \$702,525 respectively, equal to the required contributions for each year.

Employer Contribution Rates

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

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

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

C. DEFINED BENEFIT PENSION PLAN - TEACHERS GROUP

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

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The same statute requires the State Department of Education, to contribute the employer contribution, which amounts to \$3,977,170 (13.36%) for the fiscal year 2012. This amount has been reported as an intergovernmental revenue and education expenditure in the GAAP basis financial statements. There is no contribution required by the school department except for federally funded teachers, for which they contributed 16.36% of their compensation. This cost is charged to the applicable grant.

D. DEFERRED COMPENSATION PLAN

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

E. SOCIAL SECURITY

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

F. OTHER POST EMPLOYMENT BENEFITS

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

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

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

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

Annual required contribution (“ARC”):	\$385,564
Amortization adjustment to ARC:	(134,346)
Interest:	<u>92,925</u>
Annual OPEB cost:	\$344,143

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

	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Annual OPEB cost:	\$1,138,705	\$357,467	\$344,143
City contributions:	<u>(136,659)</u>	<u>(38,436)</u>	<u>(57,070)</u>
Increase in OPEB	1,002,046	319,031	287,073
Net OPEB, beginning year:	<u>1,002,046</u>	<u>2,004,092</u>	<u>2,323,123</u>
Net OPEB, end year:	\$2,004,092	\$2,323,123	\$2,610,196
% contributed:	12.00%	10.75%	16.58%

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, 2010 is as follows:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total, June 30, 2012</u>
Actuarial accrued liability ("AAL"):	\$3,430,307	\$1,072,491	\$4,502,798
Actuarial value of plan assets:	-	-	-
Unfunded actuarial accrued liability ("UAAL"):	<u>3,430,307</u>	<u>1,072,491</u>	<u>4,502,798</u>
Covered payroll:	\$17,715,024	\$5,369,798	\$22,544,822
UAAL as a percentage of covered payroll:			19.97%

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

ENVIRONMENTAL MATTERS

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

Penobscot River Cleanup

In 2002, the City filed suit against Citizens Communications Company ("Citizens"), a potentially responsible party, to force cleanup of contamination of the Penobscot River bottom due to the inability to reach settlement. In September 2005, the United States District Court issued an Order finding that the City is responsible for 40% of the remediation costs. In July 2007, the City reached a settlement agreement with Citizens, whereby the City received \$7.625 million to be held in escrow and applied to

the cost of the River bottom remediation. A Consent Decree has been negotiated with the State Department of Environmental Protection (“DEP”) for the River bottom remediation, the first phase of which has been completed. The City and DEP are attempting to negotiate a settlement agreement for the remainder of the River bottom remediation.

Resource Conservation Recovery Act Compliance

The City Council entered into a Consent Agreement and Final Order for *In the Matter of the City of Bangor, Maine*, RCRA-01-2003-0042 / CWA-01-2004-0055 / RCRA-01-2004-0098, with the Environmental Protection Agency (“EPA”) on April 12, 2004, for violations of Sections 3002, 3004, and 3005 of RCRA, 42 U.S.C. Sections 6922, 6924 and 6925, the regulations promulgated there under at 40 C.F.R. Parts 262, 264, 265, and 268; Title 38, Chapter 13 of the Maine Revised Statutes as amended; the regulations promulgated there under, found at Chapter 800, et seq. of the State Hazardous Waste Management Rules (the Maine Rules); and Section 301(a) of the Clean Water Act, 33 U.S.C. Section 1311(a) that occurred in 2001 at the airport and public works facilities.

While the matter itself was settled in 2004, part of the settlement required the City to undertake supplemental environmental projects and/or pay \$165,432. On August 31, 2012, final payment was made to the EPA.

Wastewater Discharge Consent Decree Compliance

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

LITIGATION

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

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APPENDIX A

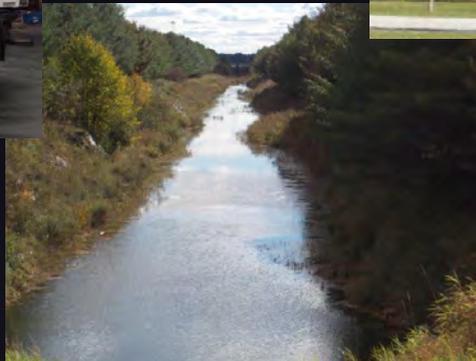
**CITY OF BANGOR, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
YEAR ENDED JUNE 30, 2012**

(With Report of Independent Auditors' Thereon)

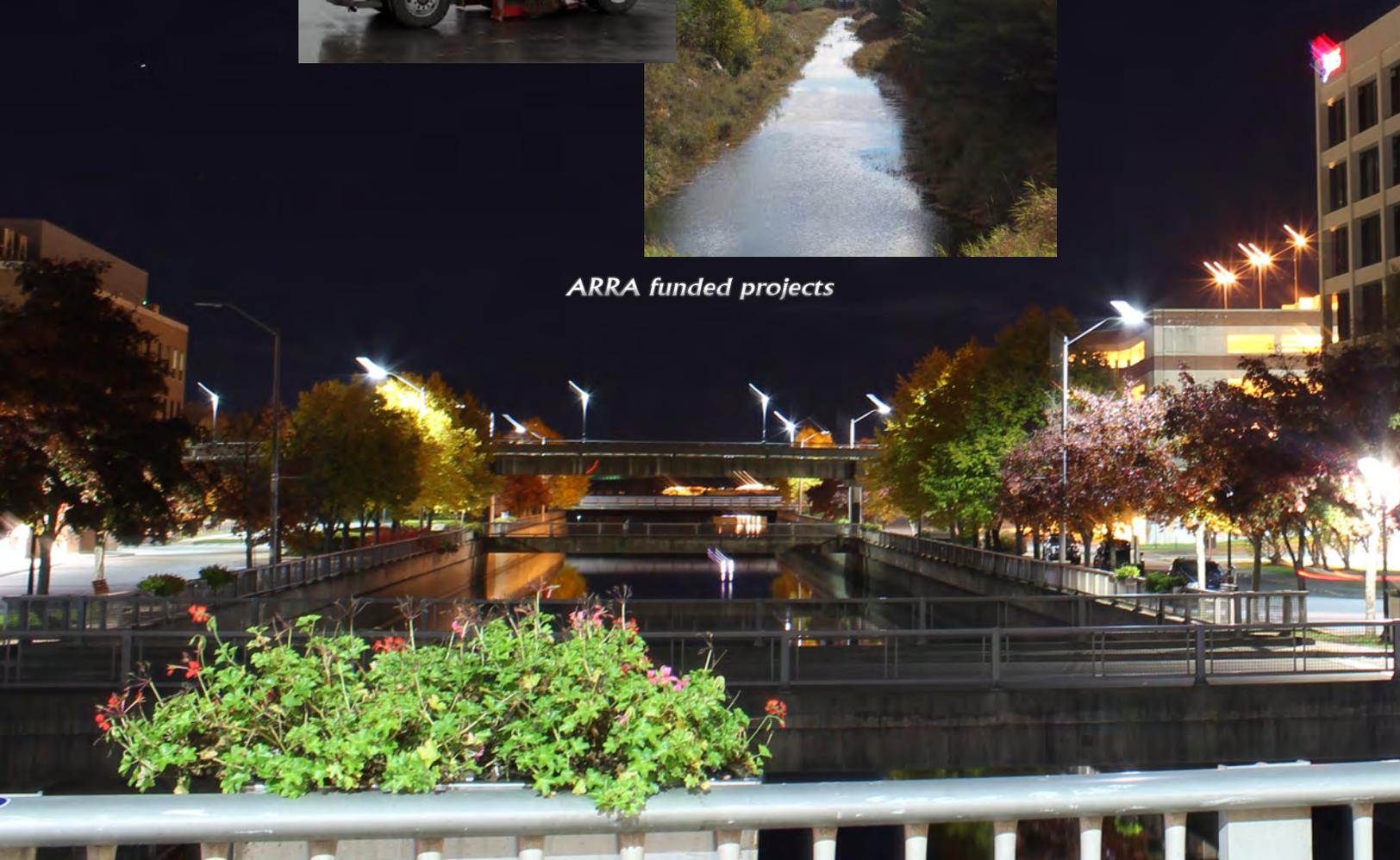
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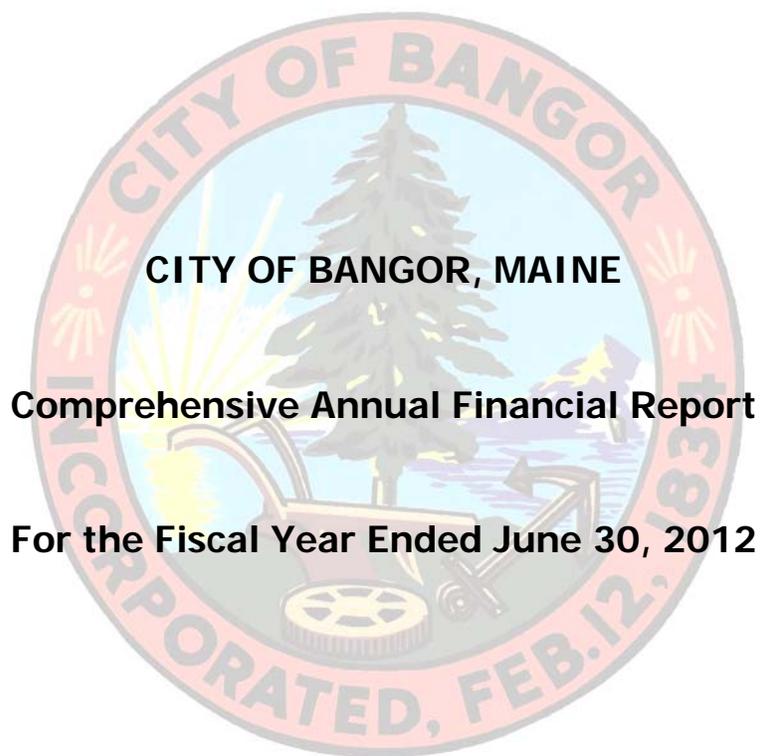
City of Bangor, Maine Comprehensive Annual Financial Report for Fiscal Year June 30, 2012

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ARRA funded projects





CITY OF BANGOR, MAINE
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

Prepared by:

Debbie Cyr, Finance Director

David Little, Tax Collector/Deputy Treasurer

CITY OF BANGOR, MAINE
Comprehensive Annual Financial Report
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INTRODUCTORY SECTION

December 21, 2012

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, 2012 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 unqualified opinion is presented as the first component of the financial section of this report.

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

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

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

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

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

prior to the start of the City's fiscal year. Once approved, the expenditure of this appropriation is under the direction and control of the School Committee. The School Committee employs the Superintendent of Schools as its chief operating officer.

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

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

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

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

Factors Affecting Financial Condition

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

Bangor has a stable and varied economic base. Major employers include a diversified mix of health care, educational, professional, retail, manufacturing, and governmental entities. Bangor's 2011 unemployment rate of 7.2% continues to be on par with or below both county and state rates of 8.1% and 7.5%, respectively.

Bangor is the second largest retail market in Maine after Portland. The Bangor Mall, Airport Mall, Broadway commercial center, Union Street commercial corridor, and the Bangor Center Development District (downtown) have long established Bangor as the hub of the six-county eastern Maine retail market. Bangor's retail sector serves an extensive geographic area ranging from eastern Maine to the Canadian Maritimes, with a population exceeding 3.1 million. With less than three percent of the State's population, Bangor's share of the State's retail sales is proportionally higher. In 2011, Bangor's share of the State's retail sales was 9.2%, and its share of County sales was 74.8%.

Further evidence of continuing sustained growth is the change in the City's assessed value of real and personal property. The annual increase in assessed value is a combination of three factors: 1) market adjustments to existing property, 2) new construction/additions, and 3) personal property depreciation. Over the last ten years, the average annual increase in assessed value is 4.51%. Tax base growth, the City's focus on controlling budgetary growth, and ramped up state funding for education resulted in a 22.9% reduction in the City's tax rate from 2003 to 2012.

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

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

Under a development agreement with Bangor Historic Track, a wholly owned subsidiary of Penn National Gaming, the City receives a percentage of gross slot and table game revenues as well as land lease payments and property taxes on the new development associated with Bangor's gaming facility. In October 2005, the City established a special revenue fund to account for its share of gross slot and table game revenues. In addition, the Council Order establishing this fund specifies that its primary use will be to construct a new arena in Bangor to replace the Bangor Auditorium, which opened in Bass Park in 1954. In August 2011, the City broke ground to replace the aging facility with a right sized state of the art Arena and meeting complex. During the year, the City engaged Global Spectrum to be the private operator of the new facility as well as Front Row Marketing to sell naming rights, advertising, sponsorships and premium seating in the facility. In July 2013, the facility was officially named the Cross Insurance Center. Construction is expected to be completed in the spring of 2013 with its grand opening planned for September 2013.

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

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

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

By Charter, the City is required to maintain a balance between 5% and 10% of operating expenditures less debt service, and the Council has determined that a reasonable target is 8.33%. Unassigned fund balance in the general fund as of June 30, 2012 was 8.73% of expenditures, net of debt service.

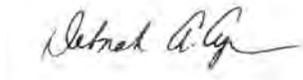
Awards and Acknowledgements. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bangor for its comprehensive annual financial report for the fiscal year ended June 30, 2011 for the sixteenth consecutive year. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,



Debbie Cyr
Finance Director

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



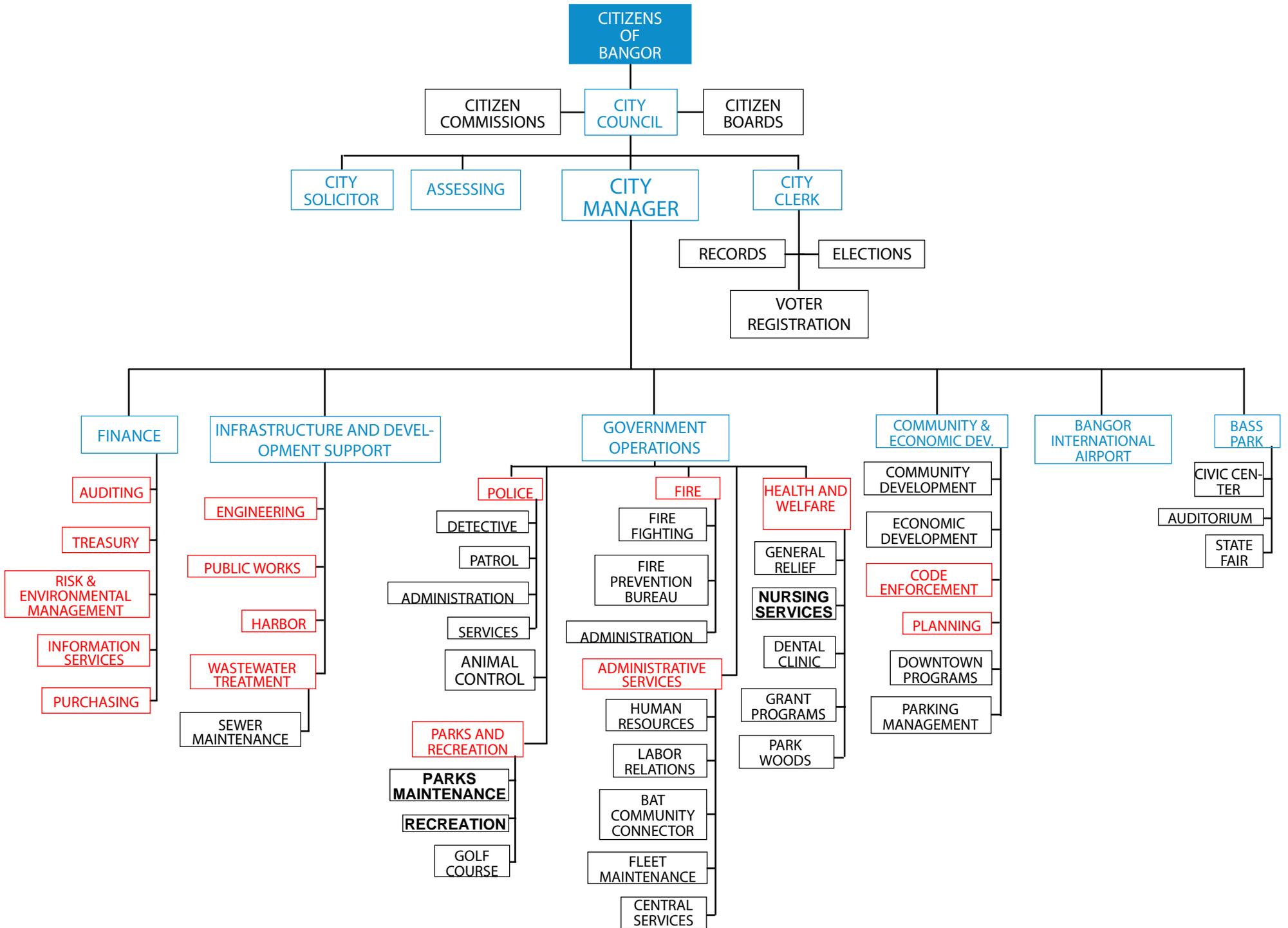
Christopher P. Morinell

President

Jeffrey R. Egan

Executive Director

CITY OF BANGOR ORGANIZATIONAL CHART Revised (05/11)



**City of Bangor, Maine
Elected Officials and Principal Administrative Officers
June 30, 2012**

City Council

Cary M. Weston, Mayor

Joseph M Baldacci
Nelson E. Durgin
Geoffrey M. Gratwick
Charles R. Longo, Jr

Patricia A. Blanchette
James D. Gallant
Susan M. Hawes
Benjamin A. Sprague

City Staff

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

School Committee

Phyllis Guerette, Chair

Warren Caruso, Vice Chair
Nichi Farnham
Christine Szal

Kate Dickerson
Beth Grant
Jay Ye

School Staff

Betsy Webb, Superintendent of Schools

FINANCIAL SECTION

Report of Independent Auditors

City Council
City of Bangor, Maine:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bangor, Maine, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bangor, Maine's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund, and the aggregate remaining fund information of the City of Bangor, Maine, as of June 30, 2012, 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

City Council
City of Bangor, Maine

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bangor, Maine's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.



December 17, 2012
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, 2012. In addition to comparative information from the government-wide statements, comparative data is also presented on key information from the fund financial statements. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in our letter of transmittal, which can be found on pages I-1 to I-6 of this report.

Financial Highlights

- The assets of the City of Bangor exceeded its liabilities at the close of the most recent fiscal year by \$209.2 million (net assets).
- At the close of fiscal year 2012, the City of Bangor's governmental funds reported combined ending fund balances of \$17.3 million, a decrease of \$10.2 million over the prior year balance, primarily due to the construction of the City's new arena and meeting complex. Approximately 58% of the total amount, or \$10 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. The City strives to maintain a General Fund unassigned fund balance of 5% to 10% of current expenditures less debt service. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7.6 million, or 8.73% of the general fund expenditure base. The annual calculation is included within the financial statements as Schedule F-2. In November 2012, voters approved a charter amendment to increase the target limits of the City's unassigned fund balance to no more than 16.66% and no less than 8.33% of the prior year expenditures.
- The total liabilities of the City's governmental funds increased by \$3.7 million (23.9%), primarily due a significant account payable related to the arena and meeting complex construction. Enterprise fund liabilities decreased by \$2.2 million (5.5%), primarily due to principal payments exceeding net debt issued and the timing of accounts payable which can vary drastically from year to year depending upon the timing of invoices received and/or the projects being undertaken.

Overview of the Financial Statements

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

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

The statement of net assets includes all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 leaves).

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

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

The government-wide financial statements can be found on pages II-17 to II-18 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 Economic Development 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. The City of Bangor adopts annual budgets for all of its proprietary funds. Budgetary comparison statements have been provided for each proprietary fund to demonstrate compliance with budgets (Schedule C4 – C10).

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages II-29 through II-53 of this report.

Government-wide Financial Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current & other assets	35,141,366	42,682,947	23,744,869	25,924,589	58,886,235	68,607,536
Capital assets, net of accumulated depreciation	111,378,854	76,498,975	176,189,016	181,735,689	287,567,870	258,234,664
Total assets	146,520,220	119,181,922	199,933,885	207,660,278	346,454,105	326,842,200
Long-term debt outstanding	87,046,162	64,359,966	30,927,074	34,125,664	117,973,236	98,485,630
Other liabilities	15,801,941	13,363,673	3,433,902	2,640,734	19,235,843	16,004,407
Total liabilities	102,848,103	77,723,639	34,360,976	36,766,398	137,209,079	114,490,037
Net assets:						
Capital assets, net of related debt	67,253,588	40,176,260	152,749,709	155,344,528	220,003,297	195,520,788
Restricted	1,039,248	1,019,806	-	-	1,039,248	1,019,806
Unrestricted	(24,620,719)	262,217	12,823,198	15,549,352	(11,797,521)	15,811,569
Total net assets	43,672,117	41,458,283	165,572,907	170,893,880	209,245,024	212,352,163

By far the largest portion of the City's net assets reflects its 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 assets are those resources that are subject to external restrictions on how they may be used; such as donor, legal or granting agency restrictions. While the remaining balance of unrestricted net assets has a deficit of \$11.8 million, the governmental activity deficit of \$24.6 million is partially offset by the business type activities balance of \$12.8 million. The governmental activity deficit is primarily due to \$24.8 million in outstanding pension obligation bonds and that the City had not fully bonded for the construction costs associated with the arena and meeting complex as of year end.

Governmental-type net assets increased \$2.2 million. The major components associated with the increase in governmental-type net assets is the receipt of \$2.4 million of arena fund revenues that result from the casino operation.

Business-type net assets decreased by \$5.3 million. The reduction in net assets was largely driven by the fact user fees cannot absorb annual depreciation expense, due to the significant cost of infrastructure, specifically within the Airport Fund. Airport infrastructure investments are typically funded via the federal/state Airport Improvement Plan, which provides 97.5% of the funding for projects or the Passenger Facility Charges, which is a federally regulated program whereby per passenger fees are collected from the airlines.

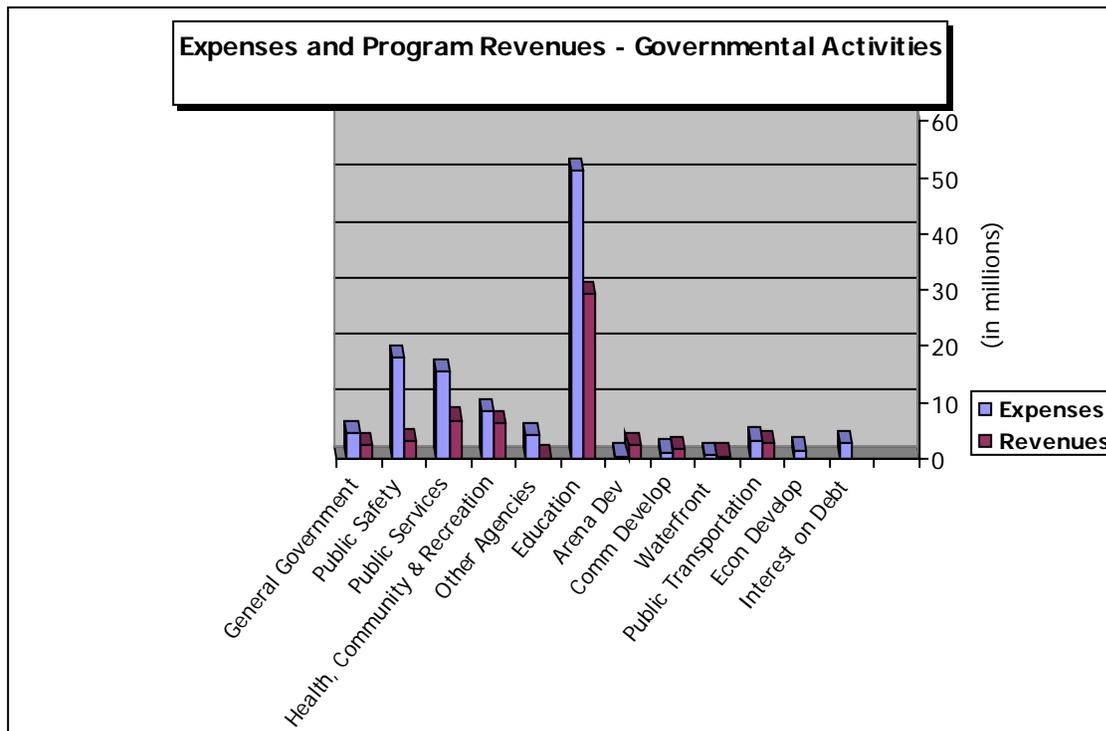
Changes in Net Assets

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

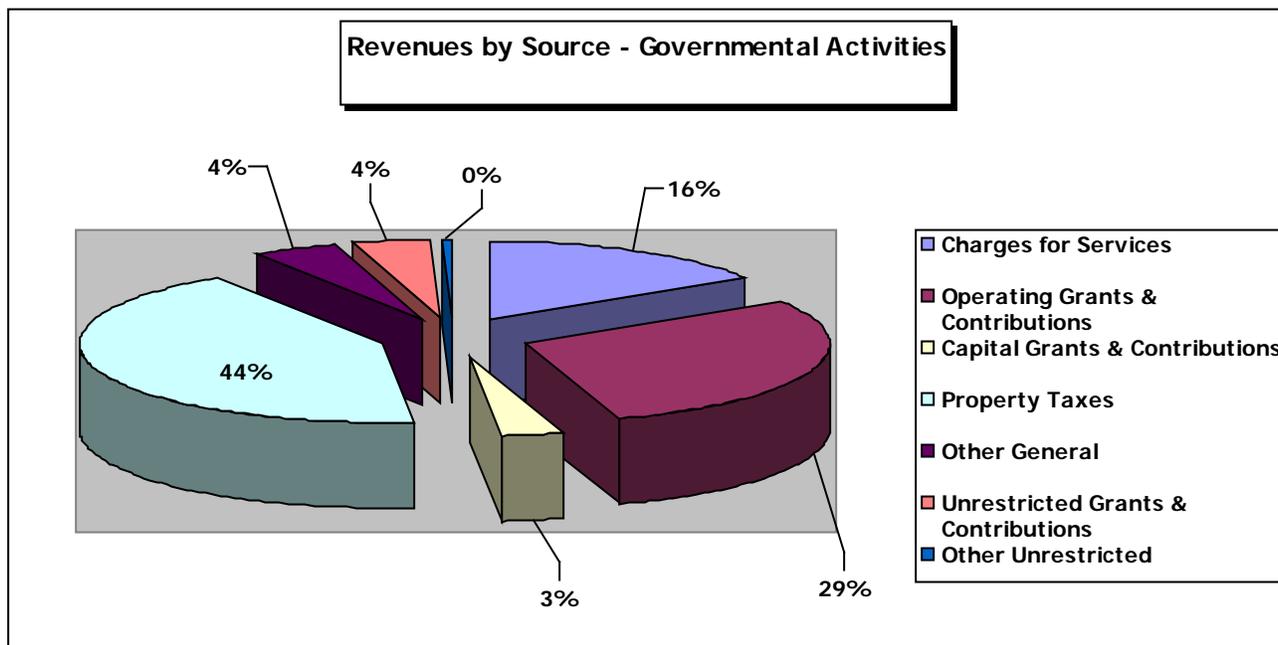
	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for services	18,191,551	19,076,163	23,613,090	24,357,732	41,804,641	43,433,895
Operating grants & contributions	33,137,275	35,604,940	-	-	33,137,275	35,604,940
Capital grants & contributions	3,725,432	4,935,614	2,351,779	3,717,755	6,077,211	8,653,369
General Revenues						
Property and other taxes	53,646,508	53,072,633	-	-	53,646,508	53,072,633
Grants and contributions not restricted to specific programs	4,963,161	4,859,811	-	-	4,963,161	4,859,811
Other	547,329	657,705	543,493	752,891	1,090,822	1,410,596
Total Revenues	114,211,256	118,206,866	26,508,362	28,828,378	140,719,618	147,035,244
Expenses						
General government	4,490,599	9,223,718	-	-	4,490,599	9,223,718
Public safety	18,016,430	17,018,427	-	-	18,016,430	17,018,427
Health, community and recreation	8,455,977	9,523,225	-	-	8,455,977	9,523,225
Public services	15,399,933	12,413,601	-	-	15,399,933	12,413,601
Other agencies	4,209,428	4,479,888	-	-	4,209,428	4,479,888
Education	51,223,806	50,986,350	-	-	51,223,806	50,986,350
Arena development	536,251	61,334	-	-	536,251	61,334
Community development	1,152,289	1,542,975	-	-	1,152,289	1,542,975
Waterfront	606,249	1,439,065	-	-	606,249	1,439,065
Public transportation	3,276,780	1,701,112	-	-	3,276,780	1,701,112
Interest on debt	2,710,135	2,151,172	-	-	2,710,135	2,151,172
Economic development (tif)	1,502,503	1,383,662	-	-	1,502,503	1,383,662
Sewer Utility	-	-	6,758,495	6,202,202	6,758,495	6,202,202
Airport	-	-	20,752,350	20,458,552	20,752,350	20,458,552
Economic Development	-	-	615,816	618,980	615,816	618,980
Park Woods	-	-	533,671	496,478	533,671	496,478
Parking	-	-	995,631	1,206,989	995,631	1,206,989
Bass Park	-	-	1,919,301	2,075,644	1,919,301	2,075,644
Municipal Golf Course	-	-	671,113	664,311	671,113	664,311
Total Expenses	111,580,380	111,924,529	32,246,377	31,723,156	143,826,757	143,647,685
Excess (deficiency) before transfers	2,630,876	6,282,337	(5,738,015)	(2,894,778)	(3,107,139)	3,387,559
Transfers	(417,042)	(637,898)	417,042	637,898	-	-
Change in net assets	2,213,834	5,644,439	(5,320,973)	(2,256,880)	(3,107,139)	3,387,559

Governmental Activities

The cost of all governmental activities was \$111.6 million. As shown on the Statement of Activities, the total amount financed by the property tax was \$48.5 million, or 43.5% 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 \$33.1 million. Capital grants and contributions accounted for \$3.7 million. The City also received \$10.6 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 remained relatively flat over the prior year with a decrease of \$300 thousand. During FY 2012, City employees did not receive a cost of living adjustment and due to lower than anticipated utilization coupled with employee/insurer driven wellness initiatives there were no increase in health insurance costs.

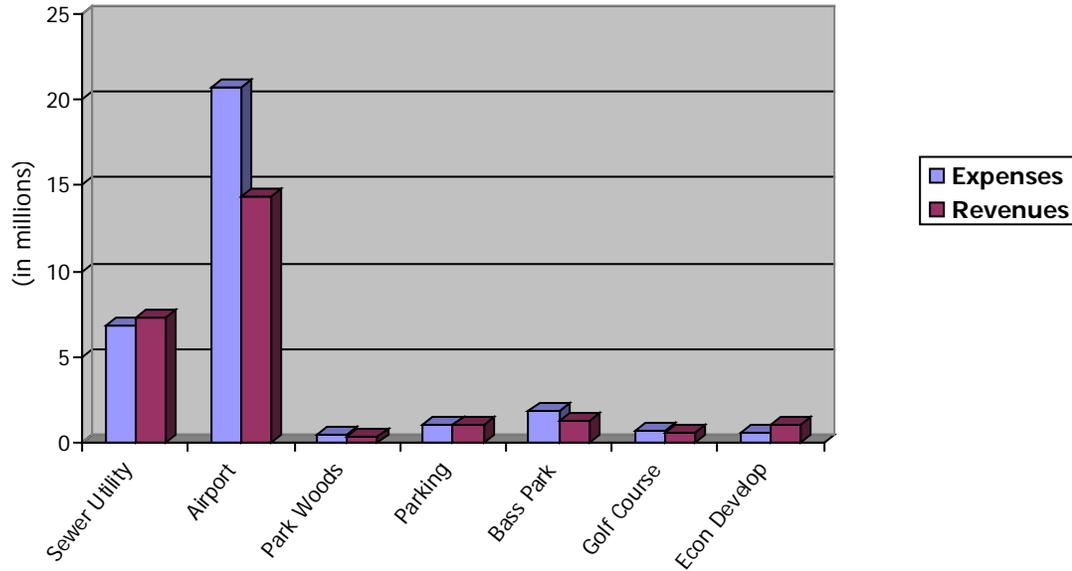


Total governmental activities' revenues decreased \$4.0 million, or 3.4%. The largest single source of revenue continues to be the property tax, which increased \$493 thousand. Capital grants and contributions decreased \$1.2 million due to receipt of a \$1.5 million ARRA grant for busses received in FY 2011. In total, charges for services decreased \$885 thousand, of that amount \$672 thousand was due to decreased ambulance service billings.

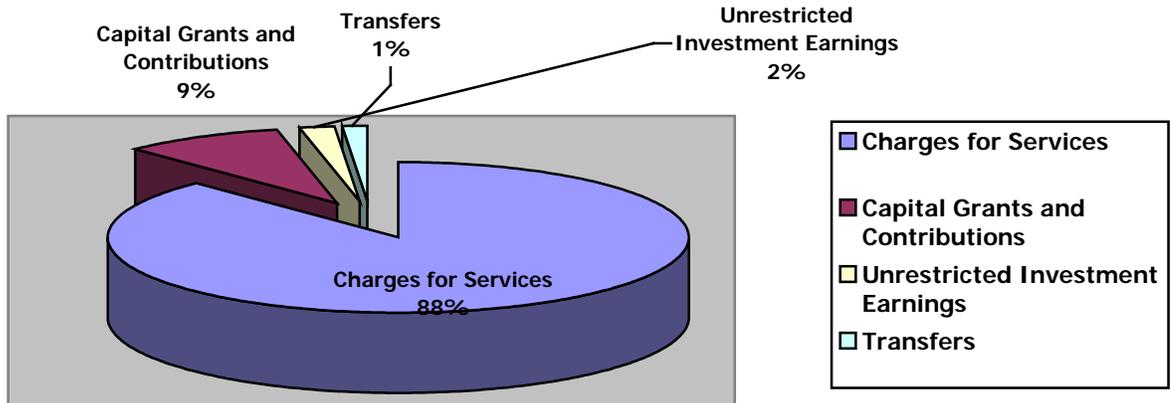
Business-type Activities

Total business-type activities expenses were increased slightly compared to prior year levels, with an increase of 1.6%, or \$523 thousand. For FY 2012, the City employees working in business-type activities did not receive a cost of living adjustment and due to lower than anticipated utilization coupled with employee/insurer driven wellness initiatives there were no increase in health insurance costs.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



In total, business-type activities revenue decreased significantly \$2.3 million or 8.0%, \$1.4 million of which was attributable to a reduction in capital contributions. Airport related federal grants vary year to year due to the biannual funding cycle. Business activities realized \$209 thousand less in investment earnings and required \$200 thousand less in transfers.

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 \$17.3 million, a decrease of \$10.2 million from the prior year balance, primarily due to the construction of the City's new arena and meeting complex. Of the ending balance of \$17.3 million, approximately 58% of this total (\$10 million) is either , committed, assigned or unassigned and is available for spending by formal action of the City Council and \$4 million, or 23.2%, is restricted. The remainder is nonspendable, indicating that it is in the form of nonspendable assets such as inventory, prepaid expenses 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 \$16.8 million, a \$252 thousand decrease from the prior year's balance of \$17 million. Generally, the overall decrease in fund balance is related to the anticipated spend down of education related restricted fund balances. The municipal unassigned fund balance decreased by \$455 thousand. As part of the FY 2012 budget process, \$250 thousand of unassigned fund balance was transferred to assigned fund balances and \$744 thousand was transferred to the Capital Projects Fund to partially fund Penobscot River remediation work and to increase operating efficiencies and customer service through technological advancements. This planned use of unassigned fund balance in the amount of \$984 thousand was partially offset by positive variances within both municipal operating revenues and expenditures.

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 2012 were relatively flat in comparison to the prior year, which was as expected based on the annual grant award of approximately \$900 thousand annually. As anticipated, the annual federal award amount decreased by nearly 16% for FY 2013.

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 replace the current Bangor Auditorium and Civic Center. During the year, the City expended \$33.6 million to replace this facility. Additional information related to this project can be found within the Cross Insurance Center section of this letter

The Capital projects fund varies significantly from year to year depending upon City Council priorities and available funding opportunities. Total expenditures increased \$5.5 million over the prior year. The current year includes a significant one-time expenditure of \$4.3 million to

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

Proprietary funds. Information on the City of Bangor's proprietary funds is similar to that found in the government-wide financial statements, but in more detail. The net assets of the seven enterprise funds decreased \$5.3 million to a total of \$166 million. With the exceptions of lower margins on fuel sales within the Airport Fund operating revenue and increased operating expenses within the Sewer Fund due to the development of a capacity management and operations and maintenance program, all other operating revenues and expenses remained relatively flat. The decrease in net assets is related to depreciation expense exceeding capital acquisitions.

General Fund Budgetary Highlights

For budgetary financial statement purposes, all balances carried from the prior year are added to the subsequent year's total appropriation. This resulted in an overall budgetary increase of \$4.3 million. There were minimal additional amendments to the originally adopted budget. The City's commitment to budgetary integrity continues, with actual operating revenues exceeding budget estimates by .8%, or \$781 thousand, while municipal expenditures were under budget by 5.2%, or \$5 million. Education expenditures were under budget by \$4.8 million or 9.3%, and general assistance expenditures were over budget by \$377 thousand. General assistance is a state mandated program, for which the each municipality is partially reimbursed. General assistance costs are directly impacted by economic conditions. By statute, education balances must be segregated from municipal balances.

Capital Asset and Debt Administration

Capital assets. As of June 30, 2012, the City of Bangor's investment in capital assets for its governmental and business-type activities amounted to \$287.6 million (net of accumulated depreciation), an increase of \$29.3 million over the prior year. This investment includes land, buildings, machinery and equipment, roads, runways, and sewer lines. The increase in the City's investment in capital assets for the current fiscal year is due to a \$33 million increase in construction in progress related to the City's Arena and meeting complex. Governmental activities invested \$38.9 million, and business-type activities invested \$4.8 million and depreciation expense was \$3.9 million and \$10.4 million, respectively.

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

- The school department utilized its allocation of Qualified School Construction Bonds to capitalize \$3.6 million in rehabilitating and upgrading the City's various school facilities. These bonds were issued at a taxable rate with a federal interest rate subsidy under the provisions of the American Recovery and Reinvestment Act.
- Construction of the City's Arena and meeting complex began in August of 2012. During the year, the City invested \$33 million in this project and the total estimated project cost is approximately \$68.7 million.
- The City continues to enhance its recreational infrastructure on our waterfront with an additional \$230 thousand investment this year.
- Additionally, the City continues to invest in its core functions of infrastructure and vehicle replacements. This year the City expanded its surface infrastructure with traffic

enhancements, additional sidewalks and acceptance of new streets, which amounted to \$638 thousand in additions and replaced \$925 thousand of vehicles.

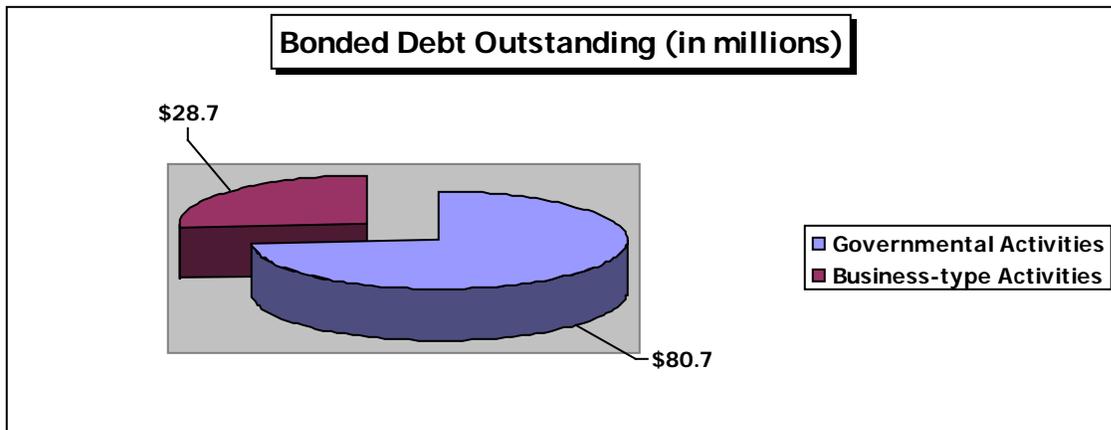
- The Airport Fund invested \$4.2 million in operational assets at Bangor International Airport including apron improvements, general building improvements, snow removal equipment, as well as the replacement of the primary underground power system. Nearly \$963 thousand of this investment was funded through the Federal Department of Transportation’s Airport Improvement Plan, which provides 92.5% federal and 2.5% state funding for approved projects and additional \$1.6 million was funded with Passenger Facility Charges.

Capital Assets (net of depreciation)

	Governmental Activities	Business-type Activities
Land and improvements	11,405,309	5,353,746
Buildings and improvements	42,991,955	14,085,775
Machinery and equipment	2,676,268	1,391,795
Vehicles	6,917,147	-
Infrastructure	11,171,411	46,205,789
Parking structures	-	3,149,947
Aircraft operational assets	-	103,546,788
Construction in process	36,216,764	2,455,176
Total	111,378,854	176,189,016

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 \$109.4 million, an increase of \$19 million during the year.

The City’s general obligation debt obtained a “AA” rating from Standard & Poor’s and a “A1” 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 \$368 million, an amount which is significantly in excess of existing general obligation debt.

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

Additional information on the City's long-term debt can be found in Note I on pages II-42 to II-45 of this report.

Cross Insurance Center

Since the 1980's, the City Council has been actively working to replace the City's current auditorium and civic center. In 2003, the City Council supported the introduction of gaming within the City, the primary impetus being that such an operation would generate a revenue stream that could be dedicated to fund the costs associated with replacing the City's 50 year old auditorium and outdated, undersized civic center. Since gaming began in November 2005 the City Council has directed all rents and state taxes received from the operation of the casino be deposited into a separate special revenue fund, the Arena Fund. The City Council has adopted and maintained a policy specifying that the primary use for funds in the Arena Fund is to finance the cost to replace the City's current facility. Penn National Gaming operates the casino which includes, approximately 110,000 square feet for gaming, a 152 room seven story hotel and a 1,500 car parking garage.

Based upon the results of a market sizing and feasibility study, a schematic design and pricing for the replacement of the current auditorium and civic center, and a thorough initial review of the City's financial capacity, the City Council took action to contract for the design and construction of a new arena/meeting complex. In order to maximize the City's financial resources for this project, area legislators supported private and special legislation at the State level to exempt the debt issued for this project from current legislative constraints (i.e. statutory debt limits, TIF debt limits and the 20 year limit on use of TIF revenues to pay debt service). Based on all the available information in May 2011, the initial budget was established at \$65 million and ground was broken in August 2011.

In July 2012, the City was pleased to announce a naming rights agreement with the Cross Insurance Agency to name the facility the Cross Insurance Center. The naming rights agreement is for a period of 15 years in the amount of \$200,000 per year. On July 31, 2012, the City issued \$53.8 million in general obligation bonds to fund the project, \$20 million of which were used to extinguish a bond anticipation note. Based on available resources, and the private business use associated with the facility, the balance of the project costs will be paid for with accumulated Arena Fund monies. With naming rights secured and actual debt service requirements known, the City revised its project budget to \$68.7 million. This allowed certain aspects of the project previously deferred due to budget concerns to come to fruition such as; finishing out the meeting rooms and suites, increasing the furniture, fixture and equipment budget and finishing of the main parking lot. The debt service for this project is anticipated to

be funded by the revenue received by the City from the gaming operation coupled with a portion of the existing Downtown Development TIF.

American Recovery and Reinvestment Act (ARRA) of 2009

Through the end of FY 2012, the City has received in excess of \$10 million of benefit from a variety of ARRA programs. Some funding came through a competitive grant process, such as Environmental Protection Agency and Department of Justice, other through entitlement programs such as Community Development Block Grant and further funding came as a pass through from the State of Maine, such as the Departments of Education and Transportation. These funds enabled the City to make significant capital investments it would otherwise not likely have made as well as provide crucial operational support for our education and police functions.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the City of Bangor for calendar year 2011 was 7.2%, which continues to be on par with or below both the county and State rates of 8.1% and 7.5%, respectively.
- While Bangor represents less than 3% of the state's population, the City's share of retail sales remains in excess of 9% of total statewide sales and 75% of Penobscot County sales.
- Bangor has experienced a slowing in the rate of appreciation of existing homes. We project that existing home values will remain flat or increase slightly in the coming year.
- Value of commercial properties has begun to increase slightly after realizing significant downward adjustments made in FY 2010 and remaining flat for FY 2011.
- Bangor businesses continue to reinvest in personal property. Business equipment tax exempt (BETE) investments are not subject to local taxation however, the State reimburses each municipality on an annually declining percentage of the calculated tax on the investment. BETE value (net of depreciation) for FY 2013 increased \$8.4 million, or 14.6%, for a total of \$57.6 million.

The City is subject to a state statutory 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 2012, the City's LD 1 tax levy limit was as follows:

Prior Year Base Municipal Commitment	\$ 21,410,926
Growth Factor:	4.80%
Average Real Personal Income	1.66%
Property Growth Factor	3.14%
Net New State Funds	-
Municipal Commitment Limit	\$ 25,320,691

The Fiscal Year 2012 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 2012 and 2013 in order to fund such services and programs and their actions were approved, as required via a local election.

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

The Maine State Legislature will return in January 2013. Based on current information, it appears that a supplemental budget appropriation will likely be necessary to address the State's current year budget shortfall. City and school management will closely monitor their actions, as resolution of their budget shortfall will undoubtedly impact municipal/education funding in one form or another. During FY 2010 and FY 2011, the State supplemented its appropriation for State Aid to Education with American Recovery and Reinvestment Act funds. In FY 2012, those funds were no longer available, but that reduction was partially offset by Federal jobs grant funds. The FY 2013 budget was able to absorb this reduction in funding without programmatic reductions.

We continue to monitor key revenue areas such as: flat investment yield curves, automobile excise taxes, property tax collection and State sales and income tax collections that impact the City's share of State Revenue Sharing. The fiscal year 2013 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 2013 budget, the City Council's goal was to minimize any tax rate increase, begin to rebound from austere budget trends and increase operating efficiencies. As always this goal was challenging due to relatively flat revenue projections and assessed value. These challenges were partially offset by continued historically lower benefit utilization rates in our health insurance program (increase of 7.34% July 2011, decrease of 2.9% in January 2012), strategic reductions in staffing, and a continued increase in BETE valuation. The afore referenced coupled with a small increase in property taxes of 2.3% allowed the City Council to provide a 1.5% cost of living increase to employees for the first time in three years, increased level of investment in infrastructure, as well as reinstatement of the practice of funding assigned fund balances for future capital purchases on a current basis.

Requests for Information

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

BASIC FINANCIAL STATEMENTS



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CITY OF BANGOR, MAINE
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,367,670	\$ 2,372,284	\$ 18,739,954
Investments	170,133	14,826,183	14,996,316
Receivables:			
Accounts (net of allowance of \$475,341 and \$674,974, respectively)	1,071,795	5,946,955	7,018,750
Intergovernmental	2,725,734	387,538	3,113,272
Taxes and liens receivable - prior years	1,346,541	-	1,346,541
Taxes receivable - current year	1,328,403	-	1,328,403
Deferred special assessments	30,130	87,664	117,794
Due from water district	-	103,748	103,748
Loans (net of \$170,317 allowance)	7,917,818	2,687,316	10,605,134
Internal balances	3,322,955	(3,322,955)	-
Inventories	819,345	305,522	1,124,867
Prepaid items	40,842	35,847	76,689
Other assets	-	314,767	314,767
Non-depreciable capital assets	41,257,312	6,432,214	47,689,526
Depreciable capital assets, net	70,121,542	169,756,802	239,878,344
Total assets	146,520,220	199,933,885	346,454,105
LIABILITIES			
Accounts payable and other current liabilities	6,662,997	3,188,836	9,851,833
Accrued wages and benefits payable	4,020,939	230,574	4,251,513
Unearned revenues	5,118,005	14,494	5,132,499
Noncurrent liabilities:			
Due within one year	26,482,955	4,657,816	31,140,771
Due in more than one year	60,563,207	26,269,258	86,832,465
Total liabilities	102,848,103	34,360,978	137,209,081
NET ASSETS			
Invested in capital assets, net of related debt	67,253,588	152,749,709	220,003,297
Restricted for:			
Nonexpendable trust principal	588,515	-	588,515
Expendable income	449,974	-	449,974
Penobscot River	759	-	759
Unrestricted	(24,620,719)	12,823,198	(11,797,521)
Total net assets	\$ 43,672,117	\$ 165,572,907	\$ 209,245,024

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government							
Governmental activities:							
General government	\$ 4,490,599	\$ 2,501,326	\$ 4,149	\$ -	\$ (1,985,124)	\$ -	\$ (1,985,124)
Public safety	18,016,430	2,681,152	533,239	-	(14,802,039)	-	(14,802,039)
Health, community services and recreation	8,455,977	1,048,707	5,106,875	-	(2,300,395)	-	(2,300,395)
Public services	15,399,933	4,002,973	13,345	2,786,648	(8,596,967)	-	(8,596,967)
Other agencies	4,209,428	103,560	-	-	(4,105,868)	-	(4,105,868)
Education	51,223,806	3,806,614	25,389,518	-	(22,027,674)	-	(22,027,674)
Arena development	536,251	2,434,915	-	-	1,898,664	-	1,898,664
Community development	1,152,289	588,587	633,745	375,969	446,012	-	446,012
Waterfront	606,249	-	-	390,000	(216,249)	-	(216,249)
Public transportation	3,276,780	1,023,717	1,456,404	172,815	(623,844)	-	(623,844)
Economic development (tif)	1,502,503	-	-	-	(1,502,503)	-	(1,502,503)
Interest on debt	2,710,135	-	-	-	(2,710,135)	-	(2,710,135)
Total governmental activities	111,580,380	18,191,551	33,137,275	3,725,432	(56,526,122)	-	(56,526,122)
Business-type activities:							
Sewer Utility	6,758,495	7,320,469	-	-	-	561,974	561,974
Airport	20,752,350	12,540,347	-	1,793,479	-	(6,418,524)	(6,418,524)
Park Woods	533,671	397,426	-	-	-	(136,245)	(136,245)
Parking	995,631	1,012,109	-	-	-	16,478	16,478
Bass Park	1,919,301	1,304,384	-	-	-	(614,917)	(614,917)
Municipal Golf Course	671,113	628,869	-	-	-	(42,244)	(42,244)
Economic Development	615,816	409,486	-	558,300	-	351,970	351,970
Total business-type activities	32,246,377	23,613,090	-	2,351,779	-	(6,281,508)	(6,281,508)
Total primary government	\$ 143,826,757	\$ 41,804,641	\$ 33,137,275	\$ 6,077,211	(56,526,122)	(6,281,508)	(62,807,630)
General revenues:							
Property taxes, levied for general purposes					48,520,390	-	48,520,390
Payment in lieu of taxes					156,629	-	156,629
Excise taxes					4,596,947	-	4,596,947
Franchise taxes					372,542	-	372,542
Grants and contributions not restricted to specific programs:							
Homestead/BETE exemption					1,298,319	-	1,298,319
Other State aid					27,004	-	27,004
State Revenue Sharing					3,637,838	-	3,637,838
Unrestricted investment earnings					530,631	543,493	1,074,124
Miscellaneous revenues					16,698	-	16,698
Transfers					(417,042)	417,042	-
Total general revenues and transfers					58,739,956	960,535	59,700,491
Change in net assets					2,213,834	(5,320,973)	(3,107,139)
Net assets, beginning of year					41,458,283	170,893,880	212,352,163
Net assets, end of year					\$ 43,672,117	\$ 165,572,907	\$ 209,245,024

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Balance Sheet
Governmental Funds
June 30, 2012

	General	Community Development Block Grant	Arena Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Assets						
Cash and cash equivalents	\$ 13,164,922	\$ 412,266	\$ 27	\$ 2,012,662	\$ 777,793	\$ 16,367,670
Investments	50,000	-	-	759	119,374	170,133
Receivables:						
Taxes	2,674,944	-	-	-	-	2,674,944
Accounts (net of allowance of \$475,341)	725,537	-	164,258	182,000	-	1,071,795
Interfund	4,528,785	-	-	-	-	4,528,785
Intergovernmental	2,116,745	139,159	-	223,470	246,360	2,725,734
Loans/Notes (net of \$170,317 allowance)	884,339	4,819,070	-	-	2,214,409	7,917,818
Deferred special assessments	-	-	-	30,130	-	30,130
Inventory, at cost	819,345	-	-	-	-	819,345
Prepaid items	40,842	-	-	-	-	40,842
Total assets	\$ 25,005,459	\$ 5,370,495	\$ 164,285	\$ 2,449,021	\$ 3,357,936	\$ 36,347,196
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 1,740,176	\$ 10,193	\$ 3,797,735	\$ 516,921	\$ 46,569	\$ 6,111,594
Accrued wages and benefits payable	3,993,853	7,946	-	-	19,140	4,020,939
Interfund loans payable	-	-	970,500	-	235,330	1,205,830
Deferred revenues	2,498,706	4,819,070	-	78,298	160,000	7,556,074
Due to rehabilitation recipients	-	117,330	-	-	-	117,330
Total liabilities	8,232,735	4,954,539	4,768,235	595,219	461,039	19,011,767
Fund balances (deficits) (Note J)						
Nonspendable	2,760,687	-	-	-	588,515	3,349,202
Restricted	1,285,520	415,956	-	759	2,312,966	4,015,201
Committed	373,753	-	-	-	-	373,753
Assigned	4,789,106	-	-	1,853,043	-	6,642,149
Unassigned	7,563,658	-	(4,603,950)	-	(4,584)	2,955,124
Total fund balances (deficits)	16,772,724	415,956	(4,603,950)	1,853,802	2,896,897	17,335,429
Total liabilities and fund balances	\$ 25,005,459	\$ 5,370,495	\$ 164,285	\$ 2,449,021	\$ 3,357,936	

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

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

111,378,854

Deferred taxes are not available to pay for current-period expenditure and, therefore, are deferred in the funds.

2,438,069

Long-term liabilities, including bonds payable \$80,674,158, accrued interest \$434,073, compensated absences \$2,407,571, self insurance liability \$1,982,446, and net OPEB obligation \$1,981,987 are not due and payable in the current period and, therefore, are not reported in the funds.

(87,480,235)

Net assets of governmental funds

\$ 43,672,117

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, 2012

	General	Community Development Block Grant	Arena Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 50,707,941	\$ -	\$ -	\$ 1,806,137	\$ 771,139	\$ 53,285,217
Intergovernmental	32,916,799	633,745	-	2,483,148	4,502,833	40,536,525
Licenses and permits	948,267	-	-	-	-	948,267
Charges for services	12,548,967	-	-	-	1,045,515	13,594,482
Program income	-	430,540	-	-	144,920	575,460
Revenue from use of money and property	947,722	1,631	2,440,973	538,721	113,834	4,042,881
Other	41,628	11,500	-	426,209	81,781	561,118
Total revenues	98,111,324	1,077,416	2,440,973	5,254,215	6,660,022	113,543,950
Expenditures						
Current:						
General government	5,390,049	-	-	-	-	5,390,049
Public safety	16,028,180	-	-	-	-	16,028,180
Health, community services and recreation	5,383,295	-	-	-	-	5,383,295
Public services	9,842,829	-	-	-	-	9,842,829
Other agencies	4,409,545	-	-	-	-	4,409,545
Education	50,159,407	-	-	-	-	50,159,407
Tax increment financing	524,013	-	-	-	-	524,013
Unclassified	33,100	-	227,585	-	-	260,685
Restricted grants	-	1,008,065	-	-	6,405,936	7,414,001
Capital outlay	366,021	-	33,325,577	11,786,637	-	45,478,235
Debt service	4,822,905	-	-	4,354,000	-	9,176,905
Total expenditures	96,959,344	1,008,065	33,553,162	16,140,637	6,405,936	154,067,144
Excess (deficiency) of revenues over (under) expenditures	1,151,980	69,351	(31,112,189)	(10,886,422)	254,086	(40,523,194)
Other financing sources (uses)						
Issuance of debt	-	-	20,000,000	10,659,143	-	30,659,143
Sale of assets	84,507	-	-	-	-	84,507
Transfers to other funds	(1,579,758)	-	(182,048)	(61,420)	(38,075.00)	(1,861,301)
Transfers from other funds	91,425	-	-	1,316,100	36,734	1,444,259
Total other financing sources (uses)	(1,403,826)	-	19,817,952	11,913,823	(1,341)	30,326,608
Changes in fund balances	(251,846)	69,351	(11,294,237)	1,027,401	252,745	(10,196,586)
Fund balances, beginning of year	17,024,570	346,605	6,690,287	826,401	2,644,152	27,532,015
Fund balances (deficits), end of year	\$ 16,772,724	\$ 415,956	\$ (4,603,950)	\$ 1,853,802	\$ 2,896,897	\$ 17,335,429

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, 2012

Net change in fund balances - total governmental funds (from Exhibit 4)	\$	(10,196,586)
<p>Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$38,893,499, of which \$470,415 was contributed, exceeded depreciation expense of \$3,945,810 and disposals of \$67,810.</p>		
		34,879,879
<p>Financing proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which financing proceeds of \$30,659,143 in general obligation bonds exceeded principal payments of \$8,440,651.</p>		
		(22,218,492)
<p>Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental fund statements. The differences are as follows: increase net OPEB obligation (\$221,492), self insurance liability (\$255,866), deferred taxes (\$180,193), and decrease in compensated absences (\$9,654) and accrued interest (\$36,544).</p>		
		(250,967)
Change in net assets of governmental activities (see Exhibit 2)		\$ 2,213,834

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, 2012

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 50,682,024	\$ 50,682,024	\$ 50,707,941	\$ 25,917
Intergovernmental	28,826,581	28,831,276	28,939,629	108,353
Licenses and permits	656,363	656,363	948,267	291,904
Charges for services:				
municipal	8,217,481	8,217,481	8,480,365	262,884
school	3,722,155	3,722,155	3,806,614	84,459
Fines, forfeits and penalties	32,500	32,500	41,628	9,128
Revenue from use of money and property municipal	708,483	708,483	706,353	(2,130)
Total revenues	92,845,587	92,850,282	93,630,797	780,515
Expenditures				
Current:				
General government	5,086,738	5,086,738	4,909,619	177,119
Public safety	16,078,284	16,082,979	16,023,342	59,637
Health, community services and recreation	4,949,167	4,949,167	5,420,029	(470,862)
Public buildings and services	10,286,968	10,286,968	9,845,436	441,532
Other agencies	4,393,235	4,412,268	4,409,545	2,723
Education	47,325,536	51,583,063	46,769,872	4,813,191
Unclassified	578,993	578,993	557,113	21,880
Debt service	4,822,905	4,822,905	4,822,905	-
Total expenditures	93,521,826	97,803,081	92,757,861	5,045,220
Excess (deficiency) of revenues over (under) expenditures	(676,239)	(4,952,799)	872,936	5,825,735
Other financing sources (uses)				
Appropriation from restricted, committed and assigned fund balances	1,288,328	1,288,328	158,328	(1,130,000)
Appropriation to assigned fund balances	-	-	(250,000)	(250,000)
Sale of assets	4,000	4,000	13,020	9,020
Contributions	-	-	200	200
Insurance Settlements	5,000	5,000	20,253	15,253
Transfers to other funds	(396,000)	(396,000)	(1,129,500)	(733,500)
Transfers from other funds	27,000	27,000	25,932	(1,068)
Operating transfers	(252,089)	(252,089)	(252,089)	-
Total other financing sources (uses)	676,239	676,239	(1,413,856)	(2,090,095)
Net change in fund balance	\$ -	\$ (4,276,560)	(540,920)	\$ 3,735,640
Unassigned fund balance, beginning of year			8,017,940	
Changes in fund balance classification in accordance with GAAP				
Changes in balances carried			(16,945)	
Inventory and prepaids (GASB 54)			103,583	
Unassigned fund balance, end of year			\$ 7,563,658	

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2012

Business-type Activities - Enterprise Funds

	Sewer Utility Fund	Airport Fund	Economic Development Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,065,249	\$ 483,497	\$ 95	\$ 823,443	\$ 2,372,284
Investments	-	8,036,550	-	-	8,036,550
Accounts receivable	2,051,335	4,397,929	-	172,485	6,621,749
Less allowance for uncollectible accounts	(22,601)	(642,193)	-	(10,000)	(674,794)
Net accounts receivable	2,028,734	3,755,736	-	162,485	5,946,955
Due from other governments	-	387,538	-	-	387,538
Due from water district	103,748	-	-	-	103,748
Inventories, at cost	-	287,483	-	18,039	305,522
Prepaid items	9,963	11,598	-	14,286	35,847
Total current assets	3,207,694	12,962,402	95	1,018,253	17,188,444
Noncurrent assets					
Capital Assets:					
Land and improvements	683,865	-	3,645,527	2,718,678	7,048,070
Buildings and improvements	28,624,961	-	4,318,516	11,587,217	44,530,694
Machinery and equipment	5,660,836	-	-	473,239	6,134,075
Infrastructure	57,256,601	-	683,189	-	57,939,790
Aircraft operational assets	-	256,005,417	-	-	256,005,417
Parking structures	-	-	-	11,312,409	11,312,409
Construction in process	10,056	2,445,120	-	-	2,455,176
	92,236,319	258,450,537	8,647,232	26,091,543	385,425,631
Less accumulated depreciation	(38,576,431)	(152,458,629)	(1,497,568)	(16,703,987)	(209,236,615)
Net capital assets	53,659,888	105,991,908	7,149,664	9,387,556	176,189,016
Investments	-	6,789,633	-	-	6,789,633
Loans receivable	-	1,111,429	1,575,887	-	2,687,316
Deferred special assessments	87,664	-	-	-	87,664
Due from bond trustee	294,767	-	-	-	294,767
Deposits	-	-	-	20,000	20,000
Total noncurrent assets	54,042,319	113,892,970	8,725,551	9,407,556	186,068,396
Total assets	57,250,013	126,855,372	8,725,646	10,425,809	203,256,840

See accompanying notes to financial statements.

Continued on next page

CITY OF BANGOR, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2012

Business-type Activities - Enterprise Funds

	Sewer Utility Fund	Airport Fund	Economic Development Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
LIABILITIES					
Current liabilities					
Accounts payable	475,926	2,328,657	29,189	111,769	2,945,541
Accrued wages and benefits payable	37,064	167,082	-	26,428	230,574
Accrued interest	87,401	39,364	67,697	25,263	219,725
Workers' compensation	20,000	146,392	-	8,600	174,992
Unearned revenue	-	-	-	14,494	14,494
Accrued compensated absences	120,240	402,718	-	109,100	632,058
Interfund loans payable	-	-	631,400	2,691,555	3,322,955
General obligation debt payable	2,612,730	688,189	220,471	329,376	3,850,766
Other liabilities	-	23,570	-	-	23,570
Total current liabilities	3,353,361	3,795,972	948,757	3,316,585	11,414,675
Long-term liabilities					
Workers' compensation	-	261,008	-	11,400	272,408
General obligation debt payable	12,765,076	5,894,559	3,206,859	2,990,730	24,857,224
Net OPEB obligation	118,816	440,010	-	69,383	628,209
Other long-term liabilities	298,269	-	-	213,148	511,417
Total long-term liabilities	13,182,161	6,595,577	3,206,859	3,284,661	26,269,258
Total liabilities	16,535,522	10,391,549	4,155,616	6,601,246	37,683,933
NET ASSETS					
Invested in capital assets, net of related debt	39,491,314	102,810,952	3,722,334	6,725,109	152,749,709
Unrestricted	1,223,177	13,652,871	847,696	(2,900,546)	12,823,198
Total net assets	\$ 40,714,491	\$ 116,463,823	\$ 4,570,030	\$ 3,824,563	\$ 165,572,907

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012
Business-type Activities - Enterprise Funds

	Sewer Utility Fund	Airport Fund	Economic Development Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
Operating revenues					
Charges for services	\$ 7,320,469	\$ 12,529,076	\$ 409,486	\$ 3,342,788	\$ 23,601,819
Operating expenses					
Operating expenses other than depreciation and amortization	4,668,679	12,630,895	265,947	3,318,069	20,883,590
Depreciation and amortization	1,691,486	7,793,489	184,498	683,035	10,352,508
Total operating expenses	6,360,165	20,424,384	450,445	4,001,104	31,236,098
Operating income (loss)	960,304	(7,895,308)	(40,959)	(658,316)	(7,634,279)
Nonoperating revenue (expenses)					
Interest income	49,017	412,756	79,254	2,466	543,493
Interest expense	(398,330)	(327,966)	(165,371)	(118,612)	(1,010,279)
Miscellaneous income (expense)	-	11,271	-	-	11,271
Total nonoperating revenue (expenses)	(349,313)	96,061	(86,117)	(116,146)	(455,515)
Net income (loss) before grants/contributions and transfers	610,991	(7,799,247)	(127,076)	(774,462)	(8,089,794)
Grants/contributions received for capital assets	-	1,793,479	558,300	-	2,351,779
Transfers to other funds	(15,000)	-	-	(4,430)	(19,430)
Transfers from other funds	2,335	-	-	434,137	436,472
Change in net assets	598,326	(6,005,768)	431,224	(344,755)	(5,320,973)
Net assets, beginning of year	40,116,165	122,469,591	4,138,806	4,169,318	170,893,880
Net assets, end of year	\$ 40,714,491	\$ 116,463,823	\$ 4,570,030	\$ 3,824,563	\$ 165,572,907

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2012

Business-type Activities - Enterprise Funds

	Sewer Utility Fund	Airport Fund	Economic Development Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
Cash flows from operating activities					
Cash received from customers	\$ 7,303,123	\$ 13,591,291	\$ 409,486	\$ 3,247,656	\$ 24,551,556
Cash paid to suppliers for goods and services	(2,964,757)	(5,309,370)	(240,189)	(2,048,473)	(10,562,789)
Cash paid to employees for services	(1,418,957)	(6,710,578)	-	(1,245,653)	(9,375,188)
Net cash provided by (used in) operating activities	2,919,409	1,571,343	169,297	(46,470)	4,613,579
Cash flows from noncapital financing activities					
Interfund loans (repayments)	2,335	(94,000)	123,000	173,700	205,035
Transfers in	-	-	-	434,137	434,137
Transfers out	(15,000)	-	-	(4,430)	(19,430)
Net cash provided by (used in) noncapital financing activities	(12,665)	(94,000)	123,000	603,407	619,742
Cash flows from capital and related financing activities					
Proceeds from general obligation bonds	1,333,013	-	-	142,844	1,475,857
Acquisition and construction of capital assets	(208,515)	(3,814,917)	-	-	(4,023,432)
Principal paid on general obligation bonds	(3,387,411)	(659,191)	(212,614)	(493,988)	(4,753,204)
Interest paid on general obligation bonds	(436,572)	(333,251)	(169,499)	(133,837)	(1,073,159)
Proceeds from sale of property	-	11,271	-	-	11,271
Grant/contribution monies received for capital assets	-	1,793,479	-	-	1,793,479
Net cash provided by (used in) capital and related financing activities	(2,699,485)	(3,002,609)	(382,113)	(484,981)	(6,569,188)
Cash flows from investing activities					
Net sales (purchases) of investments	-	1,385,369	-	-	1,385,369
Investment of unexpended bond proceeds	201,126	-	-	-	201,126
Interest on investments	49,017	412,757	79,253	2,600	543,627
Loan repayments	-	206,824	7,970	-	214,794
Net cash provided by (used in) investing activities	250,143	2,004,950	87,223	2,600	2,344,916
Net increase (decrease) in cash	457,402	479,684	(2,593)	74,556	1,009,049
Cash, beginning of year	607,847	3,813	2,688	748,887	1,363,235
Cash, end of year	\$ 1,065,249	\$ 483,497	\$ 95	\$ 823,443	\$ 2,372,284

Schedule of noncash investing, capital and financing activities:

During the year, the Airport Fund had an unrealized gain on investments in the amount of \$730,651.

During the year, the Economic Development Fund had a non cash contribution to capital assets in the amount of \$558,300

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, 2012

Business-type Activities - Enterprise Funds

	Sewer Utility Fund	Airport Fund	Economic Development Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 960,304	\$ (7,895,308)	\$ (40,959)	\$ (658,316)	\$ (7,634,279)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	1,691,486	7,793,489	184,498	683,035	10,352,508
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(33,035)	1,320,821	-	(96,286)	1,191,500
(Increase) decrease in due from water district	15,689	-	-	-	15,689
(Increase) decrease in inventories	-	(28,499)	-	(174)	(28,673)
(Increase) decrease in prepaid items	(308)	45	-	6,527	6,264
Increase (decrease) in accounts payable	265,878	330,788	25,758	20,809	643,233
Increase (decrease) in unearned revenue	-	-	-	1,154	1,154
Increase (decrease) in other liabilities	19,395	50,007	-	(3,219)	66,183
Total adjustments	1,959,105	9,466,651	210,256	611,846	12,247,858
Net cash provided by (used in) operating activities	\$ 2,919,409	\$ 1,571,343	\$ 169,297	\$ (46,470)	\$ 4,613,579

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 119,749
Total assets	\$ 119,749
LIABILITIES	
Liabilities:	
Amounts held for others	\$ 119,749
Total liabilities	\$ 119,749

See accompanying notes to financial statements.

INDEX OF NOTES TO THE FINANCIAL STATEMENTS

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CITY OF BANGOR, MAINE
Notes to the Financial Statements
June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Bangor was incorporated under the laws of the State of Maine in 1834 and operates under a council/manager form of government. In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The criteria used to determine which entities, agencies, commissions, boards and authorities are part of the City's operations include how the budget is adopted, whether debt is secured by general obligation of the City, the City's duty to cover any deficits that may occur, and supervision over the accounting functions. Based upon all pertinent facts derived from the analysis of the above criteria, it was determined that no additional entities should be included as part of these financial statements.

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, 2011 (most recent data available) the City of Bangor's share of the Joint Venture's net assets was \$5,952,477. Complete financial statements may be obtained from Municipal Review Committee, 40 Harlow Street, Bangor, ME 04401.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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.

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.

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Additionally, the City reports the following fund type:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities and Equity

1. Deposits and Investments

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

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

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

2. Interfund Receivables and Payables

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

Advances between funds are offset by nonspendable fund balance account 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. 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

4. Capital Assets

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

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

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

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

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

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

5. 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.

6. 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 assets. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

7. 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 City Council.
- Assigned fund balances reflect the intended use of the resources. The City Council authorized itself and the Finance Director and City Manager within defined limits with this authority.
- 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.

8. 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.

9. Use of Estimates

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

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Reconciliation of Budgetary Basis Statements

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

Deficiency of revenues over expenditures and other financing sources and uses (Budget)	\$ (540,920)
Activity in assigned fund balance	130,307
2012 encumbrances	1,540,508
2011 encumbrances paid	(1,365,707)
2011 encumbrances lapsed	<u>(16,034)</u>
Deficiency of revenues and other financing sources over expenditures and other uses (GAAP)	<u>\$ (251,846)</u>

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

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

Excess (deficiency) of revenues over expenditures and encumbrances:	
Sewer	\$ (1,980,843)
Airport	(8,110,119)
Park Woods	(136,442)
Parking	(187,644)
Bass Park	(297,660)
Municipal Golf Course	(77,740)
Economic Development	<u>(335,849)</u>
	(11,126,297)
Nonoperating revenues classification	(1,208,213)
Investments at market value	75,647
Capital outlay	(14,830)
Adjustments for accrual basis	(164,785)
Principal payments	3,796,204 *
2011 encumbrances	(34,299)
Nonoperating expenses classification	<u>1,042,294</u>
Operating loss	<u><u>\$ (7,634,279)</u></u>

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

C. Excess of Expenditures Over Appropriations

The following General Fund departments were over-expended by the indicated dollar amounts; Executive \$13,229, Legal \$742, Insurance \$7,233, Fire \$216,921, Health and Community Services \$337,195, and Parks and Recreation \$133,667. These over-expenditures were funded by receipt of revenues in excess of appropriations and under-expenditures within other General Fund departments.

The Park Woods Fund was over-expended by \$66,020, due to increased supplies and contractual services expenses.

D. Deficit Fund Equity

The Arena Fund has a deficit fund equity of \$4,603,950 which was funded in the subsequent year with bond proceeds. The Grant Fund has a deficit equity of \$4,584 which was funded in the subsequent year.

E. Restricted Assets

Donations received by the City whose use is limited are placed in the appropriate Special Revenue fund, depending upon whether or not the principal can be expended. All changes in market value are added to the earnings, which is allowable by State Statute. As these amounts are invested in a note receivable, there was no change in market value for fiscal year 2012.

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, 2012, \$0 of the City's bank balance of \$19,038,426 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At June 30, 2012, the City had the following investments and maturities:

Investment types	Fair Value	Not Applicable	Maturity (years)		
			<1	1-5	6-10
Mutual Funds	\$ 5,183,254	\$ 5,183,254	\$ -	\$ -	\$ -
US Treasuries	8,689,465	-	1,533,555	6,132,885	1,023,025
Common Stock	1,073,597	1,073,597	-	-	-
Certificate of Deposit	50,000	-	50,000	-	-
Totals	<u>\$ 14,996,316</u>	<u>\$ 6,256,851</u>	<u>\$ 1,583,555</u>	<u>\$ 6,132,885</u>	<u>\$ 1,023,025</u>

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. As of June 30, 2012, the City had no investments that were subject to custodial risk. The City's investment policy states that all security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a "delivery vs. payment" basis.

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

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

Concentration of Credit Risk

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

B. Property Tax

Property taxes for the current year were levied July 8, 2011, 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, 2011 and March 15, 2012. 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 revenues. Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain unpaid.

C. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,040,548	\$ -	\$ -	\$ 5,040,548
Construction in process	4,538,315	33,593,059	1,914,610	36,216,764
Total capital assets not being depreciated	<u>9,578,863</u>	<u>33,593,059</u>	<u>1,914,610</u>	<u>41,257,312</u>
Capital assets, being depreciated:				
Land improvements	8,108,835	1,584,586	-	9,693,421
Buildings and improvements	63,636,849	3,567,194	-	67,204,043
Machinery and equipment	10,598,715	528,564	-	11,127,279
Vehicles	16,408,214	924,591	416,843	16,915,962
Infrastructure	21,371,118	610,115	18,000	21,963,233
Total capital assets being depreciated	<u>120,123,731</u>	<u>7,215,050</u>	<u>434,843</u>	<u>126,903,938</u>
Less accumulated depreciation for:				
Land improvements	(2,932,451)	(396,209)	-	(3,328,660)
Buildings and improvements	(22,918,997)	(1,293,091)	-	(24,212,088)
Machinery and equipment	(7,792,974)	(658,037)	-	(8,451,011)
Vehicles	(9,218,746)	(1,129,282)	(349,213)	(9,998,815)
Infrastructure	(10,340,451)	(469,191)	(17,820)	(10,791,822)
Total accumulated depreciation	<u>(53,203,619)</u>	<u>(3,945,810)</u>	<u>(367,033)</u>	<u>(56,782,396)</u>
Total capital assets being depreciated, net	66,920,112	3,269,240	67,810	70,121,542
Governmental activities capital assets, net	<u>\$ 76,498,975</u>	<u>\$ 36,862,299</u>	<u>\$ 1,982,420</u>	<u>\$ 111,378,854</u>

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,977,038	\$ -	\$ -	\$ 3,977,038
Construction in process	9,367,427	4,162,334	11,074,585	2,455,176
Total capital assets not being depreciated	<u>13,344,465</u>	<u>4,162,334</u>	<u>11,074,585</u>	<u>6,432,214</u>
Capital assets, being depreciated:				
Land improvements	3,071,032	-	-	3,071,032
Buildings and improvements	42,886,703	1,643,991	-	44,530,694
Machinery and equipment	6,113,438	31,397	10,760	6,134,075
Infrastructure	57,754,759	185,031	-	57,939,790
Airport operational assets	246,145,884	9,859,533	-	256,005,417
Parking structures	11,350,354	-	37,945	11,312,409
Total capital assets being depreciated	<u>367,322,170</u>	<u>11,719,952</u>	<u>48,705</u>	<u>378,993,417</u>
Less accumulated depreciation for:				
Land improvements	(1,623,185)	(71,139)	-	(1,694,324)
Buildings and improvements	(29,030,842)	(1,414,077)	-	(30,444,919)
Machinery and equipment	(4,534,278)	(218,762)	(10,760)	(4,742,280)
Infrastructure	(11,148,696)	(585,305)	-	(11,734,001)
Airport operational assets	(144,665,140)	(7,793,489)	-	(152,458,629)
Parking structures	(7,928,805)	(269,736)	(36,079)	(8,162,462)
Total accumulated depreciation	<u>(198,930,946)</u>	<u>(10,352,508)</u>	<u>(46,839)</u>	<u>(209,236,615)</u>
Total capital assets being depreciated, net	168,391,224	1,367,444	1,866	169,756,802
Governmental activities capital assets, net	<u>\$ 181,735,689</u>	<u>\$ 5,529,778</u>	<u>\$ 11,076,451</u>	<u>\$ 176,189,016</u>

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

Governmental Activities:	
General government	\$ 1,359,766
Public safety	903,488
Health, community services and recreation	132,512
Public building and services	603,443
Education	<u>946,601</u>
Total depreciation expense - governmental activities	<u>\$ 3,945,810</u>
Business-type activities:	
Sewer Utility Fund	\$ 1,691,486
Airport Fund	7,793,489
Park Woods	89,123
Parking Fund	269,736
Bass Park Fund	242,065
Municipal Golf Course	82,111
Economic Development Fund	<u>184,498</u>
Total depreciation expense - business-type activities	<u>\$ 10,352,508</u>

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

Construction commitments

The government has active construction projects as of June 30, 2012. The projects include construction of a new arena/meeting complex, reconstruction of runways, construction of additional infrastructure on the waterfront, and continuation of the combined sewer overflow program.

D. Interfund Transactions

Individual fund interfund receivable and payable transactions are described in the Summary of Significant Accounting Policies Note D. 2. As of June 30, 2012 the balances were as follows:

	Receivable	Payable
General Fund	\$ 4,528,785	\$ -
Arena Fund	-	970,500
Nonmajor Special Revenue Funds	-	235,330
Park Woods Fund	-	378,300
Bass Park Fund	-	2,313,255
Economic Development	-	631,400
	<u>\$ 4,528,785</u>	<u>\$ 4,528,785</u>

Individual fund transfers to and from other funds for the fiscal year ended June 30, 2012 are comprised primarily of transfers from fund balances to fund capital projects and to provide operating subsidies to certain proprietary funds.

	Transfers to	Transfers from
General Fund	\$ 1,579,758	\$ 91,425
Arena Fund	182,048	-
Grant Fund	-	36,374
Dedicated Revenue Funds	5,575	-
Other Nonmajor Special Revenue Funds	3,500	-
Capital Projects Fund	61,420	1,316,100
Other Nonmajor Permanent Funds	29,000	-
Sewer Utility Fund	15,000	2,335
Nonmajor Proprietary Funds	4,430	434,137
	<u>\$ 1,880,731</u>	<u>\$ 1,880,371</u>

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

E. Due From Other Governments

Due from other governments is comprised of the following amounts at June 30, 2012:

	Federal Government	State of Maine	Other	Total
General Fund	\$ 92,742	\$ 1,856,122	\$ 167,881	\$ 2,116,745
Community Development	139,159	-	-	139,159
Nonmajor Special Revenue Funds	144,121	102,239	-	246,360
Capital Projects Fund	32,057	191,413	-	223,470
Proprietary Funds	377,741	9,797	-	387,538

Of the General Fund's \$1,856,122 due from State of Maine, \$893,536 represents school grant and State agency billings, \$788,067 is due from the Department of Transportation and \$124,758 represents general assistance claims. Amounts due from other communities for tuition reimbursement to Bangor account for \$102,234 of the Due from Other in the General Fund.

F. Leases

Operating Leases

The Airport and Economic Development Proprietary Funds are the lessors of various buildings and land parcels under operating leases expiring in various years through 2040 and 2035, respectively. Minimum future rentals to be received on noncancelable leases as of June 30, 2012 are:

Fiscal year ending June 30,	Airport	Economic Development
2013	\$ 2,570,780	\$ 480,626
2014	1,373,320	381,334
2015	792,914	384,845
2016	473,380	336,266
2017	377,000	324,840
Subsequent to 2017	3,430,458	2,457,309
	<u>\$ 9,017,852</u>	<u>\$ 4,365,220</u>

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. The Airport received \$1,450,150 in contingent rentals in fiscal year 2012.

The carrying amounts of the leased assets are as follows:

	Airport	Economic Development
Land	\$ 565,532	\$ 2,747,811
Buildings	22,886,327	4,318,516
Less accumulated depreciation	(13,545,799)	(1,173,295)
Total	<u>\$ 9,906,060</u>	<u>\$ 5,893,032</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:

	Proprietary Fund
Due from bond trustee	\$ 294,767
Deposits	20,000
Total	\$ 314,767

H. Deferred/Unearned Revenue

General Fund deferred revenue consists of \$2,438,069 in deferred taxes and \$60,637 of advance deposits. Capital Fund deferred revenue of \$78,298 consists of advance deposits. Community Development Block Grant and Other Governmental Funds deferred revenue of \$4,819,070 and \$160,000, respectively, represents future revenue equal to loans made pursuant to the Community Development, Urban Development Action Grants and Economic Incentive Revolving Loan Fund. Under the terms of these grants, loans made are recognized as an expenditure in the Special Revenue Fund when they occur. Further, in accordance with regulations governing such funds, the repayments of such loans are considered program income as received and are available to the recipient for additional use within the program. Proprietary Funds unearned revenue of \$14,494 represents advance deposits.

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 \$192,175,948. The following is a summary of general obligation bond and note transactions of the City for the fiscal year ended June 30, 2012:

Bonds and notes payable at June 30, 2011	\$ 90,441,003
Add: principal additions	12,135,000
Add: bond anticipation note	20,000,000
Less: principal repayments	13,193,855
Bonds and notes payable at June 30, 2012	\$ 109,382,148

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

Bonds and notes payable at June 30, 2012 are comprised of the following:

Long-term debt	Fiscal year of maturity	Interest rate	Governmental Activities		Business-type Activities	Total June 30, 2012
			City	School		
Treatment Plant	2013	7.00% - 7.10%	\$ -	\$ -	\$ 950,000	\$ 950,000
Combined sewer overflow	2014	2.46%	-	-	186,400	186,400
Combined sewer overflow	2014	2.45%	-	-	198,600	198,600
Combined sewer overflow	2017	3.52%	-	-	896,642	896,642
Tax increment financing note*	2016	4.50%	383,047	-	-	383,047
Combined sewer overflow	2018	3.03%	-	-	857,883	857,883
Tax increment financing note*	2018	4.50%	121,669	-	-	121,669
Maine Business Enterprise Park	2018	5.00%	-	-	105,832	105,832
Public improvements note*	2020	4.50%	449,848	-	-	449,848
Pension obligation bonds	2026	3.06% - 6.45%	23,269,300	1,483,162	4,972,538	29,725,000
Refunding bonds	2024	3.06% - 3.47%	314,902	330,000	635,098	1,280,000
Combined sewer overflow	2023	1.94%	-	-	1,753,261	1,753,261
Tax increment financing note*	2015	2.50% - 4.00%	51,214	-	-	51,214
Briggs Building note	2023	4.50%	-	-	884,339	884,339
Refunding/public improvements - 2004	2023	2.50% - 4.80%	2,075,000	-	-	2,075,000
Combined sewer overflow	2024	1.41%	-	-	1,835,798	1,835,798
Public improvements - 2005	2024	3.50% - 4.30%	1,565,000	-	650,000	2,215,000
Airport building sprinklers	2024	3.25% - 5.00%	-	-	1,495,000	1,495,000
Chancellor's property note	2025	5.00%	-	-	1,787,157	1,787,157
Public improvements/refunding	2025	4.00% - 4.20%	2,592,266	-	417,734	3,010,000
Combined sewer overflow	2027	1.64%	-	-	1,559,251	1,559,251
Public improvements - 2007	2027	4.00%	2,555,000	-	-	2,555,000
Combined sewer overflow	2028	1.81%	-	-	1,655,251	1,655,251
Public improvements - 2009	2029	2.00% - 4.375%	2,635,000	-	-	2,635,000
ARRA - CWSRF	2029	0.00%	-	-	823,572	823,572
ARRA - CWSRF	2030	0.00%	-	-	462,384	462,384
Public improvements/refunding	2020	2.00% - 3.25%	3,812,480	6,521,024	1,176,496	11,510,000
Public improvements/refunding	2021	2.00% - 3.25%	1,856,103	-	3,928,897	5,785,000
Qualified school construction bond	2028	4.65%	-	5,610,000	-	5,610,000
Refunding/public improvements	2022	2.00% - 2.25%	2,753,438	2,295,705	1,475,857	6,525,000
Bond anticipation note	2013	0.88%	20,000,000	-	-	20,000,000
Total bonds and notes payable			\$ 64,434,267	\$ 16,239,891	\$ 28,707,990	\$ 109,382,148

* Notes aggregating \$1,005,778 are held by the City's Airport Fund at fixed, taxable market rates of interest.

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

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

Fiscal year ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2013	\$ 24,426,590	\$ 2,520,735	\$ 3,850,766	\$ 910,712
2014	4,306,571	2,361,591	2,322,722	819,994
2015	4,363,771	2,215,369	2,200,490	759,309
2016	4,484,677	2,055,526	2,271,474	696,526
2017	4,464,742	1,885,458	2,330,085	629,232
2018-2022	19,091,053	6,749,958	9,727,310	2,150,321
2023-2027	13,671,754	2,182,948	5,713,241	589,812
2028-2032	5,865,000	21,793	291,902	2,135
Total	<u>\$ 80,674,158</u>	<u>\$ 19,993,378</u>	<u>\$ 28,707,990</u>	<u>\$ 6,558,041</u>

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, 2012, the statutory limit for the City was \$368,467,500. The City's outstanding long-term debt of \$109,382,148 at June 30, 2012 was within the statutory limit.

Bond Anticipation Note

On June 8, 2012, the City issued \$30,000,000 of twelve month bond anticipation notes for the construction of its new arena. The City only drew down \$20,000,000 of funds at a rate of .88%. The principal plus accrued interest was permanently financed on July 31, 2012 and was therefore recognized as long-term debt as of June 30, 2012.

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, 2012, \$155,000 remains authorized and unissued. The City expects to issue the debt within the next twenty four months.

Overlapping Debt

In addition to the bonds and notes payable, the City may be contingently responsible for a proportionate share of overlapping debt. Overlapping debt is debt issued by a separate entity that shares the same tax base as the City of Bangor. As of June 30, 2012 the City did not have any overlapping debt obligations.

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due within one year
Governmental activities:					
General obligation debt	\$ 58,455,666	\$ 30,659,143	\$ 8,440,651	\$ 80,674,158	\$ 24,426,590
Accrued compensated absences*	2,417,225	1,733,972	1,743,626	2,407,571	1,448,475
Net OPEB obligation*	1,760,495	262,174	40,682	1,981,987	-
Long-term obligation for self insurance	1,726,580	748,736	492,870	1,982,446	607,890
Governmental activities long-term liabilities	<u>\$ 64,359,966</u>	<u>\$ 33,404,025</u>	<u>\$ 10,717,829</u>	<u>\$ 87,046,162</u>	<u>\$ 26,482,955</u>
Business-type activities:					
General obligation debt	\$ 31,985,337	\$ 1,475,857	\$ 4,753,204	\$ 28,707,990	\$ 3,850,766
Accrued compensated absences	619,016	448,561	435,519	632,058	632,058
Net OPEB obligation	562,628	81,969	16,388	628,209	-
Long-term obligation for self insurance	447,400	74,031	74,031	447,400	174,992
Other	511,283	134	-	511,417	-
Business-type activities long-term liabilities	<u>\$ 34,125,664</u>	<u>\$ 2,080,552</u>	<u>\$ 5,279,142</u>	<u>\$ 30,927,074</u>	<u>\$ 4,657,816</u>

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

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

J. Fund Balances

As of June 30, 2012, fund balances components consisted of the following:

	Nonspendable	Restricted	Committed	Assigned
General Fund:				
Advances to other funds	\$ 1,900,500	\$ -	\$ -	\$ -
Inventory and prepaid items	860,187	-	-	-
PEG capital support	-	27,705	-	-
Arbitrage	-	264,380	-	-
Credit reserve	-	26,764	-	-
Pickering Square Develop Dist	-	30,513	-	-
School Department				
Regular	-	293,184	-	-
Adult education	-	119,985	-	-
Reading assessment	-	247	-	-
Special revenue	-	38,361	-	-
School lunch	-	230,803	-	-
Trust and agency	-	253,578	-	-
Cultural Commission	-	-	1,583	-
Arena Pre-Opening	-	-	372,170	-
Subsequent year expenditures	-	-	-	1,548,268
Pooled equipment reserve	-	-	-	39,561
Bus equipment reserve	-	-	-	42,369
Fire equipment reserve	-	-	-	107,533
Self insurance reserve	-	-	-	1,982,446
Improvement reserve	-	-	-	353,345
Cameron Stadium reserve	-	-	-	354,683
Demolition reserve	-	-	-	52,343
Benefit reserve	-	-	-	293,365
Parks & Recreation reserve	-	-	-	15,193
Subtotal	<u>2,760,687</u>	<u>1,285,520</u>	<u>373,753</u>	<u>4,789,106</u>
Community Development Block Grant	-	415,956	-	-
Capital Projects Fund:				
Capital project funds	-	759	-	-
Encumbrances	-	-	-	1,853,043
Subtotal	<u>-</u>	<u>759</u>	<u>-</u>	<u>1,853,043</u>
Other Governmental Funds:				
Nonexpendable trust principal	588,515	-	-	-
Nonmajor Special Revenue Funds	-	1,862,992	-	-
Nonmajor Permanent Funds	-	449,974	-	-
Subtotal	<u>588,515</u>	<u>2,312,966</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,349,202</u>	<u>\$ 4,015,201</u>	<u>\$ 373,753</u>	<u>\$ 6,642,149</u>

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

Encumbrances at year end were \$31,531 for municipal General Fund, \$1,516,737 for school General Fund, \$59,093 for Community Development Block Grant, \$1,330,401 for Capital Projects Fund, \$5,492,811 for Airport Fund, and \$456,286 for Sewer Utility Fund.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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 assets invested in capital assets, net of related debt was calculated as follows at June 30, 2012:

	Governmental	Business-type
Capital assets	\$ 168,161,250	\$ 385,425,631
Accumulated depreciation	(56,782,396)	(209,236,615)
Bonds payable	(80,674,158)	(28,707,990)
Non capital related bonds payable	36,548,892	4,973,916
Unspent bond proceeds	-	294,767
Total invested in capital assets net of related debt	\$ 67,253,588	\$ 152,749,709

OTHER INFORMATION

A. Risk Management

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

The City purchases coverage under a number of commercially available insurance policies such as; commercial general liability, auto, property damage and crime and dishonesty, each with limits and deductibles deemed prudent given the risks, cost of coverage and the City's ability to fund certain types of losses. For those claims covered by commercial insurance, the amount of settlements has not exceeded the coverage for the years ended June 30, 2012, 2011 and 2010.

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, 2012, the amount of self-insurance liabilities was \$2,429,846. This liability is the City's best estimate based on available information.

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

OTHER INFORMATION, CONTINUED

Changes in the reported liabilities since July 1, 2010 resulted from the following:

	Workers' Compensation	All other self- insured risks	Total
Unpaid claims as of July 1, 2010	\$ 1,785,322	\$ 215,786	\$ 2,001,108
Incurred claims	330,368	-	330,368
Payments	(520,029)	(763)	(520,792)
Changes in estimates and other adjustments	362,744	552	363,296
Unpaid claims as of July 1, 2011	1,958,405	215,575	2,173,980
Incurred claims	475,912	-	475,912
Payments	(581,099)	(17,798)	(598,897)
Changes in estimates and other adjustments	264,108	114,743	378,851
Unpaid claims as of July 1, 2012	<u>\$ 2,117,326</u>	<u>\$ 312,520</u>	<u>\$ 2,429,846</u>

B. Tax Increment Financing Districts

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

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

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

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

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

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

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

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

OTHER INFORMATION, CONTINUED

C. Contingent Liabilities

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

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

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

D. Retirement

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

Defined Contribution Plan

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

Funding Policy – Plan members not covered by employment contracts are required to contribute 6.5% of their annual covered salary and the City is required to contribute either 8% or 10% depending upon the employee's classification. For fiscal year 2012 covered payroll was \$14,696,711 and City contributions were \$1,254,952. 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 \$462,404 and \$53,075 respectively, in fiscal year 2012.

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

OTHER INFORMATION, CONTINUED

Defined Benefit Pension Plan

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

Funding Policy – Plan members are required to contribute 6.5% of their annual covered salary and the City is required to contribute an actuarially determined rate. The current rate ranges from 4.40% to 10.20% of annual covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. The City's contributions to the Maine Public Employees Retirement System Consolidated Plan for the years ended June 30, 2012, 2011, and 2010 were \$942,629, \$794,677, and \$702,525 respectively, equal to the required contributions for each year.

Teachers' Group

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

Funding Policy – Plan members are required to contribute 7.65% of their compensation to the retirement system. The same statute requires the State of Maine Department of Education, to contribute the employer contribution, which amounts to \$3,977,170 (16.36%) for fiscal year 2012. This amount has been reported as an intergovernmental revenue and education expenditure in the GAAP basis financial statements. There is no contribution required by the school department except for federally funded teachers, for which they contributed 16.36% of their compensation. This cost is charged to the applicable grant.

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

OTHER INFORMATION, CONTINUED

Deferred Compensation Plan

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

Social Security

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

E. Other Postemployment Benefits

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

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

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

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

Annual required contribution (ARC)	\$ 385,564
Amortization adjustment to ARC	(134,346)
Interest on net OPEB obligation	<u>92,925</u>
Annual OPEB cost	<u>\$ 344,143</u>

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

OTHER INFORMATION, CONTINUED

Funding Status and Funding Progress – The City’s annual OPEB cost, the net OPEB obligation and the percentage of annual OPEB cost contributed to the plan for the years ending June 30, 2010, 2011 and 2012 are as follows:

	June 30, 2010	June 30, 2011	June 30, 2012
Annual OPEB cost	\$ 1,138,705	\$ 357,467 *	\$ 344,143
City contributions	(136,659)	(38,436)	(57,070)
Increase in net OPEB obligation	1,002,046	319,031	287,073
Net OPEB obligation, beginning of year	1,002,046	2,004,092	2,323,123
Net OPEB obligation, end of year	\$ 2,004,092	\$ 2,323,123	\$ 2,610,196
Percentage contributed	12.00%	10.75%	16.58%

* Information provided by the actuary included changes to the participation assumptions resulting in a large decrease of the annual OPEB cost.

The unfunded actuarial accrued liability as a percentage of covered payroll for June 30, 2012 is as follows:

	Governmental Activities	Business-type Activities	Total June 30, 2012
Actuarial accrued liability (AAL)	\$ 3,430,307	\$ 1,072,491	\$ 4,502,798
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	\$ 3,430,307	\$ 1,072,491	\$ 4,502,798
Covered payroll	\$ 17,175,024	\$ 5,369,798	\$ 22,544,822
UAAL as a percentage of covered payroll			19.97%

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 four 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	1/1/11
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar
Amortization period	30 years - open
Actuarial assumptions:	
Investment rate of return	4.0%
Claims aging	3.0%
Healthcare cost trend rate	8.7% - 4.0%

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

OTHER INFORMATION, CONTINUED

F. Landfill Closure and Postclosure Care Costs

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

G. Subsequent Events

On July 31, 2012, the City issued \$53,800,000 in general obligation bonds for the purpose of funding the arena/meeting complex project. The City Council has identified a portion of the City's Downtown Tax Increment Financing District proceeds, as well as the gaming revenue received by the City as the source of repayment for this debt. A portion of the proceeds were used to extinguish a \$20,000,000 bond anticipation note issued in June 2012.

On August 13, 2012 the City Council authorized the issuance of up to \$4,939,000 in general obligations bonds for the purpose of funding street and bridge work, Wastewater Infrastructure, the City's annual fleet/equipment replacement, and a fire engine.

On October 23, 2012, the City issued \$2,800,000 in general obligation federally taxable direct payment Qualified School Construction Bonds, under the provisions of the American Recovery and Reinvestment Act of 2009. The bond proceeds will finance the rehabilitation, reconstruction, repair, upgrading and equipping of the City's various school facilities. The bonds were issued at a taxable interest rate of 4.05% for a period of twenty-three years. The City will be entitled to receive interest subsidy payments equal to the full 4.05%, as the applicable tax credit rate on the date of the issuance was in excess of the stated rate, from the United States Department of Treasury for the life of the issue. This subsidy is subject to action by the United States Congress.

On November 6, 2012, Bangor residents voted to approve a citizen-initiated Charter amendment to require voter ratification of certain debt issuances. The amendment will require voter ratification of any order authorizing the issuance of debt for an individual project in excess of five one-hundredths of one percent of the City's last certified State Valuation. The amendment also exempts certain borrowings from the voter ratification requirement such as; streets, sewers, self-supporting enterprise funds, refunding, etc.

On November 6, 2012, Bangor residents voted to approve a Charter amendment to increase the target limits of the City's unassigned fund balance from no more than 10% and no less than 5% of the City's prior year expenditures less debt service to no more than 16.66% and no less than 8.33% of prior year expenditures.

CITY OF BANGOR, MAINE
Required Supplemental Information
Schedule of Funding Progress - Retiree Healthcare Plan
For the Fiscal Year Ended June 30, 2012

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

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

GENERAL FUND

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



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CITY OF BANGOR, MAINE
Balance Sheet
General Fund
June 30, 2012

ASSETS	
Cash and cash equivalents	\$ 13,164,922
Investments	50,000
Receivables:	
Taxes	2,674,944
Accounts (net of allowance of \$475,341)	725,537
Interfund	4,528,785
Intergovernmental	2,116,745
Loans	884,339
Inventory, at cost	819,345
Prepaid items	40,842
Total assets	\$ 25,005,459
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 1,740,176
Accrued wages and benefits payable	3,993,853
Deferred revenue	2,498,706
Total liabilities	8,232,735
Fund balances	
Nonspendable	2,760,687
Restricted	1,285,520
Committed	373,753
Assigned	4,789,106
Unassigned	7,563,658
Total fund balance	16,772,724
Total liabilities and fund balance	\$ 25,005,459

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, 2012

	Balances			Variance	
	Carried 7/1/2011	Budget	Actual	Surplus	Carried
Revenues					
Taxes					
Real and personal property	\$ -	\$ 48,121,538	\$ 48,233,620	\$ 112,082	\$ -
Change in deferred property tax	-	-	(180,193)	(180,193)	-
Tax increment financing district	-	(2,290,514)	(2,290,505)	9	-
Payment in lieu of taxes	-	115,000	156,629	41,629	-
Excise	-	4,528,000	4,596,945	68,945	-
Interest on delinquent taxes	-	208,000	191,445	(16,555)	-
Total taxes	-	50,682,024	50,707,941	25,917	-
Intergovernmental					
State revenue sharing	-	3,700,000	3,637,838	(62,162)	-
School subsidy	-	16,657,164	16,812,421	-	155,257
Other -					
municipal	-	3,746,030	3,889,443	143,413	-
school	-	4,728,082	4,599,927	-	(128,155)
Total intergovernmental	-	28,831,276	28,939,629	81,251	27,102
Other revenue					
Licenses and permits	-	656,363	948,267	23,294	268,610
Charges for service -					
municipal	-	8,217,481	8,480,365	159,324	103,560
school	-	3,722,155	3,806,614	-	84,459
Fines, forfeits and penalties	-	32,500	41,628	9,128	-
Revenue from use of money and property -					
municipal	-	708,483	706,353	(2,130)	-
Total other	-	13,336,982	13,983,227	189,616	456,629
Total revenues	-	92,850,282	93,630,797	296,784	483,731

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, 2012

	Balances			Variance	
	Carried 7/1/2011	Budget	Actual	Surplus	Carried
Expenditures					
General government					
Council	-	30,676	27,393	3,283	-
Executive	-	818,670	831,899	(13,229)	-
Human resources	-	123,123	115,545	7,578	-
City clerk	-	394,531	357,975	36,556	-
Assessing	-	449,334	441,863	7,471	-
Legal	-	284,033	284,775	(742)	-
Finance	-	1,604,696	1,497,717	106,979	-
Insurance	-	147,500	154,733	(7,233)	-
Planning, econ dev, code enforcement	-	1,234,175	1,197,719	36,456	-
Total general government	-	5,086,738	4,909,619	177,119	-
Public safety					
Police	-	8,209,631	7,933,073	276,558	-
Fire	-	7,873,348	8,090,269	(216,921)	-
Total public safety	-	16,082,979	16,023,342	59,637	-
Health, community services and recreation					
Health and community services	-	3,406,479	3,743,674	(337,195)	-
Parks and recreation	-	1,542,688	1,676,355	(133,667)	-
Total health, commun. serv and rec.	-	4,949,167	5,420,029	(470,862)	-
Public buildings and services	-	10,286,968	9,845,436	441,532	-

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, 2012

	Balances			Variance	
	Carried 7/1/2011	Budget	Actual	Surplus	Carried
Expenditures, continued					
Other agencies					
County tax	-	2,876,620	2,876,620	-	-
Downtown Development District	-	52,507	52,507	-	-
Public library	-	1,383,733	1,382,732	1,001	-
Other agencies	19,033	80,375	97,686	139	1,583
Total other agencies	19,033	4,393,235	4,409,545	1,140	1,583
Education					
Regular	3,184,598	40,916,799	40,280,389	-	3,821,008
Adult education	137,283	500,403	492,699	-	144,987
School lunch	346,552	1,356,150	1,525,936	-	176,766
Special revenue	225,716	3,349,172	3,280,515	-	294,373
Trust and agency	363,378	1,203,012	1,190,333	-	376,057
Total education	4,257,527	47,325,536	46,769,872	-	4,813,191
Other appropriations					
Pensions and other fringe benefits	-	1,992,553	1,975,679	16,874	-
Debt service	-	2,590,976	2,590,462	514	-
Tax increment financing payments	-	818,369	813,877	4,492	-
Total other appropriations	-	5,401,898	5,380,018	21,880	-
Total expenditures	4,276,560	93,526,521	92,757,861	230,446	4,814,774
Excess (deficiency) of revenues over/under expenditures	(4,276,560)	(676,239)	872,936	527,230	5,298,505

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, 2012

	Balances			Variance	
	Carried 7/1/2011	Budget	Actual	Surplus	Carried
Other financing sources (uses)					
Appropriation from restricted, committed and assigned fund balances	-	1,288,328	158,328	(125,000)	(1,005,000)
Appropriation to assigned fund balances	-	-	(250,000)	(250,000)	-
Sale of assets	-	4,000	13,020	9,020	-
Contributions	-	-	200	200	-
Insurance Settlements	-	5,000	20,253	15,253	-
Transfers to other funds	-	(396,000)	(1,129,500)	(733,500)	-
Transfers from other funds	-	27,000	25,932	(1,068)	-
Operating transfers	-	(252,089)	(252,089)	-	-
Total other financing sources (uses)	-	676,239	(1,413,856)	(1,085,095)	(1,005,000)
Net change in unassigned fund balance	\$ (4,276,560)	\$ -	\$ (540,920)	(557,865)	\$ 4,293,505
Unassigned fund balance, beginning of year				8,017,940	
Changes in amounts required to be shown as nonspendable fund balance					
Inventory and prepaids				103,583	
Unassigned fund balance, end of year				\$ 7,563,658	

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

Permanent Fund

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

CITY OF BANGOR, MAINE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 777,793	\$ -	\$ 777,793
Investments	-	119,374	119,374
Receivables:			
Loans /Notes (net of \$170,317 allowance)	1,295,294	919,115	2,214,409
Intergovernmental	246,360	-	246,360
Total assets	\$ 2,319,447	\$ 1,038,489	\$ 3,357,936
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 46,569	\$ -	\$ 46,569
Accrued wages and benefits payable	19,140	-	19,140
Deferred revenue	160,000	-	160,000
Interfund loans payable	235,330	-	235,330
Total liabilities	461,039	-	461,039
Fund balances			
Nonspendable	-	588,515	588,515
Restricted	1,862,992	449,974	2,312,966
Unassigned	(4,584)	-	(4,584)
Total fund balances	1,858,408	1,038,489	2,896,897
Total liabilities and fund balances	\$ 2,319,447	\$ 1,038,489	\$ 3,357,936

CITY OF BANGOR, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
Revenues			
Taxes	\$ 771,139	\$ -	\$ 771,139
Intergovernmental	4,502,833	-	4,502,833
Charges for services	1,045,515	-	1,045,515
Program income	144,920	-	144,920
Revenue from use of money and property	69,452	-	69,452
Other revenue	77,606	4,175	81,781
Interest revenue	-	44,382	44,382
Total revenues	6,611,465	48,557	6,660,022
Expenditures			
Current:			
Personnel	1,143,050	-	1,143,050
Payments to beneficiaries	802,556	-	802,556
Other	1,979,994	-	1,979,994
Bus operations	2,480,221	-	2,480,221
Program expenditures	-	115	115
Total expenditures	6,405,821	115	6,405,936
Excess of revenues over expenditures	205,644	48,442	254,086
Other financing sources (uses)			
Transfers to other funds	(9,075)	(29,000)	(38,075)
Transfers from other funds	36,734	-	36,734
Total other financing sources (uses)	27,659	(29,000)	(1,341)
Net change in fund balances	233,303	19,442	252,745
Fund balances, beginning of year	1,625,105	1,019,047	2,644,152
Fund balances, end of year	\$ 1,858,408	\$ 1,038,489	\$ 2,896,897

CITY OF BANGOR, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	Other HUD Funds	Grant Fund	Dedicated Revenue Funds	Other	Totals
ASSETS					
Cash and cash equivalents	\$ 335,447	\$ 42,443	\$ -	\$ 399,903	\$ 777,793
Receivables:					
Loans/Notes (net of \$170,317 allowance)	160,000	-	842,157	293,137	1,295,294
Intergovernmental	-	246,360	-	-	246,360
Total assets	\$ 495,447	\$ 288,803	\$ 842,157	\$ 693,040	\$ 2,319,447
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 38,917	\$ -	\$ 7,652	\$ 46,569
Accrued wages and benefits payable	-	19,140	-	-	19,140
Deferred revenue	160,000	-	-	-	160,000
Interfund loans payable	-	235,330	-	-	235,330
Total liabilities	160,000	293,387	-	7,652	461,039
Fund balances (deficits)					
Restricted	335,447	-	842,157	685,388	1,862,992
Unassigned	-	(4,584)	-	-	(4,584)
Total fund balances (deficits)	335,447	(4,584)	842,157	685,388	1,858,408
Total liabilities and fund balances (deficits)	\$ 495,447	\$ 288,803	\$ 842,157	\$ 693,040	\$ 2,319,447

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, 2012

	Other HUD Funds	Grant Fund	Dedicated Revenue Funds	Other	Totals
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 771,139	\$ 771,139
Intergovernmental	-	4,502,833	-	-	4,502,833
Charges for services	-	1,045,515	-	-	1,045,515
Program income	144,920	-	-	-	144,920
Revenue from use of money and property	-	-	34,762	34,690	69,452
Contributions	-	25,856	17,323	34,427	77,606
Total revenues	144,920	5,574,204	52,085	840,256	6,611,465
Expenditures					
Current:					
Personnel	-	1,143,050	-	-	1,143,050
Payments to beneficiaries	-	-	593	801,963	802,556
Other	-	1,979,994	-	-	1,979,994
Bus operations	-	2,480,221	-	-	2,480,221
Total expenditures	-	5,603,265	593	801,963	6,405,821
Excess (deficiency) of revenues over (under) expenditures	144,920	(29,061)	51,492	38,293	205,644
Other financing sources (uses)					
Transfers to other funds	-	-	(5,575)	(3,500)	(9,075)
Transfers from other funds	-	36,734	-	-	36,734
Total other financing sources (uses)	-	36,734	(5,575)	(3,500)	27,659
Net change in fund balances	144,920	7,673	45,917	34,793	233,303
Fund balances (deficits), beginning of year	190,527	(12,257)	796,240	650,595	1,625,105
Fund balances (deficits), end of year	\$ 335,447	\$ (4,584)	\$ 842,157	\$ 685,388	\$ 1,858,408

CITY OF BANGOR, MAINE
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2012

	Other Funds	Revolving Loan Funds	Totals
ASSETS			
Investments	\$ -	\$ 119,374	\$ 119,374
Loans receivable	891,858	27,257	919,115
Total assets	\$ 891,858	\$ 146,631	\$ 1,038,489
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -
Fund balances			
Nonspendable	441,884	146,631	588,515
Restricted	449,974	-	449,974
Total fund balances	891,858	146,631	1,038,489
Total liabilities and and fund balances	\$ 891,858	\$ 146,631	\$ 1,038,489

CITY OF BANGOR, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the Fiscal Year Ended June 30, 2012

	Other Funds	Revolving Loan Funds	Totals
Revenues			
Investment income	\$ 39,745	\$ 4,637	\$ 44,382
Lot sales	4,175	-	4,175
Total revenues	43,920	4,637	48,557
Expenditures			
Current:			
Payments to beneficiaries	115	-	115
Total expenditures	115	-	115
Excess of revenues over expenditures	43,805	4,637	48,442
Other financing sources (uses)			
Transfer to other funds	(29,000)	-	(29,000)
Total other financing source (uses)	(29,000)	-	(29,000)
Net change in fund balances	14,805	4,637	19,442
Fund balances, beginning of year	877,053	141,994	1,019,047
Fund balances, end of year	\$ 891,858	\$ 146,631	\$ 1,038,489

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ENTERPRISE FUNDS

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

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

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

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

Bass Park Fund – This fund accounts for the operation of the Bangor auditorium, Bangor Civic Center, and 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.

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

CITY OF BANGOR, MAINE
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2012

Business-type Activities - Enterprise Funds

	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
ASSETS					
Current assets					
Cash and cash equivalents	\$ 246	\$ 235,013	\$ 7,930	\$ 580,254	\$ 823,443
Accounts receivable	5,377	-	167,108	-	172,485
Less allowance for uncollectible accounts	-	-	(10,000)	-	(10,000)
Net accounts receivable	5,377	-	157,108	-	162,485
Inventories, at cost	-	-	18,039	-	18,039
Prepaid items	-	-	14,286	-	14,286
Total current assets	5,623	235,013	197,363	580,254	1,018,253
Noncurrent assets					
Capital Assets:					
Land and improvements	295,025	-	828,921	1,594,732	2,718,678
Buildings and improvements	1,933,061	-	8,741,549	912,607	11,587,217
Machinery and equipment	22,952	-	144,428	305,859	473,239
Parking structures	-	11,312,409	-	-	11,312,409
	2,251,038	11,312,409	9,714,898	2,813,198	26,091,543
Less accumulated depreciation	(1,543,565)	(8,162,462)	(5,319,242)	(1,678,718)	(16,703,987)
Net capital assets	707,473	3,149,947	4,395,656	1,134,480	9,387,556
Deposits	20,000	-	-	-	20,000
Total noncurrent assets	727,473	3,149,947	4,395,656	1,134,480	9,407,556
Total assets	733,096	3,384,960	4,593,019	1,714,734	10,425,809

Continued on next page

CITY OF BANGOR, MAINE
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2012

Business-type Activities - Enterprise Funds

	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
LIABILITIES					
Current liabilities					
Accounts payable	58,975	690	37,560	14,544	111,769
Accrued wages and benefits payable	914	3,947	11,296	10,271	26,428
Accrued interest	-	14,600	4,506	6,157	25,263
Workers' compensation	-	4,084	4,516	-	8,600
Unearned revenue	-	986	13,508	-	14,494
Accrued compensated absences	13,137	9,711	66,669	19,583	109,100
Interfund loans payable	378,300	-	2,313,255	-	2,691,555
General obligation debt payable	-	193,763	102,847	32,766	329,376
Total current liabilities	451,326	227,781	2,554,157	83,321	3,316,585
Long-term liabilities					
Workers' compensation	-	5,916	5,484	-	11,400
General obligation debt payable	-	1,907,275	615,294	468,161	2,990,730
Net OPEB obligation	7,324	10,362	34,822	16,875	69,383
Other long-term liabilities	193,061	20,087	-	-	213,148
Total long-term liabilities	200,385	1,943,640	655,600	485,036	3,284,661
Total liabilities	651,711	2,171,421	3,209,757	568,357	6,601,246
NET ASSETS					
Invested in capital assets, net of related debt	707,473	1,205,574	4,095,316	716,746	6,725,109
Unrestricted	(626,088)	7,965	(2,712,054)	429,631	(2,900,546)
Total net assets	\$ 81,385	\$ 1,213,539	\$ 1,383,262	\$ 1,146,377	\$ 3,824,563

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CITY OF BANGOR, MAINE
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2012

Business-type Activities - Enterprise Funds

	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
Operating revenues					
Charges for services	\$ 397,426	\$ 1,012,109	\$ 1,304,384	\$ 628,869	\$ 3,342,788
Operating expenses					
Operating expenses other than depreciation and amortization	444,548	665,241	1,641,963	566,317	3,318,069
Depreciation and amortization	89,123	269,736	242,065	82,111	683,035
Total operating expenses	533,671	934,977	1,884,028	648,428	4,001,104
Operating income (loss)	(136,245)	77,132	(579,644)	(19,559)	(658,316)
Nonoperating revenue (expenses)					
Interest income	-	1,400	-	1,066	2,466
Interest expense	-	(60,654)	(35,273)	(22,685)	(118,612)
Total nonoperating revenue (expenses)	-	(59,254)	(35,273)	(21,619)	(116,146)
Net income (loss) before grants/contributions and transfers	(136,245)	17,878	(614,917)	(41,178)	(774,462)
Transfers to other funds	-	-	-	(4,430)	(4,430)
Transfers from other funds	-	-	434,137	-	434,137
Change in net assets	(136,245)	17,878	(180,780)	(45,608)	(344,755)
Net assets, beginning of year	217,630	1,195,661	1,564,042	1,191,985	4,169,318
Net assets, end of year	\$ 81,385	\$ 1,213,539	\$ 1,383,262	\$ 1,146,377	\$ 3,824,563

CITY OF BANGOR, MAINE
Combining Statement of Cash Flows - Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2012

Business-type Activities - Enterprise Funds					
	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
Cash flows from operating activities					
Cash received from customers	\$ 396,000	\$ 1,006,193	\$ 1,214,594	\$ 630,869	\$ 3,247,656
Cash paid to suppliers for goods and services	(385,282)	(492,917)	(937,090)	(233,184)	(2,048,473)
Cash paid to employees for services	(31,675)	(180,521)	(693,944)	(339,513)	(1,245,653)
Net cash provided by (used in) operating activities	(20,957)	332,755	(416,440)	58,172	(46,470)
Cash flows from noncapital financing activities					
Interfund loans (repayments)	20,200	-	153,500	-	173,700
Transfers in	-	-	434,137	-	434,137
Transfers out	-	-	-	(4,430)	(4,430)
Net cash provided by (used in) noncapital financing activities	20,200	-	587,637	(4,430)	603,407
Cash flows from capital and related financing activities					
Proceeds from general obligation bonds	-	142,844	-	-	142,844
Principal paid on general obligation bonds	-	(324,652)	(136,912)	(32,424)	(493,988)
Interest paid on general obligation bonds	-	(73,422)	(37,317)	(23,098)	(133,837)
Net cash provided by (used in) capital and related financing activities	-	(255,230)	(174,229)	(55,522)	(484,981)
Cash flows from investing activities					
Interest on investments	-	1,534	-	1,066	2,600
Net cash provided by (used in) investing activities	-	1,534	-	1,066	2,600
Net increase (decrease) in cash	(757)	79,059	(3,032)	(714)	74,556
Cash, beginning of year	1,003	155,954	10,962	580,968	748,887
Cash, end of year	\$ 246	\$ 235,013	\$ 7,930	\$ 580,254	\$ 823,443

Continued on next page

CITY OF BANGOR, MAINE
Combining Statement of Cash Flows - Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2012

Business-type Activities - Enterprise Funds					
	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (136,245)	\$ 77,132	\$ (579,644)	\$ (19,559)	\$ (658,316)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	89,123	269,736	242,065	82,111	683,035
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(1,426)	-	(96,860)	2,000	(96,286)
(Increase) decrease in inventories	-	-	(174)	-	(174)
(Increase) decrease in prepaid items	-	-	6,527	-	6,527
Increase (decrease) in accounts payable	28,603	(2,478)	(999)	(4,317)	20,809
Increase (decrease) in unearned revenue	-	(5,916)	7,070	-	1,154
Increase (decrease) in other liabilities	(1,012)	(5,719)	5,575	(2,063)	(3,219)
Total adjustments	115,288	255,623	163,204	77,731	611,846
Net cash provided by (used in) operating activities	\$ (20,957)	\$ 332,755	\$ (416,440)	\$ 58,172	\$ (46,470)

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CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Encumbrances
Budget and Actual - Budgetary Basis
Sewer Utility Fund - Enterprise Fund
For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 7,903,857	\$ 7,330,909	\$ (572,948)
Interest and other revenue	-	49,017	49,017
Total revenues	7,903,857	7,379,926	(523,931)
Expenditures and encumbrances			
Salaries	1,286,738	1,120,451	166,287
Fringe benefits	403,012	300,540	102,472
Supplies and materials	1,295,612	1,047,835	247,777
Contractual services	1,014,525	1,475,409	(460,884)
Interfund charges	474,541	395,353	79,188
Miscellaneous	27,595	17,249	10,346
Debt service	3,081,983	3,058,247	23,736
Depreciation	1,680,000	1,691,486	(11,486)
Outlay	314,610	254,199	60,411
Total expenditures and encumbrances	9,578,616	9,360,769	217,847
Deficiency of revenues under expenditures and encumbrances	\$ (1,674,759)	\$ (1,980,843)	\$ (306,084)

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Encumbrances
Budget and Actual - Budgetary Basis
Airport Fund - Enterprise Fund
For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 13,786,782	\$ 12,529,076	\$ (1,257,706)
Interest and other revenue	917,595	700,709	(216,886)
Total revenues	14,704,377	13,229,785	(1,474,592)
Expenditures and encumbrances			
Salaries	5,611,731	5,363,583	248,148
Fringe benefits	1,434,000	1,344,178	89,822
Supplies and materials	2,314,120	2,109,312	204,808
Contractual services	2,598,834	2,567,875	30,959
Interfund charges	883,754	725,658	158,096
Miscellaneous	323,680	356,176	(32,496)
Debt service	992,441	992,442	(1)
Depreciation	7,400,000	7,793,489	(393,489)
Outlay	504,300	87,191	417,109
Total expenditures and encumbrances	22,062,860	21,339,904	722,956
Deficiency of revenues under expenditures and encumbrances	\$ (7,358,483)	\$ (8,110,119)	\$ (751,636)

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Encumbrances
Budget and Actual - Budgetary Basis
Park Woods - Enterprise Fund
For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 382,500	\$ 397,426	\$ 14,926
Interest and other revenue	-	-	-
Total revenues	382,500	397,426	14,926
Expenditures and encumbrances			
Salaries	27,691	24,605	3,086
Fringe benefits	17,278	6,255	11,023
Supplies and materials	146,250	181,194	(34,944)
Contractual services	178,666	224,856	(46,190)
Interfund charges	740	173	567
Miscellaneous	8,100	7,662	438
Depreciation	89,123	89,123	-
Total expenditures and encumbrances	467,848	533,868	(66,020)
Deficiency of revenues under expenditures and encumbrances	\$ (85,348)	\$ (136,442)	\$ (51,094)

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Encumbrances
Budget and Actual - Budgetary Basis
Parking Fund - Enterprise Fund
For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 1,062,115	\$ 1,006,193	\$ (55,922)
Total revenues	1,062,115	1,006,193	(55,922)
Expenditures and encumbrances			
Salaries	172,273	142,291	29,982
Fringe benefits	30,265	30,343	(78)
Supplies and materials	8,850	3,975	4,875
Contractual services	376,287	380,148	(3,861)
Interfund charges	115,325	107,404	7,921
Debt service	259,939	259,940	(1)
Depreciation	276,620	269,736	6,884
Total expenditures and encumbrances	1,239,559	1,193,837	45,722
Deficiency of revenues under expenditures and encumbrances	\$ (177,444)	\$ (187,644)	\$ (10,200)

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Encumbrances
Budget and Actual - Budgetary Basis
Bass Park Fund - Enterprise Fund
For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 1,379,774	\$ 1,304,384	\$ (75,390)
Operating transfer	434,137	434,137	-
Total revenues	1,813,911	1,738,521	(75,390)
Expenditures and encumbrances			
Salaries	589,618	565,270	24,348
Fringe benefits	117,084	127,003	(9,919)
Supplies and materials	353,250	294,912	58,338
Contractual services	360,530	428,979	(68,449)
Interfund charges	138,000	129,039	8,961
Miscellaneous	46,200	47,037	(837)
Debt service	174,229	174,229	-
Depreciation	239,003	242,065	(3,062)
Outlay	45,000	37,647	7,353
Credits	(10,000)	(10,000)	-
Total expenditures and encumbrances	2,052,914	2,036,181	16,733
Deficiency of revenues under expenditures and encumbrances	\$ (239,003)	\$ (297,660)	\$ (58,657)

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Encumbrances
Budget and Actual - Budgetary Basis
Municipal Golf Course - Enterprise Fund
For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 624,000	\$ 628,869	\$ 4,869
Interest and other revenue	2,000	1,066	(934)
Total revenues	626,000	629,935	3,935
Expenditures and encumbrances			
Salaries	294,042	295,978	(1,936)
Fringe benefits	42,294	41,180	1,114
Supplies and materials	87,550	106,197	(18,647)
Contractual services	73,700	57,804	15,896
Interfund charges	59,892	60,796	(904)
Debt service	56,522	55,109	1,413
Depreciation	115,300	82,111	33,189
Outlay	12,000	8,500	3,500
Total expenditures and encumbrances	741,300	707,675	33,625
Deficiency of revenues under expenditures and encumbrances	\$ (115,300)	\$ (77,740)	\$ 37,560

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Encumbrances
Budget and Actual - Budgetary Basis
Economic Development Fund - Enterprise Fund
For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 614,395	\$ 409,486	\$ (204,909)
Interest and other revenue	90,860	87,223	(3,637)
Total revenues	705,255	496,709	(208,546)
Expenditures and encumbrances			
Supplies and materials	17,100	57,696	(40,596)
Contractual services	202,681	188,951	13,730
Miscellaneous	2,360	5,297	(2,937)
Debt service	382,114	382,114	-
Depreciation	244,278	184,498	59,780
Outlay	101,000	14,002	86,998
Total expenditures and encumbrances	949,533	832,558	116,975
Deficiency of revenues under expenditures and encumbrances	\$ (244,278)	\$ (335,849)	\$ (91,571)

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FIDUCIARY FUNDS

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

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



CITY OF BANGOR, MAINE
Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
ASSETS				
Cash:				
Bangor Area Stormwater Group	\$ 7,710	\$ 35,630	\$ 24,745	\$ 18,595
School Activity Funds	105,167	227,806	231,819	101,154
Total assets	\$ 112,877	\$ 263,436	\$ 256,564	\$ 119,749
LIABILITIES				
Funds held for others:				
Bangor Area Stormwater Group	\$ 7,710	\$ 35,630	\$ 24,745	\$ 18,595
School Activity Funds	105,167	227,806	231,819	101,154
Total liabilities	\$ 112,877	\$ 263,436	\$ 256,564	\$ 119,749

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



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CITY OF BANGOR, MAINE
Capital Assets Used in the Operation of Governmental Funds
(net of accumulated depreciation)
Schedule of Changes by Function and Activity
For the Fiscal Year Ended June 30, 2012

Function and Activity	Balance 2011	Additions	Deletions	Balance 2012
General government				
BAT community connector	\$ 2,713,614	\$ 166,915	\$ 283,268	\$ 2,597,261
Central service	13,461	-	3,846	9,615
City clerk	7,460	-	3,988	3,472
City hall	558,915	81,026	20,130	619,811
Community and economic development	9,547,028	1,747,401	1,854,694	9,439,735
Engineering	38,883	-	6,921	31,962
Information services	94,560	53,437	36,392	111,605
Motor pool	3,441,222	432,251	654,935	3,218,538
Other - unclassified	326,744	-	74,525	252,219
Total general government	16,741,887	2,481,030	2,938,699	16,284,218
Public safety				
Fire	5,709,554	335,010	548,009	5,496,555
Police	10,599,941	121,489	381,211	10,340,219
Total public safety	16,309,495	456,499	929,220	15,836,774
Health, community services and recreation				
Parks and recreation	2,187,254	15,325	132,512	2,070,067
Total health, community services and recreation	2,187,254	15,325	132,512	2,070,067
Public building and services				
Public works	12,527,047	1,285,896	981,198	12,831,745
Total public buildings and services	12,527,047	1,285,896	981,198	12,831,745
Education	25,636,637	3,552,448	946,601	28,242,484
Arena Fund	3,096,655	33,016,911	-	36,113,566
Total governmental fund capital assets	\$ 76,498,975	\$ 40,808,109	\$ 5,928,230	\$ 111,378,854

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OTHER INFORMATION



CITY OF BANGOR, MAINE
Assessed Valuation, Commitment and Collections
For the Fiscal Year Ended June 30, 2012

VALUATION

Land and buildings	\$ 2,274,528,200
Land and buildings - Homestead exemption	54,283,600
Personal property	248,183,200
Personal property - BETE exemption	<u>40,467,690</u>
Total valuation	<u><u>\$ 2,617,462,690</u></u>

COMMITMENT

Real estate, personal property (excludes Homestead and BETE exemptions)	\$ 2,522,711,400
Tax rate	<u>0.01920</u>
Total commitment	48,436,059

ADD

Supplemental taxes committed	<u>93,775</u>
	48,529,834

LESS

Collections 2012	47,025,587
Abatements	<u>175,844</u>
2012 taxes receivable at June 30, 2012	<u><u>\$ 1,328,403</u></u>

CITY OF BANGOR, MAINE
General Fund Unassigned Fund Balance Sufficiency Calculation
For the Fiscal Year Ended June 30, 2012

It is the policy of the City to maintain a General Fund unassigned fund balance approximately 8.33% of operating expenditures. The following table sets forth the calculation as to the sufficiency of the June 30, 2012 General Fund unassigned fund balance.

General Fund expenditures/uses (Schedule A-2)

General government	\$ 4,909,619
Public safety	16,023,342
Health, community services and recreation	5,420,029
Public buildings and services	9,845,436
Other agencies	4,409,545
Education	46,769,872
Other appropriations	5,380,018
Other uses, gross*	<u>648,089</u>
Gross expenditures and uses	93,405,950
General Fund debt service	<u>6,772,638</u>
Net expenditures and uses	<u><u>\$ 86,633,312</u></u>
Indicated unassigned fund balance @ 8.33%	\$ 7,216,555
Actual unassigned fund balance (Schedule A-2)	\$ 7,563,658
Actual unassigned fund balance as a percentage of net expenditures and uses	8.73%
Over (under) funded status	<u><u>\$ 347,103</u></u>

* excludes amounts appropriated from unassigned fund balance

STATISTICAL SECTION

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

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

Table 1

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

	Fiscal Year	
	2011	2012
Governmental activities:		
Invested in capital assets, net of related debt	\$ 40,176,260	\$ 67,253,588
Restricted	1,019,806	1,039,248
Unrestricted	262,217	(24,620,719)
Total governmental activities net assets	<u>41,458,283</u>	<u>43,672,117</u>
Business-type activities:		
Invested in capital assets, net of related debt	155,344,528	152,749,709
Restricted	-	-
Unrestricted	15,549,352	12,823,198
Total business-type activities net assets	<u>170,893,880</u>	<u>165,572,907</u>
Primary government:		
Invested in capital assets, net of related debt	195,520,788	220,003,297
Restricted	1,019,806	1,039,248
Unrestricted	15,811,569	(11,797,521)
Total primary government net assets	<u>\$ 212,352,163</u>	<u>\$ 209,245,024</u>

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

Table 2

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 6,060,687	\$ 6,487,572	\$ 6,435,386	\$ 6,947,106	\$ 7,052,860	\$ 8,744,549	\$ 7,868,247	\$ 8,279,943	\$ 9,223,718	\$ 4,490,599
Public safety	11,114,804	12,066,567	12,478,326	12,890,750	13,756,962	14,945,855	15,671,645	16,898,374	17,018,427	18,016,430
Health, community services and recreation	3,340,989	3,606,827	4,000,249	7,301,546	7,348,875	8,413,205	9,168,870	9,331,784	9,523,225	8,455,977
Public services**	7,050,085	7,360,360	7,609,989	11,167,397	11,544,128	10,501,253	11,812,548	16,380,337	12,413,601	15,399,933
Other agencies	3,322,395	3,273,003	3,514,658	3,610,935	3,787,970	4,829,547	4,580,661	4,658,904	4,479,888	4,209,428
Education	40,828,756	40,279,055	42,659,395	45,522,795	46,106,647	47,537,197	54,294,824	52,763,860	50,986,350	51,223,806
Unclassified	2,044,069	389,598	65,639	947,025	1,136	-	-	-	-	-
Restricted grants*	6,551,455	6,857,039	7,326,307	-	-	-	-	-	-	-
Arena development	-	-	-	-	417,030	41,091	51,332	39,075	61,334	536,251
Community development	-	-	-	2,419,594	1,865,026	2,156,241	912,992	1,506,038	1,542,975	1,152,289
Waterfront	-	-	-	990,961	399,015	1,754,281	9,252,263	79,911	1,439,065	606,249
Public transportation	-	-	-	1,798,968	1,841,516	2,118,374	3,042,434	2,792,904	1,701,112	3,276,780
Tax increment financing	-	-	-	1,092,770	1,101,078	1,066,192	1,114,112	1,630,081	1,383,662	1,502,503
Interest on debt	740,077	3,083,447	3,166,250	3,098,248	1,952,612	3,206,764	2,651,599	2,555,839	2,151,172	2,710,135
Capital maintenance expenses*	1,824,489	2,666,118	1,674,034	-	-	-	-	-	-	-
Total governmental activities expenses	82,877,806	86,069,586	88,930,233	97,788,095	97,174,855	105,314,549	120,421,527	116,917,050	111,924,529	111,580,380
Business-type activities:										
Sewer Utility	5,744,275	5,751,710	5,859,588	5,818,127	6,052,420	6,052,419	6,197,277	6,253,436	6,202,202	6,758,495
Airport	14,489,128	15,060,963	16,368,681	16,947,056	18,645,140	19,641,953	19,934,243	20,532,553	20,458,552	20,752,350
Park Woods	449,873	531,986	598,854	540,207	678,867	678,867	590,250	529,610	496,478	533,671
Parking	1,370,737	1,431,983	1,425,508	1,322,138	1,438,125	1,438,125	1,374,909	1,402,922	1,206,989	995,631
Bass Park	1,944,718	1,935,653	1,889,215	1,918,111	1,993,205	1,993,205	1,851,914	1,923,073	2,075,644	1,919,301
Municipal Golf Course	575,408	626,739	592,323	647,499	695,969	695,969	745,339	733,380	664,311	671,113
Economic Development	271,047	338,795	397,881	484,264	695,851	695,851	712,195	634,764	618,980	615,816
Total business-type activities expenses	24,845,186	25,677,829	27,132,050	27,677,402	30,199,577	31,196,389	31,406,127	32,009,738	31,723,156	32,246,377
Total primary government expenses	\$ 107,722,992	\$ 111,747,415	\$ 116,062,283	\$ 125,465,497	\$ 127,374,432	\$ 136,510,938	\$ 151,827,654	\$ 148,926,788	\$ 143,647,685	\$ 143,826,757

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

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

Continued on next page

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 934,540	\$ 1,103,382	\$ 1,447,058	\$ 1,672,854	\$ 2,334,040	\$ 2,282,374	\$ 1,869,711	\$ 2,386,637	\$ 2,070,189	\$ 2,501,326
Public safety	1,446,942	1,923,804	1,908,000	2,471,220	2,182,680	2,439,831	3,010,167	2,401,930	3,289,153	2,681,152
Health, community services and recreation	647,709	624,778	674,364	756,207	681,583	771,254	768,450	836,689	928,307	1,048,707
Public services	3,043,886	3,537,702	3,766,334	4,076,981	3,871,412	4,127,341	3,807,886	3,954,116	3,922,847	4,002,973
Other agencies	-	-	-	-	-	22,243	22,068	-	20,248.00	103,560
Education	3,742,385	3,857,798	4,549,286	4,561,352	4,408,431	4,539,787	4,386,457	4,533,041	5,165,261	3,806,614
Unclassified	26,830	19,719	20,036	859,682	61,128	-	-	-	-	-
Restricted grants*	5,392,472	1,368,366	1,079,690	-	-	-	-	-	-	-
Arena Development	-	-	-	-	1,630,360	1,689,657	2,205,771	2,380,158	2,331,584	2,434,915
Community development	-	-	-	672,459	658,141	297,394	301,019	332,295	323,494	588,587
Public transportation	-	-	-	536,491	659,960	809,531	944,804	923,433	1,025,080	1,023,717
Tax increment financing	-	-	-	-	-	-	1,711	-	-	-
Operating grants and contributions	21,566,478	24,743,028	25,986,614	29,577,430	30,534,706	41,370,518	34,155,649	35,683,710	35,604,940	33,137,275
Capital grants and contributions	3,814,705	2,098,577	4,117,072	3,788,485	2,604,652	2,119,150	2,068,478	6,578,917	4,935,614	3,725,432
Total governmental activities program revenues	40,615,947	39,277,154	43,548,454	48,973,161	49,627,093	60,469,080	53,542,171	60,010,926	59,616,717	55,054,258
Business-type activities:										
Charges for services										
Sewer Utility	6,569,790	6,281,870	5,970,615	6,206,605	6,663,408	6,745,112	7,537,879	7,288,499	7,340,935	7,320,469
Airport	9,291,513	11,398,518	11,527,061	12,074,504	13,555,003	14,475,879	13,953,287	13,767,394	13,080,217	12,540,347
Park Woods	283,052	279,588	310,389	287,452	340,494	340,494	369,478	371,832	372,715	397,426
Parking	807,645	892,820	943,990	963,697	1,001,697	1,001,697	997,111	1,050,579	1,057,710	1,012,109
Bass Park	1,362,054	1,253,421	1,238,707	1,460,931	1,426,599	1,426,599	1,253,236	1,382,947	1,276,869	1,304,384
Municipal Golf Course	623,233	595,852	586,956	604,365	655,834	655,834	608,930	658,053	643,501	628,869
Economic Development	388,165	316,062	433,694	391,658	422,716	422,716	569,549	507,867	585,785	409,486
Capital grants and contributions	11,274,222	3,376,637	7,749,367	2,581,874	4,377,242	3,426,732	4,113,557	8,684,860	3,717,755	2,351,779
Total business-type activities program revenues	30,599,674	24,394,768	28,760,779	24,571,086	28,442,993	28,495,063	29,403,027	33,712,031	28,075,487	25,964,869
Total primary government program revenues	\$ 71,215,621	\$ 63,671,922	\$ 72,309,233	\$ 73,544,247	\$ 78,070,086	\$ 88,964,143	\$ 82,945,198	\$ 93,722,957	\$ 87,692,204	\$ 81,019,127

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

Table 2 (con't)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense)/revenue										
Governmental activities	\$ (42,261,859)	\$ (46,792,432)	\$ (45,381,779)	\$ (48,814,934)	\$ (47,547,762)	\$ (44,845,469)	\$ (66,879,356)	\$ (56,906,124)	\$ (52,307,812)	\$ (56,526,122)
Business-type activities	5,754,488	(1,283,061)	1,628,729	(3,106,316)	(1,756,584)	(2,701,326)	(2,003,100)	1,702,293	(3,647,669)	(6,281,508)
Total primary government expense	(36,507,371)	(48,075,493)	(43,753,050)	(51,921,250)	(49,304,346)	(47,546,795)	(68,882,456)	(55,203,831)	(55,955,481)	(62,807,630)
General revenues and other changes in net assets										
Governmental activities:										
Property taxes	37,624,392	39,936,976	40,302,810	40,666,758	41,702,775	43,775,938	46,977,792	48,182,455	48,027,330	48,520,390
Payment in lieu of taxes	113,575	135,000	186,500	160,457	145,000	122,510	141,595	117,770	161,879	156,629
Excise taxes	4,091,505	4,306,055	4,358,409	4,752,852	4,668,614	4,641,320	4,752,005	4,694,936	4,515,752	4,596,947
Franchise taxes	233,874	225,224	265,598	274,986	296,566	300,768	322,526	348,163	367,672	372,542
Unrestricted grants and contributions	4,059,770	4,512,720	4,487,931	4,773,082	4,968,217	5,520,774	5,260,439	4,999,567	4,859,811	4,963,161
Unrestricted investment earnings	377,113	296,857	519,225	699,417	1,183,796	1,274,939	874,824	673,295	565,326	530,631
Indirect cost charges	557,165	483,439	472,056	-	-	-	-	-	-	-
Miscellaneous	598,515	131,733	8,353	32,550	260,733	161,439	93,967	135,849	92,379	16,698
Transfers	(798,618)	(948,416)	(837,806)	(861,290)	(871,864)	(539,088)	(739,179)	761,103	(637,898)	(417,042)
Total governmental activities	46,857,291	49,079,588	49,763,076	50,498,812	52,353,837	55,258,600	57,683,969	59,913,138	57,952,251	58,739,956
Business-type activities:										
Unrestricted investment earnings	1,097,155	206,665	895,064	635,454	1,346,799	1,326,787	1,025,098	1,035,753	752,891	543,493
Transfers	798,618	948,416	837,806	861,290	539,088	539,088	739,179	(761,103)	637,898	417,042
Total business-type activities	1,895,773	1,155,081	1,732,870	1,496,744	1,885,887	1,865,875	1,764,277	274,650	1,390,789	960,535
Total primary government	48,753,064	50,234,669	51,495,946	51,995,556	54,239,724	57,124,475	59,448,246	60,187,788	59,343,040	59,700,491
Change in net assets										
Governmental activities	4,595,432	2,287,156	4,381,297	1,683,878	4,806,075	10,413,131	(9,195,387)	3,007,014	5,644,439	2,213,834
Business-type activities	7,650,261	(127,980)	3,361,599	(1,609,572)	129,303	(835,451)	(238,823)	1,976,943	(2,256,880)	(5,320,973)
Total primary government	\$ 12,245,693	\$ 2,159,176	\$ 7,742,896	\$ 74,306	\$ 4,935,378	\$ 9,577,680	\$ (9,434,210)	\$ 4,983,957	\$ 3,387,559	\$ (3,107,139)

Continued from previous page

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Tax Revenues										
Property taxes	\$ 37,624,392	\$ 39,936,976	\$ 40,302,810	\$ 40,666,758	\$ 41,702,775	\$ 43,775,938	\$ 46,977,792	\$ 48,182,455	\$ 48,027,330	\$ 48,520,390
Excise taxes	4,091,505	4,306,055	4,358,409	4,752,852	4,668,614	4,641,320	4,752,005	4,694,936	4,515,752	4,596,947
Franchise taxes	233,874	225,224	265,598	274,986	296,566	300,768	322,526	348,163	367,672	372,542
Total tax revenues	\$ 41,949,771	\$ 44,468,255	\$ 44,926,817	\$ 45,694,596	\$ 46,667,955	\$ 48,718,026	\$ 52,052,323	\$ 53,225,554	\$ 52,910,754	\$ 53,489,879

Table 4

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

	Fiscal Year	
	2011	2012
General Fund:		
Nonspendable		
Advances to other funds	\$ 1,900,500	\$ 1,900,500
Inventory and prepaid items	963,770	860,187
Restricted		
Education purposes	1,213,508	936,158
Municipal purposes	405,119	349,362
Committed - municipal purposes	19,033	373,753
Assigned		
Encumbrances - education and municipal	1,389,501	1,548,268
Municipal purposes	3,115,199	3,240,838
Unassigned	8,017,940	7,563,658
Total general fund	<u>\$ 17,024,570</u>	<u>\$ 16,772,724</u>
All other governmental funds:		
Nonspendable		
Permanent Fund Principal	\$ 608,710	\$ 588,515
Restricted		
Community Development Block Grant	346,605	415,956
Penobscot River	759	759
Nonmajor Special Revenue Funds	1,637,362	1,862,992
Nonmajor Permanent Funds	410,337	449,974
Committed		
Arena Fund	6,690,287	-
Assigned		
Capital Project Fund Encumbrances	826,179	1,853,043
Unassigned		
Arena Fund	-	(4,603,950)
Capital Project Fund	(537)	-
Nonmajor Special Revenue Funds	(12,257)	(4,584)
Total all other governmental funds	<u>\$ 10,507,445</u>	<u>\$ 562,705</u>

Only two 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)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes:										
Property taxes	\$ 39,261,141	\$ 39,774,952	\$ 40,586,129	\$ 41,101,785	\$ 42,145,912	\$ 43,767,914	\$ 47,113,576	\$ 48,284,733	\$ 48,371,202	\$ 48,688,270
Excise taxes	4,091,505	4,306,055	4,358,409	4,752,852	4,668,614	4,641,320	4,752,005	4,694,936	4,515,752	4,596,947
Total tax revenues	43,352,646	44,081,007	44,944,538	45,854,637	46,814,526	48,409,234	51,865,581	52,979,669	52,886,954	53,285,217
Intergovernmental	30,627,927	31,617,135	34,484,238	37,714,682	37,774,922	41,345,956	41,123,520	46,211,718	45,304,160	40,536,525
Licenses and permits	409,842	374,499	655,745	538,534	982,879	956,965	644,621	633,339	601,202	948,267
Charges for services	10,151,637	11,035,587	12,160,573	12,927,989	12,598,776	13,283,275	13,449,587	13,655,764	15,226,575	13,594,482
Program income	583,569	463,066	409,153	663,269	657,987	296,325	288,677	329,800	314,203	575,460
Revenue from money and property	1,420,582	1,162,796	1,255,959	2,349,812	3,621,988	3,812,356	3,836,654	3,864,984	3,473,975	4,042,881
Other	1,612,518	142,311	168,452	526,360	279,261	7,691,463	428,220	1,108,213	279,426	561,118
Total revenues	88,158,721	88,876,401	94,078,658	100,575,283	102,730,339	115,795,574	111,636,860	118,783,487	118,086,495	113,543,950
Expenditures:										
General government	4,223,670	4,619,401	4,732,331	4,642,935	4,736,885	5,122,152	5,103,378	5,422,805	4,858,721	5,390,049
Public safety	11,018,419	12,001,813	12,352,418	12,852,119	13,476,656	14,162,638	14,400,420	15,287,575	15,800,938	16,028,180
Health, community services and recreation	3,230,938	3,480,885	3,865,578	4,084,948	4,086,513	4,305,709	4,414,673	4,720,477	5,584,184	5,383,295
Public buildings and services	7,876,895	8,180,067	8,301,848	8,991,673	9,363,365	9,906,759	10,048,539	10,055,161	10,196,576	9,842,829
Other agencies	3,157,861	3,273,003	3,514,658	3,610,935	3,783,720	4,227,552	4,294,283	4,291,329	4,747,617	4,409,545
Education	39,428,576	40,341,426	42,228,691	44,817,879	45,224,974	48,293,846	50,380,309	51,590,324	51,391,657	50,159,407
Tax increment financing	-	-	-	-	-	-	215,483	432,033.00	165,133.00	524,013
Unclassified	327,812	389,598	65,639	263,702	597,262	166,994	63,115	54,451	118,216	260,685
Restricted grants	6,510,909	6,822,298	7,282,380	8,248,872	7,787,297	9,098,706	8,360,660	8,479,740	8,232,148	7,414,001
Capital outlay*	8,794,651	10,675,201	8,681,772	11,762,832	9,100,357	8,038,242	16,118,777	20,818,168	12,799,978	45,478,235
Debt service										
Principal	5,730,088	2,232,944	4,110,250	2,748,866	4,237,096	2,044,428	2,136,415	12,423,331	3,862,188	6,996,892
Interest	3,299,332	3,080,468	3,120,028	3,098,248	3,095,434	2,436,120	2,373,922	2,472,643	2,375,397	2,180,013
Other charges	10,028	5,570	37,467	5,070	4,850	299	6,000	61,952	45,988	-
Total expenditures	93,609,179	95,102,674	98,293,060	105,128,079	105,494,409	107,803,445	117,915,974	136,109,989	120,178,741	154,067,144
Excess (deficiency) of revenues over (under) expenditures	(5,450,458)	(6,226,273)	(4,214,402)	(4,552,796)	(2,764,070)	7,992,129	(6,279,114)	(17,326,502)	(2,092,246)	(40,523,194)
Other financing sources/(uses)										
Issuance of debt	4,397,511	5,443,400	2,650,000	4,333,000	3,555,000	-	3,100,000	3,100,000	2,086,100	30,659,143
Financing proceeds	-	-	-	-	-	-	7,091,928	9,596,640	-	-
Sale of assets	232,259	131,773	106,895	120,479	320,034	161,439	104,620	135,849	117,558	84,507
Transfers to other funds	(3,663,860)	(5,369,448)	(3,131,050)	(3,099,137)	(3,300,247)	(2,690,305)	(2,865,418)	(1,789,024)	(2,015,003)	(1,861,301)
Transfers from other funds	2,865,242	4,421,032	2,293,244	2,237,847	2,428,383	2,151,217	2,126,239	2,550,127	1,377,105	1,444,259
Total other financing sources	3,831,152	4,626,757	1,919,089	3,592,189	3,003,170	(377,649)	9,557,369	13,593,592	1,565,760	30,326,608
Net change in fund balances	\$ (1,619,306)	\$ (1,599,516)	\$ (2,295,313)	\$ (960,607)	\$ 239,100	\$ 7,614,480	\$ 3,278,255	\$ (3,732,910)	\$ (526,486)	\$ (10,196,586)
Debt service as a percentage of noncapital expenditures	11.16%	6.29%	8.22%	6.08%	7.74%	4.26%	4.00%	11.14%	5.52%	7.97%

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

Table 6

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

Fiscal Year	Real Property		Personal Property ¹	Total Taxable Assessed Value	Total Direct Tax Rate
	Estimated Residential	Estimated Commercial			
2003	896,351,100	516,447,000	278,430,400	1,691,228,500	22.52
2004	922,374,500	549,399,100	268,555,600	1,740,329,200	22.27
2005	990,170,000	618,388,000	259,687,300	1,868,245,300	20.97
2006	1,091,628,800	713,822,300	254,225,800	2,059,676,900	19.31
2007	1,178,745,758	785,599,342	259,703,500	2,224,048,600	18.33
2008	1,275,227,064	875,870,136	254,991,600	2,406,088,800	17.74
2009	1,219,093,120	1,081,082,580	244,740,100	2,544,915,800	17.99
2010	1,255,964,001	1,113,779,399	257,018,100	2,626,761,500	17.98
2011	1,227,148,219	1,088,225,781	256,321,000	2,571,695,000	18.09
2012	1,234,270,253	1,094,541,547	248,183,200	2,576,995,000	18.00

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

¹ Personal Property consists of machinery and equipment.

Table 7

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

Fiscal Year	General City Government	General Fund Debt Service	Education	Total Direct Tax Rate	Penobscot County	Total Tax/ (Mill) Rate
2003	9.51	0.74	12.27	22.52	1.08	23.60
2004	9.26	0.79	12.22	22.27	1.08	23.35
2005	8.20	1.18	11.59	20.97	1.08	22.05
2006	7.97	1.14	10.20	19.31	1.09	20.40
2007	7.79	1.18	9.36	18.33	1.07	19.40
2008	7.69	1.18	8.87	17.74	1.06	18.80
2009	8.12	1.16	8.71	17.99	1.06	19.05
2010	8.01	1.27	8.70	17.98	1.07	19.05
2011	7.94	1.40	8.75	18.09	1.11	19.20
2012	7.75	1.42	8.83	18.00	1.20	19.20

Table 8

CITY OF BANGOR, MAINE
Principal Property Taxpayers *
June 30, 2012

Taxpayer	Business	2012			2003		
		Assessed Value	Rank	% of Total Tax Base	Assessed Value	Rank	% of Total Tax Base
Bangor Historic Track	Racino	\$ 112,372,000	1	4.36%	-	-	-
General Electric	Manufacturer	64,318,500	2	2.50%	\$ 42,504,850	2	2.51%
Bangor Mall LLC	Shopping mall	57,809,500	3	2.24%	-	-	-
Bangor Hydro Electric	Utility	38,377,400	4	1.49%	28,451,200	3	1.68%
Inland Western Parkade	Shopping mall	28,358,500	5	1.10%	-	-	-
Wal Mart Stores	Retailer	21,249,800	6	0.82%	-	-	-
QV Realty Trust	Real estate interests	15,859,900	7	0.62%	12,409,300	6	0.73%
Grant Trailer Sales Inc	Real estate interests	15,354,400	8	0.60%	-	-	-
Harvest Sunbury Village	Retirement Living	14,106,400	9	0.55%	-	-	-
Airport Mall Associates	Shopping mall	13,667,200	10	0.53%	10,244,600	9	0.61%
BANMAK Associates	Shopping mall	-	-	-	49,148,600	1	2.91%
Bangor Savings Bank	Commercial bank	-	-	-	16,789,900	4	0.99%
Eastern Maine Healthcare	Medical institution	-	-	-	16,013,600	5	0.95%
May Department Stores	Retailer	-	-	-	10,783,200	7	0.64%
Cabrel Company	Real estate interests	-	-	-	10,703,400	8	0.63%
Sams Real Estate Trust	Retailer	-	-	-	9,698,700	10	0.57%
Totals		<u>\$ 381,473,600</u>		<u>14.80%</u>	<u>\$ 206,747,350</u>		<u>12.22%</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			
2003	39,081,183	311,677	38,769,506	37,785,056	97.46%	933,877	38,718,933	99.87%
2004	39,866,850	172,868	39,693,982	38,589,047	97.22%	1,045,494	39,634,541	99.85%
2005	40,474,184	160,117	40,314,067	39,206,172	97.25%	1,059,628	40,265,800	99.88%
2006	41,099,990	632,397	40,467,593	39,716,755	98.14%	671,591	40,388,346	99.80%
2007	41,990,985	269,636	41,721,349	40,819,923	97.84%	828,415	41,648,338	99.83%
2008	44,082,476	341,521	43,740,955	42,847,656	97.96%	796,497	43,644,153	99.78%
2009	47,235,370	275,489	46,959,881	45,688,356	97.29%	1,145,789	46,834,145	99.73%
2010	48,719,847	588,817	48,131,030	46,205,428	96.00%	1,685,841	47,891,269	99.50%
2011	48,362,646	168,932	48,193,714	46,857,606	97.23%	723,864	47,581,470	98.73%
2012	48,529,834	175,844	48,353,990	47,025,587	97.25%	-	47,025,587	97.25%

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	Revenue Bonds		Per Capita*	Per Personal Income*
2003	\$ 57,669,023	326,159	47,854,061	-	105,849,243	3,345.32	11.25%
2004	\$ 60,879,479	3,491	47,994,390	-	108,877,360	3,430.18	11.53%
2005	\$ 59,419,229	-	46,774,080	-	106,193,309	3,412.49	11.47%
2006	\$ 61,003,363	-	45,781,229	-	106,784,592	3,438.67	11.56%
2007	\$ 60,321,264	-	43,809,953	-	104,131,217	3,279.83	11.03%
2008	\$ 56,998,022	-	41,722,545	-	98,720,567	3,157.85	10.62%
2009	\$ 56,687,684	7,091,928	37,623,522	-	101,403,134	3,236.72	10.88%
2010	\$ 61,689,447	-	34,956,548	-	96,645,995	3,073.00	10.33%
2011	\$ 58,455,666	-	31,985,337	-	90,441,003	2,737.40	7.06%
2012	\$ 80,674,158	-	28,707,990	-	109,382,148	3,314.61	9.47%

* 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
2003	31,641	1,691,228,500	65,323,120	3.86%	2,064.51
2004	31,741	1,740,329,200	69,638,974	4.00%	2,193.98
2005	31,119	1,868,245,300	65,988,998	3.53%	2,120.54
2006	31,054	2,059,676,900	66,990,510	3.25%	2,157.23
2007	31,749	2,224,048,600	65,725,523	2.96%	2,070.16
2008	31,262	2,406,088,800	61,824,071	2.57%	1,977.61
2009	31,329	2,544,915,800	60,937,500	2.39%	1,945.08
2010	31,450	2,626,761,500	65,369,337	2.49%	2,078.52
2011	33,039	2,571,695,000	59,310,719	2.31%	1,795.17
2012	33,000	2,576,995,000	81,392,299	3.16%	2,466.43

* Source: U.S. Census Bureau.

** Net Bonded General Obligation Debt Consists of all non-self supporting general obligation debt, and excludes all Sewer Utility debt of \$15,377,806, Airport debt of \$6,582,748, Golf Course debt of \$500,927 Parking debt of \$2,101,038 and Economic Development debt of \$3,427,330.

CITY OF BANGOR, MAINE
Computation of Direct and Overlapping Debt
June 30, 2012

	Total Debt Outstanding	Percentage Applicable to Bangor	Amount Applicable to Bangor
Direct Debt			
City of Bangor			
General Obligation Bonds	\$ 109,382,148	100.00%	\$ 109,382,148
Overlapping Debt	\$ -		\$ -
Total Debt	<u>\$ 109,382,148</u>		<u>\$ 109,382,148</u>

Table 13

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

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Percentage of Net Debt to Debt Limit
2003	\$ 241,387,500	105,523,084	135,864,416	43.72%
2004	\$ 261,240,000	108,873,869	152,366,131	41.68%
2005	\$ 279,202,500	106,193,307	173,009,193	38.03%
2006	\$ 309,495,000	106,784,592	202,710,408	34.50%
2007	\$ 332,092,500	104,131,217	227,961,283	31.36%
2008	\$ 353,737,500	98,720,567	255,016,933	27.91%
2009	\$ 356,670,000	94,311,206	262,358,794	26.44%
2010	\$ 365,400,000	96,645,995	268,754,005	26.45%
2011	\$ 369,997,500	90,441,003	279,556,497	24.44%
2012	\$ 368,467,500	109,382,148	259,085,352	29.69%

Legal Debt Margin Calculation for Fiscal Year 2012

Total State Valuation	\$ 2,456,450,000
Debt Limitation: 15 % of State Valuation	368,467,500
Debt Applicable to Debt Limitation:	
General Obligation Bonds:	
Municipal	77,764,451
School	16,239,891
Sewer	15,377,806
Total debt applicable to limit	<u>109,382,148</u>
Legal Debt margin	<u>\$ 259,085,352</u>

Table 14

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

Fiscal Year	Population *	Median Household Income*	Per Capita Income*	Median Age*	Public School Enrollment**	Unemployment Rate ***
2003	31,641	29,740	19,295	36.1	4,019	3.40%
2004	31,741	29,740	19,295	36.1	4,006	4.30%
2005	31,119	29,740	19,295	36.1	3,989	4.50%
2006	31,054	29,740	19,295	36.1	3,962	4.40%
2007	31,749	29,740	19,295	36.1	3,913	4.40%
2008	31,262	29,740	19,295	36.1	3,886	5.10%
2009	31,329	29,740	19,295	36.1	3,878	7.80%
2010	31,450	29,740	19,295	36.1	3,821	7.60%
2011	33,039	38,775	25,344	36.7	3,830	7.30%
2012	33,000	34,993	25,344	37.5	4,019	7.40%

* Source: U.S. Census.

** Source: Bangor School Department.

*** Source: Maine Bureau of Labor Statistics.

Table 15

CITY OF BANGOR, MAINE
Principal Employers *
Calendar Year

2011			2002		
Employees	Employer	Location	Employees	Employer	Location
1000-4000	Eastern Maine Medical Center	Bangor	1000-4000	Eastern Maine Medical Center	Bangor
	Bangor Mall	Bangor		Bangor Mall	Bangor
	University of Maine	Orono		University of Maine	Orono
	City of Bangor	Bangor		City of Bangor	Bangor
	Hannaford Supermarkets	Throughout			
500-999	Bangor Savings Bank	Bangor	500-999	Acadia Hospital	Bangor
	Wal Mart	Bangor		St. Joseph Hospital	Bangor
	Microdyne	Orono		Webber Energy Co	Bangor
	Acadia Hospital	Bangor		Georgia Pacific Corp	Old Town
	Verso Corp Paper Mill	Bucksport		General Electric Corp	Bangor
	St. Joseph Hospital	Bangor		Shop & Save Supermarkets	Throughout
	Community Health & Counseling	Bangor			
	General Electric	Bangor			

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

Table 16

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	91	90	87	88	94	85	80	78	78	80
Public safety										
Police	89	86	87	89	90	87	92	94	92	88
Fire	95	97	96	97	94	97	94	93	95	95
Health, community services and recreation	33	31	31	32	39	41	37	41	30	29
Public building and services	68	67	64	68	71	67	69	68	64	66
Education	574	561	571	573	562	618	618	621	621	610
Sewer Utility	23	23	23	23	23	23	23	23	24	23
Airport	72	73	75	76	81	87	88	81	82	83
Park Woods	3	3	3	3	3	3	3	2	2	2
Parking	2	2	2	2	2	2	2	2	2	2
Bass Park	9	8	9	9	9	7	8	8	7	6
Municipal Golf Course	3	3	3	3	9	3	3	3	3	3
Economic Development	2	3	3	3	3	3	2	3	4	4
Totals	1,064	1,047	1,054	1,066	1,080	1,123	1,119	1,117	1,104	1,091

* Source - City of Bangor Human Resource Department.

Table 17

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

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Code enforcement										
Building permits	474	522	514	537	550	485	501	427	518	405
Certificates of occupancy	358	342	341	432	446	430	440	341	448	350
Sign permits	96	98	107	115	116	118	103	90	96	70
Police										
Calls for service	22,213	24,407	23,945	27,052	28,157	32,392	34,329	32,351	30,167	31,640
Fire										
Calls for service	7,528	7,470	7,805	7,492	7,992	7,477	7,990	7,357	8,000	9,020
Sewer										
Treated flow (billions of gallons)	3.14	3.42	2.75	4.23	3.62	3.21	3.89	3.55	2.81	3.10
Biosolids (cubic yards)	8,308	9,379	9,280	9,348	9,775	10,043	10,561	10,509	9,046	9,422

* Source - City of Bangor Departmental records.

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

Function	Fiscal Year										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Public safety											
Police:											
Stations	1	1	1	1	1	1	1	1	1	1	1
Vehicles	42	56	57	51	52	47	50	54	54	54	50
Fire:											
Stations	3	3	3	3	3	3	3	3	3	3	3
Vehicles	25	20	20	24	27	28	31	32	35	35	36
Public works											
Streets (miles)	422	422	422	422	422	427	429	429	429	429	431
Sidewalks (miles)	99.6	99.6	99.6	99.6	99.6	99.6	99.6	99.6	101.4	101.4	101.7
Parks and recreation											
Parks	29	29	29	29	29	29	29	29	29	29	29
Parks acreage	950	950	950	950	950	950	950	950	950	950	950
Public swimming pools	1	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	1.5
Indoor ice arena	1	1	1	1	1	1	1	1	1	1	1
Semi-pro baseball stadium	1	1	1	1	1	1	1	1	1	1	1
Sewer											
Treatment plants	1	1	1	1	1	1	1	1	1	1	1
Pump stations	5	5	5	5	5	5	5	5	5	5	5
Miles of sanitary sewers	103	103	103	103	103	103	103	103	103	103	103
Miles of combined sewers	44	44	44	44	44	44	44	44	44	44	44

* Source - City of Bangor Departmental records.

APPENDIX B

**PROPOSED FORM
OF
LEGAL OPINIONS**

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Merrill's Wharf
 254 Commercial Street
 Portland, ME 04101

207-791-1100 voice
 207-791-1350 fax
 info@pierceanwood.com
 pierceanwood.com

Upon issuance and delivery of the 2013 Series A Bonds described herein, Pierce Atwood LLP, Portland, Maine, Bond Counsel, proposes to issue its opinion in substantially the following form:

[Dated date of delivery]

City of Bangor
 Bangor, Maine 04401

RE: City of Bangor, Maine
 \$8,990,000* 2013 General Obligation Bonds – Series A
 Dated as of May ___, 2013

Ladies and Gentlemen:

We have acted as bond counsel to the City of Bangor, Maine (the "City") in connection with the issuance and sale by the City of \$8,990,000* principal amount of its 2013 General Obligation Bonds – Series A dated as of May ___, 2013 (the "Series A Bonds"). In such capacity, we have examined the law, including the Charter of the City and Title 30-A, Section 5772 of the Maine Revised Statutes, as amended, and the record of proceedings submitted to us by the City, in connection with the issue and sale of the above-described Series A Bonds, including among other documents, certified copies of Order 12-248 and Order 13-143 duly adopted by the City Council on July 23, 2012 and May ___, 2013, respectively, and an approval of the City's Finance Committee dated May ___, 2013 (collectively the "Bond Authorizations").

We understand the Series A Bonds are dated as of May ___, 2013 and have been issued in the following denominations and principal amounts, bearing interest and maturing as of November 1 of each year as reflected hereinbelow:

<u>November 1</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>November 1</u>	<u>Amount*</u>	<u>Interest Rate</u>
2013	\$295,000	%	2023	\$720,000	%
2014	\$325,000	%	2024	\$560,000	%
2015	\$725,000	%	2025	\$425,000	%
2016	\$670,000	%	2026	\$285,000	%
2017	\$810,000	%	2027	\$285,000	%
2018	\$745,000	%	2028	\$40,000	%

* Preliminary, subject to change

2019	\$740,000	%	2029	\$45,000	%
2020	\$730,000	%	2030	\$45,000	%
2021	\$725,000	%	2031	\$45,000	%
2022	\$725,000	%	2032	\$50,000	%

Series A Bonds maturing on or before November 1, 2023 are not subject to optional redemption prior to their stated dates of maturity. Series A Bonds maturing on and after November 1, 2024 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after November 1, 2023, as a whole or in part at any time, in such order of maturity as the City, in its discretion, may determine at a price of par (100% of the principal amount to be redeemed), together with interest accrued and unpaid to the redemption date, if any.

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

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

In rendering the opinion set forth in paragraph 3 hereinbelow, we have also relied upon the report of Causey Demgen & Moore Inc., certified public accountants and consultants, relating to the accuracy of the mathematical computations as to the adequacy of the maturing principal of and interest to be earned on certain obligations purchased with the proceeds of the Series A Bonds, together with the moneys on deposit with such obligations, to pay when due the principal or redemption price of and interest due and to become due on the prior bonds of the City on the maturity or first optional redemption date thereof, as the case may be.

We note that the Code establishes certain requirements regarding the use, expenditure and investment of the proceeds of the Series A Bonds and timely payment of certain investment earnings to the U.S. Treasury that must be met subsequent to the issuance and delivery of the Series A Bonds in order that interest on the Series A Bonds be and remain excludable from gross income for federal income tax

purposes pursuant to Section 103 of the Code. Failure of the City to comply with such requirements may cause interest on the Series A Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance of the Series A Bonds, regardless of when such noncompliance occurs.

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

We are of the opinion that:

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

5. The Series A Bonds will constitute “qualified tax-exempt obligations” under Section 265(b) of the Code.

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

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

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

Very truly yours,

PIERCE ATWOOD LLP

By: _____
James M. Saffian
A Partner

Merrill's Wharf
254 Commercial Street
Portland, ME 04101

207-791-1100 voice
207-791-1350 fax
info@pierceanwood.com
pierceanwood.com

Upon issuance and delivery of the 2013 Series B Bonds described herein, Pierce Atwood LLP, Portland, Maine, Bond Counsel, proposes to issue its opinion in substantially the following form:

[Dated date of delivery]

City of Bangor
Bangor, Maine 04401

Re: City of Bangor, Maine
\$4,290,000* 2013 General Obligation Bonds - Series B (Federally Taxable)
Dated May ___, 2013

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the City of Bangor, Maine (the "City") of \$4,290,000* aggregate principal amount of its 2013 General Obligation Bonds - Series B (Federally Taxable) (the "Series B Bonds"). In such capacity, we have examined the law, including the Charter of the City and Title 30-A, Section 5772 of the Maine Revised Statutes as amended, and the record of proceedings submitted to us by the City in connection with the issue and sale of the above-described Series B Bonds, including among other documents, certified copies of Order 13-065 an Order 13-142 duly adopted by the City Council on January 28, 2013 and May ___, 2013, respectively, and an approval of the City's Finance Committee dated May ___, 2013 (collectively, the "Bond Authorizations").

We understand the Series B Bonds are dated as of May ___, 2013 and have been issued in the following denominations and principal amounts, bearing interest and maturing as of November 1 of each year as reflected hereinbelow:

<u>November 1</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>November 1</u>	<u>Amount*</u>	<u>Interest Rate</u>
2014	\$155,000	%	2019	\$255,000	%
2015	\$265,000	%	2020	\$250,000	%
2016	\$260,000	%	2021	\$250,000	%
2017	\$255,000	%	2022	\$250,000	%
2018	\$255,000	%	2023	\$250,000	%

* Preliminary, subject to change

\$1,845,000* ____% Bonds, due November 1, 2033

Series B Bonds maturing on or before November 1, 2023 are not subject to optional redemption prior to their stated dates of maturity. Series B Bonds maturing on and after November 1, 2024 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after November 1, 2023, as a whole or in part at any time, in such order of maturity as the City, in its discretion, may determine at a price of par (100% of the principal amount to be redeemed), together with interest accrued and unpaid to the redemption date, if any.

The Series B Bonds due November 1, 2033 are also subject to mandatory redemption, plus accrued interest to the date of redemption thereof, and shall be redeemed on November 1 in the following years and principal amounts:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2024	\$250,000	2029	\$175,000
2025	\$150,000	2030	\$185,000
2026	\$155,000	2031	\$190,000
2027	\$165,000	2032	\$200,000
2028	\$170,000	2033**	\$205,000

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

We are of the opinion that:

1. Under the Constitution and laws of the State of Maine, the City has been duly created and validly exists as a body corporate and politic and a municipality under the name of the City of Bangor with lawful power and authority to adopt the Bond Authorizations and to issue the Series B Bonds.
2. The Series B Bonds are in proper form and have been duly authorized and, subject to due authentication, are valid and binding general obligations of the City, enforceable in accordance with their terms, and all taxable property within the City (except to the extent that the City may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, and except to the extent that the City establishes or has established municipal development districts or municipal affordable housing districts pursuant to Title 30-A, Chapter 206 and former Chapter 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Series B Bonds) is subject to the levy of limited *ad valorem* taxes to pay the

* Preliminary, subject to change
** Year of final maturity

Series B Bonds unless certain procedural requirements under 30-A M.R.S.A. §5721-A are met, in which case such *ad valorem* taxes may be levied without limit as to rate or amount.

3. **Interest payable on the Series B Bonds is includable in the gross income of the owners thereof for purposes of federal income taxation.**
4. Pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, interest paid on the Series B Bonds is exempt from income tax within the State of Maine under existing statutes, regulations and decisions.

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

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

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

Very truly yours,

PIERCE ATWOOD LLP

By: _____
James M. Saffian
A Partner

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APPENDIX C

THE REFUNDED BONDS

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THE REFUNDED BONDS

THE REFUNDING BONDS

A portion of the proceeds of the Series A Bonds will be used to refund a portion of the following prior bonds of the City, as discussed in more detail below (the “Refunding Series A Bonds”): 2003 – Series A General Obligation Bonds dated February 1, 2003 (the “Refunded 2003A Bonds”), 2004 General Obligation Bonds dated June 1, 2004 (the “Refunded 2004 Bonds”), 2005 – Series A General Obligation Bonds dated May 15, 2005 (the “Refunded 2005A Bonds”) and the Refunded 2006 General Obligation Bonds, dated June 1, 2006 (the “Refunded 2006 Bonds”). A portion of the proceeds of the Series B Bonds (the “Refunding Series B Bonds” and collectively with the Refunding Series A Bonds, the “Refunding Bonds”) will be used to refund a portion of the City’s 2005 – Series B General Obligation Bonds dated June 15, 2005 (the “Refunded 2005B Bonds”) (when referred to collectively, the “Refunded Bonds”). Proceeds of the Refunding Bonds will also be used to pay interest and the respective call premium, if any, with respect to the Refunded Bonds; and costs of issuance.

The Refunded Bonds’ Optional Redemption Provisions

Refunded 2003A Bonds maturing on and after November 1, 2014 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after November 1, 2013, at any time, at the redemption price of 100%.

Refunded 2004 Bonds maturing on and after November 1, 2015 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after November 1, 2014, at any time, at the redemption price of 100%.

Refunded 2005A Bonds maturing on and after November 1, 2015 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after November 1, 2014, at any time, at the redemption price of 100%.

Refunded 2005B Bonds maturing on and after October 1, 2015 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after October 1, 2014, at any time, at the redemption price of 100%.

Refunded 2006 Bonds maturing on and after September 1, 2016 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after September 1, 2015, at any time, at the redemption price of 100%.

The Refunded Bonds’ Proposed Optional Redemptions

The City intends to use a portion of the proceeds of the Refunding Bonds, plus bond premium, if any, together with any investment earnings, as follows:

- To advance refund the Refunded 2003A Bonds. A portion of the proceeds of the Refunding Bonds will be held and escrowed to the November 1, 2013 call date for the Refunded 2003A Bonds to pay interest accruing on the Refunded 2004 Bonds prior to the redemption date and to redeem the Refunded 2003A Bonds on the redemption date.
- To advance refund the Refunded 2004 Bonds. A portion of the proceeds of the Refunding Bonds will be held and escrowed to the November 1, 2014 call date for the Refunded 2004 Bonds to pay interest accruing on the Refunded 2004 Bonds prior to the redemption date and to redeem the Refunded 2004 Bonds on the redemption date.
- To advance refund the Refunded 2005A Bonds. A portion of the proceeds of the Refunding Bonds will be held and escrowed to the November 1, 2014 call date for the Refunded 2005A Bonds to pay interest accruing on the Refunded 2005A Bonds prior to the redemption date and to redeem the Refunded 2005A Bonds on the redemption date.
- To advance refund the Refunded 2005B Bonds. A portion of the proceeds of the Refunding Bonds will be held and escrowed to the October 1, 2014 call date for the Refunded 2005B Bonds

to pay interest accruing on the Refunded 2005B Bonds prior to the redemption date and to redeem the Refunded 2005B Bonds on the redemption date.

- To advance refund the Refunded 2006 Bonds. A portion of the proceeds of the Refunding Bonds will be held and escrowed to the September 1, 2015 call date for the Refunded 2006 Bonds to pay interest accruing on the Refunded 2006 Bonds prior to the redemption date and to redeem the Refunded 2006 Bonds on the redemption date.

PRIOR BONDS THAT WILL BE REFUNDED

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Amount</u>	<u>Call Date</u>	<u>Call Price</u>	<u>CUSIP</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Amount</u>	<u>Call Date</u>	<u>Call Price</u>	<u>CUSIP</u>
<u>2003 Series A</u>						<u>2006 Series</u>					
11/1/2014	3.900%	25,000	11/1/2013	100.000	060095G34	9/1/2017	4.100%	205,000	9/1/2015	100.000	060095T63
11/1/2015	4.000%	25,000	11/1/2013	100.000	060095G42	9/1/2018	4.100%	150,000	9/1/2015	100.000	060095T71
11/1/2016	4.000%	25,000	11/1/2013	100.000	060095G59	9/1/2019	4.100%	145,000	9/1/2015	100.000	060095T89
11/1/2017	4.125%	25,000	11/1/2013	100.000	060095G67	9/1/2020	4.125%	145,000	9/1/2015	100.000	060095T97
11/1/2018	4.250%	25,000	11/1/2013	100.000	060095G75	9/1/2021	4.125%	145,000	9/1/2015	100.000	060095U20
11/1/2019	4.300%	25,000	11/1/2013	100.000	060095G83	9/1/2022	4.150%	145,000	9/1/2015	100.000	060095U38
11/1/2020	4.400%	25,000	11/1/2013	100.000	060095G91	9/1/2023	4.150%	145,000	9/1/2015	100.000	060095U46
11/1/2021	4.500%	25,000	11/1/2013	100.000	060095H25	9/1/2024	4.200%	145,000	9/1/2015	100.000	060095U53
11/1/2022	4.500%	25,000	11/1/2013	100.000	060095H33	9/1/2025	4.200%	145,000	9/1/2015	100.000	060095U61
11/1/2023	4.500%	25,000	11/1/2013	100.000	060095H41						
		250,000						1,370,000			
<u>2004 Series</u>						<u>2005 Series B (AMT)</u>					
11/1/2015	4.200%	205,000	11/1/2014	100.000	060095L20	10/1/2015	5.000%	115,000	10/1/2014	100.000	060095S23
11/1/2016	4.300%	155,000	11/1/2014	100.000	060095L38	10/1/2016	5.000%	115,000	10/1/2014	100.000	060095S23
11/1/2017	4.400%	155,000	11/1/2014	100.000	060095L46	10/1/2017	5.000%	115,000	10/1/2014	100.000	060095S23
11/1/2018	4.500%	155,000	11/1/2014	100.000	060095L53	10/1/2018	5.000%	115,000	10/1/2014	100.000	060095S23
11/1/2019	4.600%	155,000	11/1/2014	100.000	060095L61	10/1/2019	5.000%	115,000	10/1/2014	100.000	060095S23
11/1/2020	4.650%	155,000	11/1/2014	100.000	060095L79	10/1/2020	5.000%	115,000	10/1/2014	100.000	060095S23
11/1/2021	4.700%	155,000	11/1/2014	100.000	060095L87	10/1/2021	5.000%	115,000	10/1/2014	100.000	060095S23
11/1/2022	4.750%	155,000	11/1/2014	100.000	060095L95	10/1/2022	5.000%	115,000	10/1/2014	100.000	060095S23
11/1/2023	4.800%	155,000	11/1/2014	100.000	060095M29	10/1/2023	5.000%	115,000	10/1/2014	100.000	060095S23
11/1/2024	4.800%	155,000	11/1/2014	100.000	060095M29	10/1/2024	5.000%	115,000	10/1/2014	100.000	060095S23
		1,445,000						1,150,000			
<u>2005 Series A</u>											
11/1/2015	4.000%	200,000	11/1/2014	100.000	060095N51						
11/1/2016	4.000%	200,000	11/1/2014	100.000	060095N69						
11/1/2017	4.000%	150,000	11/1/2014	100.000	060095N77						
11/1/2018	4.000%	150,000	11/1/2014	100.000	060095N85						
11/1/2019	4.000%	150,000	11/1/2014	100.000	060095N93						
11/1/2020	4.100%	150,000	11/1/2014	100.000	060095P26						
11/1/2021	4.150%	150,000	11/1/2014	100.000	060095P34						
11/1/2022	4.200%	150,000	11/1/2014	100.000	060095P42						
11/1/2023	4.250%	150,000	11/1/2014	100.000	060095P59						
11/1/2024	4.300%	150,000	11/1/2014	100.000	060095P67						
		1,600,000									

REFUNDING RESULTS – SERIES A BONDS

Fiscal Year	2003		2004		2005 Sr A		2006		Consolidated – Sr A		
	Prior	New ^(†)	Prior	New ^(†)	Prior	New ^(†)	Prior	New ^(†)	Prior	New ^(†)	Savings
2012/2013											
2013/2014				10,000		10,000		10,000		30,000	\$40,619
2014/2015	25,000	25,000		10,000		5,000		5,000	25,000	45,000	37,535
2015/2016	25,000	25,000	205,000	210,000	200,000	205,000		5,000	430,000	445,000	38,143
2016/2017	25,000	25,000	155,000	155,000	200,000	200,000		5,000	380,000	385,000	39,805
2017/2018	25,000	25,000	155,000	155,000	150,000	145,000	205,000	210,000	535,000	535,000	38,388
2018/2019	25,000	25,000	155,000	150,000	150,000	145,000	150,000	150,000	480,000	470,000	43,497
2019/2020	25,000	25,000	155,000	150,000	150,000	145,000	145,000	145,000	475,000	465,000	38,522
2020/2021	25,000	25,000	155,000	145,000	150,000	145,000	145,000	145,000	475,000	460,000	38,259
2021/2022	25,000	25,000	155,000	145,000	150,000	140,000	145,000	140,000	475,000	450,000	43,082
2022/2023	25,000	20,000	155,000	145,000	150,000	140,000	145,000	140,000	475,000	445,000	43,034
2023/2024	25,000	20,000	155,000	140,000	150,000	140,000	145,000	140,000	475,000	440,000	43,190
2024/2025					150,000	140,000	145,000	140,000	295,000	280,000	19,591
2025/2026							145,000	135,000	145,000	135,000	11,611
Bonds:	250,000	240,000	1,445,000	1,415,000	1,600,000	1,560,000	1,370,000	1,370,000	4,665,000	4,585,000	\$475,277
greater/(less) than Prior:	(10,000)		(30,000)		(40,000)		-		(80,000)		
Wgt Ave Life (Ref'd'd):	5.906 yrs		6.267 yrs		6.656 yrs		8.053 yrs		6.905 yrs		
Wgt Ave Life (Ref'd'g):		5.739 yrs		6.091 yrs		6.511 yrs		8.030 yrs		6.795 yrs	
change ave life:	(0.167) yrs		(0.176) yrs		(0.145) yrs		(0.023) yrs		(0.110) yrs		
Absolute Savings:	\$30,702.61		\$173,578.33		\$154,182.78		\$116,812.98		\$475,276.70		
\$ PV Savings:	\$32,814.20		\$158,386.03		\$140,025.53		\$109,713.81		\$440,939.57		
% PV Savings:	13.12568%		11.19336%		8.75159%		8.00831%		9.45208%		
Ave Coupon Ref'd'd:	4.3514%		4.6169%		4.1395%		4.1487%		4.2866%		
Ref'd'g TIC:		1.5568%		1.5799%		1.6714%		1.8169%		1.6916%	

SOURCE: Calculations provided by the Underwriter. No liability is assumed by the Underwriter in the calculation and presentation of these numbers.

NOTE: ^(†) Refunding Bonds' principal amounts are reduced by the use of Bond Premium.

REFUNDING RESULTS – SERIES B BONDS

<u>Fiscal Year</u>	<u>Prior</u>	<u>2005 Sr B New^(†)</u>	<u>Savings</u>
2012/2013			
2013/2014			
2014/2015		30,000	\$35,432
2015/2016	115,000	140,000	3,205
2016/2017	115,000	135,000	5,895
2017/2018	115,000	130,000	6,243
2018/2019	115,000	125,000	6,945
2019/2020	115,000	125,000	8,040
2020/2021	115,000	120,000	4,446
2021/2022	115,000	115,000	6,113
2022/2023	115,000	115,000	7,974
2023/2024	115,000	110,000	5,070
2024/2025	115,000	110,000	7,383
2025/2026			5,538
Bonds:	1,150,000	1,255,000	\$102,282
greater/(less) than Prior:	105,000		
Wgt Ave Life (Ref'd'd):	6.822 yrs		
Wgt Ave Life (Ref'd'g):		6.553 yrs	
change ave life:	(0.269) yrs		
Absolute Savings:	\$102,281.61		
\$ PV Savings:	\$96,522.93		
% PV Savings:	8.39329%		
Ave Coupon Ref'd'd:	5.0000%		
Ref'd'g TIC:		2.4825%	

SOURCE: Calculations provided by the Underwriter. No liability is assumed by the Underwriter in the calculation and presentation of these numbers.

NOTE: ^(†) Refunding Bonds' principal amounts are reduced by the use of Bond Premium.

APPENDIX D

**PROPOSED FORM
OF
ESCROW AGREEMENT**

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ESCROW AGREEMENT

Relating to

REFUNDING OF CERTAIN CITY OF BANGOR, MAINE

\$6,910,000 (ISSUED) 2003 - SERIES A GENERAL OBLIGATION BONDS, DATED FEBRUARY 1, 2003
\$9,227,000 (ISSUED) 2004 GENERAL OBLIGATION BONDS, DATED JUNE 1, 2004
\$3,650,000 (ISSUED) 2005 – SERIES A GENERAL OBLIGATION BONDS, DATED MAY 15, 2005
\$2,315,000 (ISSUED) 2005 – SERIES B GENERAL OBLIGATION BONDS, DATED JUNE 15, 2005
\$4,933,000 (ISSUED) 2006 GENERAL OBLIGATION BONDS, DATED JUNE 1, 2006

THIS ESCROW AGREEMENT, dated June 5, 2013 (the "Escrow Agreement"), by and between the City of Bangor, Maine (the "City"), and The Bank of New York Mellon Trust Company, N.A., a national banking association, with a corporate trust office located in Providence, Rhode Island, as Escrow Agent (the "Escrow Agent");

WITNESSETH:

WHEREAS, the Treasurer of the City is duly authorized on behalf of the City to execute and deliver an agreement in the form of this Escrow Agreement on behalf of the City.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the City and the Escrow Agent agree as follows:

SECTION 1. Establishment of 2013A and 2013B Escrow Funds; Redemption Dates.

- (a) There is hereby established and created with the Escrow Agent an irrevocable trust account designated the City of Bangor, Maine 2013A Escrow Fund (the "2013A Escrow Fund") and the City of Bangor, Maine 2013B Escrow Fund (the "2013B Escrow Fund" and collectively with the 2013A Escrow Fund, the "2013 Escrow Funds") to be held in the custody of the Escrow Agent separate and apart from all other funds of the City and the Escrow Agent and to be administered solely as provided in this Escrow Agreement.
- (b) The City contemplates using a portion of the proceeds of its 2013 General Obligation Bonds – Series A (the "Series A Refunding Bonds") to refund portions of the following prior bond issues as discussed in more detail below: 2003 – Series A General Obligation Bonds, dated February 1, 2003 (the "Refunded 2003A Bonds"), 2004 General Obligation Bonds, dated June 1, 2004 (the "Refunded 2004 Bonds"), 2005 – Series A General Obligation Bonds, dated May 15, 2005 (the "Refunded 2005A Bonds"), and 2006 General Obligation Bonds, dated June 1, 2006 (the "Refunded 2006 Bonds" and collectively the "Series A Refunded Bonds"). A portion of the proceeds of the Series B Bonds (the "Series B Refunding Bonds" and collectively with the Series A Refunding Bonds, the "Refunding Bonds") will be used to refund a portion of the City's 2005 – Series B General Obligation Bonds dated June 15, 2005 (the "Refunded 2005B Bonds") (when referred to collectively with the Series A Refunded Bonds, the "Refunded Bonds"). Proceeds of the Refunding Bonds will also be used to pay interest and the respective call premium, if any, with respect to the Refunded Bonds; and costs of issuance.
- (c) Refunded 2003A Bonds maturing on and after November 1, 2014 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after November 1, 2013, at any time, at the redemption price of 100%.

Refunded 2004 Bonds maturing on and after November 1, 2015 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after November 1, 2014, at any time, at the redemption price of 100%.

Refunded 2005A Bonds maturing on and after November 1, 2015 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after November 1, 2014, at any time, at the redemption price of 100%.

Refunded 2005B Bonds maturing on and after October 1, 2015 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after October 1, 2014, at any time, at the redemption price of 100%.

Refunded 2006 Bonds maturing on and after September 1, 2016 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after September 1, 2015, at any time, at the redemption price of 100%.

- (d) The proposed settlement date and issue date (the "Issue Date") of the Refunding Bonds will be on or about June 5, 2013.
- (e) To advance refund the Refunded 2003A Bonds, a portion of the proceeds of the Series A Refunding Bonds will be held and escrowed in the 2013A Escrow Fund to the November 1, 2013 call date for the Refunded 2003A Bonds to pay interest accruing on the Refunded 2003A Bonds prior to the indicated redemption date and to redeem the Refunded 2003A Bonds on the redemption date.

To advance refund the Refunded 2004 Bonds, a portion of the proceeds of the Series A Refunding Bonds will be held and escrowed in the 2013A Escrow Fund to the November 1, 2014 call date for the Refunded 2004 Bonds to pay interest accruing on the Refunded 2004 Bonds prior to the indicated redemption date and to redeem the Refunded 2004 Bonds on the redemption date.

To advance refund the Refunded 2005A Bonds, a portion of the proceeds of the Series A Refunding Bonds will be held and escrowed in the 2013A Escrow Fund to the November 1, 2014 call date for the Refunded 2005A Bonds to pay interest accruing on the Refunded 2005A Bonds prior to the indicated redemption date and to redeem the Refunded 2005A Bonds on the redemption date.

To advance refund the Refunded 2006 Bonds, a portion of the proceeds of the Series A Refunding Bonds will be held and escrowed in the 2013A Escrow Fund to the September 1, 2015 call date for the Refunded 2006 Bonds to pay interest accruing on the Refunded 2006 Bonds prior to the indicated redemption date and to redeem the Refunded 2006 Bonds on the redemption date. The 2006 Bonds due September 1, 2016 will not be Refunded 2006 Bonds.

- (f) To advance refund the Refunded 2005B Bonds, a portion of the proceeds of the Series B Refunding Bonds will be held and escrowed in the 2013B Escrow Fund to the October 1, 2014 call date for the Refunded 2005B Bonds to pay interest accruing on the Refunded 2005B Bonds prior to the indicated redemption date and to redeem the Refunded 2005B Bonds on the redemption date.

- (g) Set forth below is a schedule of amounts needed from time to time to effect the redemption of the Refunded Bonds.

<u>Series</u>	<u>Refunded Principal</u>	<u>Maturing Principal</u>	<u>Redeemed Principal</u>	<u>Call Premium</u>	<u>Interest to Redemption Date</u>	<u>Total</u>
2003	\$250,000.00	\$0.00	\$250,000.00	\$0.00	\$5,309.38	\$255,309.38
2004	1,445,000.00	0.00	1,445,000.00	0.00	98,242.50	1,543,242.50
2005A	1,600,000.00	0.00	1,600,000.00	0.00	98,250.00	1,698,250.00
2006	1,370,000.00	0.00	1,370,000.00	0.00	141,693.75	1,511,693.75
Series A Escrow Fund Totals	\$4,665,000.00	\$0.00	\$4,665,000.00	\$0.00	\$343,495.63	\$5,008,495.63

<u>Series</u>	<u>Refunded Principal</u>	<u>Maturing Principal</u>	<u>Redeemed Principal</u>	<u>Call Premium</u>	<u>Interest to Redemption Date</u>	<u>Total</u>
2005B	\$1,150,000.00	\$0.00	\$1,150,000.00	\$0.00	\$86,250.00	\$1,236,250.00
Series B Escrow Fund Totals	\$1,150,000.00	\$0.00	\$1,150,000.00	\$0.00	\$86,250.00	\$1,236,250.00

(h) Proceeds from the Series A Refunding Bonds in the amount of \$4,585,000.00 representing Series A Refunding Bonds principal and \$476,718.25 representing bid premium, less \$62,217.55 representing bond proceeds to finance costs of issuance, underwriter's discount and contingency, for a consolidated \$4,999,500.70, will be sent by the underwriter of the Series A Refunding Bonds to the Escrow Agent by Fed Wire (see (j) below) on the June 5, 2013 settlement date of the Series B Refunding Bonds.

(i) Proceeds from the Series B Refunding Bonds in the amount of \$1,255,000.00 representing Series B Refunding Bonds principal and less \$3,622.25 representing bid discount, less \$15,246.79 representing bond proceeds to finance costs of issuance, underwriter's discount and contingency, for a consolidated \$1,236,130.96, will be sent by the underwriter of the Series A Refunding Bonds to the Escrow Agent by Fed Wire (see (j) below) on the June 5, 2013 settlement date of the Series B Refunding Bonds.

(j) As to 2013A Escrow, the Escrow Agent's Fed Wire instructions are:

TO: BANK OF NEW YORK MELLON, NA
 ABA: 021 000 018
 FBO: GLA 111-565
 ACCT: xxxxxx
 REFERENCE: CITY OF BANGOR ME 2013A ESCROW FUND

(k) As to 2013B Escrow, the Escrow Agent's Fed Wire instructions are:

TO: BANK OF NEW YORK MELLON, NA
 ABA: 021 000 018
 FBO: GLA 111-565
 ACCT: xxxxxx
 REFERENCE: CITY OF BANGOR ME 2013B ESCROW FUND

(l) The deposit by the City of the moneys in the 2013A and 2013B Escrow Funds shall constitute an irrevocable deposit thereof for the uses and purposes specified in this Escrow Agreement, and such moneys, together with all interest thereon, shall be held in trust and applied solely for the payment of the principal of, redemption premium, if any, and interest on the Series A Refunded Bonds and the 2005B Refunded Bonds, respectively. The amounts of the Refunded Bonds to be paid as to principal, redemption premium, if any, and interest thereon at maturity or if redeemed or retired prior to maturity and the Refunded Bonds scheduled to be retired on their maturity dates, and their respective redemption dates and maturity dates, as the case may be, are as set forth in EXHIBIT B hereto.

SECTION 2. Investment.

(a) The Escrow Agent hereby acknowledges (a) receipt of \$4,999,500.70 with respect to the Series A Refunding Bonds and receipt of \$1,236,130.96 with respect to the Series B Refunding Bonds and (b) the instructions and directions by the City to invest such sum on June 5, 2013 in direct obligations of the United States of America or in obligations directly and unconditionally guaranteed by the United States of America to be held by the Escrow Agent in the 2013A Escrow Funds ("2013A Investment Obligations"), and as specified in EXHIBIT A, \$4,999,253.21 shall be invested in 2013A Investment Obligations and \$247.49 shall remain un-invested in the form of cash; and held by

the Escrow Agent in the 2013B Escrow Funds (“2013B Investment Obligations”) and as specified in EXHIBIT A, \$1,235,348.46 shall be invested in 2013B Investment Obligations and \$782.50 shall remain un-invested in the form of cash.

- (b) The Escrow Agent shall not be held liable for investment losses resulting from compliance with the provisions of this Escrow Agreement or for the sufficiency of funds provided herein to make the payments required hereunder.
- (c) The Escrow Agent acknowledges receipt of the letter from Causey Demgen & Moore P.C. dated the date hereof, stating that the Investment Obligations then on deposit in the 2013A and 2013B Escrow Funds and the projected investment earnings (excluding reinvestment earnings) thereon and the \$247.49 and \$782.50 cash on deposit in the 2013A and the 2013B Escrow Funds, respectively, shall be sufficient to pay the entire principal, redemption premium, and interest on the Series A Refunded Bonds and the Series B Refunded Bonds being redeemed or retired prior to maturity and the Series A Refunded Bonds and the Series B Refunded Bonds scheduled to be retired on their maturity dates are as set forth in EXHIBIT B hereto by respective Event Date, Series, Purpose and Amount.
- (d) The City shall be responsible for providing on a timely basis to the Refunded Bonds Paying Agent (as defined below) irrevocable instructions and directions regarding notice of redemption and a form of notice of redemption with respect to the Refunded Bonds to be redeemed prior to scheduled maturity. The Refunded Bonds Paying Agents shall provide such notice to the holders of said Refunded Bonds in accordance with the applicable legal, contractual and customary requirements with respect thereto.
- (e) Notice having been given, the Escrow Agent shall pay the principal of, redemption premium, if any, and interest on the Refunded Bonds on their respective redemption dates, maturity dates and interest payment dates, as the case may be, as set forth in EXHIBIT B hereto.

SECTION 3. Payment.

- (a) Prior to the respective redemption dates maturity dates and interest payment dates, as the case may be, the City will have received an invoice for the redemption or maturity of or interest payment on the Refunded Bonds from US Bank National Association (, the paying agent for the Refunded Bonds, or its successor paying agent, if any (the “Refunded Bonds Paying Agent”).
- (b) Upon receipt of such an invoice from the Refunded Bonds Paying Agent and prior to the respective maturity date or interest payment date, if such occurs prior to the redemption date (an “Interest Payment Date”) the City shall forward the invoice for the redemption or maturity of or interest payment on the Refunded Bonds to the Escrow Agent.
- (c) In the case of the Refunded 2003A Bonds:

- (i) on the following Interest Payment Dates the Escrow Agent shall transfer moneys from the 2013A Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Interest Payment Date(s)</u>	<u>Amount</u>
November 1, 2013 interest:	\$5,309.38
Total Payments:	\$5,309.38

- (ii) on the Refunded 2003 Bonds’ redemption date the Escrow Agent shall transfer moneys from the 2013A Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Maturing or Redeemed Bonds</u>	<u>Amount</u>
Refunded 2003A Bonds' Redeemed Principal:	\$250,000.00
Refunded 2003A Bonds' Call Premium:	0.00
Total Payment:	<u>\$250,000.00</u>

TO: US BANK NATIONAL ASSOCIATION
 ABA: 091-000-022
 ACCT: xxxxxxxxx
 OBI: Corporate Trust Services
 REFERENCE: CITY OF BANGOR ME

(d) In the case of the Refunded 2004 Bonds:

- (i) on the following Interest Payment Dates the Escrow Agent shall transfer moneys from the 2013A Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Interest Payment Date(s)</u>	<u>Amount</u>
November 1, 2013 interest:	\$32,747.50
May 1, 2014 interest:	32,747.50
November 1, 2014 interest:	<u>32,747.50</u>
Total Payments:	\$98,242.50

- (ii) on the Refunded 2004 Bonds' redemption date the Escrow Agent shall transfer moneys from the 2013A Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Maturing or Redeemed Bonds</u>	<u>Amount</u>
Refunded 2004 Bonds' Redeemed Principal:	\$1,445,000.00
Refunded 2004 Bonds' Call Premium:	0.00
Total Payment:	<u>\$1,445,000.00</u>

TO: US BANK NATIONAL ASSOCIATION
 ABA: 091-000-022
 ACCT: xxxxxxxxx
 OBI: Corporate Trust Services
 REFERENCE: CITY OF BANGOR ME

(e) In the case of the Refunded 2005A Bonds:

- (i) on the following Interest Payment Dates the Escrow Agent shall transfer moneys from the 2013A Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Interest Payment Date(s)</u>	<u>Amount</u>
November 1, 2013 interest:	\$32,750.00
May 1, 2014 interest:	32,750.00
November 1, 2014 interest:	<u>32,750.00</u>
Total Payments:	\$98,250.00

- (ii) on the Refunded 2005A Bonds' redemption date the Escrow Agent shall transfer moneys from the 2013 A Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Maturing or Redeemed Bonds</u>	<u>Amount</u>
Refunded 2005A Bonds' Redeemed Principal:	\$1,600,000.00
Refunded 2005A Bonds' Call Premium:	0.00
Total Payment:	<u>\$1,600,000.00</u>

TO: BANK OF NEW YORK MELLON, NA
 ABA: 021 000 018
 ACCT: xxxxxx
 OBI: Corporate Trust Services
 REFERENCE: CITY OF BANGOR ME

(f) In the case of the Refunded 2006 Bonds:

(i) on the following Interest Payment Dates the Escrow Agent shall transfer moneys from the 2013A Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Interest Payment Date(s)</u>	<u>Amount</u>
September 1, 2013 interest:	\$28,338.75
March 1, 2014 interest:	28,338.75
September 1, 2014 interest:	28,338.75
March 1, 2015 interest:	28,338.75
September 1, 2015 interest:	<u>28,338.75</u>
Total Payments:	\$141,693.75

(ii) on the Refunded 2006 Bonds' redemption date the Escrow Agent shall transfer moneys from the 2013A Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Maturing or Redeemed Bonds</u>	<u>Amount</u>
Refunded 2006 Bonds' Redeemed Principal:	\$1,370,000.00
Refunded 2006 Bonds' Call Premium:	0.00
Total Payment:	<u>\$1,370,000.00</u>

TO: BANK OF NEW YORK MELLON, NA
 ABA: 021 000 018
 ACCT: xxxxxx
 OBI: Corporate Trust Services
 REFERENCE: CITY OF BANGOR ME

(g) In the case of the Refunded 2005B Bonds:

(i) on the following Interest Payment Dates the Escrow Agent shall transfer moneys from the 2013B Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Interest Payment Date(s)</u>	<u>Amount</u>
October 1, 2013 interest:	\$28,750.00
April 1, 2014 interest:	28,750.00
October 1, 2014 interest:	<u>28,750.00</u>
Total Payments:	\$86,250.00

(ii) on the Refunded 2005B Bonds' redemption date the Escrow Agent shall transfer moneys from the 2013B Escrow Fund to the Refunded Bonds Paying Agent via fed wire in the amount, as follows:

<u>Maturing or Redeemed Bonds</u>	<u>Amount</u>
Refunded 2005B Bonds' Redeemed Principal:	\$1,150,000.00
Refunded 2005B Bonds' Call Premium:	0.00
Total Payment:	\$1,150,000.00

TO: BANK OF NEW YORK MELLON, NA
 ABA: 021 000 018
 ACCT: xxxxxx
 OBI: Corporate Trust Services
 REFERENCE: CITY OF BANGOR ME

- (h) On the final respective redemption date for the Series A Refunded Bonds, the Escrow Agent shall transfer any remaining moneys in the 2013A Escrow Fund, and on the redemption date for the Series B Refunded Bonds, the Escrow Agent shall transfer any remaining moneys in the 2013B Escrow Fund, to the City via fed wire, as follows:

TO: CAMDEN NATIONAL BANK
 ABA: 011 201 458
 ACCT: xxxxxxxx
 REFERENCE: CITY OF BANGOR ME

SECTION 4. Statements of Escrow Agent.

The Escrow Agent shall provide a monthly statement to the City which shall set forth the cash and the securities, held by the Escrow Agent in the 2013 Escrow Funds.

SECTION 5. Responsibilities of Escrow Agent.

The Escrow Agent and its respective successors, assigns, agents, directors, officers and employees shall not be held to any liability whatsoever, in tort, contract, or otherwise, in connection with the establishment of the 2013 Escrow Funds, the purchase of the securities to be purchased pursuant hereto, the sufficiency of the securities or any un-invested moneys held hereunder to accomplish the payment of the Refunded Bonds, or any payment, transfer or other application of moneys or securities by the Escrow Agent, performed in accordance with the provisions of this Escrow Agreement, written direction of the Treasurer, written direction of counsel, or by reason of any act, omission or error of the Escrow Agent made in good faith in the conduct of its duties unless such act, omission or error is caused by the Escrow Agent's willful misconduct or gross negligence. To the extent permitted by law, the City shall indemnify and hold harmless the Escrow Agent and its respective successors, assigns, agents, directors, officers and employees ("Indemnified Parties") from and against all costs, liabilities and expenses incurred in any action, suit or proceeding made or threatened against an Indemnified Party in connection with the performance of its duties hereunder not arising as a result of such Indemnified Party's willful misconduct or gross negligence. This indemnification shall survive the termination of this Escrow Agreement.

The recitals of fact contained in the "whereas" clause herein shall be taken as the statements of the City, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the securities to be purchased pursuant hereto and any un-invested moneys to accomplish the payment of the Refunded Bonds or to the validity of this Escrow Agreement as to the City and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement.

The Escrow Agent undertakes to perform only such duties as are expressly set forth herein and no implied duties or obligations shall be inferred or otherwise imposed upon or against the Escrow Agent. The Escrow Agent may rely conclusively without independent verification upon any certification, writing, opinion or instrument under signature which it, in good faith, believes to be genuine, may assume the validity and accuracy of any statement or assertion contained in any such certification, writing, opinion or instrument; and

may assume that any person purporting to give any certification, writing, instrument, notice, advice, or instruction in connection with the provisions hereof has been duly authorized to do so, unless the Escrow Agent has reason to believe otherwise. The Escrow Agent shall not be liable in any manner for the sufficiency or correctness as to form or manner of execution or validity of any certification, writing, opinion or instrument deposited with or delivered to the Escrow Agent hereunder. The Escrow Agent may consult with counsel and the written advice of such counsel shall be full and complete authorization with respect to any action taken, suffered or omitted to be taken hereunder in good faith and in reliance thereon.

None of the provisions contained in this Escrow Agreement shall require the Escrow Agent to advance or risk its own funds in the performance of its duties herein defined.

Notwithstanding any provision contained herein to the contrary, the Escrow Agent, including its officers, directors, employees and agents, shall have the right to perform any of its duties hereunder through agents, attorneys, custodians or nominees, and shall not be responsible for the misconduct or negligence of such agents, attorneys, custodians and nominees appointed by it with due care.

SECTION 6. Term.

This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the date when: (a) the Escrow Agent has paid, in accordance with the provisions hereof, moneys sufficient to pay all principal of and interest and redemption premium on the Refunded Bonds as set forth in EXHIBIT B; and (b) the Escrow Agent has transferred to the City any remaining moneys or Investment Obligations, together with any interest thereon, in the 2013 Escrow Funds.

SECTION 7. Removal or Resignation of Escrow Agent.

- (a) The Escrow Agent may be removed with or without cause at any time by written instrument upon application by the City or by a majority in principal amount of the holders of the Refunded Bonds then outstanding. The Escrow Agent may resign by giving not less than sixty (60) days written notice to the City Manager or the Treasurer. No such removal or resignation shall take effect under this Escrow Agreement unless a successor Escrow Agent (the "Successor Escrow Agent") shall have been appointed by the holders of the Refunded Bonds in the event the holders removed the Escrow Agent or the Treasurer in the event the City removed the Escrow Agent or the Escrow Agent resigned, and such Successor Escrow Agent shall have accepted such appointment. Upon the appointment and acceptance of the Successor Escrow Agent, such removal or resignation shall take effect immediately.
- (b) At any time the Escrow Agent is removed by the City, resigns, is dissolved or is in the course of dissolution or liquidation, is taken under the control of any government official, agency, department or board, or otherwise becomes incapable of acting hereunder, the Treasurer may appoint a Successor Escrow Agent to fill such vacancy. In the event no appointment of a successor Escrow Agent is made within forty-five (45) days of the notice of removal or resignation or exercise of control or incapacity, the holder of any of the Refunded Bonds or any retiring Escrow Agent may, at the expense of the City, apply to a court of competent jurisdiction for the appointment of a Successor Escrow Agent, and such court may thereupon, after such notice it deems proper, if any, appoint a Successor Escrow Agent.
- (c) Every Successor Escrow Agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the Treasurer, an instrument in writing accepting such appointment hereunder and thereupon such Successor Escrow Agent, without any further act, deed or conveyance, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor. Each predecessor shall immediately deliver all cash, defeasance obligations or other Investment Obligations held by it to its Successor Escrow Agent upon appointment.
- (d) Any corporation into which the Escrow Agent or any Successor Escrow Agent hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or

consolidation to which the Escrow Agent or any Successor Escrow Agent hereunder may sell or transfer all or substantially all of its corporate trust business, shall be the Successor Escrow Agent under this Escrow Agreement without the execution or filing of any paper or any further action on the part of the parties hereto, provided such Successor Escrow Agent meets the qualifications required by Section 13(e) hereof.

- (e) Any Escrow Agent appointed or becoming a Successor Escrow Agent under the provisions of this Section shall at all times during the term of this Escrow Agreement be a commercial bank or trust company having the powers of a trust company within or without the State of Maine, shall be qualified to act as a trustee in the State of Maine and shall have at the time of appointment capital, surplus and undivided profits of not less than \$50,000,000.

SECTION 8. Notices.

Notices and other communications hereunder shall (except to the extent otherwise expressly provided) be in writing and shall be addressed as follows, or to such other address as the party receiving such notice shall have previously specified to the party sending such notice:

if to the City, at:

City of Bangor
73 Harlow Street
Bangor, ME 04401
Attention: Deborah A. Cyr, Finance Director
Telecopy No.: (207) 945-4446

if to the Escrow Agent:

The Bank of New York Mellon Trust Company, N.A.
Corporate Trust, Transaction Manager
One Financial Plaza, Suite 2200
Providence, RI 02903
Attention: Deborah M. Daniello, Vice President
Telecopy No.: (401) 272-5121

Notices shall be deemed delivered when received at the address specified above. For purposes of this paragraph, "when received" shall mean actual receipt of: (i) an electronic communication by a telex machine or telecopier or (ii) of a written communication hand-delivered at the office specified in or pursuant to this Escrow Agreement provided, however, any notice given hereunder shall be deemed received by the City only if received by the Treasurer.

The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Escrow Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the City desiring to provide such directions shall provide to the Escrow Agent an incumbency certificate listing persons with authority to act hereunder, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions even if such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 9. Severability.

If any one or more of the covenants or agreements in this Escrow Agreement to be performed by the City or the Escrow Agent should be determined by a court of competent jurisdiction to be contrary to law, such covenant(s) or agreement(s) shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

SECTION 10. Counterparts.

This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 11. Governing Law.

This Escrow Agreement shall be construed under the laws of the Commonwealth of Massachusetts, except that the authority of the City to enter into and perform its obligations under this Escrow Agreement shall be determined by the laws of the State of Maine.

SECTION 12. Dispute Resolution.

It is understood and agreed that, should any dispute arise with respect to the delivery, ownership, right of possession, and/or disposition of the 2013 Escrow Funds, or should any claim be made upon the Escrow Agent or the 2013 Escrow Funds by a third party, the Escrow Agent upon receipt of notice of such dispute or claim is authorized and shall be entitled (at its sole option and election) to retain in its possession without liability to anyone, all or any of said 2013 Escrow Funds until such dispute shall have been settled either by the mutual written agreement of the parties involved or by a final order, decree or judgment of a court in the United States of America, the time for perfection of an appeal of such order, decree or judgment having expired. The Escrow Agent may, but shall be under no duty whatsoever to, institute or defend any legal proceedings which relate to the 2013 Escrow Funds.

SECTION 13. Force Majeure.

The Escrow Agent shall not be responsible for delays or failures in performance resulting from acts beyond its control. Such acts shall include but not be limited to acts of God, strikes, lockouts, riots, acts of war, epidemics, governmental regulations superimposed after the fact, fire, communication line failures, computer viruses, power failures, earthquakes, acts of terrorism or other disasters.

SECTION 14. Compensation of Escrow Agent.

The Escrow Agent shall be compensated by the City in accordance with the provisions in EXHIBIT C. In addition to receiving compensation for the performance of its anticipated duties under this Escrow Agreement, the Escrow Agent shall also be entitled to receive reimbursement for extraordinary services and extraordinary expenses incurred by it in connection with this Escrow Agreement.

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Agreement to be executed by their duly authorized officers as of the date first above written.

CITY OF BANGOR, MAINE

Name:
Title:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. AS ESCROW AGENT

Name:
Title:

EXHIBIT A**THE 2013A INVESTMENT OBLIGATIONS**

<u>Type</u>	<u>Settlement</u>	<u>Maturity</u>	<u>Par</u>	<u>Coupon</u>	<u>Price</u>	<u>Principal</u>	<u>Accrued</u>	<u>Cost</u>
T Bill	06/05/2013	10/13/2013	\$285,000	0.000%	99.979444	\$284,941.42	\$0.00	\$284,941.42
T Note	06/05/2013	04/30/2014	28,000	0.250%	100.109375	28,030.63	6.85	28,037.48
T Note	06/05/2013	10/31/2014	3,075,000	2.375%	103.328125	3,177,339.84	7,144.36	3,184,484.20
T Note	06/05/2013	08/15/2015	1,318,000	4.250%	108.687500	1,432,501.25	17,021.13	1,449,522.38
T Note	06/05/2013	08/31/2015	<u>51,000</u>	1.250%	102.156250	<u>52,099.69</u>	<u>168.04</u>	<u>52,267.73</u>
			\$4,757,000			\$4,974,912.83	\$24,340.38	\$4,999,253.21

THE 2013B INVESTMENT OBLIGATIONS

<u>Type</u>	<u>Settlement</u>	<u>Maturity</u>	<u>Par</u>	<u>Coupon</u>	<u>Price</u>	<u>Principal</u>	<u>Accrued</u>	<u>Cost</u>
T Strip	06/05/2013	08/15/2013	\$15,000.00	0.000%	99.992000	\$14,998.80	\$0.00	\$14,998.80
T Strip	06/05/2013	02/15/2014	15,000.00	0.000%	99.930000	14,989.50	0.00	14,989.50
T Note	06/05/2013	09/30/2014	<u>1,164,000</u>	2.375%	103.125000	<u>1,200,375.00</u>	<u>4,985.16</u>	<u>1,205,360.16</u>
			\$1,194,000			\$1,230,363.30	\$4,985.16	\$1,235,348.46

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APPENDIX E

**PROPOSED FORM
OF
CONTINUING DISCLOSURE CERTIFICATE**

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

In connection with the issuance by the City of Bangor, Maine (the "Issuer") of its \$____,____,000 2013 General Obligation Bonds – Series A & B, dated as of _____ (the "Bonds") and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), the Issuer hereby covenants that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Issuer reserves the right to incorporate by reference its Official Statement dated _____, 2013 relating to the Bonds (the "Official Statement"), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to the Municipal Securities Rulemaking Board established under the Securities and Exchange Act of 1934, as amended, or any successor thereto ("MSRB"): (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2013, financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement prepared in connection with the Bonds regarding (i) revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax and rate information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension and other post employment benefit obligations of the Issuer, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (b) promptly upon their public release, the audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles.

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

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

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

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

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

Bloomberg Municipal Repositories (a former Nationally Recognized Municipal Securities Information Repository ("NRMSIR")) reports the City's 2008 filing was received on April 16, 2009 (290 days after the end of Fiscal Year 2008), and the 2009 filing was received June 21, 2010 (356 days after the end of Fiscal Year 2009). The City files its Annual Report in mid-January to mid-February of each year, thus within the applicable 270-day filing period, including the 2008 and 2009 filings. The City contends that it had followed its formal filing procedure for those filings, and that any delay was on behalf of the NRMSIR. However City is unable to provide documentation to prove that the 2008 and 2009 filings were received in a timely manner, and the City, therefore, acquiesces that these are "late filings".

The Rule was changed such that on and after July 1, 2009, filings were no longer filed with the four former NRMSIRs but were instead to be filed with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (“EMMA”). However, the City inadvertently continued to file with the NRMSIRs, but not to EMMA (2008 and 2009 are therefore deemed late, as discussed above). Such delay caused the City to make a second submission to the NRMSIRs in June 2010, of the 2009 filing, as the first filing apparently was not posted by the NRMSIR in a timely manner and to also post on EMMA, on October 11, 2012 as a duplicate filing, when this was discovered.

The City has posted timely filings with EMMA for the fiscal years 2010, 2011 and 2012 respectively. It is currently expected that, at or before June 30, 2013, the City Council of the City will adopt a post-issuance compliance policy that will provide for timely filings with EMMA or its successor repository, if any, for the above and prior continuing disclosure undertakings.

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

CITY OF BANGOR, MAINE

By: _____

Its: _____

Dated: _____, 2013

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