



MOORS & CABOT
INVESTMENTS

Banking & Advisory Group

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 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 such interest 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, such interest will be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the alternative minimum tax and the foreign branch profits tax. Bond Counsel is also of the opinion that pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, the interest paid on the Bonds is exempt from income tax within the State of Maine (the "State") under existing statutes, regulations and judicial decisions. **The Bonds will not 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
\$6,525,000
2012 GENERAL OBLIGATION REFUNDING BONDS

Dated: February 1, 2012

Due: April 1, as shown below

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2013	\$780,000	2.00%	0.40
2014	750,000	2.00	0.52
2015	660,000	2.00	0.71
2016	655,000	2.00	0.85
2017	645,000	2.00	1.01
2018	630,000	2.00	1.27
2019	620,000	2.00	1.51
2020	605,000	2.00	1.73
2021	595,000	2.00	1.95
2022	585,000	2.25	2.11

The 2012 General Obligation Refunding Bonds (the "Bonds") will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. 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., Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on October 1, 2012 and semi-annually on each April 1 and October 1 thereafter until maturity.

The legal opinion of Pierce Atwood LLP of Portland, Maine, Bond Counsel, will be provided to the original purchaser and will indicate that the Bonds are valid general obligations of the City 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 \$2,250,000 portion of the Bonds issued for the School Project (as defined herein) are not subject to the property tax limit set forth in Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended. The Finance Director has certified that no 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.

The Bonds are not subject to optional redemption prior to their stated dates of maturity.

The Bonds are offered when, as and if issued, subject to the approval of legality by Pierce Atwood LLP, of Portland, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC on or about February 9, 2012.



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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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**CERTIFICATE
CONCERNING OFFICIAL STATEMENT**

The information contained herein has been prepared by the City of Bangor, Maine with the assistance of Moors & Cabot, Inc., its Financial Advisor, from the records of the City and from various other public documents and sources which are believed to be reliable. There has been no independent investigation of such information by 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

\$6,525,000

2012 GENERAL OBLIGATION REFUNDING BONDS

This Official Statement is provided for the purpose of presenting certain information relating to the City of Bangor, Maine (the “City” or “Bangor”) in connection with the sale of its 2012 General Obligation Refunding Bonds (the “Bonds” or the “2012 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 February 1, 2012 and will bear interest, payable on October 1, 2012 and semi-annually thereafter on April 1 and October 1 of each year until maturity. The Bonds are not subject to optional redemption prior to their stated dates of maturity. It is expected that the Bonds will be available for delivery at DTC on or about February 9, 2012. The Bonds will mature as follows:

<u>Amount</u>	<u>April 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>April 1,</u>	<u>CUSIP</u>
\$780,000	2013	0600952U9	\$630,000	2018	0600952Z8
750,000	2014	0600952V7	620,000	2019	0600953A2
660,000	2015	0600952W5	605,000	2020	0600953B0
655,000	2016	0600952X3	595,000	2021	0600953C8
645,000	2017	0600952Y1	585,000	2022	0600953D6

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., Boston, Massachusetts, as paying agent (the “Paying Agent”). Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) will be the responsibility of such Participants and other nominees of Beneficial Owners. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See “THE BONDS - BOOK-ENTRY-ONLY SYSTEM” herein.

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 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.

AUTHORIZATION AND PURPOSE

The Bonds are being issued pursuant to bond orders of the City Council adopted at its meetings held on dates, with respective Order number, listed in the following table (the “Orders”). Subject to approval by the Finance Committee, the Orders authorize the City to issue its general obligation bonds to provide funds for the Projects (as described below) that are being financed by the Bonds. This authority is granted to the City by Title 30-A, Section 5772 of the Maine Revised Statutes, as amended; and by Article VI, Section 13 of the City’s Charter, as follows:

<u>The Projects</u>	<u>To be Financed</u>	<u>Authorization Order #</u>	<u>Date</u>
BACTS Projects ⁽¹⁾ :	\$200,000	10-280	Aug. 23, 2010
BACTS Projects ⁽¹⁾ :	150,000	11-248	Aug 8, 2011
WWTP Infrastructure:	500,000	11-248	Aug 8, 2011
Vehicles/Equipment:	327,700	11-248	Aug 8, 2011
Refund 2002 Bonds ⁽²⁾ :	5,347,300 ⁽³⁾	12-017	Dec 12, 2011
The Bonds	\$6,525,000		

NOTE: ⁽¹⁾ “BACTS” is an acronym for the Bangor Area Comprehensive Transportation System, the organization designated by federal and Maine government to carry out transportation planning in the Greater Bangor urbanized area.

⁽²⁾ See “THE BONDS – AUTHORIZATION AND PURPOSE – The Refunded Bonds” herein.

⁽³⁾ The “Refunding Bonds”.

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

The Refunded Bonds

The City issued \$11,025,000 2002 General Obligation Bonds – Series A, dated January 1, 2002 (the “2002 Bonds”). The 2002 Bonds maturing after April 1, 2012 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after April 1, 2012 at any time at the redemption price of 101%, declining to 100% after April 1, 2013. The City intends to use a portion of the proceeds of the 2012 Bonds, plus bid premium if any, to refund the \$5,230,000 remaining principal balance of the 2002 Bonds due on and after April 1, 2013 (the “Refunded Bonds”), on a current basis, on or after April 1, 2012. Proceeds of the 2012 Bonds will also be used to pay redemption premium of \$52,300; and costs of issuance (estimated to be \$65,000). To the extent available, bid premium will be used to pay for costs of issuance and redemption premium; any residual bid premium not used for costs of issuance or redemption premium will be used to pay interest on the 2002 Bonds accrued and unpaid to the redemption date or for such other permitted costs as shall be approved by the City Council.

The City achieved an Absolute Savings of \$774,484.51; a Present Value savings of \$732,173.55; or a 13.6924% PV savings. The following table displays certain information regarding the Refunded Bonds:

<u>Series</u>	<u>Dated Date</u>	<u>Amount Issued</u>	<u>Principal Due after April 1, 2012</u>	<u>Call Date (on or after)</u>	<u>Call Price</u>
2002 Series A	Jan. 1, 2002	\$11,025,000	\$5,230,000	April 1, 2012	101.000%

<u>Refunded Bonds</u>	<u>Amount</u>	<u>Maturity</u>	<u>Coupon</u>	<u>CUSIP</u>
	\$595,000	April 1, 2013	4.20%	060095C20
	595,000	April 1, 2014	4.30	060095C38
	505,000	April 1, 2015	4.375	060095C46
	505,000	April 1, 2016	4.50	060095C53
	505,000	April 1, 2017	4.60	060095C61
	505,000	April 1, 2018	4.625	060095C79
	505,000	April 1, 2019	4.70	060095C87
	505,000	April 1, 2020	4.75	060095C95
	505,000	April 1, 2021	4.75	060095D29
	505,000	April 1, 2022	4.75	060095D37
	<u>\$5,230,000</u>			

Projects Originally Financed by the Refunded Bonds

<u>April 1,</u>	<u>Vehicle</u>			<u>BNRC</u>	<u>Motor</u>		<u>Police Dept</u>	<u>Sawyer Arena</u>	<u>Recycle Center</u>	<u>BACTS</u>	<u>Bangor High⁽¹⁾</u>	<u>Total Bonds</u>
	<u>WWTP</u>	<u>Replace</u>	<u>Wash Sys</u>		<u>Pool</u>	<u>CSO</u>						
2013	55,000	48,000	27,000	8,000	6,000	25,000	145,000	31,000	14,000	11,000	225,000	\$595,000
2014	55,000	48,000	27,000	8,000	6,000	25,000	145,000	31,000	14,000	11,000	225,000	595,000
2015	55,000			8,000	6,000	26,000	140,000	31,000	14,000		225,000	505,000
2016	55,000			8,000	6,000	26,000	140,000	31,000	14,000		225,000	505,000
2017	55,000			8,000	6,000	26,000	140,000	31,000	14,000		225,000	505,000
2018	55,000			8,000	6,000	27,000	140,000	31,000	13,000		225,000	505,000
2019	55,000			8,000	5,000	28,000	140,000	31,000	13,000		225,000	505,000
2020	55,000			8,000	5,000	28,000	140,000	31,000	13,000		225,000	505,000
2021	55,000			8,000	5,000	28,000	140,000	31,000	13,000		225,000	505,000
2022	55,000			8,000	5,000	28,000	140,000	31,000	13,000		225,000	505,000
	<u>550,000</u>	<u>96,000</u>	<u>54,000</u>	<u>80,000</u>	<u>56,000</u>	<u>267,000</u>	<u>1,410,000</u>	<u>310,000</u>	<u>135,000</u>	<u>22,000</u>	<u>2,250,000</u>	<u>\$5,230,000</u>

NOTE: ⁽¹⁾ The "School Project".

AMORTIZATION OF THE BONDS

<u>April 1,</u>	<u>New Money (\$)</u>				<u>Refunding Bonds (\$)</u>				<u>The Bonds</u>
	<u>BACTS</u>	<u>WWTP</u>	<u>Equip</u>	<u>Sub-total</u>	<u>Principal</u>	<u>Call Prem</u>	<u>C of I</u>	<u>Sub-total</u>	
2013	35,000	50,000	37,700	122,700	645,000	5,230	7,070	657,300	780,000
2014	35,000	50,000	35,000	120,000	620,000	5,230	4,770	630,000	750,000
2015	35,000	50,000	35,000	120,000	530,000	5,230	4,770	540,000	660,000
2016	35,000	50,000	35,000	120,000	525,000	5,230	4,770	535,000	655,000
2017	35,000	50,000	35,000	120,000	515,000	5,230	4,770	525,000	645,000
2018	35,000	50,000	30,000	115,000	505,000	5,230	4,770	515,000	630,000
2019	35,000	50,000	30,000	115,000	495,000	5,230	4,770	505,000	620,000
2020	35,000	50,000	30,000	115,000	475,000	5,230	9,770	490,000	605,000
2021	35,000	50,000	30,000	115,000	465,000	5,230	9,770	480,000	595,000
2022	35,000	50,000	30,000	115,000	455,000	5,230	9,770	470,000	585,000
	<u>350,000</u>	<u>500,000</u>	<u>327,700</u>	<u>1,177,700</u>	<u>5,230,000</u>	<u>52,300</u>	<u>65,000</u>	<u>5,347,300</u>	<u>6,525,000</u>

SOURCE OF PAYMENT AND REMEDIES

General

The Bonds are general obligations of the City and their payment is not limited to a particular fund or revenue source. Municipalities in the State of Maine (the “State” or “Maine”) 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 \$2,250,000 portion of the Bonds issued for the School Project (as defined herein) are not subject to the property tax limit set forth in Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended. The Finance Director has certified that no 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 the portion of the Bonds issued for the School Project is includable in the school budget and the City is therefore able to levy ad valorem property taxes without limit as to rate or amount to pay the debt service on that portion of the Bonds, and 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, of Portland, Maine, under existing statutes, regulations and court decisions interest on the Bonds is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation. Interest on the Bonds will not be treated as a preference item in calculating alternative minimum taxable income of individuals and corporations; however, interest on the Bonds will be includable in the adjusted net book income or adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax imposed upon corporations and will be taken into account in the computation of the foreign branch profits tax.

Bond Counsel's opinion will state that the Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements regarding the use, expenditure and investment of the proceeds of the Bonds 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 Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in the gross income of the owner thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The opinion will further state that Bond Counsel has examined the Arbitrage and Use of Proceeds Certificate, Issuers Certificate Regarding Qualified & Designated Status and the General Certificate of the Finance Director of the City (collectively the "Tax Certificates") delivered concurrently with the 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 Bonds shall not be included in the gross income of the owner thereof for federal income tax purposes. In rendering its opinion Bond Counsel will rely upon the representations of the City set forth in the Tax Certificates and assume that the City will comply with the provisions and procedures set forth in the Tax Certificates.

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, and is treated as "disqualified income" for purposes of determining whether an individual is eligible for the earned income tax credit. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

In the opinion of Pierce Atwood LLP, of Portland, Maine, Bond Counsel, interest payable on the Bonds is exempt from income taxation within the State pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended. See “Proposed Form of Legal Opinion” in APPENDIX B herein.

Tax legislation, administrative actions taken by tax authorities or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or State law and could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

The Bonds will not be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Original Issue Discount/Premium

For federal income tax purposes, original issue discount with respect to a bond is equal to the excess, if any, of the stated redemption price at maturity of such bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all substantially identical Bonds were sold (“Original Issue Discount”). Original Issue Discount accrues over the term of a bond in accordance with Section 1272 of the Code. Purchasers of the Bonds should consult their own tax advisers with respect to the computation of Original Issue Discount on such accruals of interest during the period in which any such Bond is held.

The excess, if any, of the tax basis of the Bonds to a purchaser (other than a purchaser who holds such Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is “Bond Premium.” For federal income tax purposes, Bond Premium is amortized over the term of such Bonds, is not deductible and reduces the purchaser’s adjusted tax basis. Bond purchasers should consult their own tax advisors with respect to the tax consequences of Bond Premium.

Bond Counsel will not express an opinion regarding the treatment of Original Issue Discount or Bond Premium for federal income tax purposes.

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

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 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 the underwriter 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, if material. 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. The City has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.

FINANCIAL 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 or participate in an underwriting syndicate for the public bidding of the Bonds.

CUSIP IDENTIFICATION NUMBERS

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

STATUTORY REFERENCES

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

CONDITIONS PRECEDENT TO DELIVERY

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

No Litigation

Upon delivery of the Bonds, the City shall deliver or cause to be delivered a certificate of the Finance Director, and attested to by the City Clerk, dated the date of delivery, 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 OPINION" in APPENDIX B herein.

Certificate With Respect to Official Statement

At the time of the original delivery of and payment for the Bonds, the City will deliver a certificate of the Finance Director to the effect that she has examined this Official Statement and the financial and other data contained therein and that, to the best of her knowledge and belief, both as of its date and as of the

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

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.

Certificate With Respect to Shared Valuation

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 no agreements under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, now exist.

CITY OF BANGOR

GENERAL

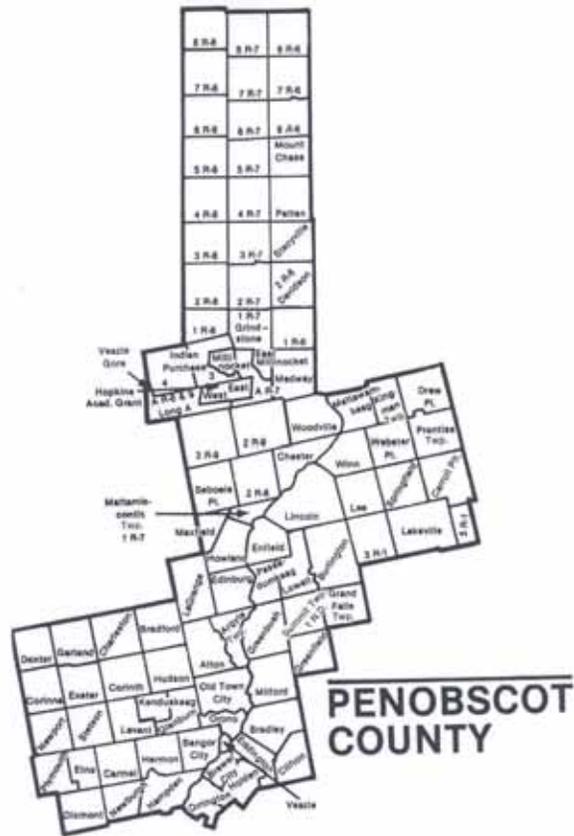
The City of Bangor is located in the south-central section of the County of Penobscot, in the eastern section of the State of Maine. The City is approximately 235 miles north-northeast of Boston, Massachusetts, 140 miles northeast of Portland, Maine, the State's largest city, and approximately 76 miles 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 being situated in eastern and northern Maine. 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 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, 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, passing laws, approving 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 who 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; 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, 5 Lieutenants, 12 Sergeants, 12 Detectives and approximately 52 Police Officers. The Police Department operates from its 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, 4 Assistant Chiefs, 6 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 \$76.50/ton of solid waste disposed until March 31, 2012. 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 Sending Communities' interests are protected. The City is currently involved in the ownership of the PERC facility along with other Charter Communities, which Charter Communities currently own approximately 21% of the limited partnership shares of the facility.

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, 2011 total net assets for the Sewer Utility Fund were \$58.55 million. Sewer rates are reviewed annually to ensure that the fee structure is sufficient to cover costs. Effective July 1, 2011, sewer rates have been increased by 5.0%, to \$5.25 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 June 30, 2011 fiscal year BIA's net assets were \$132.9 million.

BIA is also the home of the 101st Air National Guard Refueling Wing (the "ANG"). The relationship between BIA and the Guard 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 no indebtedness for Park Woods and 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, Bangor Auditorium and the Bangor Civic Center. 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.

The City has been actively working on replacing the existing Bangor Auditorium/Civic Center since the late 1980’s (the “Existing Auditorium”). During that time, numerous studies have been commissioned, legislative and community meetings have taken place, and market feasibility studies and concept drawings have been developed. The City Council is in the process of replacing the Existing Auditorium with a new arena and convention center (see “INDEBTEDNESS – FUTURE FINANCING – The Arena Project” herein).

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 provide 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:

City’s Schools

School	Grade	Estimated Capacity	Enrollment
Abraham Lincoln	K - 3	340	216
Downeast	K - 3	400	325
Fourteenth Street	K - 3	200	158
Fruit Street	K - 3	385	346
Vine Street	K - 3	385	247
Fairmount	4 - 5	430	305
Mary Snow	4 - 5	410	225
James F. Doughty	6 - 8	630	385
William S. Cohen	6 - 8	640	395
Bangor High School	9 - 12	1,500	1,228

Enrollment Trends

April 1,	Grades					Total Enrollment
	K-3	4-5	6-8	9-12	Other	
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
2003	1,039	581	943	1,200	256	4,019
2002	1,149	625	899	1,214	246	4,133

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 SAUs within the geographical boundaries set forth for each career and technical education region. A Region 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 enrollments. 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 2011/2012 assessment is \$497,152 or 22% of Region #4’s 2011/2012 total assessments of \$2,224,045.

Furthermore, along with ten school administrative units in the region, the City of Bangor participates in the Southern *Penobscot Regional Program for Exceptional Children*. In this program, the following specialized classification of educational curriculum (and its location) are offered at: “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 facade opened in 1913, designed by Peabody and Stearns of Boston with a 27,000 square feet 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	7/1/10	6/30/12
MAP	60	Police Officers	7/1/10	6/30/12
Teamsters	14	Police Support Staff	7/1/10	6/30/11 ⁽²⁾
IAFF	87	Firefighters	7/1/08	6/30/11 ⁽²⁾
BFPE-AFT	13	Motor Pool	7/1/07	6/30/10 ⁽²⁾
AFSCME	4	Airport Aircraft Mechanics	7/1/11	6/30/12
AFSCME	6	Aircraft Weather Observers	7/1/11	6/30/12
AFSCME	23	Ramp Supervisors & Attendants	7/1/08	6/30/11 ⁽²⁾
AFSCME	14	Airfield & Building Maintenance	7/1/11	6/30/12
MSEA	10	Airport CSRs & PT Ramp Attend.	7/1/10	6/30/12
AFSCME	55	Public Works	7/1/07	6/30/10 ⁽²⁾
MEA	250	School Teachers	9/1/11	8/31/12
MEA	34	School Instructional Ass'ts	7/1/11	6/30/12
AFL/CIO	17	School Administrators	7/1/11	6/30/12
MEA	40	School Support Staff	7/1/11	6/30/12

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. "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. "MSEA" indicates the Maine State Employees Association. "Teamsters" indicates the International Brotherhood of Teamsters, which are affiliated as separate bargaining units.

⁽²⁾ The respective unit and the City are, 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.

BUILDING PERMITS

Calendar Year	Permits			Est. Cost of Construction
	Residential	Non-Resid't'l	Total	
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

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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 ^(b)	City of Bangor	Penobscot County	State of Maine	USA
Median family income	\$42,047	\$42,206	\$45,179	\$50,046
% below poverty level	16.6%	13.7%	10.9%	12.4%
Per capita income	\$19,295	\$17,801	\$19,533	\$21,587

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 ^(b)	\$87,300	\$82,400	\$98,700	\$119,600
Median gross rent ^(b)	\$475	\$468	\$497	\$602
Occupied housing units ^(a)	14,475	62,966	557,219	-

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
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
2002	3.1	4.5	4.4	5.8
2001	3.0	4.1	4.0	4.8

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

FORMER BANGOR METROPOLITAN STATISTICAL AREA

The U.S. Department of Commerce, Bureau of the Census formerly defined a metropolitan statistical area (“MSA”) as an area that includes at least one city with 50,000 or more inhabitants, or a Census Bureau-defined urbanized area (of at least 50,000 inhabitants) and a total metropolitan population of at least 75,000 (in New England). Additional cities and towns are included in the MSA if they meet specified requirements of commuting to the central area and other selected requirements of metropolitan character (such as population density and percent urban). An MSA is also considered a labor market area. The map displays the 14 cities or towns and one reservation that comprise 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	11,109	72.45%	Bangor	11,109	32.48%
Brewer	977	6.37	Brewer	2,389	6.99
Orono	807	5.26	Hampden	1,824	5.33
Hampden	300	1.96	Hermon	1,268	3.71
Hermon	244	1.59	Glenburn	1,229	3.59
Old Town	220	1.43	Orono	1,201	3.51
Millinocket	119	0.78	Old Town	1,095	3.20
Bucksport	96	0.63	Orrington	925	2.70
Belfast	92	0.60	Holden	775	2.27
Holden	89	0.58	Winterport	716	2.09
Ellsworth	82	0.53	Levant	613	1.79
Glenburn	82	0.53	Corinth	590	1.73
Orrington	61	0.40	Carmel	567	1.66
East Millinocket	54	0.35	Eddington	549	1.61
Veazie	48	0.31	Milford	488	1.43
All Other	954	6.22	All Other	8,861	25.91
	15,334	100.00%		34,199	100.00%

SOURCE: State of Maine, Department of Labor, Labor Market Information Services; U.S. Department of Commerce, Bureau of Census, 2000 Census.

Employment Center

The City is the hub of retail, wholesale, distribution, transportation, banking, legal, medical, recreational, and other major services for its 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
	LL 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, 2010.

Commercial Center

The City's *Primary Market* is an area within 20 miles of the City center made up 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.

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 encompassing its eight eastern and northern counties, is 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 2010, Bangor realized 9% of the State's retail sales; and 76% 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
2010	80,533	118,502	54,077	353,260	106,261	292,032	164,208	1,168,873	1,088,862
2009	81,442	119,879	57,043	334,884	102,782	284,260	157,224	1,137,514	1,056,071
2008	103,073	146,425	56,174	339,196	109,475	305,658	152,180	1,212,181	1,109,108
2007	110,803	161,838	54,968	341,365	110,740	317,243	151,516	1,248,473	1,137,670
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
2001	92,761	123,701	48,547	282,714	99,808	284,285	125,073	1,056,889	964,128
2000	105,727	125,823	56,222	261,776	96,814	270,601	124,489	1,041,452	935,725

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

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

Healthcare

Eastern Maine Medical Center (“EMMC”) is the second largest medical center in the State with 411 beds and over 3,700 employees in its inpatient and outpatient service areas. EMMC is an American College of Surgeons verified Level II trauma center, and host of *Lifelight of Maine*, a statewide medical helicopter service that transports critically ill and injured patients. In 2006, EMMC established the Clinical Research Center to continue to develop best practices and discover possibilities to improve access to quality care at the local level. **St. Joseph Hospital**, is a 112-bed acute care, not-for-profit community hospital with over 800 personnel provides business and community wellness programs and walk-in physician emergency care. From state-of-the-art diagnostics to modern, well-equipped surgical suites, St. Joseph Healthcare serves inpatients and outpatients alike with a wide variety of services including many physician specialty practices. The **Maine Veterans’ Home** - Bangor, established by the State legislature to provide support and care for honourably discharged veterans, employs 270 personnel in the 150-bed facility with four separate nursing units: a 40 bed rehabilitation and skilled nursing care unit, a 40 bed long-term care unit, a 40 bed secured long-term care unit for residents with Alzheimer's Disease and other dementias, and a 30 bed residential care unit designed to meet the needs of those in the early stages of dementia. **Acadia Hospital** employs over 650 individuals to provide both hospital-based and community-based mental health and substance abuse treatment services in its 100-bed acute care facility. The **Dorothea Dix Psychiatric Center** is a 100-bed psychiatric hospital with a staff of 200 employees that provides services, both inpatient and outpatient, for people with severe mental illness.

MSA ECONOMIC CHARACTERISTICS

Population	Bangor <u>MSA</u>	% Change-----		
		<u>MSA</u>	<u>State</u>	<u>USA</u>
1970	81,760	(2.66)%	2.4%	13.4%
1980	85,616	4.72	13.4	11.4
1990	91,153	6.47	9.2	9.8
2000	90,302	(0.93)	3.8	13.2

Population Characteristics	<u>City of Bangor</u>	<u>Bangor MSA</u>	<u>State of Maine</u>
Median age (years)	36.1	35.9	38.6
% school age	15.5%	16.6%	18.1%
% working age	64.7%	65.5%	62.0%
% 65 and over	14.1%	12.6%	14.4%
Persons/household	2.12	2.32	2.39

Income	<u>City of Bangor</u>	<u>Bangor MSA</u>	<u>State of Maine</u>
Median family income	\$42,047	\$46,864	\$45,179
% below poverty level	16.6%	13.4%	10.9%
Per capita income	\$19,295	\$19,194	\$19,533

Housing	<u>City of Bangor</u>	<u>Bangor MSA</u>	<u>State of Maine</u>
% owner occupied	47.5%	62.7%	71.5%
% Built before 1939	45.0%	32.1%	29.1%
% Built since 1990	6.5%	12.0%	14.6%
Owner occupied med. value	\$87,300	\$91,100	\$98,700
Median gross rent	\$475	\$480	\$497
Occupied housing units	13,713	36,584	518,200

SOURCE: 2000 census, U.S. Department of Commerce, Bureau of the Census.

Unemployment	<u>City of Bangor</u>	<u>Bangor MSA</u>	<u>State of Maine</u>
2010	7.5%	7.7%	7.9%
2009	7.2	7.4	8.0
2008	5.0	5.2	5.4
2007	4.7	4.7	4.6
2006	4.3	4.6	4.6
2005	4.6	4.7	4.8
2004	4.5	4.9	4.6
2003	3.4	3.3	5.1
2002	3.1	2.9	4.4
2001	3.0	2.8	4.0
2000	2.8	2.5	3.5

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

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 has the prerogative to 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 “CITY FINANCES - LIMITATION ON MUNICIPAL PROPERTY TAX” 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)

	2008	2009	2010	2011	2012
Revenues					
Taxes	\$47,273	\$49,362	\$49,754	\$50,428	\$50,630
Intergovernmental	23,872	25,627	27,226	26,326	25,245
Licenses and Permits	538	593	606	653	656
Charges for Services	10,763	11,050	11,361	11,250	11,550
Fines, Forfeits and Penalties	27	15	37	37	33
Use of Property	794	857	818	656	709
Other Sources	2,054	1,418	1,448	1,341	1,348
Total Revenues	85,321	88,922	91,250	90,691	\$90,171
Expenditures					
General Government	6,917	7,280	7,406	7,293	7,549
Public Safety	14,550	15,068	15,506	15,947	16,078
Health, Welfare and Recreation	4,125	4,449	4,509	4,388	4,949
Public Services	9,980	10,362	10,589	10,159	10,287
Other Agencies	4,177	4,226	4,288	4,251	4,341
Education	39,695	41,453	42,915	42,536	40,917
Other	3,199	3,338	3,012	2,769	2,641
Debt Service	2,678	2,746	3,025	3,348	3,409
Total Expenditures	\$85,321	\$88,922	\$91,250	\$90,691	\$90,171

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 coming 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.

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>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>
State Personal Income Factor:	2.47%	2.24%	2.28%	1.78%	1.66%
City Property Growth Factor:	<u>4.86%</u>	<u>4.05%</u>	<u>5.29%</u>	<u>5.34%</u>	<u>3.14%</u>
Growth Limitation Factor:	7.33%	6.29%	7.57%	7.12%	4.80%
Property Tax Levy Limit:	\$19,427,427	\$20,648,899	\$22,554,913	\$24,160,432	\$25,320,961
Property Tax Levy:	<u>19,427,426</u>	<u>20,967,582</u>	<u>21,414,760</u>	<u>21,996,254</u>	<u>21,143,656</u>
Over/(below) Property Tax Levy Limit:	\$(1)	\$318,683	(\$1,551,704)	(\$2,892,671)	(\$4,177,035)

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 states that the City Council shall target an undesignated fund balance of no more than 10% of the operating budget, excluding debt for the General Fund. The target balance is established at 5% of the prior year's expenditures less debt service. As part of its fund balance policy, the City Council has indicated that the General Fund unassigned fund balance should be 8.33% of the General Fund's operating expenditures less debt service. As of June 30, 2011, the General Fund Unassigned Fund Balance was 9.11% of operating expenditures less debt service.

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Assigned and Unassigned ⁽¹⁾ General Fund Balance	\$11,438,114	\$11,602,190	\$12,922,086	\$13,202,140	\$12,522,640
Prior Years' Expenses (less Debt Service)	77,679,420	82,886,231	84,428,098	85,088,991	88,013,947
Fund Bal as % Prior Years' Expenses	14.72%	14.00%	15.31%	15.52%	14.23%
Unassigned ⁽²⁾ General Fund Balance	\$8,259,260	\$8,008,116	\$8,743,388	\$8,499,692	\$8,017,940
Prior Years' Expenses (less Debt Service)	77,679,420	82,886,231	84,428,098	85,088,991	88,013,947
Fund Bal as % Prior Years' Expenses	10.63%	9.66%	10.36%	9.99%	9.11%

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. The City's fiscal year 2011 Financial Statements, audited by Runyon Kersteen Ouellette, Certified Public Accountants, is presented as APPENDIX A to this Official Statement. The City has not requested the consent of Runyon Kersteen Ouellette 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,)

	2011	2010	2009	2008	2007
ASSETS					
Cash	\$13,518,284	\$12,953,810	\$433,563	\$2,309,062	\$340,279
Investments	50,000	50,000	12,203,155	8,451,582	11,474,968
Receivables:					
Taxes	2,555,470	2,412,585	2,227,194	1,953,560	1,701,062
Accounts (net of allowances)	1,425,307	657,371	954,359	833,323	840,131
Interfund loans	3,251,585	3,293,510	3,055,385	4,439,998	2,274,205
Intergovernmental	2,823,413	1,917,845	1,792,720	1,768,425	1,694,700
Loan	945,289	996,806	1,045,178	1,090,598	1,133,246
Inventory, at cost	912,743	855,035	806,288	754,990	697,389
Prepaid items	51,027	84,252	27,717	56,667	31,693
TOTAL ASSETS	25,533,118	23,221,214	22,545,559	21,658,205	20,187,673
LIABILITIES					
Accounts payable	1,111,343	987,276	1,235,546	1,241,244	942,577
Accrued wages and benefits	5,091,810	3,991,851	3,771,990	4,347,373	3,979,634
Deferred revenue	2,305,395	2,319,816	2,078,764	1,830,278	1,461,316
TOTAL LIABILITIES	8,508,548	7,298,943	7,086,300	7,418,895	6,383,527
FUND BALANCE					
Reserved:					
Prepaid	-	967,379	858,956	929,853	901,650
Encumbrances	-	84,252	27,717	56,667	31,693
Interfund loans or advances	-	1,650,500	1,650,500	1,650,500	1,432,689
Unreserved:					
Designated	-	4,720,448	4,178,698	3,594,074	3,178,854
Undesignated	-	8,499,692	8,743,388	8,008,116	8,259,260
Non-spendable ⁽¹⁾	2,864,270	-	-	-	-
Restricted ⁽¹⁾	1,618,627	-	-	-	-
Committed ⁽¹⁾	19,033	-	-	-	-
Assigned ⁽¹⁾	4,504,700	-	-	-	-
Unassigned ⁽¹⁾	8,017,940	-	-	-	-
TOTAL FUND BALANCE	17,024,570	15,922,271	15,459,259	14,239,210	13,804,146
TOTAL LIABILITIES AND FUND BALANCE	\$25,533,118	\$23,221,214	\$22,545,559	\$21,658,105	\$20,187,673

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,)

	2011	2010	2009	2008	2007
REVENUES					
Taxes	\$50,578,542	\$49,976,511	\$49,432,293	\$47,247,684	\$45,691,270
Intergovernmental	34,312,276	34,253,927	33,257,147	32,108,498	30,180,807
Licenses and permits	601,202	633,339	644,621	956,965	982,879
Charges for services	14,141,121	12,735,266	12,467,845	12,372,417	11,847,554
Revenue from use of property	810,705	1,021,850	1,269,847	1,331,794	1,658,367
Other	39,090	30,657	43,706	24,361	10,337
TOTAL REVENUES	100,482,936	98,651,550	97,115,459	94,041,719	90,371,214
EXPENDITURES					
General government	4,858,721	5,422,805	5,103,378	5,122,152	4,736,885
Public safety	15,800,938	15,287,575	14,400,420	14,162,638	13,476,656
Health, com. serv. and recreation	5,584,184	4,720,477	4,414,673	4,305,709	4,086,513
Public services	10,196,576	10,055,161	10,048,539	9,906,759	9,363,365
Other agencies	4,347,617	4,291,329	4,294,283	4,227,552	4,011,711
Education	51,391,657	51,590,324	50,380,309	48,293,846	46,872,497
TIF	165,133	432,033	215,483	-	-
Unclassified	56,882	48,010	47,989	146,679	130,187
Capital outlay	529,990	427,746	371,509	855,173	277,845
Debt service	4,813,592	4,490,927	4,429,337	4,398,513	4,144,273
TOTAL EXPENDITURES	97,745,290	96,766,387	93,705,920	91,419,021	87,099,932
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENDITURES	2,737,646	1,885,163	3,409,539	2,622,698	3,271,282
OTHER FINANCING SOURCES (USES)	(1,635,347)	(1,422,151)	(2,189,590)	(2,187,534)	(2,484,394)
EXCESS (DEFICIENCY) REVENUES/EARNINGS OVER EXPENDITURES/OTHER USES	1,102,299	463,012	1,219,949	435,164	786,888
BEGINNING FUND BALANCE	15,922,271	15,459,259	14,239,310	13,804,146	13,017,258
ENDING FUND BALANCE	\$17,024,570	\$15,922,271	\$15,459,259	\$14,239,310	\$13,804,146

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 2011/2012 the tax due dates are September 15, 2011 and March 15, 2012. 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.

Personal Property Tax

In 2006 the Maine Legislature enacted LD 2056, codified as Title 36, Chapter 105, Subchapter 4-C of the Maine Revised Statutes, as amended, which exempts from taxation, beginning with the April 1, 2008 tax year, various 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.

Through the Business Equipment Tax Exemption Program ("BETE") the State will reimburse municipalities with respect to the lost property taxes associated with this new 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 this legislation in the municipality must be considered part of that municipality’s local valuation to the extent the municipality is being reimbursed for its lost property taxes by the State other than property located in, and the assessed value of which is retained in, a tax increment financing district. The following table identifies the value of the property subject to BETE reimbursement:

<u>Fiscal Year ended June 30,</u>	<u>BETE Exempt Value</u>
2012	\$57,635,300
2011	41,980,400
2010	27,467,500
2009	8,523,800

The value of all property made exempt by this law in the City will also be 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 law provides some additional security for the municipal reimbursement system by funding the reimbursements described above directly from State Income Tax receipts before those receipts are deposited into the State’s General Fund, rather than as an annual General Fund appropriation.

Tax Levy and Collections

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (per 000)	Gross Tax Levy (000)	Collections (after Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy A/O 08/31/11
2012	\$2,456,450 ⁽¹⁾	\$2,590,321	\$19.20	\$48,436	----- In Process -----		
2011	2,466,650	2,578,274	19.20	48,363	\$46,858	97.23%	97.23%
2010	2,436,000	2,626,791	19.05	48,720	46,205	96.00	100.0
2009	2,377,800	2,544,916	19.05	47,235	45,689	97.29	100.0
2008	2,358,250	2,406,089	18.80	44,082	42,848	97.96	100.0
2007	2,213,950	2,224,049	19.40	41,991	40,820	97.84	100.0
2006	2,063,300	2,059,677	20.40	41,099	39,717	98.14	100.0
2005	1,861,350	1,868,245	22.05	40,474	39,206	97.25	100.0
2004	1,741,600	1,740,329	23.35	39,866	38,589	97.22	100.0
2003	1,609,250	1,691,229	23.60	39,021	37,785	97.46	100.0
2002	1,606,250	1,588,392	23.75	36,685	35,633	97.13	100.0

NOTE: ⁽¹⁾ Pursuant to Title 36, §208 of the Maine Revised Statutes, as amended, the State Tax Assessor equalizes and adjusts the assessment list of each municipality to its just value as of April 1st of each year. Title 36, §305 of the Maine Revised Statutes, as amended provides that the State Tax Assessor must certify to the Secretary of State before the first day of February the equalized just value of all real and personal property in each municipality. Therefore the 2012 equalized valuation is “Proposed”, subject to change in the final filing to the Secretary of State, on or before February 1, 2012.

LARGEST TAXPAYERS

Taxpayer	Business	As of April 1, 2011				
		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	4.27%
General Electric	Steam turbine manf.	30,839,500	33,479,000	64,318,500	1,234,915	2.44%
Bangor Mall LLC	Shopping mall	57,608,500	201,000	57,809,500	1,109,942	2.19%
Bangor Hydro Electric	Utility	31,597,100	6,780,300	38,377,400	736,846	1.46%
Inland Western	Shopping mall	28,342,400	16,100	28,358,500	544,483	1.08%
Wal Mart Real Estate	Retailer	17,989,000	3,260,800	21,249,800	407,996	0.81%
QV Realty Trust	Shopping mall	15,859,900	-	15,859,900	304,510	0.60%
Grant Trailer Sales	Real Estate	14,868,500	485,900	15,354,400	294,804	0.58%
Harvest Sunbury	Retirement	13,870,000	236,400	14,106,400	270,843	0.54%
Airport Mall Assc.	Shopping mall	<u>13,645,200</u>	<u>22,000</u>	<u>13,667,200</u>	<u>262,410</u>	<u>0.52%</u>
		\$310,432,500	\$71,041,100	\$381,473,600	\$7,324,291	14.49%

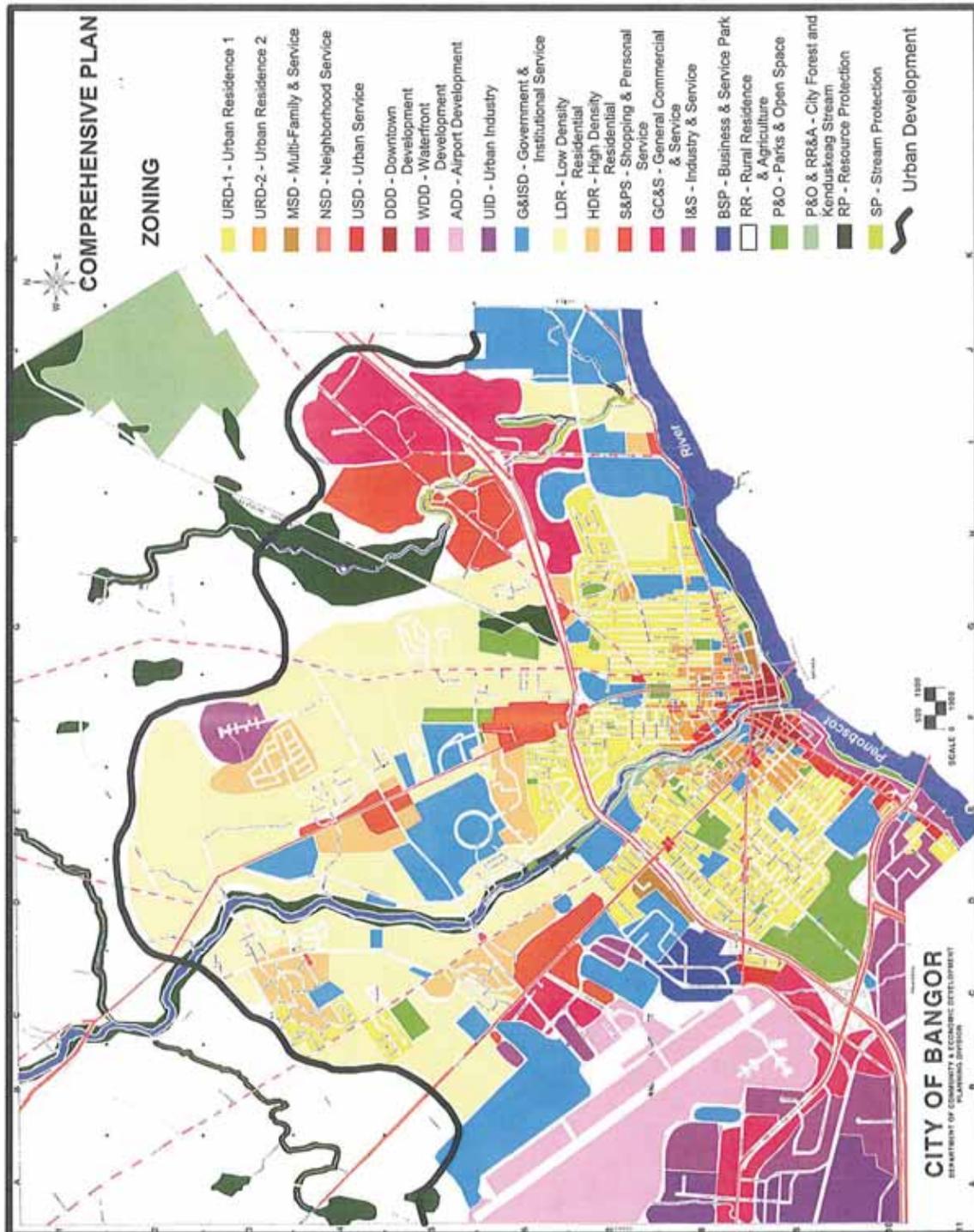
TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE DEVELOPMENT HOUSING DISTRICTS

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 included within Pine Tree Development Zones or TIF districts that consist solely of one or more community wind power generation facilities owned by a community wind power generator that has been certified by the Public Utilities Commission pursuant to Title 35-A, section, 3403, subsection 3 of the Maine Revised Statutes, as amended.

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.

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.

ZONING



TAX BASE AND TAX BASE GROWTH

The City's land area is comprised of 22,032 acres. The below table and charts display the potential increase in tax base by the conversion of land from undeveloped to developed.

<u>By Land Area (acres)</u>	<u>2010</u>	<u>% Total</u>
Undeveloped ⁽¹⁾	5,791	26.28%
Exempt	5,298	24.05%
Greenspace ⁽²⁾	2,608	11.84%
Developed	<u>8,335</u>	<u>37.83%</u>
Total	22,032	100.00%

	<u>2000</u>		<u>2005</u>		<u>2010</u>	
	<u>Value (\$)</u>	<u>% Total</u>	<u>Value (\$)</u>	<u>% Total</u>	<u>Value (\$)</u>	<u>% Total</u>
Commercial	\$610,764,396	44.70%	\$702,983,019	38.45%	\$879,709,333	38.18%
Industrial	114,404,935	8.37%	131,050,972	7.17%	194,828,100	8.45%
Residential	638,554,651	46.73%	986,389,569	53.95%	1,225,514,700	53.18%
Undeveloped	2,704,650	0.20%	7,912,450	0.43%	4,332,058	0.19%
Assessed Value	<u>\$1,366,428,632</u>	<u>100.00%</u>	<u>\$1,828,336,010</u>	<u>100.00%</u>	<u>\$2,304,384,191</u>	<u>100.00%</u>

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.

SOURCE: "Value" is equalized State Valuation as reported by the State Tax Assessor to the Secretary of State.

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 are subject to appropriation by the State Legislature in its budgetary process.

The State subsidizes most local school administrative units 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 school administrative units are an annual item in the State's budgetary process and are subject to legislative appropriation in that process. The following table displays revenues received by the City from the State for the last five audited fiscal periods:

<u>Fiscal Yr. End June 30,</u>	<u>State Revenue Sharing</u>	<u>State School Subsidy</u>	<u>Other School</u>	<u>BETE</u>	<u>Homestead Exemption</u>	<u>Other State</u>	<u>Total From State</u>
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
2007	4,285,724	15,557,961	3,818,076	-	659,413	1,566,680	25,887,854

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.”

The City’s 2012 proposed equalized state valuation (“equalized State Valuation”) is listed at \$2,456,450,000. The 15% debt limit is \$368,467,500. As of June 30, 2011 the City’s long term general obligation debt outstanding was \$ 90,441,003, or 3.68% of the proposed 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, 2011				Projected, June 30, 2012		
			General Fund		Enterprise Funds	Total Debt	Payments	Refunded	Balance Due
			City	School					
1991	19,000.0	10/01/12	0	0	1,900,000	1,900,000	(950,000)		950,000
1993A	1,864.0	10/01/13	0	0	279,600	279,600	(93,200)		186,400
1993B	1,986.0	10/01/13	0	0	297,900	297,900	(99,300)		198,600
1996B	2,942.9	10/01/16	0	0	1,059,708	1,059,709	(163,066)		896,643
1996 ⁽¹⁾	975.0	05/01/16	468,620	0	0	468,620	(85,573)		383,047
1997A	2,452.4	10/01/17	0	0	988,428	988,428	(130,545)		857,883
1998 ⁽¹⁾	280.0	11/01/17	140,766	0	0	140,766	(19,097)		121,669
1999A ⁽²⁾	259.8	07/17/17	0	0	120,650	120,650	(14,818)		105,832
2001 ⁽¹⁾	699.9	09/01/11	484,866	0	0	484,866	(35,018)		449,848
2002	11,025.0	04/01/22	2,305,900	2,475,000	1,049,100	5,830,000	(600,000)	(5,230,000)	0
2003A	6,910.0	11/01/23	360,317	670,320	1,299,363	2,330,000	(1,050,000)		1,280,000
2003(SRF) ⁽³⁾	3,000.0	10/01/22	0	0	1,898,746	1,898,746	(145,485)		1,753,261
2003 ⁽¹⁾	300.0	07/01/11	0	0	36,097	36,097	(36,097)		0
2003 ⁽¹⁾	200.0	07/01/14	67,254	0	0	67,254	(16,041)		51,213
2003 ⁽⁴⁾	1,300.0	03/01/23	0	0	945,289	945,289	(60,950)		884,339
2004	9,227.0	11/01/24	2,285,000	0	0	2,285,000	(210,000)		2,075,000
2005(SRF) ⁽³⁾	2,650.0	10/01/24	0	0	1,958,923	1,958,923	(123,125)		1,835,798
2005A	3,650.0	11/01/24	1,720,000	0	700,000	2,420,000	(205,000)		2,215,000
2005B	2,315.0	10/01/24	0	0	1,610,000	1,610,000	(115,000)		1,495,000
2006 ⁽²⁾	2,250.0	12/01/26	0	0	1,874,003	1,874,003	(86,846)		1,787,157
2006	4,933.0	09/01/25	2,901,922	0	448,078	3,350,000	(340,000)		3,010,000
2006(SRF) ⁽³⁾	2,000.0	04/01/27	0	0	1,650,292	1,650,292	(91,041)		1,559,251
2007	3,555.0	09/01/26	2,755,000	0	0	2,755,000	(200,000)		2,555,000
2007(SRF) ⁽³⁾	2,000.0	04/01/28	0	0	1,743,771	1,743,771	(88,520)		1,655,251
2009A	3,100.0	09/01/28	2,790,000	0	0	2,790,000	(155,000)		2,635,000
2009ARRA ⁽⁵⁾	1,960.0	04/01/29	0	0	872,018	872,018	(48,445)		823,573
2009ARRA ⁽⁵⁾	1,040.0	04/01/30	0	0	488,072	488,072	(25,688)		462,384
2009B	14,425.0	09/01/19	4,346,649	7,204,857	1,363,494	12,915,000	(1,405,000)		11,510,000
2011	6,391.0	04/01/21	2,086,100	0	4,304,900	6,391,000	(606,000)		5,785,000
			22,712,394	10,350,177	26,888,432	59,951,003	(7,198,855)	(5,230,000)	47,522,150
2002(POB) ⁽⁶⁾	34,030.0	06/01/26	23,872,848	1,520,247	5,096,905	30,490,000	(765,000)	0	29,725,000
		Sub-total	46,585,242	11,870,424	31,985,337	90,441,003	(7,963,855)	(5,230,000)	77,247,150
2011 QSCB	5,610.0	07/15/28							5,610,000
2012 Bonds	6,525.0	04/01/22							6,525,000
	Total Projected Debt					90,441,003			89,382,150

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⁾ Indicates Pension Obligation Bonds ("POBs").

The shaded row indicates the 2002 Bonds that will mature or to be refunded by a portion of the Bonds of this financing.

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

FY End June 30,	1991	1993	1993	1996	1997	2002	2002	2003	2003	2003	2004	2005	2005	2005	2005	2006	2007	2007	2008	2009	2009	2009	2011	2011	2012	Total Debt	
	A	A	B	B	A	POB	A	A	B	SRF	SRF	SRF	A	BIA	SRF	SRF	SRF	SRF	A	B	ARRA	ARRA	QSCB	QSCB			
2012	950	93	99	163	131	600	765	665	385	145	210	123	205	115	340	91	200	89	155	1,405	48	26	606	0	0	7,609	
2013	950	93	99	168	134	595	890	605	400	147	210	126	205	115	330	93	200	90	155	1,460	48	26	620	0	780	7,944	
2014		93	99	173	137	595	1,025	25		150	210	128	205	115	330	94	200	92	155	1,620	48	26	605	0	750	6,281	
2015				179	141	505	1,180	25		152	210	130	205	115	335	96	200	93	155	1,625	48	26	625	0	660	6,200	
2016				185	145	505	1,345	25		154	205	133	200	115	335	97	200	95	155	1,625	48	26	650	0	655	6,393	
2017				191	149	505	1,520	25		156	155	136	200	115	310	99	200	97	155	1,635	48	26	655	5	645	6,521	
2018					153	505	1,665	25		159	155	138	150	115	205	100	200	99	155	1,645	48	26	675	5	630	6,348	
2019						505	1,865	25		161	155	141	150	115	150	102	195	100	155	985	48	26	700	5	620	5,699	
2020						505	2,085	25		164	155	144	150	115	145	104	145	102	155	915	48	26	730	5	605	5,818	
2021						505	2,320	25		167	155	146	150	115	145	105	145	104	155		48	26	525	5	595	4,932	
2022						505	2,575	25		170	155	149	150	115	145	107	145	106	155		48	26	5	5	585	4,661	
2023							2,850	25		173	155	152	150	115	145	109	145	108	155		48	26	5	5		4,361	
2024							3,145	25			155	155	150	115	145	111	145	110	155		48	26	5	5		4,490	
2025							3,460				155	158	150	115	145	112	145	112	155		48	26	5	5		4,631	
2026							3,800								145	114	145	114	155		48	26	5	5		4,552	
2027																116	145	116	155		48	26	5	5		611	
2028																	118	118	155		48	26	5	5		352	
2029																			155		48	26	5,550			5,779	
2030																			155		48	26	26			26	
Totals	1,900	280	298	1,060	988	600	30,490	1,545	785	1,899	2,285	1,959	2,420	1,610	3,350	1,650	2,755	1,744	2,790	12,915	872	488	6,391	5,610	6,525	93,208	
																										Private Loans:	4,138
																										Total Gross Principal:	97,346

NOTE: The shaded row indicates the portion of the 2002 Bonds that will be refunded by a portion of the Bonds of this financing.

PROJECTED DEBT SERVICE REQUIREMENTS

Fiscal Yr. End June 30,	Prior Debt					The Bonds			Projected Total Debt Service
	Principal	Interest (and fees)	POBs (Total D/S)	(less Refunded)	Total Debt	Principal	Interest	The Bonds	
2012	\$7,198,859	\$1,914,539	\$2,722,782	\$0	\$11,836,180	\$0	\$0	\$0	\$11,836,180
2013	7,202,358	1,667,254	2,802,724	(872,290)	10,800,046	780,000	153,956	933,956	11,734,002
2014	5,449,292	1,448,687	2,884,858	(807,688)	8,975,150	750,000	116,363	866,363	9,841,512
2015	5,229,261	1,290,498	2,973,745	(692,103)	8,801,402	660,000	101,363	761,363	9,562,764
2016	5,261,151	1,135,057	3,062,635	(670,009)	8,788,834	655,000	88,163	743,163	9,531,997
2017	5,129,827	974,814	3,150,883	(647,284)	8,608,240	645,000	75,063	720,063	9,328,303
2018	4,826,680	806,004	3,197,843	(624,054)	8,206,473	630,000	62,163	692,163	8,898,636
2019	3,966,876	653,768	3,290,450	(600,698)	7,310,397	620,000	49,563	669,563	7,979,959
2020	3,892,832	520,115	3,390,158	(576,963)	7,226,143	605,000	37,163	642,163	7,868,305
2021	2,794,588	400,622	3,490,675	(552,975)	6,132,910	595,000	25,063	620,063	6,752,973
2022	2,292,366	299,386	3,596,035	(528,988)	5,658,800	585,000	13,163	598,163	6,256,962
2023	1,753,833	214,167	3,704,948		5,672,948				5,672,948
2024	1,495,595	168,700	3,816,123		5,480,418				5,480,418
2025	1,330,204	102,546	3,928,270		5,361,020				5,361,020
2026	919,197	65,186	4,045,100		5,029,483				5,029,483
2027	606,184	37,512	0		643,696				643,696
2028	347,080	18,214	0		365,294				365,294
2029	254,821	3,391	0		258,212				258,212
2030	0	0	0		0				0
2031	0	0	0		0				0
TOTAL	\$59,951,004	\$11,720,460	\$50,057,229	(\$6,573,049)	\$115,155,644	\$6,525,000	\$722,019	\$7,247,019	\$122,402,663

DEBT SERVICE COMPONENT OF OPERATING EXPENSES

(\$ in thousands)

	Audited					Budgeted
	2007	2008	2009	2010	2011	2012
Gross Current Debt Service:	\$13,060	\$12,187	\$11,940	\$17,271	\$14,694	\$16,994
(less Self Support Enterprise):	(4,543)	(4,458)	(4,456)	(4,389)	(4,130)	(4,272)
(less State Qual. School):	(725)	(691)	(679)	(616)	(375)	(357)
(less POB):	(2,522)	(2,595)	(2,661)	(2,572)	(2,646)	(2,723)
(less Refunded Debt):	0	0	0	(5,750)	(5,075)	(5,230)
Tax Backed Current Debt Service:	\$5,270	\$4,443	\$4,144	\$3,944	\$2,468	\$4,412
Budgeted Operating Expense:	\$80,922	\$85,321	\$88,922	\$91,250	\$90,691	\$90,171
Debt Service as % Oper. Expense:	6.51%	5.21%	4.66%	4.32%	2.72%	4.89%

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
2011	33,039	\$2,456,450	\$2,571,695	\$90,441	3.68%	\$2,737	2.44%	\$1,815
2010	33,039	2,436,000	2,626,761	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
2002	21,595	1,606,250	1,588,392	101,522	6.32%	4,701	4.20%	2,144

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		
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
2002	42,984	16,152	42,386	101,522	2.7%	1.0%	2.6%	6.3%	1,990	748	1,963	4,701

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. At January 1, 2012 the City's proposed equalized State Valuation of \$2,456,450,000 was 22.9869% of the County's proposed 2012 equalized State Valuation of \$10,689,750,000 (excluding Unorganized Territories). The County has \$0 long-term debt outstanding as of June 30, 2011.

The City is a member of the United Technologies Center, Region #4 which territory is comprised of three cities, 11 towns, one plantation, four SAD's and one CSD. The City 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, 2011, 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	\$10,350,177			\$10,350,177
C/O Bangor-School (POB)	1,520,247			1,520,247
C/O Bangor-Other Gen'l Fund	22,712,394			22,712,394
C/O Bangor-Other Gen'l Fund (POB)	23,872,848			23,872,848
C/O Bangor- Enterprise	0	\$26,888,432		26,888,432
C/O Bangor- Enterprise (POB)	0	5,096,905		5,096,905
County of Penobscot	0	0	\$0	0
Region #4	0	0	0	0
Total A/O June 30, 2011	<u>\$58,455,666</u>	<u>\$31,985,337</u>	<u>\$0</u>	<u>\$90,441,003</u>

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. Other than the following projects, the City has no authorized but unissued debt.

Bangor Nursing & Rehab 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 & Rehab Center, owned and operated by 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, 2011 \$155,000 remains authorized and unissued. The City expects to issue the debt within the next 36 months.

QSCB Eligible Projects

The City applied for a portion of the State’s 2010 “Qualified School Construction Bonds” (“QSCB”) allocation which was carried forward to 2011. The application was to fund improvements to Abraham Lincoln School, Bangor High School, Downeast School, Fairmont School, Fourteenth Street School, Fruit Street School, James F. Doughty School, Mary Snow School, Vine Street School and William S. Cohen School (the “School Projects”) with a total QSCB allocation not to exceed \$2,800,000. QSCBs are issued under the provisions of the American Recovery and Reinvestment Act of 2009 (“ARRA”) and as defined in Section 54F of the Internal Revenue Code of 1986, as amended (the “Code”). By its letter dated November 10, 2011, the State Department of Education confirmed the State Board of Education’s approval of the City’s application. No official action has yet been taken by the City for this financing. If, or when, the City approves such financing, the bonds must be issued by December 31, 2012.

The Arena Project

On May 4, 2011, the voters of Bangor approved a project by a 3-to-1 margin, to replace the 55-year-old Bangor Civic Center with a state-of-the-art 5,800-seat arena and adjoining convention center (the “Arena Project”). The City Council has executed contracts for the approximately \$65 million Arena Project. Construction on the Arena Project began in August 2011. The City has preliminarily identified two

specific revenue streams that could be used to fund the currently estimated \$65 million cost of the Arena Project. The revenue streams are (1) a portion of the funds the City receives directly and indirectly from the net revenues generated at Hollywood Slots operated by Penn National Gaming Inc. [NASDAQ-PENN] and (2) a portion of the proceeds from the City's approved Downtown Development Tax Increment Financing District designated in 2007 (the "Downtown TIF").

The City Council has directed all rents and State taxes received from the operation of the slot facility into a separate special revenue fund, designated the Arena Fund. There is approximately \$7 million in the Arena Fund at fiscal year ended June 30, 2011. The City Council has adopted a policy (the "Arena Fund Policy") specifying that funds in the Arena Fund can be used for the following purposes: costs associated with replacing the City's Existing Auditorium, capital costs necessary to operate the Existing Auditorium and track, costs associated with removal/reuse of the Existing Auditorium, capital costs associated with relocation of the Bangor State Fair, reimbursing the City's General Fund for costs associated with attracting and locating the racino in Bangor and replenishing the City's Undesignated Fund Balance under certain circumstances. The Arena Fund Policy is subject to amendment or modification by the City Council at any time and from time-to-time, and the uses to which funds in the Arena Fund may be put can be expanded or restricted at the discretion of the City Council. The City Council has preliminarily indicated that amounts deposited into the Arena Fund may be used to help fund the Arena Project. However, the City has not made any final determination that funds in the Arena Fund or funds generated by the Downtown TIF will be used to support the Arena Project. The financing is expected to be structured as a general obligation of the City, backed by its full faith and credit and taxing power, but may be enhanced by use of some or all of the funds deposited into the Arena Fund or generated by the Downtown TIF.

On June 14, 2011 the Maine Legislature enacted Private & Special Law, Chapter 327, First Regular Session, 125th Maine Legislature (LD 895), An Act to Allow Bangor to Replace the Bangor Auditorium and Civic Center at the Bass Park Complex. The bill facilitates the City's ability to incur bonded indebtedness to fund the Arena Project by excluding such indebtedness from counting towards (a) the City's statutory debt limit and (b) Penobscot County's aggregate value of municipal general obligation indebtedness financed with tax increment financing revenues. The Act also removes the Arena Project from a provision of State law that imposes a five-year deadline for completion of projects financed with tax increment financing revenues. Finally, the Act permits the Arena Project, even if financed in whole or in part with tax increment financing revenues, to be bonded for 30 years.

By Resolve 11-254, adopted on July 25, 2011, the City Council passed a Declaration of Official Intent to reimburse proposed expenditures on the Arena Project from tax-exempt obligations. It is anticipated that the City Council will authorize the financing for the Arena Project in the next several months. The City has not yet finalized a plan of financing with respect to interim or permanent financing for the Arena Project. Once the financing is authorized, however, the City does anticipate issuing its bonds or notes for at least a portion of the Arena Project in the second half of 2012.

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. 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 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 2010 covered payroll was \$13,444,409 and City contributions were \$1,128,127. 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 approximated \$540,771 and \$64,829, respectively, in fiscal year 2010.

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

Funding Policy - Plan members (City employees other than those served by the Teachers Retirement Plan, described in C, below) are required to contribute 6.5% of their annual covered salary. The City is currently required to contribute at actuarially determined rates of annual covered payroll of 4.4% for Plan AC, 10.2% for Special Plan 1C and 6.3% 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, 2011, 2010 and 2009 were \$794,677, \$702,525 and \$677,652 respectively, equal to the required contributions for each year.

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.

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 \$4,492,555 (17.76%) for the fiscal year 2011. 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 17.76% 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 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.

F. OTHER POST EMPLOYMENT BENEFITS

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* addresses the reporting and disclosure requirements for other post employment benefits (“OPEB”). Under this pronouncement, the long-term cost of retirement health care and obligations for other postemployment benefits must 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 for the fiscal year ended June 30, 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 - In addition to providing pension benefits, the City provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

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”):	\$393,200
Amortization adjustment to ARC:	(115,897)
Interest:	<u>80,164</u>
Annual OPEB cost:	\$357,467

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

	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>
Annual OPEB cost:	\$1,138,705	\$1,138,705	\$357,467
City contributions:	<u>(136,659)</u>	<u>(136,659)</u>	<u>(38,436)</u>
Increase in OPEB	1,002,046	1,002,046	319,031
Net OPEB, beginning year:	-	1,002,046	2,004,092
Net OPEB, end year:	\$1,002,0465	\$2,004,092	\$2,323,123
% contributed:	12.00%	12.00%	10.75%

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, 2011</u>
Actuarial accrued liability ("AAL"):	\$3,407,638	\$1,095,160	\$4,502,798
Actuarial value of plan assets:	-	-	-
Unfunded actuarial accrued liability ("UAAL"):	<u>3,407,638</u>	<u>1,095,160</u>	<u>4,502,798</u>
Covered payroll:	\$17,369,969	\$5,582,428	\$22,953,397
UAAL as a percentage of covered payroll:			19.62%

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

While not having a material adverse impact upon the City's financial condition, or its ability to meet its debt service obligations, the City is voluntarily making the following disclosure with respect to environmental liabilities. The City may be subject to a variety of federal and State laws and regulations relating to land use, water resources, sewage disposal, the use, storage, discharge, emission and disposal of wastes and other environmental matters. While the City believes that its properties and operations are presently in material compliance with all land use and environmental laws, failure to comply with such laws could result in the imposition of severe penalties on operations by government agencies or courts that could adversely affect the City. The City is not aware of any environmental conditions or non-compliance, the remediation or correction of which the City believes would have a material adverse impact on the financial condition of the City.

Portland-Bangor Waste Oil Company Site Clean-up

In February 1998, the City was served Notification of Potential Liability by the United States Environmental Protection Agency ("EPA") in connection with EPA's efforts to clean up a waste-oil disposal site in Plymouth, Maine (the "Site"). The City was among approximately 500 potentially responsible parties. In 2007, a program (the "Program") to fund cleanup costs at the Site for certain parties, including municipalities, was established by the State. Thereafter, EPA and the Maine Department of Environmental Protection ("DEP") entered into settlement agreements with a number of parties, including the City, which accepted responsibility to pay a portion of the costs of remediation of

the Site part of which was provided from proceeds of bonds issued by the Finance Authority of Maine pursuant to the Program. The City does not currently expect that it will be required to pay any further costs with respect to remediation of the Site.

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 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 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 thereunder at 40 C.F.R. Parts 262, 264, 265, and 268; Chapter 13 of Title 38, Chapter 13 of the Maine Revised Statutes as amended; the regulations promulgated thereunder, found at Chapter 800, et seq. of the State of Maine 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, in the amount of \$165,432, which are ongoing. Upon completion of the approved projects, any remaining balance will be paid as a fine.

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 against the City which, either individually or in the aggregate, would result in judgments that would have a materially adverse effect on the City’s financial position or its ability to meet its debt service obligations.

APPENDIX A

**CITY OF BANGOR, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE
YEAR ENDED JUNE 30, 2011**

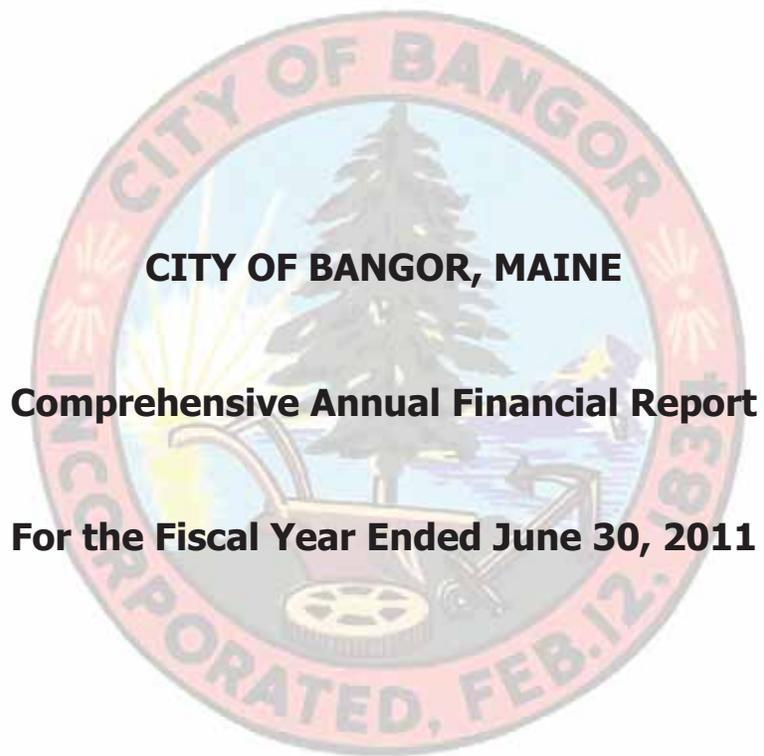
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*City of Bangor, Maine
Comprehensive Annual Financial
Report for Fiscal Year
June 30, 2011*

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CITY OF BANGOR, MAINE

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

Prepared by:

Debbie Cyr, Finance Director

David Little, Tax Collector/Deputy Treasurer

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CITY OF BANGOR, MAINE
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INTRODUCTORY SECTION

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December 22, 2011

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, 2011 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 of Maine's 22 cities. 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 2010 unemployment rate of 7.4% continues to be on par with or below both county and state rates of 8.7% and 8.4%, 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 2010, Bangor's share of the State's retail sales was 9%, and its share of County sales was 76%.

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 6.2%. Tax base growth, the City's focus on controlling budgetary growth, and ramped up state funding for education resulted in a 19% reduction in the City's tax rate from 2002 to 2011.

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.

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. In addition, after many years of investigation and negotiations with several federal agencies, the City has completed the major portion of the coal tar remediation. The City continues to work with State and Federal agencies to ensure and monitor the long term impacts/success of the project.

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 is investigating the need to implement a storm water utility in order to fund the costs associated with storm water management.

Under a development agreement with Bangor Historic Track, a wholly owned subsidiary of Penn National Gaming, the City receives a percentage of gross slot revenue as well as land lease payments and property taxes on the new development associated with Maine's only gaming facility. In October 2005, the City established a special revenue fund to account for its share of gross slot revenue. 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. Based on a Market Sizing and Feasibility Study related to the construction of a new arena and meeting space, and the results of the schematic design/preconstruction phase of this work, the City entered into a final design contract for construction of the new facilities as well as a construction manager at risk guaranteed maximum price construction contract. Ground was broken in August 2011 on the \$58,594,619 project. Since year end, the City Council has also selected Global Spectrum to be the private operator of the new facility.

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%, and the Council has determined that a reasonable target is 8.33%. Unassigned fund balance in the general fund as of June 30, 2011 was 9.11% 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, 2010 for the fifteenth 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,

A handwritten signature in black ink, appearing to read "Debbie Cyr".

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, 2010

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.



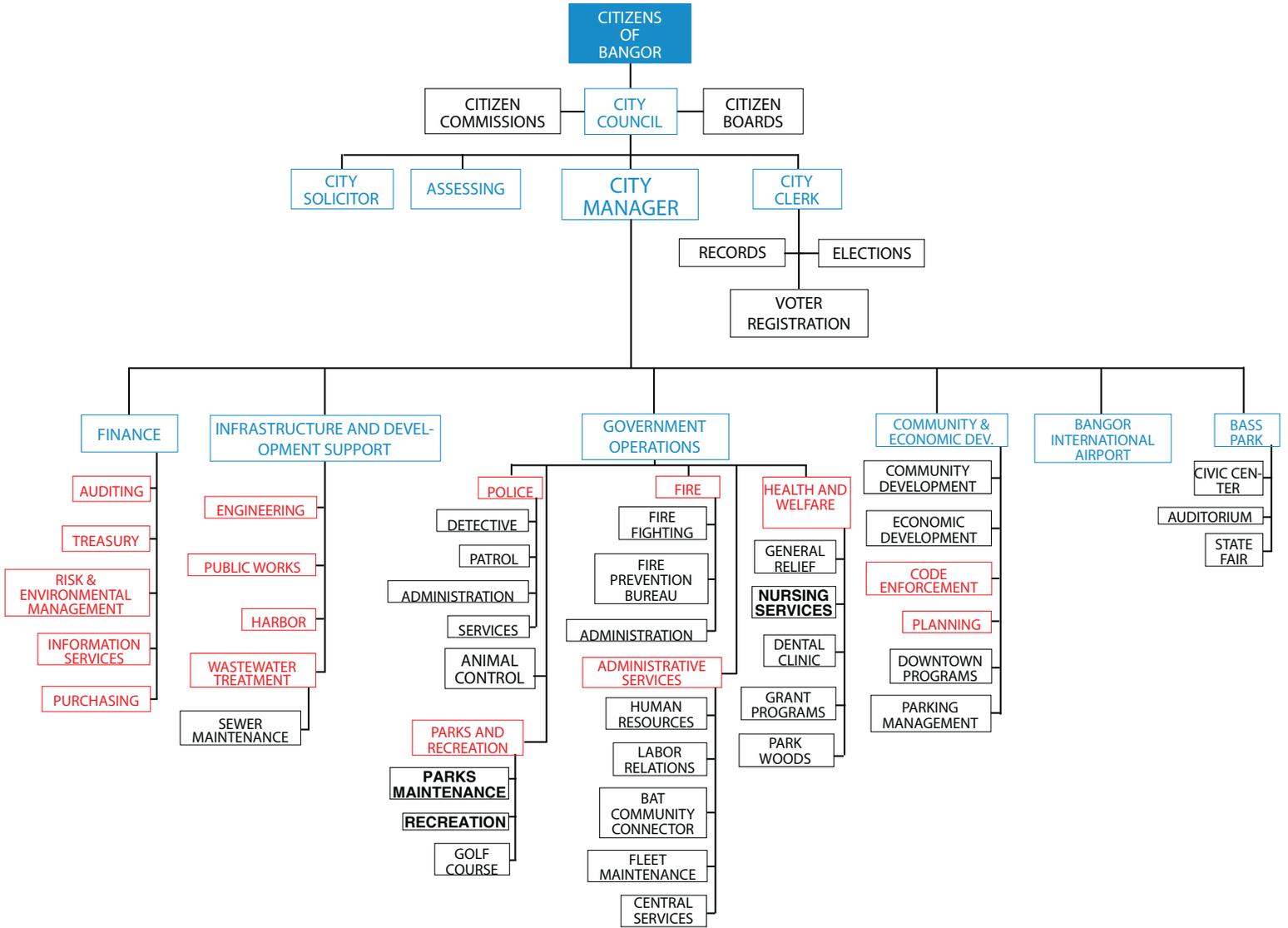
Linda C. Danison

President

Jeffrey R. Emmer

Executive Director

CITY OF BANGOR ORGANIZATIONAL CHART Revised (05/11)



**City of Bangor, Maine
Elected Officials and Principal Administrative Officers
June 30, 2011**

City Council

Susan M. Hawes, Mayor

Patricia A. Blanchette
Nelson E. Durgin
Charles R. Longo, Jr.
Gerry G.M. Palmer

Richard B. Bronson
Geoffrey M. Gratwick
David Nealley
Cary M. Weston

City Staff

Catherine M. Conlow, City Manager
Benjamin F. Birch, City Assessor
Patti Dubois, City Clerk
Norman Heitmann, City Solicitor

School Committee

Phyllis Guerette, Chair

Warren Caruso
Nichi Farnham
Christine Szal, Vice Chair

Kate Dickerson
Beth Grant
Jay Ye

School Staff

Betsy Webb, Superintendent of Schools

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FINANCIAL SECTION

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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, 2011, 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, 2011, 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 a report dated December 19, 2011, 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 basic 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 19, 2011
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, 2011. In addition to comparative information from the government-wide statements, comparative data is 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 \$212.4 million (net assets).
- At the close of fiscal year 2011, the City of Bangor's governmental funds reported combined ending fund balances of \$27.5 million, a decrease of \$526 thousand over the prior year balance, as restated. Approximately 73% of the total amount, or \$20 million, is either committed, assigned or unassigned and is available for spending at the City Council's discretion.
- 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 \$8 million, or 9.11% of the general fund expenditure base. The annual calculation is included within the financial statements as Schedule F-2.
- The total liabilities of the City's governmental funds increased by \$830 thousand (5.7%), primarily due to an increase in year-end accrued payroll, and enterprise fund liabilities decreased by \$2.3 million (5.4%) and is primarily due to principal payments exceeding net debt issued. Accounts payable can vary drastically from year to year depending upon the timing of invoices received and/or the projects being undertaken.
- As required, the City updated its actuarial valuation report for its other post employment employee benefits (OPEB). City retirees are allowed to participate in the City's group health insurance plan but are required to contribute 100% of the premium. There were significant changes in the actuarial assumptions (rate of participation) which resulted in a \$6.7 million reduction in the City's overall unfunded actuarial accrued liability.

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-55 of this report.

Government-wide Financial Analysis

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current & other assets	42,682,947	41,792,130	25,924,589	25,356,561	68,607,536	67,148,691
Capital assets, net	76,498,975	73,228,649	181,735,689	186,974,165	258,234,664	260,202,814
Total assets	119,181,922	115,020,779	207,660,278	212,330,726	326,842,200	327,351,505
Long-term debt outstanding	64,359,966	67,109,938	34,125,664	37,063,454	98,485,630	104,173,392
Other liabilities	13,363,673	12,415,061	2,640,734	2,116,512	16,004,407	14,531,573
Total liabilities	77,723,639	79,524,999	36,766,398	39,179,966	114,490,037	118,704,965
Net assets:						
Capital assets, net of related debt*	40,176,260	36,149,087	155,344,528	158,031,245	195,520,788	194,180,332
Restricted	1,019,806	1,120,413	-	-	1,019,806	1,120,413
Unrestricted*	262,217	(1,455,656)	15,549,352	15,119,515	15,811,569	13,663,859
Total net assets	41,458,283	35,813,844	170,893,880	173,150,760	212,352,163	208,964,604

* Governmental activities capital assets, net of related debt and unrestricted net assets have been restated to conform with the 2011 presentation.

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 balance of \$15.8 million, the governmental activity portion is significantly lower with a balance of \$262 thousand. This is primarily due to \$25.4 million in outstanding pension obligation bonds. Regardless, the City is able to report positive balances in all categories of net assets for the governmental and business-type activities individually, as well as in total.

Governmental-type net assets increased \$5.6 million. The major components associated with the increase in governmental-type net assets is the receipt of \$2.3 million of arena fund revenues that result from the racino operation, a \$1.8 million capital grant for public transportation, and the receipt of non-tax revenues such as revenue sharing, excise tax and charges for services exceeding initial estimates.

Business-type net assets decreased by \$2.3 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.

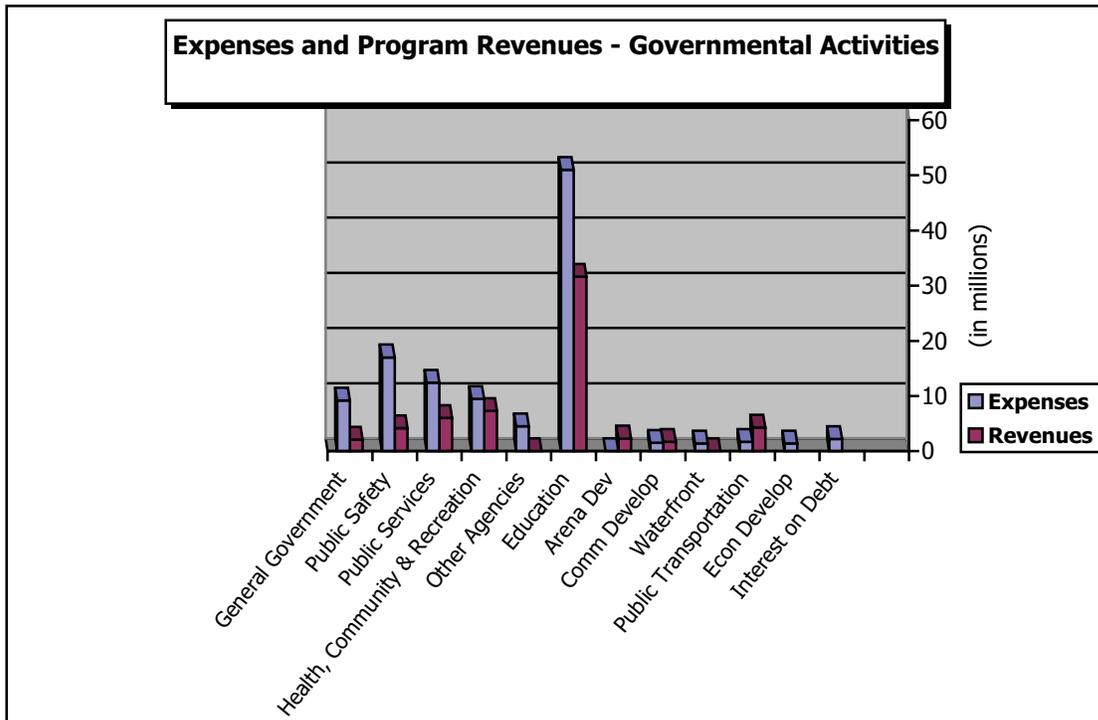
Changes in Net Assets

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

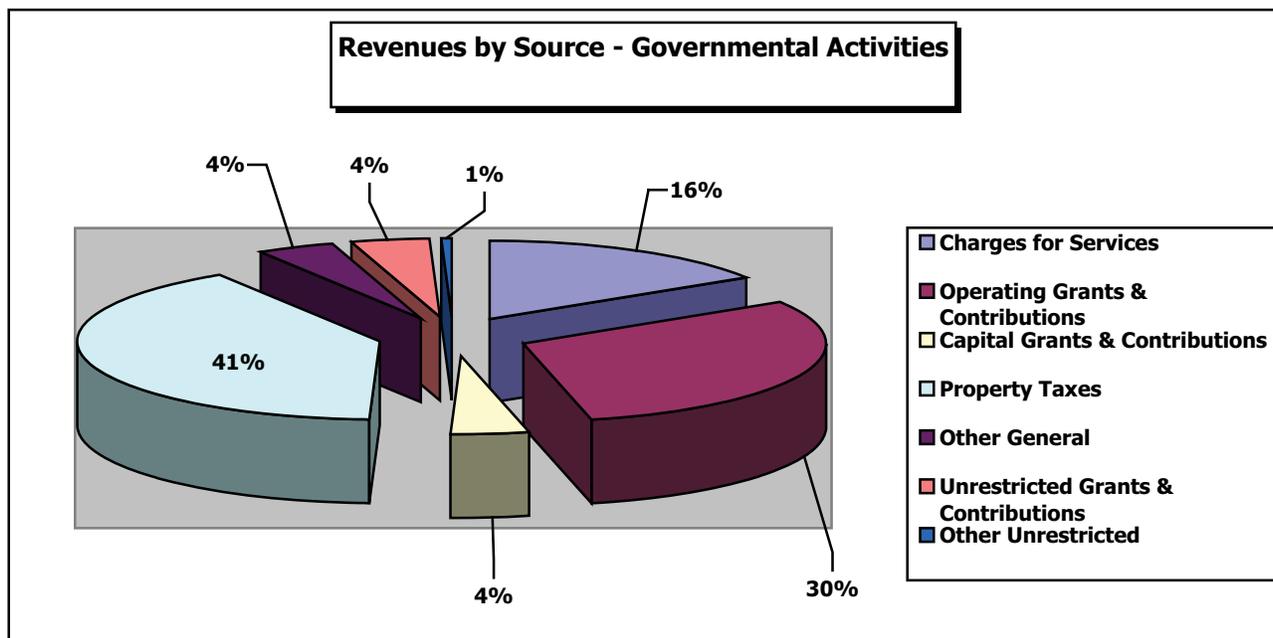
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for services	19,076,163	17,748,299	24,357,732	25,027,171	43,433,895	42,775,470
Operating grants & contributions	35,604,940	35,683,710	-	-	35,604,940	35,683,710
Capital grants & contributions	4,935,614	6,578,917	3,717,755	8,684,860	8,653,369	15,263,777
General Revenues					-	-
Property and other taxes	53,072,633	53,343,324	-	-	53,072,633	53,343,324
Grants and contributions not restricted to specific programs	4,859,811	4,999,567	-	-	4,859,811	4,999,567
Other	657,705	809,144	752,891	1,035,753	1,410,596	1,844,897
Total Revenues	118,206,866	119,162,961	28,828,378	34,747,784	147,035,244	153,910,745
Expenses						
General government	9,223,718	8,279,943	-	-	9,223,718	8,279,943
Public safety	17,018,427	16,898,374	-	-	17,018,427	16,898,374
Health, community and recreation	9,523,225	9,331,784	-	-	9,523,225	9,331,784
Public buildings and services	12,413,601	16,380,337	-	-	12,413,601	16,380,337
Other agencies	4,479,888	4,658,904	-	-	4,479,888	4,658,904
Education	50,986,350	52,763,860	-	-	50,986,350	52,763,860
Arena development	61,334	39,075	-	-	61,334	39,075
Community development	1,542,975	1,506,038	-	-	1,542,975	1,506,038
Waterfront	1,439,065	79,911	-	-	1,439,065	79,911
Public transportation	1,701,112	2,792,904	-	-	1,701,112	2,792,904
Interest on debt	2,151,172	2,555,839	-	-	2,151,172	2,555,839
Economic development (tif)	1,383,662	1,630,081	-	-	1,383,662	1,630,081
Sewer Utility	-	-	6,202,202	6,253,436	6,202,202	6,253,436
Airport	-	-	20,458,552	20,532,553	20,458,552	20,532,553
Economic Development	-	-	618,980	634,764	618,980	634,764
Park Woods	-	-	496,478	529,610	496,478	529,610
Parking	-	-	1,206,989	1,402,922	1,206,989	1,402,922
Bass Park	-	-	2,075,644	1,923,073	2,075,644	1,923,073
Municipal Golf Course	-	-	664,311	733,380	664,311	733,380
Total Expenses	111,924,529	116,917,050	31,723,156	32,009,738	143,647,685	148,926,788
Excess (deficiency) before transfers	6,282,337	2,245,911	(2,894,778)	2,738,046	3,387,559	4,983,957
Transfers	(637,898)	761,103	637,898	(761,103)	-	-
Change in net assets	5,644,439	3,007,014	(2,256,880)	1,976,943	3,387,559	4,983,957

Governmental Activities

The cost of all governmental activities was \$111.9 million. As shown on the Statement of Activities, the total amount financed by the property tax was \$48 million, or 42.9% of expenses. Those who directly benefit from an activity provided \$19.1 million in payments. Other governments and organizations subsidized certain activities with operating grants and contributions in the amount of \$35.6 million. Capital grants and contributions accounted for \$4.9 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.



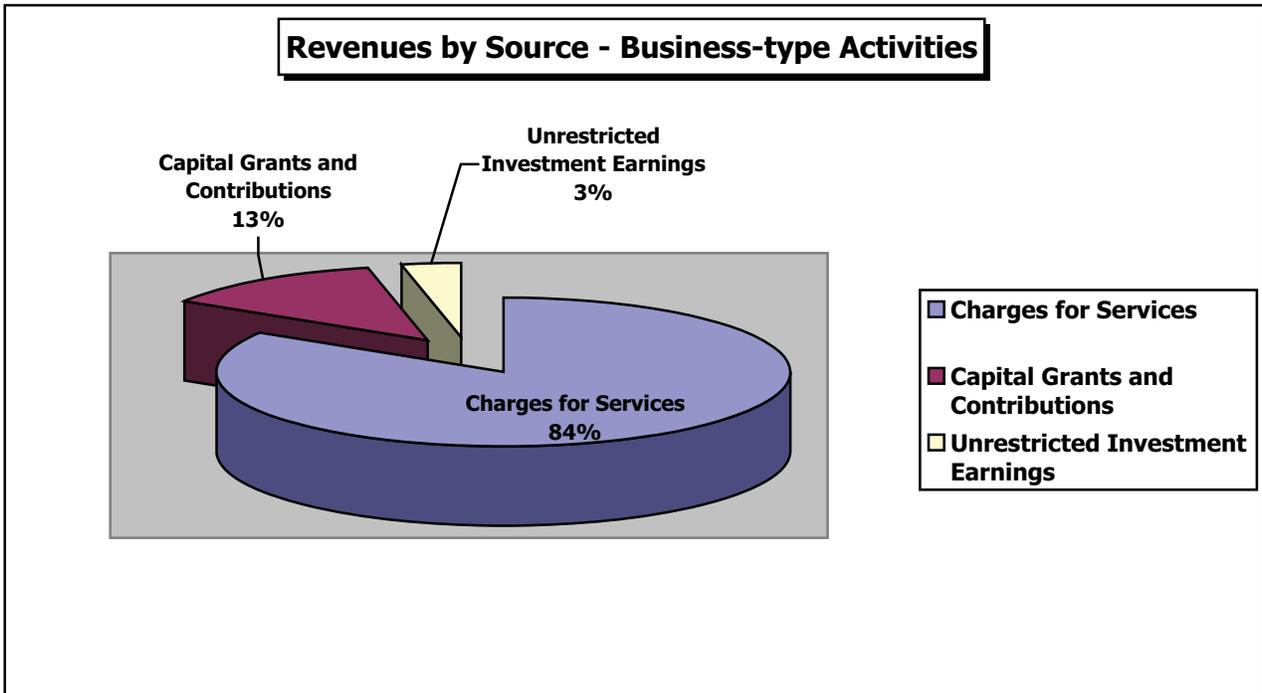
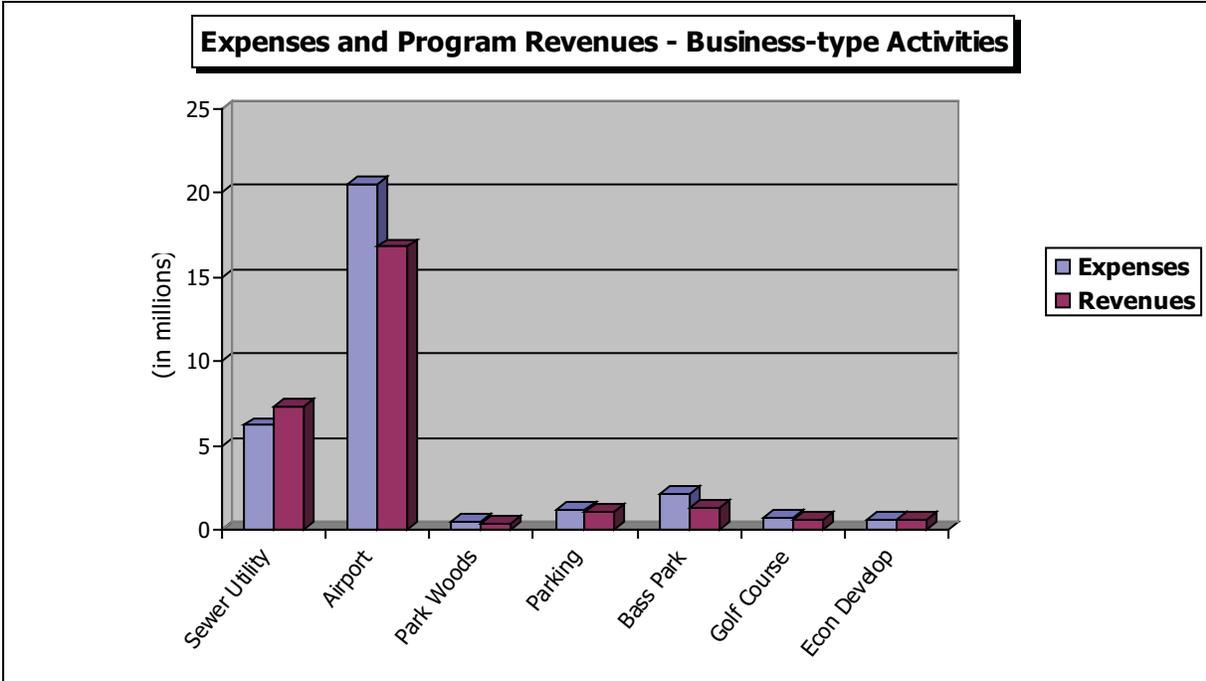
Total governmental activities expenses decreased \$5 million over the prior year. The results for FY 2010 include nearly \$5.2 million of expenses related to activities funded by the American Recovery Reinvestment Act and other new federal grants funds such as; supplementing education based equipment, tuition, services and supplies, a neighborhood stabilization program, nonpoint source pollution improvements, public safety training and equipment, sidewalk improvements and four new police officers. During FY 2011, 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 either.



Total governmental activities' revenues decreased \$956 thousand, or .01%. The largest single source of revenue continues to be the property tax, which decreased \$271 thousand. Capital grants and contributions decreased \$1.6 million due to receipt of a \$1.6 million waterfront grant received in FY 2011. In total, charges for services increased \$1.3 million, of that amount \$884 thousand was due to increased ambulance service billings.

Business-type Activities

Total business-type activities expenses were relatively unchanged compared to prior year levels, with a decrease 1%, or \$287 thousand. For FY 2011, 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.



In total, business-type activities revenue decreased significantly \$5.9 million or 17%, \$5 million of which was attributable to a reduction in capital contributions. FY 2010 included capital contributions for the construction of a parking deck within the Parking Fund and for leasehold improvements at the City’s harness racing track at the Bass Park facility.

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 \$27.5 million, a decrease of \$526 thousand from the prior year balance, as restated, of \$28.1 million. Of the ending balance of \$27.5 million, approximately 73% of this total (\$20 million) is either committed, assigned or unassigned and is available for spending by formal action of the City Council. 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. As a result of the implementation of Governmental Accounting Standards Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City had to reclassify the value of its inventory, in the amount of \$910 thousand, from its unassigned fund balance to its nonspendable fund balance account.

The General Fund is the chief operating fund of the City and is comprised of two major functions, education and municipal services. At the end of the fiscal year, the General Fund's total fund balance was \$17 million, a \$1.1 million increase from the prior year's balance of \$15.9 million. Due to the reclassification of fund balances required by GASB 54, changes by fund balance category are difficult to discern. In general, the overall increase in fund balance is related to the receipt of certain revenues in excess of anticipated amounts, specifically revenue sharing and excise taxes. School Department restricted fund balances increased by \$200 thousand, and the balance of the total \$1.1 million increase is related to municipal operations. As noted above, and in compliance with the City's fund balance policy, adopted by the City Council in June 2011, committed, assigned and unassigned fund balances are available for spending to support the operations provided the City Council appropriates the amounts in accordance with the provisions of the City Charter.

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 2011 were relatively flat in comparison to the prior year, which was as expected based on the annual grant award of approximately \$900 thousand annually.

The Arena Fund accounts for the percentage of slot revenues received by the City from the operation of the Racino. The fund was established to replace the current Bangor Auditorium and Civic Center. The fund continues to outperform initial projections. During the year, the City Council entered into design and construction contracts to replace this facility at an estimated total cost of \$65 million.

The Capital projects fund varies significantly from year to year depending upon City Council priorities and available funding opportunities. Total expenditures decreased \$20.2 million over the prior year. FY 2010, included significant one-time expenditures of \$10.4 million to refund capital project related debt and \$7.6 million to fund 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 \$2.3 million to a total of \$171 million. Both 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 \$4.1 million. There were minimal additional amendments to the originally adopted budget. The City's commitment to budgetary integrity continues, with actual revenues exceeding budget estimates by 1.6%, or \$1.5 million, while municipal expenditures were under budget by 5%, or \$4.9 million. Education expenditures were under budget by \$5.9 million or 11%, and general assistance expenditures were over budget by \$980 thousand. General assistance is a state mandated program, for which the each municipality is reimbursed. By statute, education balances must be segregated from municipal balances.

Capital Asset and Debt Administration

Capital assets. As of June 30, 2011, the City of Bangor's investment in capital assets for its governmental and business-type activities amounted to \$258.2 million (net of accumulated depreciation), a decrease of \$3.5 million over the prior year. This investment includes land, buildings, machinery and equipment, roads, runways, and sewer lines. The total decrease in the City's investment in capital assets for the current fiscal year is due to a \$1.7 million reduction in beginning business-type net assets (see Note H on Page II-53 for additional information), and depreciation expense exceeding new investments by \$1.8 million. Governmental activities invested \$7.1 million, and business-type activities invested \$4.9 million.

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

- The City, as operator of the area public transit system, received five new busses this year valued at \$1.9 million that replaced older more costly vehicles. Over 96% of the funding for these vehicles was provided via Federal and State grant funds.
- The City executed contracts for design and construction manager at risk with a guaranteed maximum price for the construction of a new arena/meeting complex. During the year, the City invested \$3.1 million in this project, most which were design related.
- The City continues to garner Federal, State and local funding (provided via the Downtown Development District TIF) for investment in its waterfront. This year the City invested an additional \$730 thousand on our waterfront. The project includes additional utilities, park and open space, as well as surface parking.
- The Sewer Utility Fund invested \$1 million to replace its 1968 heating and ventilation system. The project included changing the heating system from low pressure steam to hot

water, installation of dual fuel boilers and a central control system, as well as bringing the system into compliance with current building and life safety codes.

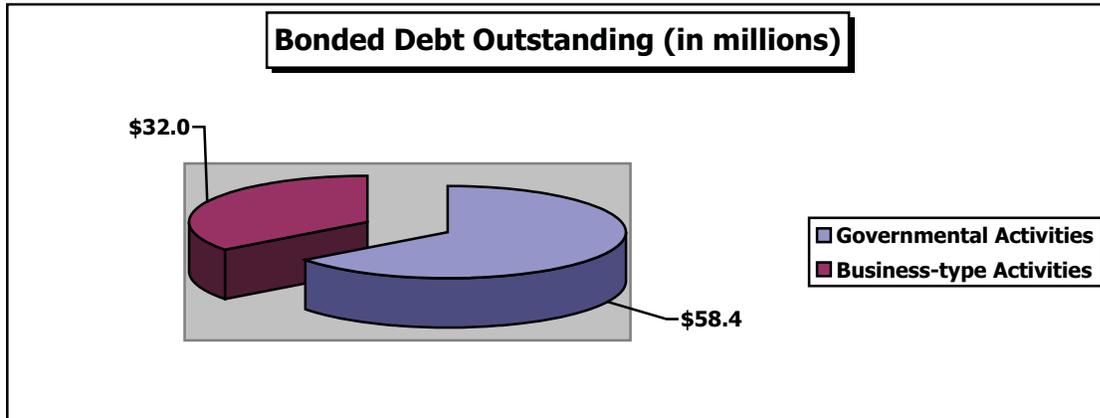
- The Airport Fund invested \$3.4 million in operational assets at Bangor International Airport including apron improvements, general building improvements, as well as the replacement of hangar doors. Nearly \$2.7 million of this investment was funded through the Federal Department of Transportation’s Airport Improvement Plan, which provides 95% federal and 2.5% state funding for approved projects.

Capital Assets (net of depreciation)

	Governmental Activities	Business-type Activities
Land and improvements	10,216,932	5,424,885
Buildings and improvements	40,717,852	13,855,861
Machinery and equipment	2,805,741	1,579,160
Vehicles	7,189,468	-
Infrastructure	11,030,667	46,606,063
Parking structures	-	3,421,549
Aircraft operational assets	-	101,480,744
Construction in process	4,538,315	9,367,427
Total	76,498,975	181,735,689

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 \$90.4 million, a decrease of \$6.2 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 \$370 million, an amount which is significantly in excess of existing general obligation debt.

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

American Recovery and Reinvestment Act (ARRA) of 2009

Through a competitive grant application process, the City successfully obtained the maximum award of \$3 million from the Environmental Protection Agency Clean Water State Revolving Loan Fund (the award is in the form of a 0% loan with 50.6% of the principal forgiven). The funds are being used for a variety of non point source stormwater improvements on both publicly and privately owned property. As of December 2011, 100% of the funds have been expended and the City is within the expenditure guidelines established by the EPA.

In 2011, the School Department was awarded \$1.7 million in support of two programmatic areas: stabilization funds (\$1.2 million), and IDEA (\$500 thousand). All of these funds were expended during FY2011. Budget stabilization funding was used to increase the number of laptops in the classroom and for necessary capital improvements. IDEA funds were used to supplement the general budget for such items as tuition, contracted services and supplies. In FY 2011, the School Department was awarded an additional \$750 thousand in federal jobs funding that was carried forward for use in FY 2012.

The City was awarded \$900 thousand in Department of Justice funding, the largest portion (\$700 thousand) of which is funding the cost of four additional police officers for a three year period.

As a Community Development Block Grant (CDBG) entitlement community, the City of Bangor was awarded an additional \$300 thousand in funding. The funds were used to supplement \$200 thousand in Energy Efficiency Block Grant and local funds to convert downtown streetlights to LED fixtures and to fund sidewalk improvement in low to moderate income neighborhoods. As of December 2011, the LED streetlight conversion is complete and the majority of the sidewalk funding has been expended.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the City of Bangor for calendar year 2010 was 7.4%, which continues to be on par with or below both the county and State rates of 8.7% and 8.4%, 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 76% 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 stabilized after realizing significant downward adjustments made in FY 2011.
- Bangor businesses continue to reinvest in personal property. Business equipment tax exempt 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.

Since November 2005, Penn National Gaming has been operating “racino” (slot machine operation) within the City. The racino facility 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 November 2011 county-wide vote, the operation will include table games in the spring of 2012.

The Council adopted a policy directing all rents and state taxes received from the operation of the slot facility to a separate special revenue fund, the Arena Fund. The primary purpose of this fund is to provide the necessary resources to construct a new arena to replace the Bangor Auditorium which opened in Bass Park in 1954. 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 review of the City’s financial capacity, the City Council took action to contract for the design and construction of new arena/meeting complex. The final budget was established to be \$65 million. The project is to be funded by the revenue received by the City from the gaming operation coupled with a portion of the existing Downtown Development TIF. 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).

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 2011, the City’s LD 1 tax levy limit was as follows:

Prior Year Base Municipal Commitment		\$ 22,554,913
Growth Factor:		7.12%
Average Real Personal Income	1.78%	
Property Growth Factor	5.34%	
Net New State Funds		-
Municipal Commitment Limit		\$ 24,160,432

The Fiscal Year 2011 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 2011 and 2012 in order to fund such services and programs and their actions were approved, as required by State Statute 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. To date, the City has seen 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 slowed.

The Maine State Legislative will return in January 2012. It is clear that a supplemental budget appropriation will 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 is likely to be a challenge to both the School Committee and the City Council, as federal educational funding that was available the last three years no longer exists.

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 2012 budget reflects the City's historical results for these revenue sources, and actual results to date appear to be on track with budgetary estimates.

For the Fiscal Year 2012 budget, the City Council's goal was to minimize any tax rate increase. This goal was made more challenging due to a reduction in state aid to education funding, increased county tax and relatively flat assessed value. These challenges were 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, no employee cost of living adjustments, and a significant increase (37%) in BETE valuation. Based on all these factors, the City was able to maintain its 2011 tax rate.

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.

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, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,320,168	\$ 1,363,235	\$ 17,683,403
Investments	5,805,340	16,211,552	22,016,892
Receivables:			
Accounts (net of allowance of \$475,341 and \$416,188, respectively)	1,602,974	6,978,128	8,581,102
Intergovernmental	3,693,928	547,865	4,241,793
Taxes and liens receivable - prior years	1,219,362	-	1,219,362
Taxes receivable - current year	1,336,108	-	1,336,108
Deferred special assessments	30,130	87,664	117,794
Due from water district	-	119,437	119,437
Loans	8,416,774	2,902,110	11,318,884
Internal balances	3,120,255	(3,120,255)	-
Inventories	912,743	276,849	1,189,592
Prepaid items	51,027	42,111	93,138
Other assets	174,138	515,893	690,031
Non-depreciable capital assets	9,578,863	13,344,465	22,923,328
Depreciable capital assets, net	66,920,112	168,391,224	235,311,336
Total assets	119,181,922	207,660,278	326,842,200
LIABILITIES			
Accounts payable and other current liabilities	2,690,515	2,375,708	5,066,223
Accrued wages and benefits payable	5,104,876	251,686	5,356,562
Unearned revenues	5,568,282	13,340	5,581,622
Noncurrent liabilities:			
Due within one year	6,235,217	4,600,199	10,835,416
Due in more than one year	58,124,749	29,525,465	87,650,214
Total liabilities	77,723,639	36,766,398	114,490,037
NET ASSETS			
Invested in capital assets, net of related debt	40,176,260	155,344,528	195,520,788
Restricted for:			
Nonexpendable trust principal	608,710	-	608,710
Expendable income	410,337	-	410,337
Penobscot River	759	-	759
Unrestricted	262,217	15,549,352	15,811,569
Total net assets	\$ 41,458,283	\$ 170,893,880	\$ 212,352,163

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Activities
For the Fiscal Year Ended June 30, 2011

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	\$ 9,223,718	\$ 2,070,189	\$ 405	\$ 10,980	\$ (7,142,144)	\$ -	\$ (7,142,144)
Public safety	17,018,427	3,289,153	585,596	324,194	(12,819,484)	-	(12,819,484)
Health, community services and recreation	9,523,225	928,307	6,398,165	-	(2,196,753)	-	(2,196,753)
Public services	12,413,601	3,922,847	-	2,093,901	(6,396,853)	-	(6,396,853)
Other agencies	4,479,888	20,248	-	-	(4,459,640)	-	(4,459,640)
Education	50,986,350	5,165,261	26,466,704	-	(19,354,385)	-	(19,354,385)
Arena development	61,334	2,331,584	-	-	2,270,250	-	2,270,250
Community development	1,542,975	323,494	821,849	599,374	201,742	-	201,742
Waterfront	1,439,065	-	-	-	(1,439,065)	-	(1,439,065)
Public transportation	1,701,112	1,025,080	1,332,221	1,907,165	2,563,354	-	2,563,354
Economic development (tif)	1,383,662	-	-	-	(1,383,662)	-	(1,383,662)
Interest on debt	2,151,172	-	-	-	(2,151,172)	-	(2,151,172)
Total governmental activities	111,924,529	19,076,163	35,604,940	4,935,614	(52,307,812)	-	(52,307,812)
Business-type activities:							
Sewer Utility	6,202,202	7,340,935	-	-	-	1,138,733	1,138,733
Airport	20,458,552	13,080,217	-	3,717,755	-	(3,660,580)	(3,660,580)
Park Woods	496,478	372,715	-	-	-	(123,763)	(123,763)
Parking	1,206,989	1,057,710	-	-	-	(149,279)	(149,279)
Bass Park	2,075,644	1,276,869	-	-	-	(798,775)	(798,775)
Municipal Golf Course	664,311	643,501	-	-	-	(20,810)	(20,810)
Economic Development	618,980	585,785	-	-	-	(33,195)	(33,195)
Total business-type activities	31,723,156	24,357,732	-	3,717,755	-	(3,647,669)	(3,647,669)
Total primary government	\$ 143,647,685	\$ 43,433,895	\$ 35,604,940	\$ 8,653,369	(52,307,812)	(3,647,669)	(55,955,481)
General revenues:							
Property taxes, levied for general purposes					48,027,330	-	48,027,330
Payment in lieu of taxes					161,879	-	161,879
Excise taxes					4,515,752	-	4,515,752
Franchise taxes					367,672	-	367,672
Grants and contributions not restricted to specific programs:							
Homestead/BETE exemption					1,163,339	-	1,163,339
Other State aid					25,749	-	25,749
State Revenue Sharing					3,670,723	-	3,670,723
Unrestricted investment earnings					565,326	752,891	1,318,217
Miscellaneous revenues					92,379	-	92,379
Transfers					(637,898)	637,898	-
Total general revenues and transfers					57,952,251	1,390,789	59,343,040
Change in net assets							
					5,644,439	(2,256,880)	3,387,559
Net assets, beginning of year (Restated see Other Information Note H)							
					35,813,844	173,150,760	208,964,604
Net assets, end of year							
	\$	\$	\$	\$	41,458,283	\$ 170,893,880	\$ 212,352,163

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Balance Sheet
Governmental Funds
June 30, 2011

	General	Community Development Block Grant	Arena Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Assets						
Cash and cash equivalents	\$ 13,518,284	\$ 349	\$ 1,434,068	\$ 1,051,411	\$ 316,056	\$ 16,320,168
Investments	50,000	-	5,639,844	759	114,737	5,805,340
Receivables:						
Taxes	2,555,470	-	-	-	-	2,555,470
Accounts (net of allowance of \$475,341)	1,425,307	-	176,743	784	140	1,602,974
Interfund	3,251,585	-	-	-	63,200	3,314,785
Intergovernmental	2,823,413	560,272	-	146,371	163,872	3,693,928
Loans/Notes (net of \$170,317 allowance)	945,289	5,026,608	-	-	2,444,877	8,416,774
Deferred special assessments	-	-	-	30,130	-	30,130
Inventory, at cost	912,743	-	-	-	-	912,743
Due from bond trustee	-	-	-	174,138	-	174,138
Prepaid items	51,027	-	-	-	-	51,027
Total assets	\$ 25,533,118	\$ 5,587,229	\$ 7,250,655	\$ 1,403,593	\$ 3,102,882	\$ 42,877,477
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 1,111,343	\$ 2,140	\$ 560,368	\$ 356,660	\$ 40,711	\$ 2,071,222
Accrued wages and benefits payable	5,091,810	-	-	-	13,066	5,104,876
Interfund loans payable	-	63,200	-	-	131,330	194,530
Deferred revenues	2,305,395	5,026,608	-	220,532	273,623	7,826,158
Due to rehabilitation recipients	-	148,676	-	-	-	148,676
Total liabilities	8,508,548	5,240,624	560,368	577,192	458,730	15,345,462
Fund balances (Note J)						
Nonspendable	2,864,270	-	-	-	608,710	3,472,980
Restricted	1,618,627	346,605	-	759	2,047,699	4,013,690
Committed	19,033	-	6,690,287	-	-	6,709,320
Assigned	4,504,700	-	-	826,179	-	5,330,879
Unassigned	8,017,940	-	-	(537)	(12,257)	8,005,146
Total fund balances (deficits)	17,024,570	346,605	6,690,287	826,401	2,644,152	27,532,015
Total liabilities and fund balances	\$ 25,533,118	\$ 5,587,229	\$ 7,250,655	\$ 1,403,593	\$ 3,102,882	

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.

76,498,975

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

2,257,876

Long-term liabilities, including bonds payable \$58,455,666, accrued interest \$470,617, compensated absences \$2,417,225, self insurance liability \$1,726,580, and net OPEB obligation \$1,760,495 are not due and payable in the current period and, therefore, are not reported in the funds.

(64,830,583)

Net assets of governmental funds

\$ 41,458,283

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, 2011

	General	Community Development Block Grant	Arena Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 50,578,542	\$ -	\$ -	\$ 1,504,479	\$ 803,933	\$ 52,886,954
Intergovernmental	34,312,276	821,849	-	4,855,718	5,314,317	45,304,160
Licenses and permits	601,202	-	-	-	-	601,202
Charges for services	14,141,121	-	-	-	1,085,454	15,226,575
Program income	-	288,128	-	-	26,075	314,203
Revenue from use of money and property	810,705	1,895	2,376,296	90,922	194,157	3,473,975
Other	39,090	8,442	-	201,203	30,691	279,426
Total revenues	100,482,936	1,120,314	2,376,296	6,652,322	7,454,627	118,086,495
Expenditures						
Current:						
General government	4,858,721	-	-	-	-	4,858,721
Public safety	15,800,938	-	-	-	-	15,800,938
Health, community services and recreation	5,584,184	-	-	-	-	5,584,184
Public services	10,196,576	-	-	-	-	10,196,576
Other agencies	4,347,617	-	400,000	-	-	4,747,617
Education	51,391,657	-	-	-	-	51,391,657
Tax increment financing	165,133	-	-	-	-	165,133
Unclassified	56,882	-	61,334	-	-	118,216
Restricted grants	-	922,090	-	-	7,310,058	8,232,148
Capital outlay	529,990	-	3,096,655	9,173,333	-	12,799,978
Debt service	4,813,592	-	-	1,469,981	-	6,283,573
Total expenditures	97,745,290	922,090	3,557,989	10,643,314	7,310,058	120,178,741
Excess (deficiency) of revenues over (under) expenditures	2,737,646	198,224	(1,181,693)	(3,990,992)	144,569	(2,092,246)
Other financing sources (uses)						
Issuance of debt	-	-	-	2,086,100	-	2,086,100
Sale of assets	94,165	-	-	23,393	-	117,558
Transfers to other funds	(1,779,193)	-	(154,890)	(14,820)	(66,100)	(2,015,003)
Transfers from other funds	49,681	-	-	1,258,711	68,713	1,377,105
Total other financing sources (uses)	(1,635,347)	-	(154,890)	3,353,384	2,613	1,565,760
Changes in fund balances	1,102,299	198,224	(1,336,583)	(637,608)	147,182	(526,486)
Fund balances (deficit), beginning of year (Restated see Other Information Note H)	15,922,271	148,381	8,026,870	1,464,009	2,496,970	28,058,501
Fund balances, end of year	\$ 17,024,570	\$ 346,605	\$ 6,690,287	\$ 826,401	\$ 2,644,152	\$ 27,532,015

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, 2011

Net change in fund balances - total governmental funds (from Exhibit 4)	\$	(526,486)
<p>Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:</p>		
<p style="padding-left: 40px;">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 \$7,091,266 exceeded depreciation expense of \$3,795,761 and disposals of \$25,179.</p>		
		3,270,326
<p style="padding-left: 40px;">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 \$2,086,100 in general obligation bonds were less than principal payments of \$5,319,881.</p>		
		3,233,781
<p style="padding-left: 40px;">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 (\$241,437), compensated absences (\$1,500), self insurance liability (\$240,872), deferred taxes (\$27,992), and decrease in accrued interest (\$122,635).</p>		
		(333,182)
Change in net assets of governmental activities (see Exhibit 2)		\$ 5,644,439

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, 2011

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 50,480,738	\$ 50,480,738	\$ 50,578,542	\$ 97,804
Intergovernmental	29,415,275	29,426,576	29,819,721	393,145
Licenses and permits	652,500	652,500	601,202	(51,298)
Charges for services:				
municipal	8,062,681	8,062,681	8,593,548	530,867
school	4,696,353	4,696,353	5,165,260	468,907
Fines, forfeits and penalties	36,700	36,700	39,090	2,390
Revenue from use of money and property				
municipal	656,712	656,712	673,313	16,601
Total revenues	94,000,959	94,012,260	95,470,676	1,458,416
Expenditures				
Current:				
General government	4,944,890	4,949,389	4,831,230	118,159
Public safety	15,947,675	15,958,977	15,818,234	140,743
Health, community services and recreation	4,387,815	4,387,815	5,582,253	(1,194,438)
Public buildings and services	10,159,149	10,159,149	10,192,831	(33,682)
Other agencies	4,302,729	4,366,923	4,347,617	19,306
Education	49,807,606	53,819,034	47,889,514	5,929,520
Unclassified	494,424	494,424	504,344	(9,920)
Debt service	4,769,272	4,769,272	4,813,592	(44,320)
Total expenditures	90,044,288	94,135,711	89,166,023	4,969,688
Excess (deficiency) of revenues over/under expenditures	3,956,671	(123,451)	6,304,653	6,428,104
Other financing sources (uses)				
Appropriation from restricted, committed and assigned fund balances	1,630,151	1,630,151	272,822	(1,357,329)
Sale of assets	4,000	4,000	44,563	40,563
Contributions	-	-	260	260
Insurance Settlements	5,200	5,200	25,000	19,800
Transfers to other funds	(342,500)	(342,500)	(414,000)	(71,500)
Transfers from other funds	27,000	31,500	24,500	(7,000)
Operating transfers	(511,250)	(511,250)	(511,250)	-
Total other financing sources (uses)	812,601	817,101	(558,105)	(1,375,206)
Net change in fund balance	\$ 4,769,272	\$ 693,650	5,746,548	\$ 5,052,898
Unassigned fund balance, beginning of year			8,499,692	
Changes in fund balance classification in accordance with GAAP				
Changes in balances carried			(200,938)	
Advance to other funds			(250,000)	
Inventory and prepaids (GASB 54)			(963,770)	
Unassigned fund balance, end of year				\$ 12,831,532

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2011

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	\$ 607,847	\$ 3,813	\$ 2,688	\$ 748,887	\$ 1,363,235
Investments	-	9,124,814	-	-	9,124,814
Accounts receivable	2,018,300	5,299,817	-	76,199	7,394,316
Less allowance for uncollectible accounts	(22,601)	(383,587)	-	(10,000)	(416,188)
Net accounts receivable	1,995,699	4,916,230	-	66,199	6,978,128
Due from other governments	-	547,865	-	-	547,865
Due from water district	119,437	-	-	-	119,437
Inventories, at cost	-	258,984	-	17,865	276,849
Prepaid items	9,655	11,643	-	20,813	42,111
Total current assets	2,732,638	14,863,349	2,688	853,764	18,452,439
Noncurrent assets					
Capital Assets:					
Land and improvements	683,865	-	3,645,527	2,718,678	7,048,070
Buildings and improvements	27,539,270	-	3,760,216	11,587,217	42,886,703
Machinery and equipment	5,629,439	-	-	483,999	6,113,438
Infrastructure	57,071,570	-	683,189	-	57,754,759
Aircraft operational assets	-	246,145,884	-	-	246,145,884
Parking structures	-	-	-	11,350,354	11,350,354
Construction in process	1,197,989	8,169,438	-	-	9,367,427
	92,122,133	254,315,322	8,088,932	26,140,248	380,666,635
Less accumulated depreciation	(36,884,945)	(144,665,140)	(1,313,070)	(16,067,791)	(198,930,946)
Net capital assets	55,237,188	109,650,182	6,775,862	10,072,457	181,735,689
Investments	-	7,086,738	-	-	7,086,738
Loans receivable	-	1,318,253	1,583,857	-	2,902,110
Deferred special assessments	87,664	-	-	-	87,664
Due from bond trustee	495,893	-	-	-	495,893
Deposits	-	-	-	20,000	20,000
Total noncurrent assets	55,820,745	118,055,173	8,359,719	10,092,457	192,328,094
Total assets	58,553,383	132,918,522	8,362,407	10,946,221	210,780,533

See accompanying notes to financial statements.

Continued on next page

CITY OF BANGOR, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2011

Business-type Activities - Enterprise Funds

	Sewer Utility Fund	Airport Fund	Economic Development Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
LIABILITIES					
Current liabilities					
Accounts payable	304,377	1,677,659	3,432	88,471	2,073,939
Accrued wages and benefits payable	35,030	182,899	-	33,757	251,686
Accrued interest	125,643	44,649	71,825	42,355	284,472
Workers' compensation	20,000	156,969	-	8,010	184,979
Unearned revenue	-	-	-	13,340	13,340
Accrued compensated absences	116,546	394,992	-	107,478	619,016
Interfund loans payable	-	94,000	508,400	2,517,855	3,120,255
General obligation debt payable	2,570,411	659,191	212,614	353,988	3,796,204
Other liabilities	-	17,297	-	-	17,297
Total current liabilities	3,172,007	3,227,656	796,271	3,165,254	10,361,188
Long-term liabilities					
Workers' compensation	-	250,431	-	11,990	262,421
General obligation debt payable	14,861,793	6,582,748	3,427,330	3,317,262	28,189,133
Net OPEB obligation	105,149	388,096	-	69,383	562,628
Other long-term liabilities	298,269	-	-	213,014	511,283
Total long-term liabilities	15,265,211	7,221,275	3,427,330	3,611,649	29,525,465
Total liabilities	18,437,218	10,448,931	4,223,601	6,776,903	39,886,653
NET ASSETS					
Invested in capital assets, net of related debt	39,238,207	105,895,093	3,135,918	7,075,310	155,344,528
Unrestricted	877,958	16,574,498	1,002,888	(2,905,992)	15,549,352
Total net assets	\$ 40,116,165	\$ 122,469,591	\$ 4,138,806	\$ 4,169,318	\$ 170,893,880

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, 2011

Business-type Activities - Enterprise Funds

	Sewer Utility Fund	Airport Fund	Economic Development Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
Operating revenues					
Charges for services	\$ 7,337,750	\$ 13,077,529	\$ 432,094	\$ 3,350,795	\$ 24,198,168
Operating expenses					
Operating expenses other than depreciation and amortization	3,978,374	12,531,225	207,129	3,563,152	20,279,880
Depreciation and amortization	1,702,695	7,546,961	184,498	692,238	10,126,392
Total operating expenses	5,681,069	20,078,186	391,627	4,255,390	30,406,272
Operating income (loss)	1,656,681	(7,000,657)	40,467	(904,595)	(6,208,104)
Nonoperating revenue (expenses)					
Interest income	57,504	602,108	92,234	1,045	752,891
Interest expense	(521,133)	(380,366)	(227,353)	(188,032)	(1,316,884)
Gain on sale of assets	-	-	153,691	-	153,691
Miscellaneous income (expense)	3,185	2,688	-	-	5,873
Total nonoperating revenue (expenses)	(460,444)	224,430	18,572	(186,987)	(404,429)
Net income (loss) before grants/contributions and transfers	1,196,237	(6,776,227)	59,039	(1,091,582)	(6,612,533)
Grants/contributions received for capital assets	-	3,717,755	-	-	3,717,755
Transfers to other funds	(50,000)	-	-	(19,842)	(69,842)
Transfers from other funds	-	-	-	707,740	707,740
Change in net assets	1,146,237	(3,058,472)	59,039	(403,684)	(2,256,880)
Net assets, beginning of year (Restated see Other Information Note H)	38,969,928	125,528,063	4,079,767	4,573,002	173,150,760
Net assets, end of year	\$ 40,116,165	\$ 122,469,591	\$ 4,138,806	\$ 4,169,318	\$ 170,893,880

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2011
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	\$ 6,984,300	\$ 11,251,582	\$ 432,094	\$ 3,349,120	\$ 22,017,096
Cash paid to suppliers for goods and services	(2,510,982)	(4,753,817)	(208,991)	(2,215,590)	(9,689,380)
Cash paid to employees for services	(1,446,920)	(6,888,397)	-	(1,367,080)	(9,702,397)
Net cash provided by (used in) operating activities	3,026,398	(390,632)	223,103	(233,550)	2,625,319
Cash flows from noncapital financing activities					
Interfund loans (repayments)	-	94,000	(230,000)	261,900	125,900
Transfers in	-	-	-	707,740	707,740
Transfers out	(50,000)	-	-	(19,842)	(69,842)
Net cash provided by (used in) noncapital financing activities	(50,000)	94,000	(230,000)	949,798	763,798
Cash flows from capital and related financing activities					
Proceeds from general obligation bonds	2,473,900	-	-	1,831,000	4,304,900
Acquisition and construction of capital assets	(1,130,872)	(4,028,946)	-	(5,495)	(5,165,313)
Principal paid on general obligation bonds	(4,036,341)	(636,330)	(198,340)	(2,405,101)	(7,276,112)
Interest paid on general obligation bonds	(547,535)	(384,986)	(197,866)	(188,786)	(1,319,173)
Proceeds from sale of property	3,185	2,688	174,139	-	180,012
Grant monies received for capital assets	-	3,717,755	-	-	3,717,755
Net cash provided by (used in) capital and related financing activities	(3,237,663)	(1,329,819)	(222,067)	(768,382)	(5,557,931)
Cash flows from investing activities					
Net sales (purchases) of investments	-	(518,799)	-	-	(518,799)
Investment of unexpended bond proceeds	313,891	-	-	-	313,891
Interest on investments	57,505	602,108	92,234	1,129	752,976
Loan repayments	-	161,643	22,910	-	184,553
Net cash provided by (used in) investing activities	371,396	244,952	115,144	1,129	732,621
Net increase (decrease) in cash	110,131	(1,381,499)	(113,820)	(51,005)	(1,436,193)
Cash, beginning of year (Restated see Other Information Note H)	497,716	1,385,312	116,508	799,892	2,799,428
Cash, end of year	\$ 607,847	\$ 3,813	\$ 2,688	\$ 748,887	\$ 1,363,235

Schedule of noncash investing, capital and financing activities:

During the year, the Airport Fund had an unrealized gain on investments in the amount of \$806,297.

During the year, the Economic Development Fund recorded a prior period adjustment which resulted in a decrease of capital assets and accumulated depreciation in the amounts of \$1,457,621 and \$358,008, respectively.

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, 2011
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)	\$ 1,656,681	\$ (7,000,657)	\$ 40,467	\$ (904,595)	\$ (6,208,104)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	1,702,695	7,546,961	184,498	692,238	10,126,392
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(319,533)	(1,825,947)	-	12,617	(2,132,863)
(Increase) decrease in due from water district	(33,917)	-	-	-	(33,917)
(Increase) decrease in inventories	-	(5,866)	-	240	(5,626)
(Increase) decrease in prepaid items	26,196	23,185	-	(7,496)	41,885
Increase (decrease) in accounts payable	(8,658)	879,458	(1,862)	(13,168)	855,770
Increase (decrease) in unearned revenue	-	-	-	(14,292)	(14,292)
Increase (decrease) in other liabilities	2,934	(7,766)	-	906	(3,926)
Total adjustments	1,369,717	6,610,025	182,636	671,045	8,833,423
Net cash provided by (used in) operating activities	\$ 3,026,398	\$ (390,632)	\$ 223,103	\$ (233,550)	\$ 2,625,319

See accompanying notes to financial statements.

CITY OF BANGOR, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

		Agency Fund
ASSETS		
Cash and cash equivalents	\$	112,877
Total assets	\$	112,877
LIABILITIES		
Liabilities:		
Amounts held for others	\$	112,877
Total liabilities	\$	112,877

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, 2011

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, 2010 (most recent data available) the City of Bangor's share of the Joint Venture's net assets was \$6,001,557. 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 Racino. 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 a fund balance reserve 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 in the same manner.
- Assigned fund balances reflect the intended use of the resources.
- Unassigned fund balances are resources which have not be 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 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:

Excess of revenues over expenditures and other financing sources and uses (Budget)	\$ 932,956
Activity in assigned fund balance	(252,779)
2011 encumbrances	1,381,741
2010 encumbrances	(2,466)
2010 encumbrances lapsed	<u>(957,153)</u>
Excess of revenues and other financing sources over expenditures and other uses (GAAP)	<u>\$ 1,102,299</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	\$ (1,402,313)
Airport	(7,253,808)
Park Woods	(84,927)
Parking	(337,614)
Bass Park	(478,552)
Municipal Golf Course	(62,394)
Economic Development	<u>(86,904)</u>
	(9,706,512)
Nonoperating revenues classification	(1,321,733)
Investments at market value	(89,526)
Capital outlay	5,496
Adjustments for accrual basis	(154,261)
Principal payments	3,946,212 *
2010 encumbrances	(66,455)
Nonoperating expenses classification	<u>1,178,675</u>
Operating loss	<u><u>\$ (6,208,104)</u></u>

* the budgetary basis excludes \$3,329,900 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; City Clerk \$2,716, Assessing \$1,086, Insurance \$7,677, Fire \$203,275, Health and Community Services \$1,060,961, Parks and Recreation \$133,477, Public Buildings and Services \$33,682, Public Library \$400, Pensions and Other Fringe Benefits \$26,600, and Debt Service \$44,320. These over-expenditures were funded by receipt of revenues in excess of appropriation and under-expenditures within other General Fund departments.

The Bass Park Fund was over-expended by \$272,465, due to depreciation expense and increased supplies and contractual services expenses.

D. Deficit Fund Equity

The Grant Fund has a deficit fund equity of \$12,257 which is expected to be funded in subsequent years with program income.

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 2011.

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, 2011, \$0 of the City's bank balance of \$17,673,518 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At June 30, 2011, the City had the following investments and maturities:

Investment types	Fair Value	Not Applicable	Maturity (years)		
			<1	1-5	6-10
Mutual Funds	\$ 7,175,265	\$ 7,175,265	\$ -	\$ -	\$ -
US Treasuries	8,280,985	-	523,710	6,026,628	1,730,647
Common Stock	870,797	870,797	-	-	-
Certificate of Deposit	5,689,845	-	4,603,155	1,086,690	-
Totals	<u>\$ 22,016,892</u>	<u>\$ 8,046,062</u>	<u>\$ 5,126,865</u>	<u>\$ 7,113,318</u>	<u>\$ 1,730,647</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, 2011, 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 9, 2010, 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, 2010 and March 15, 2011. 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, 2011 was as follows:

	Balance June 30, 2010*	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,040,548	\$ -	\$ -	\$ 5,040,548
Construction in process	570,858	4,134,571	167,114	4,538,315
Total capital assets not being depreciated	<u>5,611,406</u>	<u>4,134,571</u>	<u>167,114</u>	<u>9,578,863</u>
Capital assets, being depreciated:				
Land improvements	7,975,235	133,600	-	8,108,835
Buildings and improvements	63,265,459	371,390	-	63,636,849
Machinery and equipment	10,402,701	196,014	-	10,598,715
Vehicles	14,337,592	2,255,691	185,069	16,408,214
Infrastructure	21,204,004	167,114	-	21,371,118
Total capital assets being depreciated	<u>117,184,991</u>	<u>3,123,809</u>	<u>185,069</u>	<u>120,123,731</u>
Less accumulated depreciation for:				
Land improvements	(2,572,579)	(359,872)	-	(2,932,451)
Buildings and improvements	(21,700,329)	(1,218,668)	-	(22,918,997)
Machinery and equipment	(7,152,131)	(640,843)	-	(7,792,974)
Vehicles	(8,263,678)	(1,114,958)	(159,890)	(9,218,746)
Infrastructure	(9,879,031)	(461,420)	-	(10,340,451)
Total accumulated depreciation	<u>(49,567,748)</u>	<u>(3,795,761)</u>	<u>(159,890)</u>	<u>(53,203,619)</u>
Total capital assets being depreciated, net	<u>67,617,243</u>	<u>(671,952)</u>	<u>25,179</u>	<u>66,920,112</u>
Governmental activities capital assets, net	<u>\$ 73,228,649</u>	<u>\$ 3,462,619</u>	<u>\$ 192,293</u>	<u>\$ 76,498,975</u>

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

	Balance June 30, 2010*	Increases	Decreases	Balance June 30, 2011
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,997,486	\$ -	\$ 20,448	\$ 3,977,038
Construction in process	7,050,749	4,558,272	2,241,594	9,367,427
Total capital assets not being depreciated	<u>11,048,235</u>	<u>4,558,272</u>	<u>2,262,042</u>	<u>13,344,465</u>
Capital assets, being depreciated:				
Land improvements	3,071,032	-	-	3,071,032
Buildings and improvements	42,888,107	-	1,404	42,886,703
Machinery and equipment	6,134,835	5,495	26,892	6,113,438
Infrastructure	57,726,469	28,290	-	57,754,759
Airport operational assets	243,608,738	2,537,146	-	246,145,884
Parking structures	11,350,354	-	-	11,350,354
Total capital assets being depreciated	<u>364,779,535</u>	<u>2,570,931</u>	<u>28,296</u>	<u>367,322,170</u>
Less accumulated depreciation for:				
Land improvements	(1,552,046)	(71,139)	-	(1,623,185)
Buildings and improvements	(27,639,882)	(1,392,364)	(1,404)	(29,030,842)
Machinery and equipment	(4,326,238)	(234,932)	(26,892)	(4,534,278)
Infrastructure	(10,564,458)	(584,238)	-	(11,148,696)
Airport operational assets	(137,118,179)	(7,546,961)	-	(144,665,140)
Parking structures	(7,652,802)	(276,003)	-	(7,928,805)
Total accumulated depreciation	<u>(188,853,605)</u>	<u>(10,105,637)</u>	<u>(28,296)</u>	<u>(198,930,946)</u>
Total capital assets being depreciated, net	<u>175,925,930</u>	<u>(7,534,706)</u>	<u>-</u>	<u>168,391,224</u>
Governmental activities capital assets, net	<u>\$ 186,974,165</u>	<u>\$(2,976,434)</u>	<u>\$ 2,262,042</u>	<u>\$ 181,735,689</u>

* restated, see Other Information, Note H

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

Governmental Activities:	
General government	\$ 1,297,271
Public safety	921,225
Health, community services and recreation	131,361
Public building and services	585,652
Education	860,252
Total depreciation expense - governmental activities	<u>\$ 3,795,761</u>
Business-type activities:	
Sewer Utility Fund	\$ 1,681,940
Airport Fund	7,546,961
Park Woods	89,124
Parking Fund	276,003
Bass Park Fund	243,962
Municipal Golf Course	83,149
Economic Development Fund	184,498
Total depreciation expense - business-type activities	<u>\$ 10,105,637</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, 2011. 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, 2011 the balances were as follows:

	Receivable	Payable
General Fund	\$ 3,251,585	\$ -
Community Development Block Grant	-	63,200
Nonmajor Special Revenue Funds	63,200	131,330
Airport	-	94,000
Park Woods Fund	-	358,100
Bass Park Fund	-	2,159,755
Economic Development	-	508,400
	<u>\$ 3,314,785</u>	<u>\$ 3,314,785</u>

Individual fund transfers to and from other funds for the fiscal year ended June 30, 2011 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	\$ 1,779,193	\$ 49,681
Arena Fund	154,890	-
Nonmajor Special Revenue Funds	40,657	68,713
Capital Projects Fund	14,820	1,258,711
Nonmajor Permanent Funds	25,443	-
Sewer Utility Fund	50,000	-
Nonmajor Proprietary Funds	19,842	707,740
	<u>\$ 2,084,845</u>	<u>\$ 2,084,845</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, 2011:

	Federal Government	State of Maine	Other	Total
General Fund	\$ 87,637	\$ 2,574,547	\$ 161,229	\$ 2,823,413
Community Development	560,272	-	-	560,272
Nonmajor Special Revenue Funds	63,410	100,462	-	163,872
Capital Projects Fund	123,406	22,965	-	146,371
Proprietary Funds	516,309	31,556	-	547,865

Of the General Fund's \$2,574,547 due from State of Maine, \$1,171,337 represents school grant and State agency billings, \$739,085 is due from the Department of Transportation and \$268,524 represents general assistance claims. Amounts due from other communities for tuition reimbursement to Bangor account for \$129,499 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, 2011 are:

Fiscal year ending June 30,	Airport	Economic Development
2012	\$ 2,546,864	\$ 614,294
2013	2,339,386	559,987
2014	1,285,541	336,193
2015	738,311	337,568
2016	448,318	320,200
Sunsequent to 2016	3,519,074	2,509,422
	<u>\$ 10,877,494</u>	<u>\$ 4,677,664</u>

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. The Airport received \$1,404,295 in contingent rentals in fiscal year 2011.

The carrying amounts of the leased assets are as follows:

	Airport	Economic Development
Land	\$ 565,532	\$ 2,747,811
Buildings	22,695,748	3,760,216
Less accumulated depreciation	(12,484,009)	(1,025,343)
Total	<u>\$ 10,777,271</u>	<u>\$ 5,482,684</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:

	Capital Projects Fund	Proprietary Fund	
Due from bond trustee	\$ 174,138	\$ 495,893	
Deposits	-	20,000	
Total	\$ 174,138	\$ 515,893	

H. Deferred/Unearned Revenue

General Fund deferred revenue consists of \$2,257,876 in deferred taxes and \$47,519 of advance deposits. Capital Fund deferred revenue of \$220,532 consists of advance deposits. Community Development Block Grant and Other Governmental Funds deferred revenue of \$5,026,608 and \$273,623, 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 \$13,340 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 \$159,530,548. The following is a summary of general obligation bond and note transactions of the City for the fiscal year ended June 30, 2011:

Bonds and notes payable at June 30, 2010	\$	96,645,996
Add: principal additions		6,391,000
Less: principal repayments		12,595,993
Bonds and notes payable at June 30, 2011	\$	90,441,003

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

Bonds and notes payable at June 30, 2011 are comprised of the following:

	Fiscal year of maturity	Interest rate	Governmental Activities		Business-type Activities	Total June 30, 2011
			City	School		
Long-term debt						
Treatment Plant	2013	7.00% - 7.10%	\$ -	\$ -	\$ 1,900,000	\$ 1,900,000
Combined sewer overflow	2014	2.46%	-	-	279,600	279,600
Combined sewer overflow	2014	2.45%	-	-	297,900	297,900
Combined sewer overflow	2017	3.52%	-	-	1,059,708	1,059,708
Tax increment financing note*	2016	4.50%	468,620	-	-	468,620
Combined sewer overflow	2018	3.03%	-	-	988,428	988,428
Tax increment financing note*	2018	4.50%	140,766	-	-	140,766
Maine Business Enterprise Park	2018	5.00%	-	-	120,650	120,650
Public improvements note*	2012	4.50%	484,866	-	-	484,866
Public improvements - 2002	2022	3.50% - 4.75%	2,305,900	2,475,000	1,049,100	5,830,000
Pension obligation bonds	2026	3.06% - 6.45%	23,872,848	1,520,247	5,096,905	30,490,000
Refunding bonds	2024	3.06% - 3.47%	360,317	670,320	1,299,363	2,330,000
Combined sewer overflow	2023	1.94%	-	-	1,898,746	1,898,746
Public improvements note*	2012	2.50% - 4.00%	-	-	36,097	36,097
Tax increment financing note*	2015	2.50% - 4.00%	67,254	-	-	67,254
Briggs Building note	2023	4.50%	-	-	945,289	945,289
Refunding/public improvements - 2004	2023	2.50% - 4.80%	2,285,000	-	-	2,285,000
Combined sewer overflow	2024	1.41%	-	-	1,958,923	1,958,923
Public improvements - 2005	2024	3.50% - 4.30%	1,720,000	-	700,000	2,420,000
Airport building sprinklers	2024	3.25% - 5.00%	-	-	1,610,000	1,610,000
Chancellor's property note	2025	5.00%	-	-	1,874,003	1,874,003
Public improvements/refunding	2025	4.00% - 4.20%	2,901,922	-	448,078	3,350,000
Combined sewer overflow	2027	1.64%	-	-	1,650,292	1,650,292
Public improvements - 2007	2027	4.00%	2,755,000	-	-	2,755,000
Combined sewer overflow	2028	1.81%	-	-	1,743,771	1,743,771
Public improvements - 2009	2029	2.00% - 4.375%	2,790,000	-	-	2,790,000
ARRA - CWSRF	2029	0.00%	-	-	872,018	872,018
ARRA - CWSRF	2030	0.00%	-	-	488,072	488,072
Public improvements/refunding	2020	2.00% - 3.25%	4,346,649	7,204,857	1,363,494	12,915,000
Public improvements/refunding	2021	2.00% - 3.25%	2,086,100	-	4,304,900	6,391,000
Total bonds and notes payable			\$ 46,585,242	\$ 11,870,424	\$ 31,985,337	\$ 90,441,003

* Notes aggregating \$1,197,603 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,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 4,167,655	\$ 2,744,508	\$ 3,796,204	\$ 1,055,718
2013	4,301,432	2,590,167	3,790,926	919,392
2014	4,207,101	2,439,529	2,267,191	832,772
2015	4,265,355	2,283,802	2,143,906	771,026
2016	4,390,321	2,116,157	2,215,830	707,132
2017-2021	19,868,601	7,798,985	10,197,199	2,517,924
2022-2026	16,645,201	3,143,929	6,975,994	878,666
2027-2030	610,000	32,931	598,087	8,272
Total	\$ 58,455,666	\$ 23,150,008	\$ 31,985,337	\$ 7,690,902

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, 2011, the statutory limit for the City was \$369,997,500. The City's outstanding long-term debt of \$90,441,003 at June 30, 2011 was within the statutory limit.

Authorized and Unissued

On November 26, 2007, the City Council authorized the issuance of up to \$600,000 in general obligation bonds for the purpose of renovating and rehabilitating property located at 103 Texas Avenue. As of June 30, 2011, \$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, 2011 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, 2011, was as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Due within one year
Governmental activities:					
General obligation debt	\$ 61,689,447	\$ 2,086,100	\$ 5,319,881	\$ 58,455,666	\$ 4,167,655
Accrued compensated absences*	2,415,725	1,748,123	1,746,623	2,417,225	1,459,672
Net OPEB obligation*	1,519,058	270,525	29,088	1,760,495	-
Long-term obligation for self insurance	1,485,708	630,825	389,953	1,726,580	607,890
Governmental activities long-term liabilities	\$ 67,109,938	\$ 4,735,573	\$ 7,485,545	\$ 64,359,966	\$ 6,235,217
Business-type activities:					
General obligation debt	\$ 34,956,549	\$ 4,304,900	\$ 7,276,112	\$ 31,985,337	\$ 3,796,204
Accrued compensated absences	600,049	480,870	461,903	619,016	619,016
Net OPEB obligation	485,034	86,942	9,348	562,628	-
Long-term obligation for self insurance	515,400	62,839	130,839	447,400	184,979
Deferred amount on refunding	(4,777)	-	(4,777)	-	-
Other	511,199	84	-	511,283	-
Business-type activities long-term liabilities	\$ 37,063,454	\$ 4,935,635	\$ 7,873,425	\$ 34,125,664	\$ 4,600,199

* - 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, 2011, fund balances components consisted of the following:

	Nonspendable	Restricted	Committed	Assigned
General Fund:				
Advances to other funds	\$ 1,900,500	\$ -	\$ -	\$ -
Inventory and prepaid items	963,770	-	-	-
PEG capital support	-	27,635	-	-
Arbitrage	-	263,707	-	-
Credit reserve	-	53,264	-	-
Pickering Square Develop Dist	-	60,513	-	-
School Department				
Regular	-	140,579	-	-
Adult education	-	137,283	-	-
Reading assessment	-	18,864	-	-
Special revenue	-	206,852	-	-
School lunch	-	346,552	-	-
Trust and agency	-	363,378	-	-
Cultural Commission	-	-	19,033	-
Encumbrances	-	-	-	1,389,501
Pooled equipment reserve	-	-	-	267,536
Bus equipment reserve	-	-	-	30,863
Fire equipment reserve	-	-	-	128,348
Self insurance reserve	-	-	-	1,726,579
Improvement reserve	-	-	-	287,131
Cameron Stadium reserve	-	-	-	353,780
Demolition reserve	-	-	-	2,210
Benefit reserve	-	-	-	307,988
Parks & Recreation reserve	-	-	-	10,764
Subtotal	<u>2,864,270</u>	<u>1,618,627</u>	<u>19,033</u>	<u>4,504,700</u>
Community Development Block Grant	<u>-</u>	<u>346,605</u>	<u>-</u>	<u>-</u>
Arena Fund	<u>-</u>	<u>-</u>	<u>6,690,287</u>	<u>-</u>
Capital Projects Fund:				
Capital project funds	-	759	-	-
Encumbrances	-	-	-	826,179
Subtotal	<u>-</u>	<u>759</u>	<u>-</u>	<u>826,179</u>
Other Governmental Funds:				
Nonexpendable trust principal	608,710	-	-	-
Nonmajor Special Revenue Funds	-	1,637,362	-	-
Nonmajor Permanent Funds	-	410,337	-	-
Subtotal	<u>608,710</u>	<u>2,047,699</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,472,980</u>	<u>\$ 4,013,690</u>	<u>\$ 6,709,320</u>	<u>\$ 5,330,879</u>

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

DETAILED NOTES ON ALL FUNDS, CONTINUED

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 limitation 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, 2011:

	Governmental	Business-type
Capital assets	\$ 129,702,594	\$ 380,666,635
Accumulated depreciation	(53,203,619)	(198,930,946)
Bonds payable	(58,455,666)	(31,985,337)
Non capital related bonds payable	21,958,813	5,098,283
Unspent bond proceeds	174,138	495,893
Total invested in capital assets net of related debt	\$ 40,176,260	\$ 155,344,528

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, 2011, 2010 and 2009.

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, 2011, the amount of self-insurance liabilities was \$2,173,980. 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, 2009 resulted from the following:

	Workers'	All other self-	Total
	Compensation	insured risks	
Unpaid claims as of July 1, 2009	\$ 1,801,304	\$ 237,251	\$ 2,038,555
Incurred claims	264,678	-	264,678
Payments	(728,179)	(22,450)	(750,629)
Changes in estimates and other adjustments	447,519	985	448,504
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

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 February 1998, the City was served Notification of Potential Liability by the Federal Environmental Protection Agency (EPA) in connection with that agency's efforts to clean up a disposal site. In 2007, LD 1929 was passed to establish a program to fund the cleanup costs at this site for certain parties, including municipalities. As such there should be no further costs to the City.

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 2011 covered payroll was \$14,193,428 and City contributions were \$1,213,193. 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

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

OTHER INFORMATION, CONTINUED

contributions for those employees with employment contracts were \$455,489 and \$50,295 respectively, in fiscal year 2011.

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 2.80% to 6.50% 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, 2011, 2010, and 2009 were \$794,677, \$702,525, and \$677,652 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 \$4,492,555 (17.76%) for fiscal year 2011. 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 17.76% 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)	\$ 393,200
Amortization adjustment to ARC	(115,897)
Interest on net OPEB obligation	<u>80,164</u>
Annual OPEB cost	<u>\$ 357,467</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, 2009, 2010 and 2011 are as follows:

	June 30, 2009	June 30, 2010	June 30, 2011
Annual OPEB cost	\$ 1,138,705	\$ 1,138,705	\$ 357,467 *
City contributions	(136,659)	(136,659)	(38,436)
Increase in net OPEB obligation	1,002,046	1,002,046	319,031
Net OPEB obligation, beginning of year	-	1,002,046	2,004,092
Net OPEB obligation, end of year	<u>\$ 1,002,046</u>	<u>\$ 2,004,092</u>	<u>\$ 2,323,123</u>
Percentage contributed	12.00%	12.00%	10.75%

* 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, 2011 is as follows:

	Governmental Activities	Business-type Activities	Total June 30, 2011
Actuarial accrued liability (AAL)	\$ 3,407,638	\$ 1,095,160	\$ 4,502,798
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,407,638</u>	<u>\$ 1,095,160</u>	<u>\$ 4,502,798</u>
Covered payroll	<u>\$ 17,369,969</u>	<u>\$ 5,582,428</u>	<u>\$ 22,952,397</u>
UAAL as a percentage of covered payroll			19.62%

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 three 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%
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 25, 2011 the City Council declared its official intent to issue up to \$65,000,000 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.

On August 8, 2011 the City Council authorized the issuance of up to \$2,977,700 in general obligations bonds for the purpose of funding the City's annual fleet/equipment replacement, local share of State of Maine road projects, Penobscot River remediation and Wastewater infrastructure.

On August 25, 2011, the City issued \$5,610,000 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 4.65% for a period of seventeen years. The City will be entitled to receive interest subsidy payments equal to 4.55%, the applicable tax credit rate on the date of the issuance, from the United States Department of Treasury for the life of the issue.

On December 12, 2011, the City Council authorized the issuance of up to \$5,347,300 in general obligation bonds to refund outstanding general obligation bonds on a current basis. The final maturity dates of the refunded general obligation bonds will remain unchanged. This refunding is expected to result in approximately \$500,000 in cumulative interest cost savings over the next 10 years.

H. Restatement

During the current fiscal year, beginning cash balances for the Airport Fund and the Economic Development Fund were restated. The restatement was due to lease income that had been previously recorded to the Airport Fund that should have been reported under the Economic Development Fund.

Cash balances for the Airport Fund and Economic Development Fund as of June 30, 2011 have been restated as follows:

	Airport Fund	Economic Development Fund
Beginning cash balance, as previously reported	\$ 1,501,766	\$ 54
Lease income	(116,454)	116,454
Beginning cash balance, as restated	\$ 1,385,312	\$ 116,508

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

OTHER INFORMATION, CONTINUED

During the current fiscal year, beginning loan receivable balances for the Economic Development Fund were restated. The restatement was due to a loan receivable obtained through a previously unrecorded capital asset sale.

Loan receivable balances for the Economic Development Fund as of June 30, 2011 have been restated as follows:

	Economic Development Fund
Loan receivable, as previously reported	\$ 96,767
Loan receivable from sale of assets	1,510,000
Loan receivable, as restated	\$ 1,606,767

During the current fiscal year it was found that there were several assets within the Economic Development Fund that were in the incorrect classification type. The change resulted in a beginning balance reclassification from buildings to land improvements of \$897,716.

During the current fiscal year, beginning business-type net capital assets and net assets were restated. The restatement was due to improper posting of a prior year capital asset transfer from the Airport Fund to the Economic Development Fund.

Business-type net capital assets balances as of June 30, 2011 have been restated as follows:

	Business-type Activities
Beginning business-type net capital assets, previously reported	\$ 188,358,413
Asset transfer	(1,742,257)
Accumulated depreciation	358,009
Beginning business-type net capital assets, as restated	\$ 186,974,165

During the current fiscal year, beginning fund balance for the Capital Projects Fund was restated. The restatement was due to prior year unexpended tax increment financing not being properly recorded as revenue.

Fund balance for the Capital Projects Fund as of June 30, 2011 has been restated as follows:

	Capital Projects Fund
Fund balance, as previously reported	\$ 1,145,945
Tax increment financing revenue	318,064
Fund balance, as restated	\$ 1,464,009

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

OTHER INFORMATION, CONTINUED

During 2011, the City discovered an improperly recorded asset transfer between proprietary funds, a recorded building asset under governmental activities that should have been demolition costs and various capital asset sales resulting in unrecorded gains and losses.

Due to these changes there has been a restatement of beginning net assets on the entity-wide statement of activities.

Net Assets for governmental activities and the business-type activities as of June 30, 2011 have been restated as follows:

	Governmental Activities	Business-type Activities
Net assets, as previously reported	\$ 35,632,310	\$ 173,025,009
Asset additions (disposals)	181,534	(167,022)
Gain on capital asset sales	-	292,773
Net assets, as restated	<u>\$ 35,813,844</u>	<u>\$ 173,150,760</u>

CITY OF BANGOR, MAINE
Required Supplemental Information
Schedule of Funding Progress - Retiree Healthcare Plan
For the Fiscal Year Ended June 30, 2011

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

Only three 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, 2011

ASSETS	
Cash and cash equivalents	\$ 13,518,284
Investments	50,000
Receivables:	
Taxes	2,555,470
Accounts (net of allowance of \$475,341)	1,425,307
Interfund	3,251,585
Intergovernmental	2,823,413
Loans	945,289
Inventory, at cost	912,743
Prepaid items	51,027
Total assets	\$ 25,533,118
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 1,111,343
Accrued wages and benefits payable	5,091,810
Deferred revenue	2,305,395
Total liabilities	8,508,548
Fund balances	
Nonspendable	2,864,270
Restricted	1,618,627
Committed	19,033
Assigned	4,504,700
Unassigned	8,017,940
Total fund balance	17,024,570
Total liabilities and fund balance	\$ 25,533,118

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, 2011

	Balances			Variance	
	Carried 7/1/2010	Budget	Actual	Surplus	Carried
Revenues					
Taxes					
Real and personal property	\$ -	\$ 48,038,150	\$ 48,027,330	\$ (10,820)	\$ -
Change in deferred property tax	-	-	(27,992)	(27,992)	-
Tax increment financing district	-	(2,308,412)	(2,308,412)	-	-
Payment in lieu of taxes	-	115,000	161,880	46,880	-
Excise	-	4,428,000	4,515,752	87,752	-
Interest on delinquent taxes	-	208,000	209,984	1,984	-
Total taxes	-	50,480,738	50,578,542	97,804	-
Intergovernmental					
State revenue sharing	-	3,443,000	3,670,723	227,723	-
School subsidy	-	18,247,234	18,517,665	-	270,431
Other -					
municipal	-	3,225,854	4,174,848	948,994	-
school	-	4,510,488	3,456,485	-	(1,054,003)
Total intergovernmental	-	29,426,576	29,819,721	1,176,717	(783,572)
Other revenue					
Licenses and permits	-	652,500	601,202	(51,298)	-
Charges for service -					
municipal	-	8,062,681	8,593,548	530,867	-
school	-	4,696,353	5,165,260	-	468,907
Fines, forfeits and penalties	-	36,700	39,090	2,390	-
Revenue from use of money and property -					
municipal	-	656,712	673,313	16,601	-
Total other	-	14,104,946	15,072,413	498,560	468,907
Total revenues	-	94,012,260	95,470,676	1,773,081	(314,665)

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, 2011

	Balances			Variance	
	Carried 7/1/2010	Budget	Actual	Surplus	Carried
Expenditures					
General government					
Council	-	32,518	27,627	4,891	-
Executive	-	756,445	750,578	5,867	-
Human resources	-	110,077	101,835	8,242	-
City clerk	-	393,334	396,050	(2,716)	-
Assessing	-	440,853	441,939	(1,086)	-
Legal	-	280,025	279,719	306	-
Finance	-	1,622,759	1,565,457	57,302	-
Insurance	-	135,000	142,677	(7,677)	-
Planning, econ dev, code enforcement	-	1,178,378	1,125,348	53,030	-
Total general government	-	4,949,389	4,831,230	118,159	-
Public safety					
Police	-	8,226,797	7,882,779	344,018	-
Fire	-	7,732,180	7,935,455	(203,275)	-
Total public safety	-	15,958,977	15,818,234	140,743	-
Health, community services and recreation					
Health and community services	-	2,956,805	4,017,766	(1,060,961)	-
Parks and recreation	-	1,431,010	1,564,487	(133,477)	-
Total health, commun. serv and rec.	-	4,387,815	5,582,253	(1,194,438)	-
Public buildings and services					
Public buildings and services	-	10,159,149	10,192,831	(33,682)	-

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, 2011

	Balances			Variance	
	Carried 7/1/2010	Budget	Actual	Surplus	Carried
Expenditures, continued					
Other agencies					
County tax	-	2,661,688	2,661,688	-	-
Downtown Development District	-	52,432	52,432	-	-
Public library	-	1,477,558	1,477,958	(400)	-
Other agencies	64,194	111,051	155,539	672	19,034
Total other agencies	64,194	4,302,729	4,347,617	272	19,034
Education					
Regular	3,045,101	42,535,936	41,706,075	-	3,874,962
Adult education	154,187	534,551	514,511	-	174,227
School lunch	244,959	1,302,368	1,300,953	-	246,374
Special revenue	356,590	4,406,371	3,245,897	-	1,517,064
Trust and agency	210,591	1,028,380	1,122,078	-	116,893
Total education	4,011,428	49,807,606	47,889,514	-	5,929,520
Other appropriations					
Pensions and other fringe benefits	-	1,915,941	1,942,541	(26,600)	-
Debt service	-	2,596,100	2,640,420	(44,320)	-
Tax increment financing payments	-	751,655	734,975	16,680	-
Total other appropriations	-	5,263,696	5,317,936	(54,240)	-
Total expenditures	4,075,622	94,829,361	93,979,615	(1,023,186)	5,948,554
Excess (deficiency) of revenues over/under expenditures	(4,075,622)	(817,101)	1,491,061	749,895	5,633,889

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, 2011

	Balances			Variance	
	Carried 7/1/2010	Budget	Actual	Surplus	Carried
Other financing sources (uses)					
Appropriation from restricted, committed and assigned fund balances	-	1,630,151	272,822	-	(1,357,329)
Sale of assets	-	4,000	44,563	40,563	-
Contributions	-	-	260	260	-
Insurance Settlements	-	5,200	25,000	19,800	-
Transfers to other funds	-	(342,500)	(414,000)	(71,500)	-
Transfers from other funds	-	31,500	24,500	(7,000)	-
Operating transfers	-	(511,250)	(511,250)	-	-
Total other financing sources (uses)	-	817,101	(558,105)	(17,877)	(1,357,329)
Net change in unassigned fund balance	\$ (4,075,622)	\$ -	\$ 932,956	732,018	\$ 4,276,560
Unassigned fund balance, beginning of year				8,499,692	
Changes in fund balance classification in accordance with GASB 54					
Amounts required to be shown as nonspendable fund balance					
Advance to other funds				(250,000)	
Inventory and prepaids				(963,770)	
Unassigned fund balance, end of year				\$ 8,017,940	

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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, 2011

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 316,056	\$ -	\$ 316,056
Investments	-	114,737	114,737
Receivables:			
Accounts	140	-	140
Interfund	63,200	-	63,200
Loans /Notes (net of \$170,317 allowance)	1,540,567	904,310	2,444,877
Intergovernmental	163,872	-	163,872
Total assets	\$ 2,083,835	\$ 1,019,047	\$ 3,102,882
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 40,711	\$ -	\$ 40,711
Accrued wages and benefits payable	13,066	-	13,066
Deferred revenue	273,623	-	273,623
Interfund loans payable	131,330	-	131,330
Total liabilities	458,730	-	458,730
Fund balances			
Nonspendable	-	608,710	608,710
Restricted	1,637,362	410,337	2,047,699
Unassigned	(12,257)	-	(12,257)
Total fund balances	1,625,105	1,019,047	2,644,152
Total liabilities and fund balances	\$ 2,083,835	\$ 1,019,047	\$ 3,102,882

CITY OF BANGOR, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2011

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
Revenues			
Taxes	\$ 803,933	\$ -	\$ 803,933
Intergovernmental	5,314,317	-	5,314,317
Charges for services	1,085,454	-	1,085,454
Program income	26,075	-	26,075
Revenue from use of money and property	135,078	-	135,078
Other revenue	28,741	1,950	30,691
Interest revenue	-	59,079	59,079
Total revenues	7,393,598	61,029	7,454,627
Expenditures			
Current:			
Personnel	1,033,115	-	1,033,115
Payments to beneficiaries	831,175	-	831,175
Other	2,965,248	-	2,965,248
Bus operations	2,344,327	-	2,344,327
Program expenditures	-	136,193	136,193
Total expenditures	7,173,865	136,193	7,310,058
Excess (deficiency) of revenues over (under) expenditures	219,733	(75,164)	144,569
Other financing sources (uses)			
Transfer to other funds	(40,657)	(25,443)	(66,100)
Transfer from other funds	68,713	-	68,713
Total other financing sources (uses)	28,056	(25,443)	2,613
Net change in fund balances	247,789	(100,607)	147,182
Fund balances, beginning of year	1,377,316	1,119,654	2,496,970
Fund balances, end of year	\$ 1,625,105	\$ 1,019,047	\$ 2,644,152

CITY OF BANGOR, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011

	Other HUD Funds	Grant Fund	Dedicated Revenue Funds	Other	Totals
ASSETS					
Cash and cash equivalents	\$ 127,327	\$ 83	\$ -	\$ 188,646	\$ 316,056
Receivables:					
Accounts	-	-	-	140	140
Interfund	63,200	-	-	-	63,200
Loans/Notes (net of \$170,317 allowance)	273,623	-	796,240	470,704	1,540,567
Intergovernmental	-	163,872	-	-	163,872
Total assets	\$ 464,150	\$ 163,955	\$ 796,240	\$ 659,490	\$ 2,083,835
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 31,816	\$ -	\$ 8,895	\$ 40,711
Accrued wages and benefits payable	-	13,066	-	-	13,066
Deferred revenue	273,623	-	-	-	273,623
Interfund loans payable	-	131,330	-	-	131,330
Total liabilities	273,623	176,212	-	8,895	458,730
Fund balances (deficits)					
Restricted	190,527	-	796,240	650,595	1,637,362
Unassigned	-	(12,257)	-	-	(12,257)
Total fund balances	190,527	(12,257)	796,240	650,595	1,625,105
Total liabilities and fund balances (deficits)	\$ 464,150	\$ 163,955	\$ 796,240	\$ 659,490	\$ 2,083,835

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, 2011

	Other HUD Funds	Grant Fund	Dedicated Revenue Funds	Other	Totals
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 803,933	\$ 803,933
Intergovernmental	-	5,314,317	-	-	5,314,317
Charges for services	-	1,085,454	-	-	1,085,454
Program income	26,075	-	-	-	26,075
Revenue from use of money and property	-	-	75,278	59,800	135,078
Contributions	-	-	2,016	26,725	28,741
Total revenues	26,075	6,399,771	77,294	890,458	7,393,598
Expenditures					
Personnel	-	1,033,115	-	-	1,033,115
Payments to beneficiaries	-	-	1,592	829,583	831,175
Other	-	2,964,598	-	650	2,965,248
Bus operations	-	2,344,327	-	-	2,344,327
Total expenditures	-	6,342,040	1,592	830,233	7,173,865
Excess (deficiency) of revenues over (under) expenditures	26,075	57,731	75,702	60,225	219,733
Other financing sources (uses)					
Transfers to other funds	-	-	(40,657)	-	(40,657)
Transfers from other funds	-	-	68,311	402	68,713
Total other financing sources (uses)	-	-	27,654	402	28,056
Net change in fund balances	26,075	57,731	103,356	60,627	247,789
Fund balances (deficits), beginning of year	164,452	(69,988)	692,884	589,968	1,377,316
Fund balances (deficit), end of year	\$ 190,527	\$ (12,257)	\$ 796,240	\$ 650,595	\$ 1,625,105

CITY OF BANGOR, MAINE
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2011

	Other Funds	Revolving Loan Funds	Totals
ASSETS			
Investments	\$ -	\$ 114,737	\$ 114,737
Loans receivable	877,053	27,257	904,310
Total assets	\$ 877,053	\$ 141,994	\$ 1,019,047
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -
Fund balances			
Nonspendable	466,716	141,994	608,710
Restricted	410,337	-	410,337
Total fund balances	877,053	141,994	1,019,047
Total liabilities and and fund balances	\$ 877,053	\$ 141,994	\$ 1,019,047

CITY OF BANGOR, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the Fiscal Year Ended June 30, 2011

	Other Funds	Revolving Loan Funds	Totals
Revenues			
Investment income	\$ 45,211	\$ 13,868	\$ 59,079
Lot sales	1,950	-	1,950
Total revenues	47,161	13,868	61,029
Expenditures			
Current:			
Payments to beneficiaries	132,377	3,000	135,377
Other miscellaneous	-	816	816
Total expenditures	132,377	3,816	136,193
Excess (deficiency) of revenues over (under) expenditures	(85,216)	10,052	(75,164)
Other financing uses			
Transfer to other funds	(25,443)	-	(25,443)
Transfer from other funds	-	-	-
Total other financing uses	(25,443)	-	(25,443)
Net change in fund balances	(110,659)	10,052	(100,607)
Fund balances, beginning of year	987,712	131,942	1,119,654
Fund balances, end of year	\$ 877,053	\$ 141,994	\$ 1,019,047

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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, 2011

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	\$ 1,003	\$ 155,954	\$ 10,962	\$ 580,968	\$ 748,887
Accounts receivable	3,951	-	70,248	2,000	76,199
Less allowance for uncollectible accounts	-	-	(10,000)	-	(10,000)
Net accounts receivable	3,951	-	60,248	2,000	66,199
Inventories, at cost	-	-	17,865	-	17,865
Prepaid items	-	-	20,813	-	20,813
Total current assets	4,954	155,954	109,888	582,968	853,764
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	316,619	483,999
Parking structures	-	11,350,354	-	-	11,350,354
	2,251,038	11,350,354	9,714,898	2,823,958	26,140,248
Less accumulated depreciation	(1,454,442)	(7,928,805)	(5,077,177)	(1,607,367)	(16,067,791)
Net capital assets	796,596	3,421,549	4,637,721	1,216,591	10,072,457
Deposits	20,000	-	-	-	20,000
Total noncurrent assets	816,596	3,421,549	4,637,721	1,216,591	10,092,457
Total assets	821,550	3,577,503	4,747,609	1,799,559	10,946,221

Continued on next page

CITY OF BANGOR, MAINE
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2011

Business-type Activities - Enterprise Funds

	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
LIABILITIES					
Current liabilities					
Accounts payable	30,372	680	38,559	18,860	88,471
Accrued wages and benefits payable	1,729	6,435	12,966	12,627	33,757
Accrued interest	-	29,234	6,550	6,571	42,355
Workers' compensation	-	3,441	4,569	-	8,010
Unearned revenue	-	6,902	6,438	-	13,340
Accrued compensated absences	13,334	15,430	59,424	19,290	107,478
Interfund loans payable	358,100	-	2,159,755	-	2,517,855
General obligation debt payable	-	184,652	136,912	32,424	353,988
Total current liabilities	403,535	246,774	2,425,173	89,772	3,165,254
Long-term liabilities					
Workers' compensation	-	6,559	5,431	-	11,990
General obligation debt payable	-	2,098,194	718,141	500,927	3,317,262
Net OPEB obligation	7,324	10,362	34,822	16,875	69,383
Other long-term liabilities	193,061	19,953	-	-	213,014
Total long-term liabilities	200,385	2,135,068	758,394	517,802	3,611,649
Total liabilities	603,920	2,381,842	3,183,567	607,574	6,776,903
NET ASSETS					
Invested in capital assets, net of related debt	796,596	1,299,285	4,210,916	768,513	7,075,310
Unrestricted	(578,966)	(103,624)	(2,646,874)	423,472	(2,905,992)
Total net assets	\$ 217,630	\$ 1,195,661	\$ 1,564,042	\$ 1,191,985	\$ 4,169,318

Continued from previous page

CITY OF BANGOR, MAINE
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2011
Business-type Activities - Enterprise Funds

	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Total Nonmajor Proprietary Funds
Operating revenues					
Charges for services	\$ 372,715	\$ 1,057,710	\$ 1,276,869	\$ 643,501	\$ 3,350,795
Operating expenses					
Operating expenses other than depreciation and amortization	407,354	807,507	1,791,127	557,164	3,563,152
Depreciation and amortization	89,124	276,003	243,962	83,149	692,238
Total operating expenses	496,478	1,083,510	2,035,089	640,313	4,255,390
Operating income (loss)	(123,763)	(25,800)	(758,220)	3,188	(904,595)
Nonoperating revenue (expenses)					
Interest income	-	-	-	1,045	1,045
Interest expense	-	(123,479)	(40,555)	(23,998)	(188,032)
Total nonoperating revenue (expenses)	-	(123,479)	(40,555)	(22,953)	(186,987)
Net income (loss) before grants/contributions and transfers	(123,763)	(149,279)	(798,775)	(19,765)	(1,091,582)
Grants/contributions received for capital assets	-	-	-	-	-
Transfers to other funds	(9,079)	-	-	(10,763)	(19,842)
Transfers from other funds	40,657	215,450	451,633	-	707,740
Change in net assets	(92,185)	66,171	(347,142)	(30,528)	(403,684)
Net assets, beginning of year	309,815	1,129,490	1,911,184	1,222,513	4,573,002
Net assets, end of year	\$ 217,630	\$ 1,195,661	\$ 1,564,042	\$ 1,191,985	\$ 4,169,318

CITY OF BANGOR, MAINE
Combining Statement of Cash Flows - Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2011

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	\$ 391,009	\$ 1,052,072	\$ 1,264,538	\$ 641,501	\$ 3,349,120
Cash paid to suppliers for goods and services	(381,342)	(539,999)	(1,074,261)	(219,988)	(2,215,590)
Cash paid to employees for services	(42,751)	(268,853)	(722,914)	(332,562)	(1,367,080)
Net cash provided by (used in) operating activities	(33,084)	243,220	(532,637)	88,951	(233,550)
Cash flows from noncapital financing activities					
Interfund loans (repayments)	2,400	-	259,500	-	261,900
Transfers in	40,657	215,450	451,633	-	707,740
Transfers out	(9,079)	-	-	(10,763)	(19,842)
Net cash provided by (used in) noncapital financing activities	33,978	215,450	711,133	(10,763)	949,798
Cash flows from capital and related financing activities					
Proceeds from general obligation bonds	-	1,831,000	-	-	1,831,000
Acquisition and construction of capital assets	-	-	-	(5,495)	(5,495)
Principal paid on general obligation bonds	-	(2,238,760)	(134,231)	(32,110)	(2,405,101)
Interest paid on general obligation bonds	-	(120,501)	(43,874)	(24,411)	(188,786)
Net cash provided by (used in) capital and related financing activities	-	(528,261)	(178,105)	(62,016)	(768,382)
Cash flows from investing activities					
Interest on investments	-	84	-	1,045	1,129
Net cash provided by (used in) investing activities	-	84	-	1,045	1,129
Net increase (decrease) in cash	894	(69,507)	391	17,217	(51,005)
Cash, beginning of year	109	225,461	10,571	563,751	799,892
Cash, end of year	\$ 1,003	\$ 155,954	\$ 10,962	\$ 580,968	\$ 748,887

Continued on next page

CITY OF BANGOR, MAINE
Combining Statement of Cash Flows - Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2011

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)	\$ (123,763)	\$ (25,800)	\$ (758,220)	\$ 3,188	\$ (904,595)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	89,124	276,003	243,962	83,149	692,238
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	18,294	279	(3,956)	(2,000)	12,617
(Increase) decrease in inventories	-	-	240	-	240
(Increase) decrease in prepaid items	-	-	(7,496)	-	(7,496)
Increase (decrease) in accounts payable	(15,744)	(1,072)	(105)	3,753	(13,168)
Increase (decrease) in unearned revenue	-	(5,917)	(8,375)	-	(14,292)
Increase (decrease) in other liabilities	(995)	(273)	1,313	861	906
Total adjustments	90,679	269,020	225,583	85,763	671,045
Net cash provided by (used in) operating activities	\$ (33,084)	\$ 243,220	\$ (532,637)	\$ 88,951	\$ (233,550)

Continued from previous page

CITY OF BANGOR, MAINE
Schedule of Revenues, Expenditures and Encumbrances
Budget and Actual - Budgetary Basis
Sewer Utility Fund - Enterprise Fund
For the Fiscal Year Ended June 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 7,509,650	\$ 7,285,986	\$ (223,664)
Interest and other revenue	1,000	57,504	56,504
Total revenues	7,510,650	7,343,490	(167,160)
Expenditures and encumbrances			
Salaries	1,175,382	1,146,874	28,508
Fringe benefits	327,397	290,471	36,926
Supplies and materials	1,280,537	1,098,722	181,815
Contractual services	781,103	907,079	(125,976)
Interfund charges	423,181	406,621	16,560
Miscellaneous	22,870	19,925	2,945
Debt service	3,131,831	3,128,755	3,076
Depreciation	1,655,556	1,702,695	(47,139)
Outlay	22,250	44,661	(22,411)
Total expenditures and encumbrances	8,820,107	8,745,803	74,304
Excess (deficiency) of revenues over/under expenditures and encumbrances	\$ (1,309,457)	\$ (1,402,313)	\$ (92,856)

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, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 13,596,941	\$ 13,077,529	\$ (519,412)
Interest and other revenue	856,916	687,015	(169,901)
Total revenues	14,453,857	13,764,544	(689,313)
Expenditures and encumbrances			
Salaries	5,572,119	5,490,171	81,948
Fringe benefits	1,220,521	1,304,864	(84,343)
Supplies and materials	2,407,571	2,150,545	257,026
Contractual services	2,541,913	2,492,150	49,763
Interfund charges	729,104	671,423	57,681
Miscellaneous	254,398	282,870	(28,472)
Debt service	1,021,317	1,021,316	1
Depreciation	7,300,000	7,546,961	(246,961)
Outlay	508,000	58,052	449,948
Credits	-	-	-
Total expenditures and encumbrances	21,554,943	21,018,352	536,591
Excess (deficiency) of revenues over/under expenditures and encumbrances	\$ (7,101,086)	\$ (7,253,808)	\$ (152,722)

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, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 378,000	\$ 372,715	\$ (5,285)
Interest and other revenue	40,657	40,657	-
Total revenues	418,657	413,372	(5,285)
Expenditures and encumbrances			
Salaries	67,623	35,209	32,414
Fringe benefits	17,278	8,369	8,909
Supplies and materials	146,250	174,107	(27,857)
Contractual services	178,666	184,327	(5,661)
Interfund charges	740	191	549
Miscellaneous	8,100	6,972	1,128
Depreciation	89,123	89,124	(1)
Outlay	-	-	-
Total expenditures and encumbrances	507,780	498,299	9,481
Excess (deficiency) of revenues over/under expenditures and encumbrances	\$ (89,123)	\$ (84,927)	\$ 4,196

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, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 1,096,992	\$ 1,057,556	\$ (39,436)
Operating transfer	240,426	215,450	(24,976)
Interest and other revenue	-	-	-
Total revenues	1,337,418	1,273,006	(64,412)
Expenditures and encumbrances			
Salaries	218,428	220,510	(2,082)
Fringe benefits	47,192	46,920	272
Supplies and materials	7,000	3,300	3,700
Contractual services	381,435	368,374	13,061
Interfund charges	113,437	167,252	(53,815)
Debt service	569,925	528,261	41,664
Depreciation	478,381	276,003	202,378
Outlay	-	-	-
Total expenditures and encumbrances	1,815,798	1,610,620	205,178
Excess (deficiency) of revenues over/under expenditures and encumbrances	\$ (478,380)	\$ (337,614)	\$ 140,766

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, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 1,422,100	\$ 1,276,869	\$ (145,231)
Operating transfer	453,190	451,633	(1,557)
Interest and other revenue	-	-	-
Total revenues	1,875,290	1,728,502	(146,788)
Expenditures and encumbrances			
Salaries	623,039	579,336	43,703
Fringe benefits	137,901	134,049	3,852
Supplies and materials	394,960	459,018	(64,058)
Contractual services	343,620	415,231	(71,611)
Interfund charges	151,100	154,504	(3,404)
Miscellaneous	50,000	52,850	(2,850)
Debt service	174,670	178,104	(3,434)
Depreciation	59,299	243,962	(184,663)
Credits	-	(10,000)	10,000
Total expenditures and encumbrances	1,934,589	2,207,054	(272,465)
Excess (deficiency) of revenues over/under expenditures and encumbrances	\$ (59,299)	\$ (478,552)	\$ (419,253)

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, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 624,000	\$ 643,501	\$ 19,501
Interest and other revenue	2,000	1,045	(955)
Total revenues	626,000	644,546	18,546
Expenditures and encumbrances			
Salaries	294,042	290,991	3,051
Fringe benefits	42,294	39,794	2,500
Supplies and materials	87,550	94,085	(6,535)
Contractual services	73,700	68,867	4,833
Interfund charges	59,892	68,038	(8,146)
Debt service	56,522	56,521	1
Depreciation	115,300	83,149	32,151
Outlay	12,000	5,495	6,505
Total expenditures and encumbrances	741,300	706,940	34,360
Excess (deficiency) of revenues over/under expenditures and encumbrances	\$ (115,300)	\$ (62,394)	\$ 52,906

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, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 456,485	\$ 432,094	\$ (24,391)
Interest and other revenue	250,607	268,835	18,228
Total revenues	707,092	700,929	(6,163)
Expenditures and encumbrances			
Supplies and materials	22,300	22,747	(447)
Contractual services	205,815	158,437	47,378
Interfund charges	-	-	-
Miscellaneous	2,360	25,945	(23,585)
Debt service	396,206	396,206	-
Depreciation	205,898	184,498	21,400
Outlay	80,411	-	80,411
Total expenditures and encumbrances	912,990	787,833	125,157
Excess (deficiency) of revenues over/under expenditures and encumbrances	\$ (205,898)	\$ (86,904)	\$ 118,994

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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 Change in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
ASSETS				
Cash:				
Bangor Area Stormwater Group	\$ 5,395	\$ 41,779	\$ 39,464	\$ 7,710
School Activity Funds	91,049	235,851	221,733	105,167
Total assets	\$ 96,444	\$ 277,630	\$ 261,197	\$ 112,877
LIABILITIES				
Funds held for others:				
Bangor Area Stormwater Group	\$ 5,395	\$ 41,779	\$ 39,464	\$ 7,710
School Activity Funds	91,049	235,851	221,733	105,167
Total liabilities	\$ 96,444	\$ 277,630	\$ 261,197	\$ 112,877

**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, 2011

Function and Activity	Balance 2010*	Additions	Deletions	Balance 2011
General government				
BAT community connector	\$ 1,131,507	\$ 1,857,030	\$ 274,923	\$ 2,713,614
Central service	17,307	-	3,846	13,461
City clerk	14,047	-	6,587	7,460
City hall	574,993	-	16,078	558,915
Community and economic development	9,116,824	732,796	302,592	9,547,028
Engineering	45,804	-	6,921	38,883
Information services	127,162	-	32,602	94,560
Motor pool	3,901,727	143,869	604,374	3,441,222
Other - unclassified	401,270	-	74,526	326,744
Total general government	15,330,641	2,733,695	1,322,449	16,741,887
Public safety				
Fire	5,997,830	247,205	535,481	5,709,554
Police	10,878,463	107,222	385,744	10,599,941
Total public safety	16,876,293	354,427	921,225	16,309,495
Health, community services and recreation				
Parks and recreation	2,269,465	49,150	131,361	2,187,254
Total health, community services and recreation	2,269,465	49,150	131,361	2,187,254
Public building and services				
Public works	12,785,351	494,463	752,767	12,527,047
Total public buildings and services	12,785,351	494,463	752,767	12,527,047
Education	25,966,899	529,990	860,252	25,636,637
Arena Fund	-	3,096,655	-	3,096,655
Total governmental fund capital assets	\$ 73,228,649	\$ 7,258,380	\$ 3,988,054	\$ 76,498,975

* Restated see Other Information Note H

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OTHER INFORMATION



CITY OF BANGOR, MAINE
Assessed Valuation, Commitment and Collections
For the Fiscal Year Ended June 30, 2011

VALUATION

Land and buildings	\$ 2,261,383,800
Land and buildings - Homestead exemption	53,990,200
Personal property	256,321,000
Personal property - BETE exemption	<u>33,584,320</u>
Total valuation	<u><u>\$ 2,605,279,320</u></u>

COMMITMENT

Real estate, personal property (excludes Homestead and BETE exemptions)	\$ 2,517,704,800
Tax rate	<u>0.01920</u>
Total commitment	48,339,932

ADD

Supplemental taxes committed	<u>22,714</u>
	48,362,646

LESS

Collections 2011	46,857,606
Abatements	<u>168,932</u>
2011 taxes receivable at June 30, 2011	<u><u>\$ 1,336,108</u></u>

CITY OF BANGOR, MAINE
General Fund Unassigned Fund Balance Sufficiency Calculation
For the Fiscal Year Ended June 30, 2011

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, 2011 General Fund unassigned fund balance.

General Fund expenditures/uses (Schedule A-2)

General government	\$ 4,831,230
Public safety	15,818,234
Health, community services and recreation	5,582,253
Public buildings and services	10,192,831
Other agencies	4,347,617
Education	47,889,514
Other appropriations	5,317,936
Other uses, gross*	<u>925,250</u>
Gross expenditures and uses	94,904,865
General Fund debt service	<u>6,890,918</u>
Net expenditures and uses	<u>\$ 88,013,947</u>
Indicated unassigned fund balance @ 8.33%	\$ 7,331,562
Actual unassigned fund balance (Schedule A-2)	\$ 8,017,940
Actual unassigned fund balance as a percentage of net expenditures and uses	9.11%
Over (under) funded status	<u>\$ 686,378</u>

* excludes amounts appropriated from unassigned fund balance

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STATISTICAL SECTION

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

	Page
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>	

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Table 1

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

	<u>2011</u>
Governmental activities:	
Invested in capital assets, net of related debt	\$ 40,176,260
Restricted	1,019,806
Unrestricted	262,217
Total governmental activities net assets	<u>41,458,283</u>
Business-type activities:	
Invested in capital assets, net of related debt	155,344,528
Restricted	-
Unrestricted	15,549,352
Total business-type activities net assets	<u>170,893,880</u>
Primary government:	
Invested in capital assets, net of related debt	195,520,788
Restricted	1,019,806
Unrestricted	15,811,569
Total primary government net assets	<u><u>\$ 212,352,163</u></u>

Only one year has 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	
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	
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	
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	
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	
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	
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	
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	
Community development*	-	-	-	2,419,594	1,865,026	2,156,241	912,992	1,506,038	1,542,975	
Waterfront*	-	-	-	990,961	399,015	1,754,281	9,252,263	79,911	1,439,065	
Public transportation*	-	-	-	1,798,968	1,841,516	2,118,374	3,042,434	2,792,904	1,701,112	
Tax increment financing*	-	-	-	1,092,770	1,101,078	1,066,192	1,114,112	1,630,081	1,383,662	
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	
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	
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	
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	
Park Woods	449,873	531,986	598,854	540,207	678,867	678,867	590,250	529,610	496,478	
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	
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	
Municipal Golf Course	575,408	626,739	592,323	647,499	695,969	695,969	745,339	733,380	664,311	
Economic Development	271,047	338,795	397,881	484,264	695,851	695,851	712,195	634,764	618,980	
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	
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	

Only nine years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

* - 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.

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	
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	
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	
Health, community services and recreation	647,709	624,778	674,364	756,207	681,583	771,254	768,450	836,689	928,307	
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	
Other agencies	-	-	-	-	-	22,243	22,068	-	20,248	
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	
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	
Community development	-	-	-	672,459	658,141	297,394	301,019	332,295	323,494	
Public transportation	-	-	-	536,491	659,960	809,531	944,804	923,433	1,025,080	
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	
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	
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	
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	
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	
Park Woods	283,052	279,588	310,389	287,452	340,494	340,494	369,478	371,832	372,715	
Parking	807,645	892,820	943,990	963,697	1,001,697	1,001,697	997,111	1,050,579	1,057,710	
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	
Municipal Golf Course	623,233	595,852	586,956	604,365	655,834	655,834	608,930	658,053	643,501	
Economic Development	388,165	316,062	433,694	391,658	422,716	422,716	569,549	507,867	585,785	
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	
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	
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	

Only nine years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

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

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
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)
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)
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)
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
Payment in lieu of taxes	113,575	135,000	186,500	160,457	145,000	122,510	141,595	117,770	161,879
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
Franchise taxes	233,874	225,224	265,598	274,986	296,566	300,768	322,526	348,163	367,672
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
Unrestricted investment earnings	377,113	296,857	519,225	699,417	1,183,796	1,274,939	874,824	673,295	565,326
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
Transfers	(798,618)	(948,416)	(837,806)	(861,290)	(871,864)	(539,088)	(739,179)	761,103	(637,898)
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
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
Transfers	798,618	948,416	837,806	861,290	539,088	539,088	739,179	(761,103)	637,898
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
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
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
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)
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

Only nine years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

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	
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	
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	
Franchise taxes	233,874	225,224	265,598	274,986	296,566	300,768	322,526	348,163	367,672	
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	

Only nine years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

Table 4

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

	2011
General Fund:	
Nonspendable	
Advances to other funds	\$ 1,900,500
Inventory and prepaid items	963,770
Restricted	
Education purposes	1,213,508
Municipal purposes	405,119
Committed - municipal purposes	19,033
Assigned	
Encumbrances - education and municipal	1,389,501
Municipal purposes	3,115,199
Unassigned	8,017,940
Total general fund	<u>\$ 17,024,570</u>
All other governmental funds:	
Nonspendable	
Permanent Fund Principal	\$ 608,710
Restricted	
Community Development Block Grant	346,605
Penobscot River	759
Nonmajor Special Revenue Funds	1,637,362
Nonmajor Permanent Funds	410,337
Committed	
Arena Fund	6,690,287
Assigned	
Capital Project Fund Encumbrances	826,179
Unassigned	
Capital Project Fund	(537)
Nonmajor Special Revenue Funds	(12,257)
Total all other governmental funds	<u>\$ 10,507,445</u>

Only one year has been reported because 2011 was the year GASB 54 was implemented.

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	
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	
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	
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	
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	
Licenses and permits	409,842	374,499	655,745	538,534	982,879	956,965	644,621	633,339	601,202	
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	
Program income	583,569	463,066	409,153	663,269	657,987	296,325	288,677	329,800	314,203	
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	
Other	1,612,518	142,311	168,452	526,360	279,261	7,691,463	428,220	1,108,213	279,426	
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	
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	
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	
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	
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	
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	
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	
Tax increment financing	-	-	-	-	-	-	215,483	432,033.00	165,133	
Unclassified	327,812	389,598	65,639	263,702	597,262	166,994	63,115	54,451	118,216	
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	
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	
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	
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	
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	
Deficiency of revenues 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)	
Other financing sources/(uses)										
General obligation 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	
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	
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)	
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	
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	
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)	
Debt service as a percentage of noncapital expenditures	11.17%	6.30%	8.27%	6.08%	7.74%	4.26%	4.01%	11.19%	5.56%	

Only nine years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

* 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			
2002	841,857,900	504,871,000	241,682,200	1,588,411,100	22.78
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

* 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
2002	9.81	0.73	12.24	22.78	0.97	23.75
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

Table 8

CITY OF BANGOR, MAINE
Principal Property Taxpayers *
June 30, 2011

Taxpayer	Business	2011			2002		
		Assessed Value	Rank	% of Total Tax Base	Assessed Value	Rank	% of Total Tax Base
Bangor Historic Track	Racino	\$ 117,846,300	1	4.58%	-	-	-
General Electric	Manufacturer	64,318,500	2	2.50%	\$ 30,819,755	2	1.94%
Bangor Mall LLC	Shopping mall	57,608,500	3	2.24%	-	-	-
Bangor Hydro Electric	Utility	38,377,400	4	1.49%	27,943,600	3	1.76%
Wal Mart Stores	Retailer	21,249,800	5	0.83%	9,421,200	9	0.59%
QV Realty Trust	Real estate interests	15,859,900	6	0.62%	10,222,700	6	0.64%
Inland Western Parkade	Shopping mall	15,396,100	7	0.60%	-	-	-
Grant Trailer Sales Inc	Real estate interests	15,335,600	8	0.60%	-	-	-
Home Depot U.S.A. Inc	Retailer	14,249,400	9	0.55%	-	-	-
Harvest Sunbury Village	Retirement Living	14,106,400	10	0.55%	-	-	-
BANMAK Associates	Shopping mall	-	-	-	58,050,400	1	3.65%
Bangor Savings Bank	Commercial bank	-	-	-	21,162,300	4	1.33%
Webber Oil Company	Fuel distributor	-	-	-	10,737,000	5	0.68%
Airport Mall Associates	Shopping mall	-	-	-	10,140,400	7	0.64%
Cabrel Company	Real estate interests	-	-	-	9,697,300	8	0.61%
Sams Real Estate Trust	Retailer	-	-	-	8,636,400	10	0.54%
Totals		<u>\$ 374,347,900</u>		<u>14.56%</u>	<u>\$ 196,831,055</u>		<u>12.39%</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			
2002	36,893,245	208,211	36,685,034	35,633,029	97.13%	1,001,319	36,634,348	99.86%
2003	39,081,183	311,677	38,769,506	37,785,056	97.46%	918,597	38,703,653	99.83%
2004	39,866,850	172,868	39,693,982	38,589,047	97.22%	1,035,621	39,624,668	99.83%
2005	40,474,184	160,117	40,314,067	39,206,172	97.25%	1,046,763	40,252,935	99.85%
2006	41,099,990	632,397	40,467,593	39,716,755	98.14%	645,455	40,362,210	99.74%
2007	41,990,985	269,636	41,721,349	40,819,923	97.84%	798,483	41,618,406	99.75%
2008	44,082,476	341,521	43,740,955	42,847,656	97.96%	767,458	43,615,114	99.71%
2009	47,235,370	275,489	46,959,881	45,688,356	97.29%	1,103,749	46,792,105	99.64%
2010	48,719,847	588,817	48,131,030	46,205,428	96.00%	1,386,852	47,592,280	98.88%
2011	48,362,646	168,932	48,193,714	46,857,606	97.23%	-	46,857,606	97.23%

Table 10

CITY OF BANGOR, MAINE
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Ratio of Net Bonded Debt	
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Revenue Bonds		Per Capita*	Per Personal Income*
2002	\$ 59,135,992	150,353	42,386,491	4,205,000	105,877,836	3,345.80	11.25%
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%

* 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
2002	31,645	1,588,411,100	66,818,681	4.21%	2,111.51
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

* 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 \$17,432,204, Airport debt of \$7,241,939, Golf Course debt of \$533,351 Parking debt of \$2,282,846 and Economic Development debt of \$3,639,944.

CITY OF BANGOR, MAINE
Computation of Direct and Overlapping Debt
June 30, 2011

	Total Debt Outstanding	Percentage Applicable to Bangor	Amount Applicable to Bangor
Direct Debt			
City of Bangor			
General Obligation Bonds	\$ 90,441,003	100.00%	\$ 90,441,003
Overlapping Debt	\$ -		\$ -
Total Debt	<u>\$ 90,441,003</u>		<u>\$ 90,441,003</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
2002	\$ 240,937,500	101,522,483	139,415,017	42.14%
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%

Legal Debt Margin Calculation for Fiscal Year 2011

Total State Valuation	\$ 2,466,650,000
Debt Limitation: 15 % of State Valuation	369,997,500
Debt Applicable to Debt Limitation:	
General Obligation Bonds:	
Municipal	61,138,375
School	11,870,424
Sewer	17,432,204
Total debt applicable to limit	<u>90,441,003</u>
Legal Debt margin	<u><u>\$ 279,556,497</u></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 ***
2002	31,645	29,740	19,295	36.1	4,205	3.12%
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	Data not available	3,830	7.30%

* Source: U.S. Census.

** Source: Bangor School Department.

*** Source: Maine Bureau of Labor Statistics.

Table 15

CITY OF BANGOR, MAINE
Principal Employers *
Calendar Year

2010			2001		
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			
	Cianbro Corporation	Throughout			
	Wal-Mart	Throughout			
500-999	Bangor Savings Bank	Bangor	500-999	Acadia Hospital	Bangor
	L.L. Bean	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			

* 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	93	91	90	87	88	94	85	80	78	78
Public safety										
Police	86	89	86	87	89	90	87	92	94	92
Fire	95	95	97	96	97	94	97	94	93	95
Health, community services and recreation	34	33	31	31	32	39	41	37	41	30
Public building and services	66	68	67	64	68	71	67	69	68	64
Education	574	574	561	571	573	562	618	618	621	621
Sewer Utility	23	23	23	23	23	23	23	23	23	24
Airport	82	72	73	75	76	81	87	88	81	82
Park Woods	3	3	3	3	3	3	3	3	2	2
Parking	2	2	2	2	2	2	2	2	2	2
Bass Park	9	9	8	9	9	9	7	8	8	7
Municipal Golf Course	3	3	3	3	3	9	3	3	3	3
Economic Development	3	2	3	3	3	3	3	2	3	4
Totals	1,073	1,064	1,047	1,054	1,066	1,080	1,123	1,119	1,117	1,104

* Source - City of Bangor Human Resource Department.

Table 17

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

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Code enforcement										
Building permits	471	474	522	514	537	550	485	501	427	518
Certificates of occupancy	295	358	342	341	432	446	430	440	341	448
Sign permits	85	96	98	107	115	116	118	103	90	96
Police										
Calls for service	Unavailable	22,213	24,407	23,945	27,052	28,157	32,392	34,329	32,351	30,167
Fire										
Calls for service	Unavailable	7,528	7,470	7,805	7,492	7,992	7,477	7,990	7,357	8,000
Sewer										
Treated flow (billions of gallons)	2.63	3.14	3.42	2.75	4.23	3.62	3.21	3.89	3.55	2.81
Biosolids (cubic yards)	8,683	8,308	9,379	9,280	9,348	9,775	10,043	10,561	10,509	9,046

* 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	
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	42	56	57	51	52	47	50	54	54	
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Vehicles	25	20	20	24	27	28	31	32	35	
Public works										
Streets (miles)	422	422	422	422	422	427	429	429	429	
Sidewalks (miles)	99.6	99.6	99.6	99.6	99.6	99.6	99.6	99.6	101.4	
Parks and recreation										
Parks	29	29	29	29	29	29	29	29	29	
Parks acreage	950	950	950	950	950	950	950	950	950	
Public swimming pools	1	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	
Indoor ice arena	1	1	1	1	1	1	1	1	1	
Semi-pro baseball stadium	1	1	1	1	1	1	1	1	1	
Sewer										
Treatment plants	1	1	1	1	1	1	1	1	1	
Pump stations	5	5	5	5	5	5	5	5	5	
Miles of sanitary sewers	103	103	103	103	103	103	103	103	103	
Miles of combined sewers	44	44	44	44	44	44	44	44	44	

Only nine years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

* Source - City of Bangor Departmental records.

APPENDIX B

**PROPOSED FORM
OF
LEGAL OPINION**

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

[Dated Date of Delivery]

City of Bangor
Bangor, Maine 04401

RE: City of Bangor, Maine
\$6,525,000* 2012 General Obligation Refunding Bonds
Dated as of February 1, 2012

Ladies and Gentlemen:

We have acted as bond counsel to the City of Bangor, Maine (the "City") in connection with the issuance and sale by the City of \$6,525,000* principal amount of its 2012 General Obligation Refunding Bonds dated as of February 1, 2012 (the "Bonds"). In such capacity, we have examined the law, including the Charter of the City and Title 30-A, Sections 5721-A and 5772 of the Maine Revised Statutes, as amended, and a record of proceedings submitted to us by the City, in connection with the issue and sale of the above-described Bonds, including among other documents, a certified copy of orders of the City Council adopted at its meetings held on August 23, 2010, August 8, 2011 and December 12, 2011, and an approval of the City's Finance Committee dated January 24, 2012 (collectively the "Bond Authorizations").

We understand the Bonds are dated as of February 1, 2012 and have been issued in the following denominations and principal amounts, bearing interest and maturing as of April 1 of each year as reflected hereinbelow:

<u>April 1</u>	<u>Amount*</u>	<u>Interest Rate</u>
2013	\$780,000	%
2014	750,000	%
2015	660,000	%
2016	655,000	%

*Preliminary, subject to change as to final issue amount or annual principal amounts.

2017	645,000	%
2018	630,000	%
2019	620,000	%
2020	605,000	%
2021	595,000	%
2022	585,000	%

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

The Bonds are not subject to redemption prior to their stated dates of maturity.

In expressing the opinions set forth in paragraph 3 hereinbelow, we have examined and relied upon the Arbitrage and Use of Proceeds Certificate and the General Certificate of the Finance Director of the City (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, has certified to the effect 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 Bonds is not includable in gross income for federal income tax purposes. In rendering the opinions set forth in paragraph 3 below, we have relied upon the representations of the City set forth in such Tax Certificates, and we have assumed that the City will comply with the representations, certifications, warranties, provisions and procedures set forth in such Tax Certificates.

We note that the Code establishes certain requirements regarding use, expenditure and investment of the proceeds of the 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 Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

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. Prospective purchasers of

the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

With reference to the Bonds, we are further of the opinion that under existing law:

1. Under the Constitution and laws of the State of Maine, the City has been duly created and validly exists as a body corporate and politic and a municipality under the name of the City of Bangor, with lawful power and authority to adopt the Bond Authorizations and to issue the Bonds.
2. The Bonds are in proper form and have been duly authorized and executed by the City and, subject to due authentication, are valid and binding general obligations of the City, enforceable in accordance with their terms and all taxable property within the City (except to the extent that the City may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, and except to the extent that the City establishes or has established municipal development districts as tax increment financing districts or municipal affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds) is subject to the levy of limited *ad valorem* taxes to pay the Bonds unless certain procedural requirements under 30-A M.R.S.A. §5721-A are met, in which case such *ad valorem* taxes may be levied without limit as to rate or amount; provided, however, that the \$2,250,000 portion of the Bonds issued to finance school improvements are not subject to the property tax levy limit in Section 5721-A.
3. Based on existing statutes, regulations and court decisions, interest payable on the 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 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 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 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).

City of Bangor, Maine
[Dated Date of Delivery]
Page 4

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

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

Very truly yours,

PIERCE ATWOOD LLP

By: _____
James M. Saffian
A Partner

APPENDIX C

**PROPOSED FORM
OF
CONTINUING DISCLOSURE 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 \$6,525,000 2012 General Obligation Refunding Bonds, dated as of February 1, 2012 (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 January __, 2012 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, 2012, 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 nine (9) 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;
 - 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, if, in the judgment of the Issuer, such other event is material with respect to the Bonds, but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

3. The Issuer will provide in a timely manner to the MSRB notice of a failure to satisfy the requirements of Paragraph 1 herein.
4. The intent of the Issuer's undertaking in this 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>
7. The Issuer has never failed to comply in any material respect with any previous undertakings in regard to continuing or material events disclosure.
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: _____, 2012