

CITY OF MANCHESTER NEW HAMPSHIRE



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2004**

CITY OF MANCHESTER, NEW HAMPSHIRE
Comprehensive Annual Financial Report
Year Ended June 30, 2004

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INTRODUCTORY SECTION

**City of Manchester
Department of Finance**

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October 29, 2004

To the Honorable Board of Mayor and Aldermen and
Citizens of the City of Manchester, New Hampshire

The Comprehensive Annual Financial Report (the "CAFR") for the City of Manchester (the "City") for the fiscal year ended June 30, 2004 is hereby submitted. The City's Finance Department prepared this CAFR. The purpose of this report is to provide citizens, investors, grantor agencies, and other interested parties with reliable financial information about the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. 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 changes in financial position of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's activities have been included.

The CAFR is presented in three sections: the introductory section, the financial section, and the statistical section. The introductory section, which is unaudited, includes this letter of transmittal, the City's organizational chart, and a listing of City officials. The financial section includes the independent auditor's report; management's discussion and analysis; the basic financial statements; notes to financial statements; and the combining and individual financial statements and schedules. The statistical section, which is unaudited, includes pertinent financial and general information indicating trends for comparative basis fiscal years.

The City's basic financial statements include all entities for which the City is financially accountable, and other organizations of the City for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board ("GASB") Codification Section 2100 has set forth criteria to be considered in determining financial accountability. This criteria includes whether the City, as the primary government, has appointed a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

The City has three component units - Manchester School District, Manchester Development Corporation, and the Manchester Transit Authority. Using the criteria of GASB Codification Section 2100, management determined that the three component units should be discretely presented.

The City is required to have an annual audit performed 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 of America

and in conformity with the provisions of the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations." The federal single audit for the year ended June 30, 2004, will be issued under separate cover. All information related to the single audit, including the schedule of expenditures of federal awards, findings and recommendations and auditor's report on compliance and on the internal control over financial reporting based on an audit of the basic financial statements, will be included therein.

General Description - The City, the largest city north of Boston, is located on the Merrimack River in south central New Hampshire, approximately 58 miles north of Boston, Massachusetts. It is bordered by the towns of Hooksett, Bedford, Londonderry, Goffstown, Auburn, Litchfield, and Merrimack. The City has a population of 109,234, according to the 2004 report of the New Hampshire Office of State Planning, and occupies a land area of 33.9 square miles. The Manchester Metropolitan Area, with a ten mile radius, has a population of over 310,000, and the Manchester Trade Area, with a 20 mile radius, has a population of over 628,000. The Manchester Metropolitan Area and the Manchester Trade Area are areas that the City believes represent key geographic regions for the City's growing economy.

The City's history dates back to 1651 and was first settled in the early Eighteenth Century by John Goffe, on land, which is now the City, that was the disputed territory of Massachusetts and New Hampshire. This land became part of New Hampshire when New Hampshire became a separate province in 1741. In 1751, the area was incorporated as a town and renamed Derryfield. Over the next century, the town evolved from a grazing field into a developing manufacturing center with major cotton and wool milling industries. Samuel Blodgett, the visionary of this development, compared the town to the industrial center of Manchester, England: hence, in 1810, the name of the town was officially changed to Manchester. In 1846, Manchester was granted its city charter. Manchester was one of the first planned cities in the country. Its streets are laid out in a grid pattern and major streets run parallel to the Merrimack River. In recent years the City's economy has undergone a transition from one that was manufacturing-based (textile) to one that includes a diverse array of businesses and industries.

The City owns and, through its Department of Aviation, operates Manchester Airport. Strategically located in the heart of northern New England, Manchester Airport offers air travelers easy access, competitive airfares, ample parking near the terminal and growing schedule of non-stop and direct jet service. Manchester Airport, a self-supporting, city-owned entity, is the largest commercial passenger, cargo, and general aviation airport in all of northern New England. Manchester Airport is completing a multi-year terminal and runway expansion project which when completed will permit enhanced service, including coast-to-coast non-stop flights and meet increased demand at the Airport.

Government and Financial Controls – The City operates with a strong mayor form of government. The Mayor is the City's full-time chief executive officer. The Mayor has appointment powers and budget line-item veto authority. The City's current charter (the "Charter") was approved by the voters of the City at the November 5, 1996 general election. The Charter includes an ethics policy, a local initiative option, and calls for the formation of a Charter Review Committee every ten years. A charter Review Committee was established during FY 2002 and produced its final report containing a proposed new Charter. The Board of Aldermen referred the Charter Review Committee's proposed Charter to City voters for consideration at the November, 2003 election. The proposed charter revisions included a return to partisan City elections as well as the elimination of the two at-large positions on the Board of Alderman and the School Board. The proposed new charter was defeated.

The City is governed by an elected Mayor and a fourteen member Board of Aldermen representing each of the city's twelve wards and two aldermen elected at-large.

The Board of Mayor and Aldermen approves the City's budget. The Board of Aldermen also nominates and appoints the City's officers. The Finance Committee, consisting of the entire Board of Mayor and Aldermen, approves labor contracts and also adopts monetary appropriations.

City financial management is the responsibility of the City's Department of Finance, which is staffed by 14 full-time personnel. The head of the Department of Finance is the Finance Officer of the City. The Department of Finance is responsible for establishing and maintaining a system of controls and financial reporting to ensure that the City's assets are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with law and generally accepted accounting principles (GAAP). The Department of Finance also performs significant and ongoing monitoring of the financial performance of the City's departments and enterprise funds, including monthly and quarterly interim reports and forecasted year-end revenue and expenditure/expense balances for all departments. As required by City ordinance and by the Charter, interim reports are submitted to the Board of Mayor and Aldermen and all City Department heads. Key revenue and expenditure/expense items are highlighted in these reports by the Finance Officer for attention by the respective readers.

Interim reports are reviewed with the Committee on Accounts, Enrollment and Revenue Administration ("COA"). The COA is a five member standing committee of the Board of Aldermen. The COA meets on a regular basis to review and to discuss financial matters.

The City has an adopted Investment Policy. The Finance Officer also reports on investment performance to the Board of Mayor and Aldermen on a quarterly basis.

The City has also adopted debt policies and ordinances for the handling of one-time revenues, insurance reserves and undesignated fund balances.

The City's interim financial reports, budget and CAFR are available for viewing on the City's award winning web page.

Financial Information - The City's accounting system is organized and operated on a fund basis. A fund is defined as an accounting entity with a self-balancing set of accounts. The types of funds utilized by the City are as follows: general, special revenue, capital projects, enterprise, trust, and agency. The type and number of individual funds established is determined by GAAP and sound financial administration. The general, special revenue, and capital projects are maintained on a modified accrual basis of accounting, generally with the revenues recorded when measurable and available and the expenditures recorded when the services or goods are received and liabilities are incurred. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgements are recorded when payable from current financial resources. Accounting records for the City's enterprise, pension, and trust funds are on the accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The City also reports government-wide statements which includes all the funds of the primary government as well as all of its components.

Internal Controls - Management of the City is responsible for establishing and maintaining a system of internal controls over financial reporting to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Controls are designed to provide reasonable, but not absolute assurance regarding (1) the safeguarding of assets against loss from unauthorized use; and (2) the reliability and accuracy of financial statements. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived; and that the evaluation of cost and benefits requires estimates and judgment by management. The City believes that its internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Appropriation Process and Budget Control - The Charter provides for the Mayor, and such other officials as the Mayor shall select, to prepare a budget for consideration by the Board of Aldermen. The Mayor's proposed budget must include certain historic and projected expenditure and revenue information and statements of anticipated tax levy and debt service requirements. The Mayor's proposed budget is referred to a public hearing. After the public hearing the BMA may adopt the proposed budget with or without amendment. If amendments are made, a second public hearing may be held prior to final adoption. The Mayor may veto the entire budget or line items thereof. In the event of a veto all portions of the budget not vetoed shall be passed. If the BMA fails to adopt appropriation resolutions for the ensuing fiscal year by June 30th, the Mayor's budget as originally proposed shall prevail.

The Charter also provides for supplemental appropriations, reductions of appropriations, and transfers of appropriations under certain limited circumstances.

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the BMA. Activities of the general fund are included in the annual appropriated budget. Project-length budgets are prepared for the special revenue and capital projects funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level within each fund. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Unencumbered amounts lapse at year-end. Encumbered amounts at year-end are reported as reservations of fund balance.

Biennial Budget - Chapter 54 of the Laws of 1998 (RSA 32:25-26 Biennial Budgets) was adopted by the New Hampshire Legislature in an effort to provide municipalities with more management flexibility. The statute allows for biennial budgets to be adopted for the periods immediately following a municipal election, thus providing that elected officials could only adopt biennial budgets covering their two-year term of service. The City Charter also allows for the adoption of biennial budgets.

Cash Management Policies and Practices - Excess cash was invested in U.S. Treasury Bills, certificates of deposit, repurchase agreements, and the State of New Hampshire (the "State") Investment Pool. The maturities of the investments range from thirty days to six months, with the average maturity closer to the thirty-day range. This was certainly not due to a shortage of funds, but to the reality that the market was in an inverted yield curve position. Consequently, funds were invested for shorter durations to take advantage of the rate environment.

The City's Investment Policy conveys the concept that the preservation of capital and the liquidity requirements are the two primary factors considered in the structure of the portfolio. Whether instruments are marketed by banking institutions or pooled investment managers, they are subject to stringent requirements. Accordingly, approximately 55% of the investments held at fiscal year-end were collateralized through Joint Custody Accounts at the Federal Reserve Bank of Boston or through perfected collateral arrangements. This contributed to the classification of a low risk profile, which the City strives to maintain. Most accounts/securities were held and designated specifically in the name of the City, while the guarantor of the pooled investment arrangement is the nation's leading municipal bond insurer and a publicly traded, NYSE-listed company.

Risk Management - The City has a program of both self-insurance and policies for worker's compensation, health, and general liability. Under this arrangement a third party administrator manages the claims with the City Risk Manager.

The City has a pro-active Employee Safety Program with a Safety Officer and a Safety Committee meeting on a regular basis.

Liability, property, auto, and professional coverage are maintained with claims coordinated through the Risk Management office.

Community Improvement Programs – As part of the City budget process, the City Finance Officer provides the Mayor and Aldermanic CIP committee with a five year debt affordability forecast as a basis for the Planning Department development of the Mayor's recommended CIP program/budget. The project initiatives are envisioned over the ensuing fiscal period in accordance with the affordability forecast.

GENERAL GOVERNMENT FUNCTIONS

Education Funding

In June of 2004, the New Hampshire Legislature adopted an interim distribution formula for the state educational assistance funding. The effect of the new formula was to reduce the City's Adequate Education Grant from \$45,437,829 to \$42,051,653. The City has filed suit over the "process" used to amend the formula and the issue is currently pending before the New Hampshire Supreme Court. In response to the reduction of funds, the City's Board of Mayor and Aldermen and Board of School Committee took steps to restrict departmental spending citywide and dedicate additional undesignated FY 2004 fund balance for purposes of tax rate setting.

ECONOMIC DEVELOPMENT/MANAGEMENT INITIATIVES

As the State's largest city and business center, Manchester boasts a diversified economic base. Both the State and the City are recognized nationally for their livability (#2 Healthiest State – 2001 United Healthcare Group; 2nd Safest State 2001 - Morgan Quinto; #2 in Child and Family Well-being - 2002 Kids Count Data Book; #4 State of Caring Index – United Way of America; #2 Highest Standard of Living 2000 Expansion Magazine; #5 Start Quality of Life Rating, measuring communities best suited for business expansion or relocation); #4 Most attentive City for manufacturers (Business Development Outlook, 1999).

Manchester has always been a city where business prospers. Once the site of the world's largest textile mill complex, the City today boasts an economy that is a diverse combination of manufacturing, service and retail firms. The history of Manchester is one of orderly growth, emphasizing the dual values of business prosperity and quality of life.

More than 200 diversified manufacturing firms call Manchester home. Nearly 70% of manufacturing jobs are in durable goods production, especially metal products, electrical products and machinery, and plastics.

Over 80% of the work force in the Manchester Metropolitan Statistical Area ("MSA") is employed in more than 2,000 non-manufacturing firms, and Manchester is the financial and commercial center of northern New England.

The Manchester MSA has over 8,000 commercial establishments, including more than 800 retail stores with annual sales of over \$2.4 billion (2001). Continuing expansion of financial and business services, supported by significant growth in population and personal income during the past decade, has contributed substantially to improvement of the area's economy.

The Manchester Metropolitan Statistical Area labor force numbers 120,450 while the unemployment rate is 3.2% (October 2004).

Economic Development

The City has made a major effort in recent years to diversify its economy. This planned effort has led to the location of an array of businesses and industries in the City, and has provided a strong base for future economic development activities. Much of this diversification was accomplished through redevelopment projects, which required a high degree of public and private cooperation.

Downtown Revitalization

The rehabilitation of the City owned "Chase Building" in the center of downtown is now complete and has been recognized with three preservation awards. This project was made possible utilizing a \$1 million grant from the U.S. Department of Commerce, Economic Development Administration, a \$1 million loan using Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funds, a \$1.55 million loan from the HUD Section 108 Loan Guarantee Program, and a \$200,000 loan from the Manchester Development Corporation. The 44,000 square foot, six story structure is a tax deeded property that was made possible by a public/private partnership with a developer who has guaranteed to pay off all debt in exchange for an option to purchase the building at the end of fifteen years. In addition to the Chase Building, the Bond Building and the Dunlap Building have been redeveloped in the same area with the McQuade Building scheduled to be completed by December 2004.

The completed "Bond Building" renovation includes approximately 5,000 square feet of retail, 5,000 square feet of office space and 9 units of market rate housing. This project is privately owned and financed through the use of \$1.552 million in HUD Section 108 loans, \$288,000 in CDBG funds, \$150,000 from Manchester Housing and Redevelopment Authority, and a \$100,000 private investment from the Bank of New Hampshire. All funds were loaned to the project with various repayment schedules.

The Dunlap Building was another blighted structure that has been recently renovated. This was made possible through a loan from the City in the amount of \$1.35 million and \$450,000 from the Manchester Development Corporation. This privately owned building contains approximately 5,000 square feet of retail and 20,000 square feet of class "B" office space. The "McQuade Building" will be another mixed use project with an overabundance of preleasing already in place. Funding utilized \$1.920 million in HUD Section 108 loans, \$250,000 in Manchester Development Corporation loans and a \$230,000 loan from Manchester Housing and Redevelopment Authority.

The Residences at Manchester Place, received approvals from the Board of Mayor and Aldermen to address a long-standing vacant lot at a major downtown intersection. The Residences at Manchester Place began construction at the intersection of Bridge and Elm Streets in May 2004. The building will contain 204 rental apartment units and 5,200 sq. ft. of retail space fronting on Elm Street, the City's retail spine. The City has committed to financing the construction of an adjacent 300 car-parking garage at a cost of approximately \$5,000,000. This project will be the City's first, new, downtown apartment complex in nearly 18 years. Total construction and development costs for The Residences at Manchester Place are calculated to be \$35.375 million. Funding for the project is as follows: HUD Section 221D(4) Insured Mortgage-- \$29,625,000; Section 108 Loan--\$500,000; and Developer Equity--\$5,250,000.

Riverfront Development

Manchester continues to recognize the tremendous potential of the Merrimack River adjacent to its historic Amoskeag Millyard. A strategy to redevelop its riverfront is reaping great benefits for the City. Key to this strategy is the public investment in development of the Stadium, the pedestrian river walk system (the "Riverwalk") and parking.

The Riverfront Project will include the construction of the Stadium, retail space, a hotel, luxury townhouses and two condominium residential towers. The Stadium will have capacity for over 7,500 spectators and will become the home of a AA baseball team in 2005.

In February 2004, Tyson, Inc. announced the closing of its meat packing plant in the City causing the loss of 550 jobs. Working with state and local agencies, as of August 1, 2004 all of the former Tyson, Inc. employees were reemployed. The Tyson, Inc. property, approximately 17 acres, is located along the Merrimack River just south of the new Stadium and north of Hesser College. The City, through the Manchester Housing and Redevelopment Authority, has entered into a purchase and sales agreement to acquire the property from Tyson, Inc. In conjunction with the acquisition, the Board of Mayor and Aldermen has authorized the City's Planning Department along with the Manchester Development Corporation to undertake a study of Downtown Manchester to guide the City in shaping future development.

SOURCES OF CITY REVENUES

Property Taxes

The principal revenue source of the City is the tax on real and personal property. There is no limit as to rate or amount. A single tax is levied for state, county, municipal, and school purposes. For New Hampshire municipalities the “assessment year” for taxing purposes runs from April 1 to March 31 of the following year. Taxes are due in Manchester in two installments, on July 1 and December 1 (subject to deferral if tax bills are sent out late). Interest accrues on delinquent taxes at a rate of 12 percent per annum from the due date to the date of payment. Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). The City places a lien on delinquent property prior to May 1 of the following year. From the date of the tax lien, a two-year period of redemption is allowed the owner, during which time payment of taxes, interest, and costs will be accepted and the lien released. During the redemption period, 18 percent interest per annum is charged. Beyond the two year period of redemption, properties are deeded to the City (unless either the lien has been sold by the City, or the City has notified the collector that it will not accept the deed because acceptance could result in liability under environmental statutes imposing strict liability on owners). Except for any paramount federal lien and subject to bankruptcy and insolvency laws, tax liens take precedence over all other liens, and tax collector’s deeds are free and clear of all encumbrances.

The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds.

The annual tax rate and tax levy are established by the State of New Hampshire Department of Revenue Administration (DRA) in October or November of the fiscal year, based on adopted appropriations of the City and Hillsborough County and anticipated non-property tax revenues. Tax rates and levies are established separately for the county, municipal, and local and state school portions. The DRA recently approved a 5.76% increase in the overall property tax rate imposed on City taxpayers, from \$26.40 per \$1,000 of assessed valuation for fiscal year 2004 to \$27.92 per \$1,000 of assessed valuation for fiscal year 2005.

The tax levy calculations set forth in the following table for fiscal years 1999 through 2003 are presented in the same manner as supplied to DRA for tax rate setting purposes. A requirement of DRA is that all costs included under departmental appropriations on behalf of the MSD be reflected as part of the school costs and reduced from the original appropriation category. Therefore, the categorical amounts in the tax levy calculation cannot easily be equated to those shown below under “Fiscal Year 2004 Budget.”

Calculation of Property Tax Levy

	2000	2001	2002	2003	2004
Departmental Requirements:					
General Government	\$15,138,988	\$22,412,332	\$22,795,572	\$21,089,086	\$ 19,369,214
Public Safety	29,385,878	32,896,813	35,675,949	36,920,465	40,196,357
Highways & Safety	16,491,509	18,125,291	15,326,474	18,111,301	18,685,055
Sanitation	1,693,622	1,785,333	6,440,962	2,966,376	2,835,157
Health	2,305,824	2,503,716	2,733,226	2,805,523	3,071,406
Welfare	1,299,024	1,269,737	1,461,074	1,476,875	1,307,294
Culture & Recreation	5,326,011	4,629,710	4,834,839	4,671,441	4,786,541
Economic Development	232,650	2,220,785	2,595,161	2,890,339	2,913,235
Education	102,722,154	106,832,425	115,808,857	121,148,267	126,575,275
Debt Service Requirements					
Principal on Long-Term Loans	9,175,353	10,287,693	10,034,398	10,890,802	10,363,628
Interest on Long-Term Loans	4,157,805	3,585,996	3,298,349	5,181,213	5,864,924
Non-Departmental Requirements:					
Transit Subsidy	674,000	663,330	725,000	725,000	850,000
Motorized Equipment	419,550	399,900	382,500	50,000	120,000
County Tax	7,494,747	8,045,138	8,736,858	8,465,440	8,770,087
Veterans Exemptions	623,155	590,700	573,400	575,200	565,500
Overlay Reserve for Abatements	593,100	(2,307)	1,081,931	1,023,700	1,542,714
Total Estimated Requirements	197,733,370	216,246,592	232,504,550	238,991,028	247,816,387
Estimated Revenues:					
Taxes, Penalties & Interest	1,716,703	1,587,210	1,152,162	1,140,787	1,262,999
Auto Registration	11,246,450	12,682,000	14,913,000	15,569,000	15,681,000
Licenses & Permits	3,290,916	3,888,400	3,806,100	4,422,038	4,459,276
State and Federal Revenues	7,660,814	8,160,596	8,533,036	8,862,815	9,080,714
Charges for Services	2,834,305	11,138,603	16,507,345	5,816,757	6,292,008
Interest	1,800,000	1,700,000	1,825,000	1,816,000	1,000,000
Surplus	700,000	1,800,000	1,500,000	2,250,000	1,600,000
Trust & Agency Funds	300,000	300,000	300,100	300,000	335,100
Miscellaneous	284,620	3,862,130	1,589,419	10,317,663	9,838,850
Education Adequacy Grant	36,878,752	36,878,752	42,283,387	42,473,084	45,567,271
State Education Taxes (1)	25,515,954	25,515,954	28,447,547	29,155,221	27,840,016
School Revenues	16,060,200	17,468,979	18,036,000	15,007,326	16,510,927
Total Estimated Revenues	108,288,714	124,982,624	138,893,096	137,130,691	139,468,161
Tax Levy	\$ 89,444,656	\$ 91,263,968	\$ 93,611,454	\$ 101,860,337	\$ 108,348,226

(1) State Education Taxes are included as part of the City's total tax levy.

As shown in the table above, for purposes of calculating the property tax levy, estimated departmental budgetary requirements, which in fiscal year 2004 totaled \$247,816,387, are assumed to be funded first from estimated non-tax revenues, which in fiscal year 2004 totaled \$139,468,161. The remaining budgetary requirements are then assumed to be funded from the property tax levy.

Employee Relations

Pursuant to New Hampshire RSA 273-A, all public employees in the State of New Hampshire have the right to organize and to bargain collectively with their public employers on matters of wages, hours, and other conditions of employment other than managerial policy. The City has approximately 1,241 employees, of whom approximately 67% are bargaining unit members.

The following identifies Manchester’s municipal labor organizations, their affiliations, the length of each contract and the date on which the contract expires.

<u>Organization</u>	<u>Affiliation</u>	<u>Length of Contract</u>	<u>Expiration of Contract</u>
Airport	Teamsters	3.0 Years	06/30/07
Public Works, Parks and Sanitation	AFSCME 298	3.0 Years	06/30/07
Police Department	MAPS	3.0 Years	06/30/07
Police Department	MPPA	3.0 Years	06/30/07
Water Works	USWA	3.0 Years	06/30/04
Fire Department	IAFF	2.0 Years	06/30/04
Police Department Support Staff	Teamsters	3.0 Years	06/30/07
Fire Department	MAFS	3.0 Years	06/30/07
Health Department	AFSCME	3.0 Years	06/30/07

- AFSCME: American Federation of State, County, and Municipal Employees
- MAPS: Manchester Association of Police Supervisors
- MPPA: Manchester Association of Police Patrolmen
- USWA: United Steelworkers of America
- IAFF: International Association of Firefighters
- Teamsters: Local 633 of NH
- MAFS: Manchester Association of Fire Supervisors

The City and the applicable union have agreed to the material terms necessary to extend and/or modify of the existing collective bargaining agreements. New collective bargaining agreements, however, have not yet been executed.

In addition to the above listed groups that are officially organized, there is one other group that has retained their status as Non-affiliated Employees. The “Non-affiliated” group is comprised of administrative, clerical, and supervisory personnel in most of the departments listed above, as well as the entire segment of employees, which account for the “General Government” grouping.

Summary

The combination of these new economic projects along with the City's successful investment in the Manchester Airport, the Verizon Wireless Arena and various Millyard initiatives should help sustain the City's economy for the next decade.

While the City has taken actions to stimulate the local economy, it should be recognized that the overall New Hampshire economy is still faring better in this period of economic uncertainty than any of its neighboring New England states. New Hampshire's current growth outpaces both national and New England averages.

While the City's current economy appears resilient with property tax collections remaining strong (99.09%), the Board of Mayor and Aldermen have adopted the above mentioned policies and capital initiatives to further strengthen the City's financial condition and the local economy during this anticipated sustained period of economic slowdown. These projects are aimed not only at providing jobs, but also more importantly, at enhancing local education and quality of life.

BOND ISSUES AND CREDIT RATING DURING PERIOD
--

The general debt limit of the City is 9.75% of base valuation, a total capacity of \$815,916,140; not more than 7% of which may be incurred for School purposes. Water and Sewer projects ordered by the State Water Supply and Pollution control commission, self-supporting sewer debt, debt for urban redevelopment and housing purposes, and overlapping debt are excluded from the measure of indebtedness. Other water projects are subject to a separate, special debt limit of 10% of the City's base valuation. Borrowings authorized by special legislative acts rather than the general municipal finance statutes are also sometimes excluded from a city or town's statutory debt limit.

As of June 30, 2004 the City has a total outstanding General Obligation debt of \$278,995,333 and authorized and unissued debt of \$264,262,266 for compliance with various improvements, infrastructure improvements, and economic development projects.

The City was assigned the following credit ratings; FitchRatings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned the ratings of "AA+," "Aa2," and "AA+," respectively, to the Bonds.

The MSD was assigned the following credit ratings; Fitch, Moody's and S&P, have assigned the ratings of "AA," "Aa3," and "AA," respectively, to the Bonds.

The MWW was assigned the following credit ratings; Fitch, Moody's and S&P, have assigned the ratings of "AA," "Aa3," and "AA," respectively, to the Bonds.

INDEPENDENT AUDIT

State statutes and the City Charter require an annual audit by an independent certified public accountant. The City has engaged McGladrey & Pullen, LLP, Certified Public Accountants, to conduct the City's audit. In addition to meeting the requirements set forth in State statutes and the Charter, the audit was also designed to meet the requirements of the federal Single Audit Act and related OMB Circular A-133. The financial records, books of accounts, and transactions of the City for the fiscal year ended June 30, 2004 have been audited by McGladrey & Pullen, LLP. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports on internal controls and compliance can be found in a separately issued single audit report.

ACKNOWLEDGEMENTS

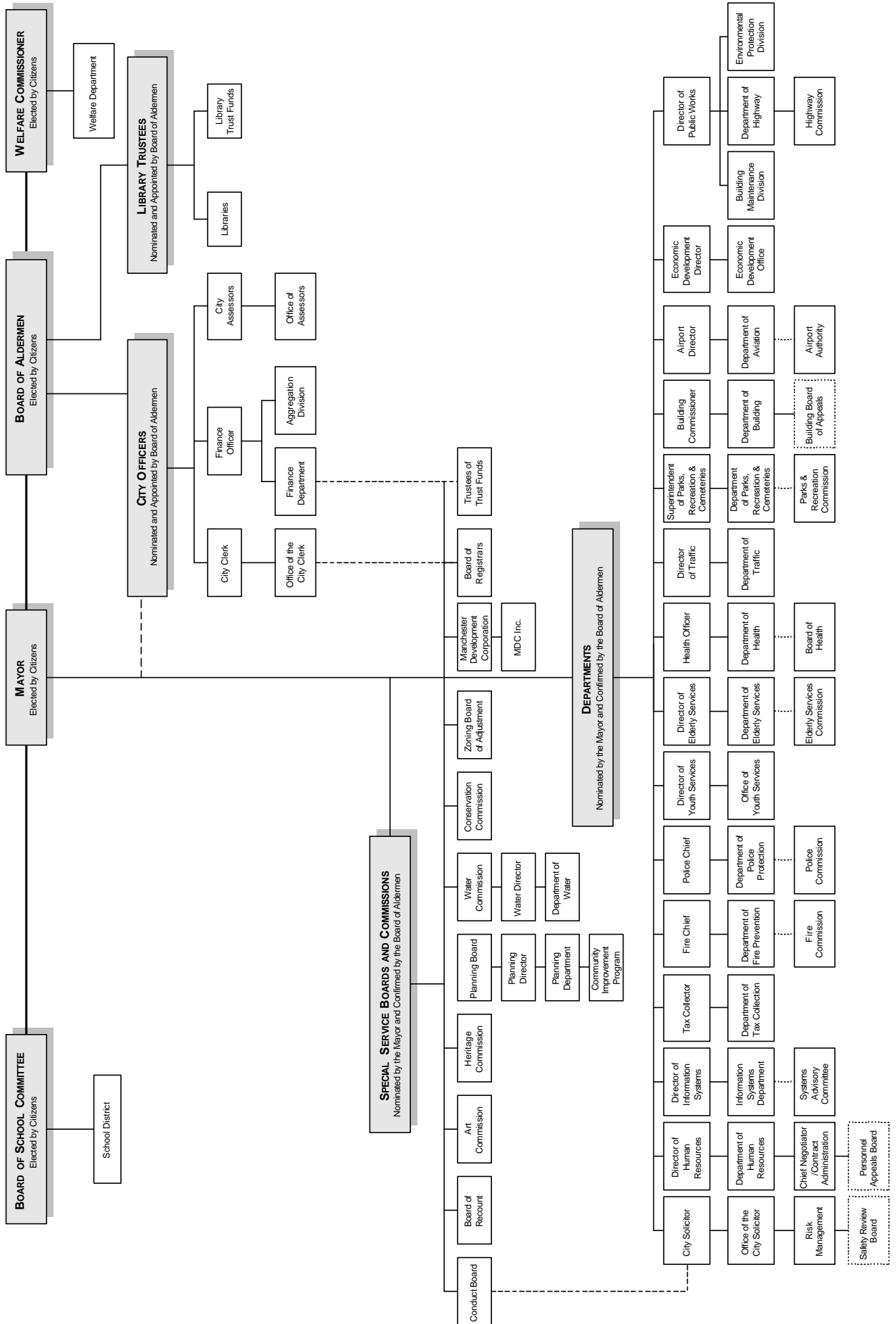
I would like to thank all of the City's department heads, payroll and account clerks for completion of another successful year. I would especially like to thank the staff of the Finance Department for their dedication and attention to detail.

Respectfully submitted,

Kevin A. Clougherty

Kevin A. Clougherty
Finance Officer

CITY OF MANCHESTER NEW HAMPSHIRE ORGANIZATION CHART



**List of Principal Officials
in office at the close of fiscal year ended June 30, 2004**

Mayor

Robert A. Baines

Aldermen

Ward 1	Mark E. Roy	Ward 7	William P. Shea *
Ward 2	Theodore L. Gatsas	Ward 8	Betsi L. DeVries
Ward 3	Frank C. Guinta	Ward 9	Michael D. Garrity
Ward 4	Mary A. Sysyn	Ward 10	George W. Smith
Ward 5	Ed Osborne	Ward 11	Henry R. Thibault
Ward 6	Paul Porter	Ward 12	Armand D. Forest
At-large	Michael J. Lopez	At-large	Daniel P. O'Neil

* Chairman of the Board

City Departments

Finance Officer	Kevin A. Clougherty
Deputy Finance Officer	Randy M. Sherman, CPA
Second Deputy Finance Officer, Treasury Manager	Joanne L. Shaffer, CCM
City Clerk	Leo R. Bernier
City Solicitor	Thomas R. Clark
Commissioner of Welfare	Paul R. R. Martineau
Chief of Police	John A. Jaskolka
Fire Chief	Joseph P. Kane
Public Health Director	Frederick Rusczek, M.P.H.
Director of Public Works	Frank C. Thomas, P.E.
Director of Parks, Recreation & Cemetery	Ronald E. Ludwig
Director of Economic Development	Unfilled
Building Commissioner	Leon LaFreniere
Director of Traffic	Thomas P. Lolicata
Airport Director	Kevin A. Dillon
Director of Water	Thomas M. Bowen, P.E.
Director of Information Systems	Diane Prew
Director of City Library	John Anthony Brisbin
Director of Planning Board	Robert S. Mackenzie
Superintendent of Schools	Michael Ludwell, Ph.D.
Director of Human Resources	Virginia A. Lamberton
Director of Elderly Services	Barbara A. Vigneault
Director of Youth Services	Martin Boldin
Chairman Board of Assessors	Steven G. Tellier
Collector of Taxes	Joan A. Porter

**FINANCIAL
SECTION**

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Mayor and Aldermen
City of Manchester, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manchester, New Hampshire ("the City") as of and for the year ended June 30, 2004 which collectively comprises the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Manchester School District or the Manchester Transit Authority, component units of the City, which financial statements reflect 100% of the revenues and 96.5% of the assets of the discretely presented component units. We also did not audit the City of Manchester Employees' Contributory Retirement System, a pension trust fund and a blended component unit of the City, which represents 80% of the assets and 100% of the additions of the pension trust funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to amounts included for the Manchester School District, the Manchester Transit Authority and the City of Manchester Employees' Contributory Retirement System, component units of the City, is based solely on the reports of other auditors.

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 basic 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, and the reports of other auditors, provide a reasonable basis for our opinions.

As described in Note 9 to the basic financial statements, the City accounted for the receipt of title to the Manchester Civic Center as a non-exchange transaction. We were not able to obtain sufficient evidence to satisfy ourselves as to the propriety of this accounting treatment of the carrying value of net assets.

In our opinion, except for the effect, if any, of the reporting of the receipt of title to the Manchester Civic Center as a non-exchange transaction on governmental activities, as described in the preceding paragraph, based on our audit and the reports of other auditors the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manchester, New Hampshire, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis on pages 17 through 30 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with "Government Auditing Standards," we have also issued our report dated October 29, 2004 on our consideration of the City of Manchester, New Hampshire's internal control over financial reporting and 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 the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, budgetary detail, combining and individual nonmajor fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgeting detail, combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

New Haven, Connecticut
October 29, 2004

City of Manchester, New Hampshire
Management's Discussion and Analysis
June 30, 2004

As management of the City of Manchester, New Hampshire (the "City") we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented herein along with additional information we have furnished in our letter of transmittal, as well as the City's basic financial statements that follow this section.

Financial Highlights

- ◆ On a government-wide basis of the primary government, the assets of the City exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$407.3 million. Total net assets for Governmental Activities at fiscal year-end were \$82.7 million and total net assets for Business-Type Activities were \$324.6 million. The unrestricted net assets at June 30, 2004 were \$11.8 million or 2.9% of the City's total net assets.
- ◆ On a government-wide basis, during the fiscal year, the City's net assets increased by \$24.5 million or 6.4%, from \$383 million to \$407.3 million. Net assets increased by \$11 million for Governmental Activities and net assets increased by \$13.3 million for Business-Type Activities. Government-wide expenses were \$177 million, while revenues were \$201.3 million.
- ◆ At the close of the fiscal year, the City's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$154.5 million, an increase of \$122.4 million from the prior fiscal year. Of the total fund, \$4.9 million is available for spending at the government's discretion, which represents the combined unreserved fund balance in the general fund, special revenue funds and permanent funds.
- ◆ At the end of the current fiscal year, the total fund balance for the general fund alone was \$25.1 million, an increase of \$2.2 million from the prior fiscal year. Included in the fiscal year 2004 budget was an appropriation of \$1.6 million of unreserved and undesignated fund balance. As of June 30, 2004, \$1.4 million of the total general fund fund balance represents unreserved general fund balance. Unreserved and undesignated general fund fund balance at year-end represents 1.3% of total general fund expenditures and transfers (\$107.8 million).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information as well as the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. All of the resources the City has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the City's overall financial status.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference reported as net assets (deficits). Over time, increases or decreases in net assets (deficits) may serve as an indicator of whether the financial position of the City is improving or deteriorating. It speaks to the question of whether or not, the City, as a whole is better or worse off as a result of this year's activities. Other non-financial factors will need to be considered, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The statement of activities presents information showing how the government's net assets (deficits) changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period, uncollected taxes and earned but unused vacation leave are examples.

Both of the government-wide financial statements distinguish functions of the City of Manchester that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities).

- ◆ Governmental activities of the City encompass most of the City's basic services and include governmental and community services, administration, public safety, health and sanitation, highways and streets, welfare, and education and library as well as cemetery, and parks and recreation. Property taxes, charges for services and state and federal grants finance most of these activities.
- ◆ Business-type activities of the City consist of the Water Works, Environmental Protection Division, Aviation, Recreation and the Aggregation Program. They are reported here, as the City charges a user fee to customers to help cover all or most of the cost of operations.
- ◆ The government-wide financial statements include not only the City itself, but also three legally separate component units, the Manchester School District ("MSD"), the Manchester Transit Authority ("MTA") and the Manchester Development Corporation ("MDC").

The government-wide financial statements (statement of net assets and statement of activities) can be found on pages 32-35 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control and accountability over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has three kinds of funds:

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight 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 and the Capital Projects which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation as Other Governmental Funds. Non-major governmental funds, as discussed in the Letter of Transmittal, for the City include the United States Department of Housing and Urban Development (DHUD) Section 108 Fund, Cash Special Projects Fund, Community Development Block Grant Fund, Other Grants Fund, Civic Center Fund, and the Revolving Loan Fund. Permanent Funds consist of the Cemetery Fund and the Library Fund. Individual fund data for each of these non-major governmental funds is provided in the combining balance sheets on pages 94-95 and in the combining statement of revenues, expenditures and changes in fund balance on pages 96-97.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the authorized budget. The statement of revenues, expenditures and changes in fund balance on a budgetary basis can be found on page 39.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on pages 36-37 of this report.

Proprietary funds. The City of Manchester maintains five proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Manchester uses enterprise funds to account for its Water Works, Environmental Protection Division, Aviation, Recreation and the Aggregation Program Funds. The proprietary fund financial statements provide separate information for the Water Works, Environmental Protection Division and Aviation, which are considered to be major funds of the City of Manchester. Conversely, both of the remaining funds are combined into a single,

aggregated presentation in the proprietary fund financial statements. Individual fund data for the Recreation Fund and the Aggregation Program is provided on pages 99-101 in the form of combining statements elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 40-42 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to provide services to the City's constituency. The City has two pension trust funds and one agency fund. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 43-44 and 72-73 of this report.

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 45-81 of this report.

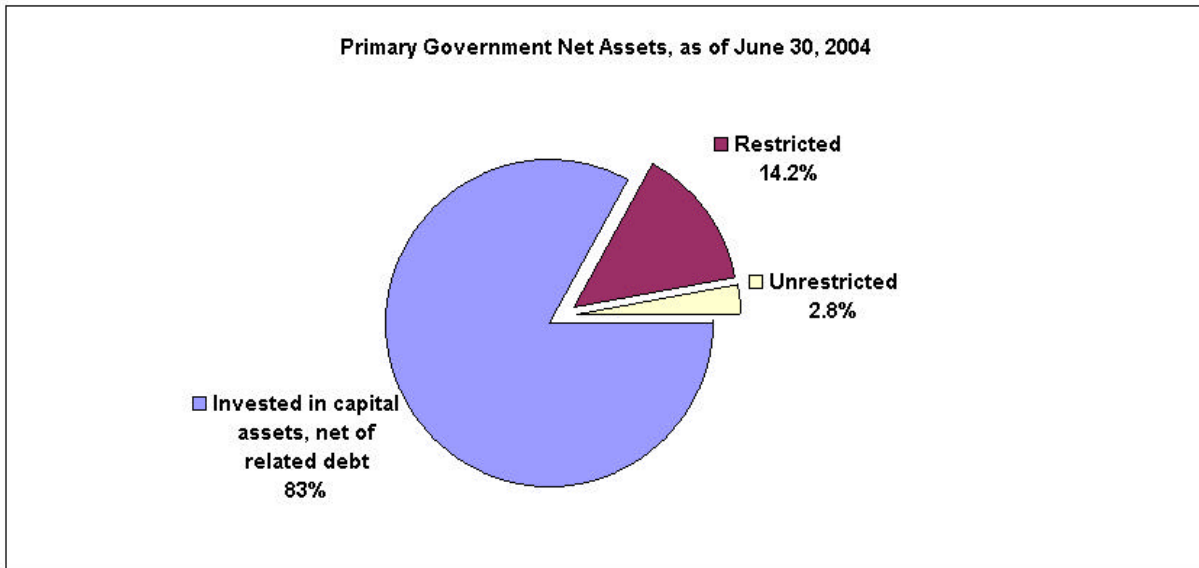
The notes to this report also contain certain information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. On a government-wide basis, the City's assets exceeded its liabilities by \$407.3 and \$383 million at June 30, 2004 and 2003, respectively.

City of Manchester, New Hampshire
Net Assets (\$000's)
Primary Government

	June 30, 2004			June 30, 2003		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Current and Other Assets	\$ 254,912	\$ 127,240	\$ 382,152	\$ 116,468	\$ 134,779	\$ 251,247
Non-Current	17,931	5,610	23,541	18,187	8,081	26,268
Capital Assets	216,039	572,833	788,872	173,781	517,958	691,739
Total Assets	488,882	705,683	1,194,565	308,436	660,818	969,254
Current Liabilities	109,641	39,092	148,733	84,079	23,185	107,264
Long-term liabilities outstanding	296,522	342,012	638,534	152,643	326,332	478,975
Total Liabilities	406,163	381,104	787,267	236,722	349,517	586,239
Net Assets:						
Invested in capital assets, net of related debt	94,438	243,640	338,078	84,480	225,163	309,643
Restricted	19,162	38,493	57,655	17,545	41,479	59,024
Unrestricted	(30,881)	42,446	11,565	(30,311)	44,659	14,348
Total Net Assets	\$ 82,719	\$ 324,579	\$ 407,298	\$ 71,714	\$ 311,301	\$ 383,015



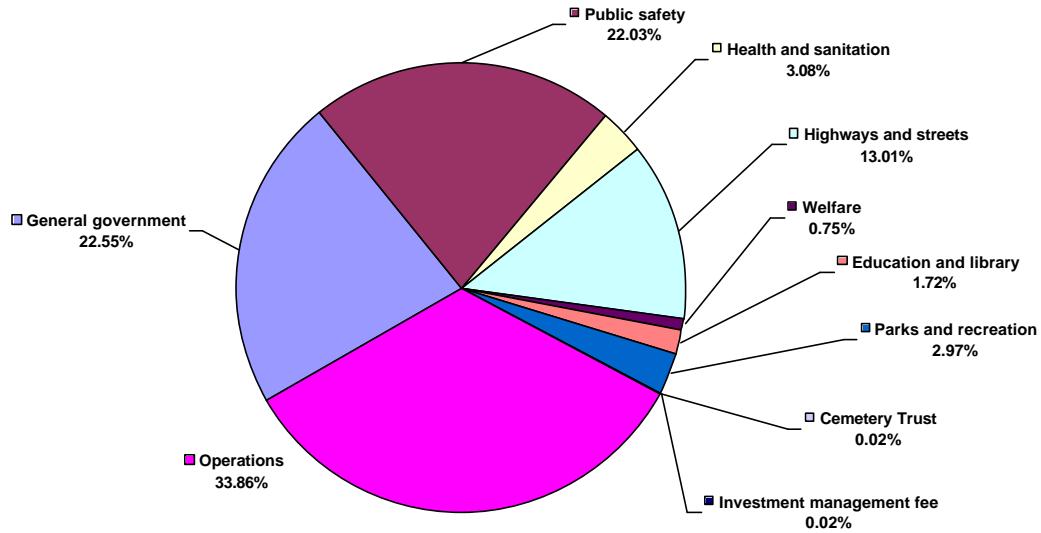
At the end of the current fiscal year, the City is able to report a positive balance in both its governmental and proprietary activities.

The portion of the City's net assets of \$338.1 million reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), net any outstanding debt related to these 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 liquidate these liabilities.

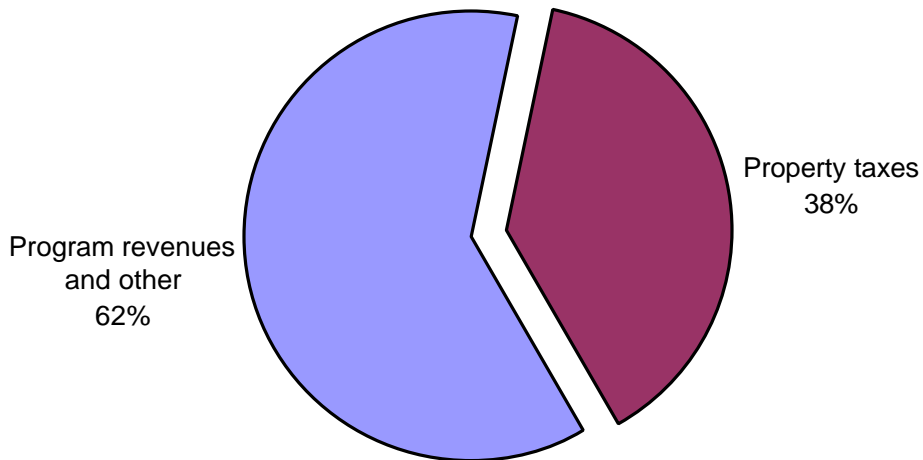
The portion of the City's net assets that are restricted, \$57.4 million, represents resources that are subject to external restrictions on how they may be used. Governmental unrestricted net assets (deficit) of (\$30.9) million may not be used to meet the government's ongoing obligations to citizens and creditors, due to the negative balance. The primary reasons for the negative balance are due to the issuance of the 1993 Fiscal Year Conversion Bonds, which were issued to properly fund revenue and expenditure timing differences, which has an outstanding balance of \$2,926,872 as well as related Capital Appreciation Bonds accrual of \$2,838,210, the Pension Obligation Bond with an outstanding balance of \$16,559,456, which was issued to properly fund the unfunded amount, the Landfill Closure Project, which has an outstanding balance of \$14,460,027, other landfill closure and post-closure care costs estimated liability with an outstanding balance of \$3,465,554, Urban Renewal Related Projects with outstanding balances of \$2,839,921, Revaluation debt with an outstanding balance of \$1,657,130, long-term debt related to insurance claims with an estimated outstanding balance of \$4,064,092, as well as long-term debt related to compensated absences with an estimated outstanding balance of \$7,151,726 at June 30, 2004.

City of Manchester, New Hampshire						
Changes in Net Assets (\$ 000's)						
Primary government						
	June 30, 2004			June 30, 2003		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Revenues:						
Program Revenues:						
Charges for services	\$ 22,783	\$ 71,028	\$ 93,811	\$20,866	\$ 65,829	\$ 86,695
Operating grants and contributions	24,127	4,188	28,315	20,824	7,094	27,918
Capital grants and contributions		4,637	4,637		29,199	29,199
General Revenues:						
Property taxes/auto/franchise fees	77,328		77,328	73,037		73,037
Unrestricted investment earnings	2,607	2,177	4,784	1,088	2,627	3,715
Transfers and other	1,137	(8,873)	(7,736)	5,837	(15,361)	(9,524)
Total revenues	127,982	73,157	201,139	121,652	89,388	211,040
Expenses:						
General government	39,884		39,884	32,561		32,561
Public safety	38,960		38,960	37,766		37,766
Health and sanitation	5,447		5,447	4,196		4,196
Highways and streets	23,004		23,004	28,905		28,905
Welfare	1,325		1,325	1,405		1,405
Education and library	3,036		3,036	3,817		3,817
Parks and recreation	5,259		5,259	4,724		4,724
Cemetery Trust	33		33	36		36
Investment management fee	29		29	23		23
Operations		59,879	59,879		60,220	60,220
Total Expenses	116,977	59,879	176,856	113,433	60,220	173,653
Change in net assets	11,005	13,278	24,283	8,219	29,168	37,387
Net assets - beginning	71,714	311,301	383,015	63,495	282,133	345,628
Net assets - ending	\$ 82,719	\$324,579	\$407,298	\$71,714	\$311,301	\$383,015

**City of Manchester
Expenses
June 30, 2004**



June 30, 2004 Primary government revenues



The City's net assets increased by \$24.3 million during the fiscal year, with net assets of Governmental Activities increasing by \$11 million, and net assets of Business-Type Activities increasing by \$13.3 million.

Governmental Activities

More than 60% of the governmental funds revenues were derived from property taxes, auto registrations and franchise fees, followed by 18.82% from operating grants, then 17.77% from charges for services and finally, about 3.08% of the City's revenue in this fiscal year was derived from a combination of investment earnings, gain (loss) of sales of capital assets, and transfers.

Major revenue factors included:

- ◆ Total revenues, excluding transfers and other, increased by \$11 million.

Business-Type Activities

Business-Type activities increased the City's net assets by \$13.3 million, which is a decrease of \$15.9 million from an increase of \$29.2 million for last year. See next page for more detail.

- ◆ Water Works net assets increased by \$1.7 million, down \$1 million from the increase in net assets of \$2.7 million last year.
- ◆ EPD net assets increased by \$1.8 million, up \$1.6 million from the increase in net assets of \$.2 million.
- ◆ Aviation net assets increased by \$4.9 million. Aviation fund capital contributions amounted to \$.8 million, a decrease from \$25.5 million the previous year .

Financial Analysis of the Fund Financial Statements

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$154.5 million, an increase from \$32.06 million as reported on June 30, 2003. Approximately 80.6% of this total amount constitutes unreserved and undesignated fund balance that is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: \$16.44 million to cemetery, library and other trust funds; \$8.45 million to liquidate contracts and purchase orders of the prior period; \$2.72 million to self-insured workers' compensation claims reserve; \$1.7 million for advances to an enterprise fund and \$.6 million for inventory.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$1.36 million while the total fund balance reached \$25.07 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and education operating transfers. Unreserved fund balance represents 17.68% of total general fund expenditures of \$105,377,773, while total fund balance represents 23.79% of that same amount.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Manchester Airport continued to experience real passenger growth in FY2004, approximately 10.5% higher than FY 2003. Operating income rose from \$4,768,019 in FY2003 to \$6,086,033 in FY2004, an increase of 27.6%. This increase was due to increased parking revenues resulting from the increased passenger growth. This operating income increase resulted despite increases in operating expenses, due to the accompanying greater expenses of operating a larger physical plant.

Net assets of the proprietary fund consisting of the Water Works were \$63.41 million, as compared to \$61.75 million in the prior year.

The unrestricted net assets of the Water Works was \$.11 million. The Water Works experienced operating revenues of \$11.86 million from user fees. There was a total net income for the Water Works of \$51,474 before capital contributions of \$1.61 million. The change in net assets for the fiscal year ended June 30, 2004 was \$1.66 million, due mainly to a rate increase and increase in capital contributions.

Total assets for EPD remained relatively flat with a \$145.7 million ending balance at June 30, 2004. EPD's cash decreased by \$5.3 million primarily due to paying cash, rather than incurring debt, for the construction and acquisition of capital resources. This resulted in a \$4.5 million increase in capital assets.

The fiscal year 2004 ending fund balance (fund net assets) is \$105.4 million. Investments in capital assets accounts for 75% of this total fund balance.

Capital contributions increased by \$1.7 million from fiscal year 2003 to 2004. More significant contributions include grants from the State of New Hampshire and Federal government, and sewer lines from developers.

General Fund Budgetary Highlights

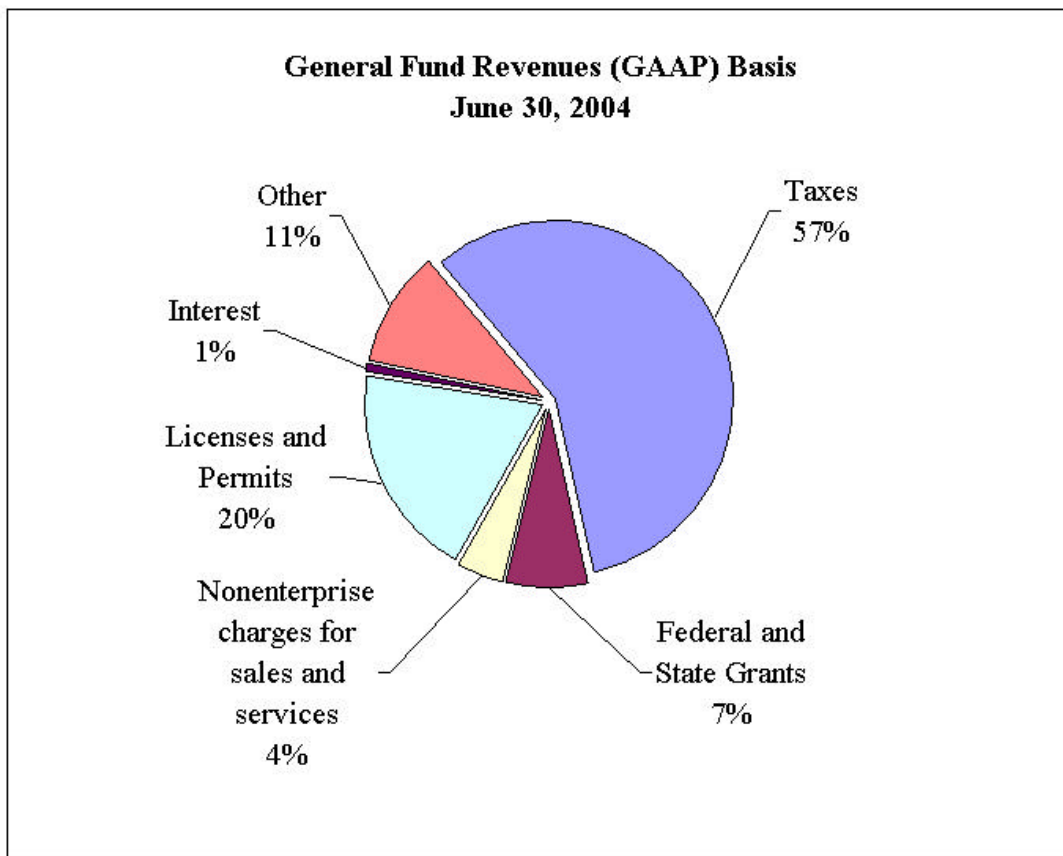
The City ended Fiscal Year (FY) 2004 with an improved balance sheet over FY 2003. The City's "rainy day" revenue stabilization fund remained at \$9,633,625. The City's unreserved and undesignated fund balance increased from \$1,304,404 to \$1,356,227, to maintain one percent of the FY 2004 tax warrants according to City ordinance. The tax rate stabilization, which contains an excess of one percent of the FY 2004 tax warrants, was decreased by \$1,339,664 to \$641,904. The special revenue account which accounts for one-time revenues, (i.e., property sales, etc.) which increased to \$3,713,345. The City's reserves for workers compensation, health insurance, and general liability had an aggregate increase of \$442,786 or 8% from \$5,555,144 to \$5,997,930.

During the year, actual revenues and other financing sources on a budgetary basis were \$106.12 million, realizing an excess of \$324,820 over the estimated revenues and transfers of \$105,411,476. Actual tax revenues were over budget by \$217,323. Actual intergovernmental revenue was \$125,232 over budgetary estimates. Investment income was \$264,378 less than the \$1 million that had been budgeted. Additional shortfalls of \$152,358 resulted in licenses and permits. Nonenterprise charges for sales and services were \$13,391 more than budgeted. Other revenues were \$435,171 more than budgeted.

Actual expenditures on a budgetary basis and other financing uses totaled \$105.89 million, \$1.509 million less than budgeted. The combined net difference of budgeted revenues and expenses on a budgetary basis resulted in a positive variance of \$1.834 million. The fiscal year 2004 budget included a planned appropriation of fund balance of \$1.6 million.

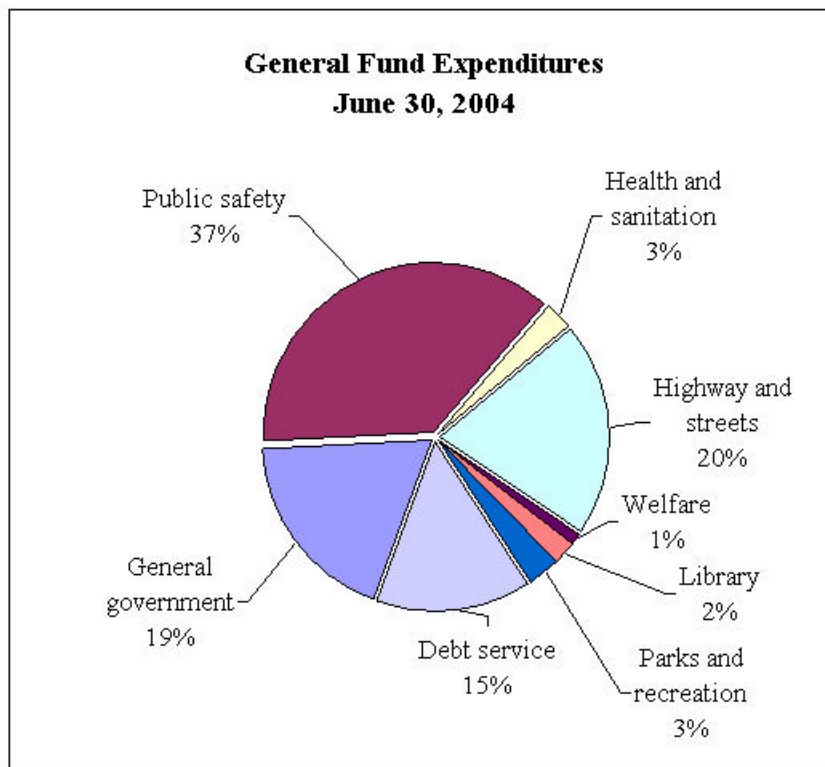
General Fund Revenues - The following schedule presents a summary of General Fund revenues (GAAP basis) for the years ended June 30, 2004 and 2003.

Revenues	2004	2003	Amount of	Percent of
	Amount (000's)	Amount (000's)	Increase (Decrease) (000's)	Increase (Decrease)
Taxes	\$ 62,990	\$ 59,369	\$ 3,621	6.10%
Federal and State Grants	8,075	7,549	526	6.97%
Nonenterprise charges for sales and services	4,691	4,492	199	4.43%
Licenses and Permits	21,452	20,522	930	4.53%
Interest	736	736	-	0.00%
Other	11,608	8,595	3,013	35.06%
Total	<u>\$ 109,552</u>	<u>\$ 101,263</u>	<u>\$ 8,289</u>	<u>8.19%</u>



General Fund Expenditures - The following schedule presents a summary of General Fund Expenditures (GAAP basis) for the years ended June 30, 2004 and 2003.

Expenditures	2004 Amount (000's)	2003 Amount (000's)	Amount of Increase (Decrease) (000's)	Percent of Increase (Decrease)
General government	\$ 19,639	\$ 18,658	\$ 981	5.26%
Public safety	39,326	35,445	3,881	10.95%
Health and sanitation	2,811	2,463	348	14.13%
Highway and streets	21,222	19,903	1,319	6.63%
Welfare	1,272	1,352	(80)	-5.92%
Library	2,417	2,146	271	12.63%
Parks and recreation	3,204	2,992	212	7.09%
Debt service	15,487	16,072	(585)	-3.64%
Total	\$ 105,378	\$ 99,031	\$ 6,347	6.41%

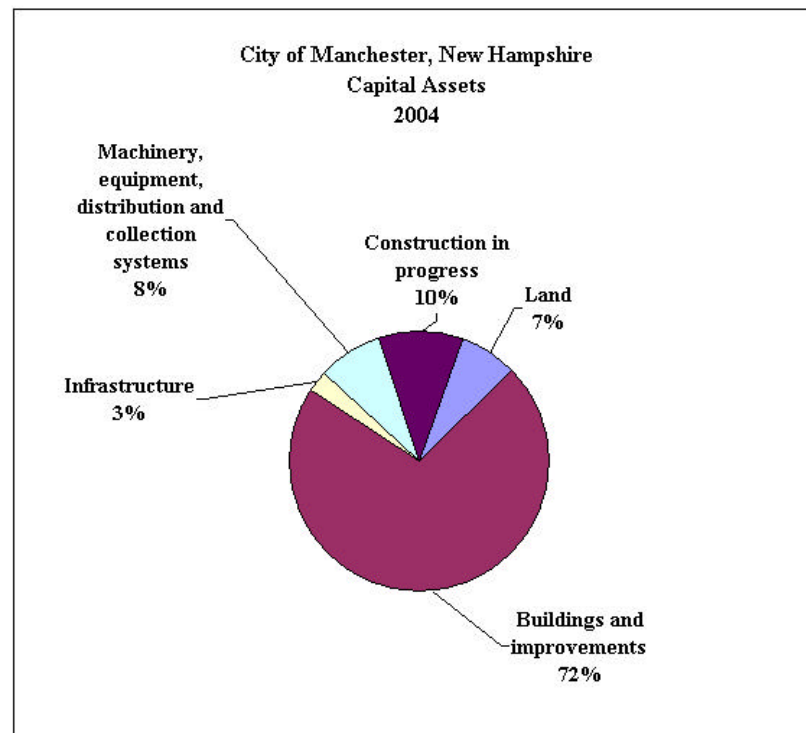


Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$788.87 million, net of accumulated depreciation. This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, sewers and bridges. The total increase in the City's investment in capital assets for the current fiscal year was \$9.96 million or 11.79%.

City of Manchester, New Hampshire
Capital Assets (net of depreciation) (000's)
June 30, 2004 and 2003
Primary Government

	2004			2003			Change
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total	
Land	\$ 19,129	\$ 37,077	\$ 56,206	\$ 18,984	\$ 36,677	\$ 55,661	\$ 545
Buildings and improvements	123,340	440,981	564,321	111,652	306,058	417,710	146,611
Infrastructure	22,552	-	22,552	17,914	-	17,914	4,638
Machinery, equipment, distribution and collection systems	8,614	54,530	63,144	6,329	51,226	57,555	5,589
Construction in progress	42,403	40,245	82,648	18,902	123,997	142,899	(60,251)
Total	\$216,038	\$572,833	\$788,871	\$173,781	517,958	\$691,739	\$97,132



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

- ◆ Improvements and renovations to school facilities.
- ◆ Continued rehabilitation of playgrounds and athletic fields.
- ◆ Infrastructure improvements including roads, bridges, and sanitary and sewer projects.
- ◆ Replacement of emergency and rescue equipment and purchase of police vehicles.
- ◆ Acquisition of parcels for ongoing city development projects.
- ◆ Sale of municipal parking garage.
- ◆ Aviation capital improvements and buildings.
- ◆ Water Works improvements.
- ◆ EPD capital improvements and infrastructure.

Information on the City’s capital assets can be found in Note 8 on pages 63-66 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt service requirements including interest payments, on bonded debt outstanding, of \$1,021,510,627. 100% of the general obligation debt is backed by the full faith and credit of the City government.

**City of Manchester, New Hampshire
Outstanding Debt
General Obligation and Revenue Bonds (000's) in thousands
June 30, 2004 and 2003**

	2004			2003		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
General Obligation Bonds	\$177,585	\$ 46,301	\$223,886	\$118,937	\$ 44,030	\$162,967
Revenue Bonds	101,410	305,009	406,419	-	271,254	271,254
Totals	\$278,995	\$351,310	\$630,305	\$118,937	\$315,284	\$434,221

The City was assigned the following credit ratings; FitchRatings, Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., have assigned the ratings of “AA+,” “Aa2,” and “AA+,” respectively, to the Bonds.

The general debt limit of the City is 9.75% of base valuation. Base valuation (\$8,368,670,664) is determined by adding the amount of taxable property lost to the City as a result of the enactment of the State Business Profit Tax Law to the “equalize assessed valuation.” Not more than 7% of the base valuation may be incurred for school purposes. Water and sewer projects ordered by the State Water Supply and Pollution Control Commission, self-supporting sewer debt, debt for urban redevelopment and housing purposes, and overlapping debt are excluded from the measure of indebtedness. Other water projects are subject to a separate, special debt limit of 10% of the City’s base valuation. Borrowings authorized by legislative acts rather than the general municipal finance statutes are sometimes excluded from the city’s debt limit. The Total Equalized Valuation figure includes Utility Valuation and Railroad Monies Reimbursements. Total bonded debt for the general government includes the MSD portion. As of June 30, 2004, the City recorded long-term debt of \$132,912,676 related to Governmental Activities, \$146,082,657 related to the MSD and \$351,310,419 related to Business-Type Activities, well below its statutory debt limit.

Information on the City’s long-term debt can be found in Note 9 on pages 67-71 of this report.

Economic Factors and Next Year's Budgets and Rates

As of November 2004, the unemployment rate for the Manchester Metropolitan Statistical Area was 3.4%, down from 4.2% in the prior year. Moreover, New Hampshire state government is now reporting serious revenue shortfalls that translate into reductions in State aid to the City of Manchester and other municipalities in the State.

Fiscal Year 2004 Budget

The fiscal year 2005 combined General Fund budget for the City and the MSD contains an appropriation increase of 7.4% over the fiscal 2004 budget. Non-property tax revenues are anticipated to remain flat. In the formulation of the fiscal 2005 budget, the Board of Mayor and Aldermen, after consultation with the Department of Finance and the City's assessing department, produced a budget to meet all contracted obligations without layoffs or reductions in City services. The areas of concern in developing the fiscal year 2005 budget were a sluggish economy leading to flat collections of non-property tax revenues, increased costs for retirement fund contributions and health insurance and an obligation to maintain the highest possible level of public safety, health and education. The City believes that it has met all of those concerns in the final adopted fiscal year 2005 budget.

The following table sets forth the City's General Fund operating budgets for fiscal years 2003-2005. Enterprise funds, the County tax, veteran exemptions and the overlay reserve for abatements are excluded from this table.

BUDGET TRENDS

	2003		2004		2005	
	Amount	%	Amount	%	Amount	%
Education	\$ 125,898,267	54.7%	\$ 126,575,275	54.3%	\$ 137,499,619	54.9%
General Government	19,276,497	8.4%	18,172,463	7.8%	21,851,784	8.7%
Public Safety	37,096,643	16.1%	40,134,677	17.2%	40,305,905	16.1%
Highway and Streets	21,247,079	9.2%	21,520,212	9.2%	22,190,323	8.9%
Health and Welfare	4,438,720	1.9%	4,378,700	1.9%	4,500,243	1.8%
Culture and Recreation	5,748,578	2.5%	5,819,972	2.5%	6,045,190	2.4%
Economic Development	273,178	0.1%	172,000	0.1%	229,989	0.1%
Motorized Equipment	50,000	0.0%	120,000	0.1%	200,000	0.1%
Debt Service	16,072,015	7.0%	16,228,552	7.0%	17,558,150	7.0%
Total Budget	230,100,977	100.0%	233,121,851	100%	250,381,203	100.0%
Less MSD Budget	(125,898,267)		(126,575,275)		(137,499,619)	
General Fund Budget	\$ 104,202,710		\$ 106,546,576		\$ 112,881,584	

Requests for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance at One City Hall Plaza, Manchester, NH 03101.



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BASIC FINANCIAL STATEMENTS

Statement of Net Assets

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 116,044,764	\$ 21,408,784	\$ 137,453,548
Restricted cash	88,245,212	88,809,862	177,055,074
Investments	17,925,403	-	17,925,403
Receivables	29,810,305	12,337,526	42,147,831
Prepaid expenses	3,397	3,818,147	3,821,544
Internal balances	1,931,974	(1,926,207)	5,767
Due from City			-
Inventories	595,338	865,863	1,461,201
Total current assets	254,556,393	125,313,975	379,870,368
Noncurrent assets:			
Land held for resale			-
Capital assets, net of depreciation	216,038,559	572,832,974	788,871,533
Pension asset	17,049,045		17,049,045
Deferred professional fees, net	882,278	30,736	913,014
Receivables		5,579,069	5,579,069
Other			-
Total noncurrent assets	233,969,882	578,442,779	812,412,661
Total Assets	\$ 488,526,275	\$ 703,756,754	\$ 1,192,283,029
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 21,128,426	\$ 6,446,115	\$ 27,574,541
Retainage payable		3,494,331	3,494,331
Accrued liabilities	17,378,901	12,309,678	29,688,579
Other liabilities	1,668,719	1,078,144	2,746,863
Insurance claims payable	621,964		621,964
Due to school district	21,119,252		21,119,252
Accrual for pension benefits			-
Deferred revenue	19,277,333	27,854	19,305,187
Taxes collected in advance	28,097,379		28,097,379
Total current liabilities	109,291,974	23,356,122	132,648,096
Noncurrent liabilities:			
Due within one year	23,736,830	13,810,198	37,547,028
Other liabilities due within one year			-
Due in more than one year	272,778,085	342,502,532	615,280,617
Other liabilities due in more than one year		4,310,591	4,310,591
Bond discounts		(4,801,320)	(4,801,320)
Total noncurrent liabilities	296,514,915	355,822,001	652,336,916
Total Liabilities	405,806,889	379,178,123	784,985,012
NET ASSETS			
Investment in capital assets, net of related debt	94,437,831	243,639,543	338,077,374
Restricted for:			
Coverage account		4,084,376	4,084,376
Manchester Regional Industrial Foundation		971,707	971,707
PFCs		4,873,373	4,873,373
MSDC		4,478,949	4,478,949
Revenue bond O&M		7,795,000	7,795,000
Revenue bond fund		16,034,357	16,034,357
Workmen's compensation	2,715,004		2,715,004
Cemetery and other trust funds	13,597,769		13,597,769
Library trust funds	2,849,084		2,849,084
Designated for:			
Equipment replacement		255,713	255,713
Restricted for debt service			-
Unrestricted	(30,880,302)	42,445,613	11,565,311
Total Net Assets	\$ 82,719,386	\$ 324,578,631	\$ 407,298,017
See accompanying notes.			

Manchester School District	Component Units	
	Manchester Transit Authority	Manchester Development Corporation
\$ 8,835,090	\$ 1,009,692	\$ 1,599,891
	627,300	29,760
30,388,141	403,625	900,761
	169,377	(5,767)
21,119,252	163,019	
<u>60,342,483</u>	<u>2,373,013</u>	<u>2,524,645</u>
6,288,665	2,286,470	
<u>6,288,665</u>	<u>2,286,470</u>	<u>-</u>
\$ 66,631,148	\$ 4,659,483	\$ 2,524,645
\$ 2,717,317	\$ 51,242	\$ 12,950
18,087,639	34,351	29,760
		1,530
25,553,452	627,300	
	6,582	
<u>46,358,408</u>	<u>719,475</u>	<u>44,240</u>
-		
6,847,624	289,424	
<u>6,847,624</u>	<u>289,424</u>	<u>-</u>
53,206,032	1,008,899	44,240
6,288,665	1,969,695	
37,074	818,484	
24,289,802	862,405	2,480,405
(17,190,425)		
<u>\$ 13,425,116</u>	<u>\$ 3,650,584</u>	<u>\$ 2,480,405</u>

Statement of Activities

	Expenses	Program Revenues		
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
General government	\$ 39,884,738	\$ 9,316,439	\$ 15,902,634	
Public safety	38,959,705	2,802,949	1,492,792	
Health and sanitation	5,446,491	1,533,303	2,441,513	
Highways and streets	23,004,043	6,363,098	3,680,818	
Welfare	1,325,442	93,813		
Education and library	3,035,765	204,659	13,240	
Parks and recreation	5,259,212	2,469,182	595,552	
Cemetery Trust	32,627			
Investment management fee	29,071			
Total governmental activities	<u>116,977,094</u>	<u>22,783,443</u>	<u>24,126,549</u>	<u>-</u>
Business-type activities				
Water	12,349,266	12,139,084		1,611,168
EPD	12,222,211	11,393,713	959,284	2,019,325
Aviation	45,468,710	45,183,565	3,228,931	817,782
Recreation	2,860,922	2,256,001		189,019
Aggregation	173,941	55,661		
Total business-type activities	<u>73,075,050</u>	<u>71,028,024</u>	<u>4,188,215</u>	<u>4,637,294</u>
Total primary government:	<u>\$ 190,052,144</u>	<u>\$ 93,811,467</u>	<u>\$ 28,314,764</u>	<u>\$ 4,637,294</u>
Component units				
Manchester School District	146,830,693	18,188,696	17,329,666	24,624,224
Manchester Transit Authority	5,271,747	2,982,338	2,021,673	420,130
Manchester Development Corporation	25,064			
Total component units	<u>\$ 152,127,504</u>	<u>\$ 21,171,034</u>	<u>\$ 19,351,339</u>	<u>\$ 25,044,354</u>
General revenues:				
Property taxes				
Auto registration fees				
Franchise fees				
Unrestricted investment earnings				
Grants and contributions not restricted to specific programs				
Miscellaneous				
Debt reimbursement from MSD				
Transfer from capital projects fund				
Donation of land				
Gain (loss) on disposal of assets				
Total general revenues				
Change in net assets (deficits)				
Net assets (deficits) - beginning				
Net assets (deficits) - ending				
See accompanying notes.				

City of Manchester New Hampshire
For the Fiscal Year Ended June 30, 2004

Net (Expense) Revenue and Changes in Net Assets (Deficits)					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Manchester School District	Manchester Transit Authority	Manchester Development Corporation
\$ (14,665,665)		\$ (14,665,665)			
(34,663,964)		(34,663,964)			
(1,471,675)		(1,471,675)			
(12,960,127)		(12,960,127)			
(1,231,629)		(1,231,629)			
(2,817,866)		(2,817,866)			
(2,194,478)		(2,194,478)			
(32,627)		(32,627)			
(29,071)		(29,071)			
<u>(70,067,102)</u>	<u>-</u>	<u>(70,067,102)</u>			
	1,400,986	1,400,986			
	2,150,111	2,150,111			
	3,761,568	3,761,568			
	(415,902)	(415,902)			
	(118,280)	(118,280)			
-	6,778,483	6,778,483			
<u>\$ (70,067,102)</u>	<u>\$ 6,778,483</u>	<u>\$ (63,288,619)</u>			
			\$ (86,688,107)	\$ 152,394	\$ (25,064)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (86,688,107)</u>	<u>\$ 152,394</u>	<u>\$ (25,064)</u>
61,894,928		61,894,928	36,657,061		
14,399,844		14,399,844			
1,033,635		1,033,635			
2,606,687	2,177,409	4,784,096	106,215	6,853	63,724
		-	73,407,287		
		-	508,910		
5,797,821		5,797,821			
(5,346,517)	5,346,517	-			
	(478,250)	(478,250)			
686,201	(546,759)	139,442		1,119	(392,667)
<u>81,072,599</u>	<u>6,498,917</u>	<u>87,571,516</u>	<u>110,679,473</u>	<u>7,972</u>	<u>(328,943)</u>
11,005,497	13,277,400	24,282,897	23,991,366	160,366	(354,007)
71,713,889	311,301,231	383,015,120	(10,566,250)	3,490,218	2,834,412
<u>\$ 82,719,386</u>	<u>\$ 324,578,631</u>	<u>\$ 407,298,017</u>	<u>\$ 13,425,116</u>	<u>\$ 3,650,584</u>	<u>\$ 2,480,405</u>

Balance Sheet
Governmental Funds

City of Manchester, New Hampshire
June 30, 2004

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 74,646,353	\$ 37,935,869	\$ 3,815,906	\$ 116,398,128
Restricted cash and cash equivalents	4,798,675	79,908,581	3,184,591	87,891,847
Investments	516,599		17,408,804	17,925,403
Receivables, net of allowances for collection losses	20,278,656	85,000	8,140,848	28,504,504
Prepaid items	3,397			3,397
Due from other funds	3,043,323	226,168		3,269,491
Inventories	595,338			595,338
Total Assets	<u>\$ 103,882,341</u>	<u>\$ 118,155,618</u>	<u>\$ 32,550,149</u>	<u>\$ 254,588,108</u>
<u>Liabilities and Fund Equity</u>				
Liabilities				
Accounts and warrants payable	\$ 4,580,659	\$ 8,438,690	\$ 8,109,077	\$ 21,128,426
Accrued liabilities	2,879,740	977,925	299,254	4,156,919
Insurance claims payable	621,964			621,964
Due to other funds		4,789	350,664	355,453
Due to Manchester School District	24,419,382			24,419,382
Deferred revenue	18,207,297		2,940,029	21,147,326
Taxes collected in advance	28,107,837			28,107,837
Other			199,674	199,674
Total Liabilities	<u>78,816,879</u>	<u>9,421,404</u>	<u>11,898,698</u>	<u>100,136,981</u>
Fund Equity				
Fund balances				
Reserved for				
Encumbrances	1,427,053	6,332,911	687,676	8,447,640
Cemetery and other trust funds			13,597,769	13,597,769
Library			2,849,084	2,849,084
Inventory	595,339			595,339
Advances	1,700,039			1,700,039
Workers' compensation	2,715,004			2,715,004
Designated for				
Health insurance	1,933,868			1,933,868
General liability insurance	1,349,058			1,349,058
Special revenue	3,713,345			3,713,345
Tax rate stabilization	641,904			641,904
Revenue stabilization	9,633,625			9,633,625
Unreserved, reported in:				
General fund	1,356,227			1,356,227
Capital projects		102,401,303		102,401,303
Special revenue			3,516,922	3,516,922
Total Fund Equity	<u>25,065,462</u>	<u>108,734,214</u>	<u>20,651,451</u>	<u>154,451,127</u>
Total Liabilities and Fund Balances	<u>\$ 103,882,341</u>	<u>\$ 118,155,618</u>	<u>\$ 32,550,149</u>	

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.	216,038,559
Pension asset created in governmental activities is not a financial resource and, therefore, is not reported in the funds.	17,049,045
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,277,839
Long-term liabilities consisting of bonds payable are not due and payable in current period and, therefore, are not reported in the funds.	(307,046,728)
Long-term liabilities consisting of accruals are not due and payable in the current period and, therefore, are not reported in the funds.	949,544
	<u>\$ 82,719,386</u>

See accompanying notes.

Statement of Revenues,
Expenditures and Changes in Fund Balances (Deficit)
Governmental Funds

City of Manchester, New Hampshire
Year Ended June 30, 2004

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 62,989,526			\$ 62,989,526
Federal and state grants and aid	8,075,517	\$ 752,975	\$ 14,203,387	23,031,879
Nonenterprise charges for sales and services	4,690,757		140,937	4,831,694
Licenses and permits	21,452,411			21,452,411
Interest	735,622	1,506,817	364,247	2,606,686
Contributions		1,000,000	94,669	1,094,669
Net loss on sale of securities			2,307,874	2,307,874
Other	11,608,537	980,000	1,095,338	13,683,875
Total Revenues	109,552,370	4,239,792	18,206,452	131,998,614
Expenditures				
Current:				
General government	19,639,015	45,849,291	9,969,932	75,458,238
Public safety	39,325,628	305,258	1,265,604	40,896,490
Health and sanitation	2,810,741	1,730	2,004,373	4,816,844
Highway and streets	21,222,075	3,928,187	1,839,120	26,989,382
Welfare	1,271,988		69,858	1,341,846
Education	2,417,556	27,546	93,128	2,538,230
Parks and recreation	3,203,765	4,583,390	1,153,903	8,941,058
Cemetery Trust			30,889	30,889
Investment management fee			29,071	29,071
Debt service:				
Principal retirement	9,630,629			9,630,629
Interest	5,856,376	4,226,765		10,083,141
Total Expenditures	105,377,773	58,922,167	16,455,878	180,755,818
Excess (Deficiency) of revenues over expenditures	4,174,597	(54,682,375)	1,750,574	(48,757,204)
Other Financing Sources (Uses)				
Proceeds of refunding bonds	24,490,273			24,490,273
Payment to refunded bond escrow agent	(24,276,368)			(24,276,368)
Bond proceeds		170,930,421		170,930,421
Transfers in	335,539	855,261	1,642,043	2,832,843
Transfers out	(2,467,476)		(365,367)	(2,832,843)
Total Other Financing Sources (Uses)	(1,918,032)	171,785,682	1,276,676	171,144,326
Net Change in Fund Balances	2,256,565	117,103,307	3,027,250	122,387,122
Fund Balance (Deficit), beginning	22,808,897	(8,369,093)	17,624,201	32,064,005
Fund Balance, ending	\$ 25,065,462	\$ 108,734,214	\$ 20,651,451	\$ 154,451,127

See accompanying notes.

CITY OF MANCHESTER, NEW HAMPSHIRE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004**

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

Net change in fund balances – total governmental funds	\$ 122,387,122
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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	42,257,062
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(155,828)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(156,870,429)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	3,387,570
	<hr/>
Change in net assets of governmental activities	<u>\$ 11,005,497</u>

See accompanying notes.

General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual (Budget Basis)

City of Manchester, New Hampshire
Year Ended June 30, 2004

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 61,972,700	\$ 62,599,114	\$ 62,816,437	\$ 217,323
Federal and state grants and aid	6,832,642	6,856,228	6,981,460	125,232
Nonenterprise charges for sales and services	4,677,366	4,677,366	4,690,757	13,391
Licenses and permits	21,604,769	21,604,769	21,452,411	(152,358)
Interest	1,000,000	1,000,000	735,622	(264,378)
Other	9,323,999	8,673,999	9,109,170	435,171
Total Revenues	105,411,476	105,411,476	105,785,857	374,381
Expenditures				
Current:				
General government	19,076,156	19,514,056	19,390,399	123,657
Public safety	38,874,077	38,410,077	38,283,193	126,884
Health and sanitation	3,071,406	3,071,406	2,810,998	260,408
Highway and streets	21,520,212	21,516,312	21,363,548	152,764
Welfare	1,307,294	1,307,294	1,272,095	35,199
Education	2,398,640	2,428,640	2,427,041	1,599
Parks and recreation	3,308,024	3,308,024	3,241,144	66,880
Debt service:				
Principal retirement	10,363,628	10,363,628	9,630,629	732,999
Interest	5,864,924	5,864,924	5,856,376	8,548
Total Expenditures	105,784,361	105,784,361	104,275,423	1,508,938
Excess of revenues over expenditures	(372,885)	(372,885)	1,510,434	1,883,319
Other Financing Sources (Uses)				
Transfers in	385,100	385,100	335,539	(49,561)
Transfers out	(1,612,215)	(1,612,215)	(1,612,215)	
Total Other Financing Sources (Uses)	(1,227,115)	(1,227,115)	(1,276,676)	(49,561)
Net Change in Fund Balances	\$ (1,600,000)	\$ (1,600,000)	\$ 233,758	\$ 1,833,758

See accompanying notes.

	Business-type Activities-Enterprise Funds				Total
	Major			Non-Major Funds	
	Water Works Fund	EPD Fund	Aviation Fund		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,081,273	\$ 18,659,066		\$ 668,445	\$ 21,408,784
Restricted cash and cash equivalents	29,178,598	790,849	\$ 58,840,415	-	88,809,862
Receivables, net of allowances for collection losses	2,561,314	4,955,005	4,679,985	141,222	12,337,526
Prepaid items	1,268,745	184,559	2,364,843		3,818,147
Inventories	729,440	21,910	114,513		865,863
Total current assets:	<u>35,819,370</u>	<u>24,611,389</u>	<u>65,999,756</u>	<u>809,667</u>	<u>127,240,182</u>
Noncurrent assets:					
Capital assets, net, where applicable, of accumulated depreciation	84,658,740	115,453,865	362,863,510	9,856,859	572,832,974
Deferred charges				30,736	30,736
Receivables		5,579,069			5,579,069
Other receivables					-
Total noncurrent assets:	<u>84,658,740</u>	<u>121,032,934</u>	<u>362,863,510</u>	<u>9,887,595</u>	<u>578,442,779</u>
Total Assets	\$ 120,478,110	\$ 145,644,323	\$ 428,863,266	\$ 10,697,262	\$ 705,682,961
Liabilities					
Current liabilities					
Accounts and warrants payable	\$ 1,844,125	\$ 1,700,286	\$ 2,838,743	\$ 62,961	\$ 6,446,115
Retainage payable	2,046,711	535,136	912,484		3,494,331
Accrued liabilities	2,027,094	1,215,141	7,297,612	202,153	10,742,000
Due to other funds				1,926,207	1,926,207
Deferred revenue			9,326	18,528	27,854
Bonds and notes payable	1,225,138	6,322,237	6,135,000	127,823	13,810,198
Compensated absences	1,031,065	241,343	136,526	158,744	1,567,678
Other	126,526	52,343	899,275		1,078,144
Total Current liabilities	<u>8,300,659</u>	<u>10,066,486</u>	<u>18,228,966</u>	<u>2,496,416</u>	<u>39,092,527</u>
Noncurrent liabilities					
Bonds payable	48,663,636	26,018,980	260,448,680	2,368,925	337,500,221
Notes Payable	100,000	4,210,591			4,310,591
Deferred Revenue			119,708		119,708
Other			81,283		81,283
Total Noncurrent liabilities	<u>48,763,636</u>	<u>30,229,571</u>	<u>260,649,671</u>	<u>2,368,925</u>	<u>342,011,803</u>
Total Liabilities	57,064,295	40,296,057	278,878,637	4,865,341	381,104,330
Net Assets					
Invested in Capital Assets, net of related debt	56,506,695	78,902,057	100,715,705	7,515,086	243,639,543
Restricted	6,799,706	255,713	31,438,056		38,493,475
Unrestricted	107,414	26,190,496	17,830,868	(1,683,165)	42,445,613
Total Net Assets	\$ 63,413,815	\$ 105,348,266	\$ 149,984,629	\$ 5,831,921	\$ 324,578,631

See accompanying notes.

Proprietary Funds
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets

City of Manchester, New Hampshire
Year Ended June 30, 2004

	Business-type Activities-Enterprise Funds				Total
	Major			Non-major Funds	
	Water Works Fund	EPD Fund	Aviation Fund		
Operating Revenues					
Charges for goods and services	\$ 11,859,212	\$ 11,293,628	\$ 34,818,058	\$ 2,194,399	\$ 60,165,297
Other			2,961,058	92,525	3,053,583
Total Operating Revenues	11,859,212	11,293,628	37,779,116	2,286,924	63,218,880
Operating Expenses					
Personnel services	5,237,841	2,691,251	4,829,266	1,802,795	14,561,153
Plant maintenance	387,470	1,365,040	605,182	241,261	2,598,953
Light/heat and power	863,880	1,832,313	1,954,754	255,218	4,906,165
General and administrative	1,790,484	562,927	14,284,773	277,377	16,915,561
Depreciation and amortization	2,136,646	4,699,740	10,019,108	349,833	17,205,327
Total Operating Expenses	10,416,321	11,151,271	31,693,083	2,926,484	56,187,159
Operating Income (Loss)	1,442,891	142,357	6,086,033	(639,560)	7,031,721
Non-Operating Revenues (Expenses), net					
Soundproofing program grant			3,228,930	-	3,228,930
Soundproofing program expense			(3,246,906)	-	(3,246,906)
Interest income	306,824	195,715	1,674,870	-	2,177,409
Interest expense	(1,716,062)	(1,070,940)	(10,300,683)	(108,379)	(13,196,064)
Reimbursements of bond interest expense		261,724		-	261,724
Finance and service charges	(216,883)	100,084	(228,038)	-	(344,837)
Passenger facility charges			5,242,296	-	5,242,296
Customer facility charges			2,162,154	-	2,162,154
Rent and other income	279,872			24,738	304,610
Donation of land		(478,250)		-	(478,250)
Gain (Loss) on disposal of capital assets	(45,168)	(20,185)	(482,518)	1,113	(546,758)
Transfer from capital projects fund				5,346,517	5,346,517
Total Non-operating Expenses	(1,391,417)	(1,011,852)	(1,949,895)	5,263,989	910,825
Net income (loss) before capital contributions	51,474	(869,495)	4,136,138	4,624,429	7,942,546
Capital Contributions	1,611,168	2,716,885	817,782	189,019	5,334,854
Change in Net Assets	1,662,642	1,847,390	4,953,920	4,813,448	13,277,400
Fund Net Assets, beginning of year	61,751,173	103,500,876	145,030,709	1,018,473	311,301,231
Fund Net Assets, end of year	\$ 63,413,815	\$ 105,348,266	\$ 149,984,629	\$ 5,831,921	\$ 324,578,631

See accompanying notes.

Proprietary Funds
Statement of Cash Flows

City of Manchester, New Hampshire
Year Ended June 30, 2004

	Business-type Activities-Enterprise Funds				Total
	Major			Non-Major Funds	
	Water Works Fund	EPD Fund	Aviation Fund		
Cash Flows from Operating Activities					
Cash received from customers	\$ 11,722,478	\$ 11,302,704	\$ 38,687,338	\$ 2,344,331	\$ 64,056,851
Cash payments for goods and services	(2,844,591)	(3,893,071)	(21,917,064)	(657,237)	(29,311,963)
Cash payments to employees for services	(5,096,104)	(2,734,726)	(4,750,866)	(1,783,540)	(14,365,236)
Other operating revenues	279,872			24,738	304,610
Net Cash Provided by (Used in) Operating Activities	4,061,655	4,674,907	12,019,408	(71,708)	20,684,262
Cash Flows from Non-Capital and Related Financing Activities					
Amounts from federal & state governments for soundproofing			3,342,063	-	3,342,063
Soundproofing related expenses			(3,246,906)	-	(3,246,906)
Passenger and customer facility charges			7,429,009	-	7,429,009
Interest paid on cash advances				(20,032)	(20,032)
Short-term cash advance from City	(671,112)			(99,285)	(770,397)
Net Cash Provided by (Used in) Non-Capital & Related Financing Activities	(671,112)	-	7,524,166	(119,317)	6,733,737
Cash Flows from Capital and Related Financing Activities					
Proceeds from revenue bonds	38,345,000			-	38,345,000
Proceeds from State of New Hampshire Revolving Fund	2,038,820	3,471,186		-	5,510,006
Reimbursement of bond interest expenses		276,011		-	276,011
Proceeds from general obligations				1,678,348	1,678,348
Payments for State of New Hampshire liability	(1,653,431)	(5,725,430)		-	(7,378,861)
Principal paid on bonds	(832,233)	(812,305)	(5,050,000)	(127,600)	(6,822,138)
Interest paid on bonds	(1,716,062)	(1,092,182)	(12,232,842)	(83,546)	(15,124,632)
Contributed capital by federal, state & local governments	1,611,168	1,911,602	12,973,811	189,019	16,685,600
Acquisition and construction of capital assets	(14,696,079)	(8,352,013)	(39,046,484)	(796,751)	(62,891,327)
Net Cash Provided by (Used in) Capital & Related Financing Activities	23,097,183	(10,323,131)	(43,355,515)	859,470	(29,721,993)
Cash Flows from Investing Activities					
Sale of investment securities			3,245,877	-	3,245,877
Interest and dividends from investments	353,648	367,008	1,674,870	-	2,395,526
Net Cash Provided by Investing Activities	353,648	367,008	4,920,747	-	5,641,403
Net Increase (Decrease) in Cash and Cash Equivalents	26,841,374	(5,281,216)	(18,891,194)	668,445	3,337,409
Cash and Cash Equivalents at Beginning of Year	4,418,497	24,731,131	77,731,609	-	106,881,237
Cash and Cash Equivalents at End of Year	\$ 31,259,871	\$ 19,449,915	\$ 58,840,415	\$ 668,445	\$ 110,218,646
Reconciliation of operating income (loss) to net cash provided by (Used in) operating activities					
Operating income (loss)	\$ 1,442,891	\$ 142,357	\$ 6,086,033	\$ (639,560)	\$ 7,031,721
Adjustments to reconcile operating income (loss) to cash provided by operating activities:					
Depreciation and amortization	2,136,646	4,699,740	10,019,108	349,833	17,205,327
Non-operating revenue	279,872			24,738	304,610
Change in Assets and Liabilities					
(Increase) decrease in receivables	(136,734)	(170,060)	982,073	57,673	732,952
(Increase) decrease in inventories	6,005	4,110	(12,605)	5,908	3,418
(Increase) decrease in prepaid expenses and other assets	(1,015,645)	2,167	151,000	-	(862,478)
Increase (decrease) in accounts payable	(67,230)	291,968	(4,848,645)	(39,896)	(4,663,803)
Increase (decrease) in accrued liabilities	1,274,113	(340,471)	(301,042)	162,933	795,533
Increase in compensated absences	141,737	45,096	17,336	6,929	211,098
Increase in Deferred Revenue			(73,850)	(266)	(74,116)
Net Cash Provided by (Used in) Operating Activities	\$ 4,061,655	\$ 4,674,907	\$ 12,019,408	\$ (71,708)	\$ 20,684,262
Schedule of Noncash Investing, Capital and Financing Activities					
Transfer of Debt to General fund				25,000	25,000
Donation of land		498,435			498,435

See accompanying notes.

Fiduciary Funds
Statement of Fiduciary Net Assets

City of Manchester, New Hampshire
Year ended June 30, 2004

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 1,624,698	
Investments	114,070,375	
Receivables, net of allowances for collection losses	293,120	\$ 982,064
Capital assets, net, where applicable, of accumulated depreciation	<u>215,971</u>	
Total Assets	<u>\$ 116,204,164</u>	<u>\$ 982,064</u>
Liabilities		
Accounts and warrants payable	\$ 116,863	
Accrued liabilities	748,991	
Due to other funds		<u>\$ 982,064</u>
Total Liabilities	<u>865,854</u>	<u>982,064</u>
Net Assets and Other		
Held in trust for Employees' Retirement System	<u><u>\$ 115,338,310</u></u>	<u><u>\$ -</u></u>

See accompanying notes.

Fiduciary Trusts
Statement of Changes in Fiduciary Net Assets

City of Manchester New Hampshire
Year Ended June 30, 2004

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 3,323,023
Plan members	1,578,219
Total Contributions	<u>4,901,242</u>
Investment Gain	
Net realized and unrealized appreciation in fair value of investments	23,343,195
Interest	940,970
Dividends	832,893
Less investment expense	(389,597)
Net Investment Income	<u>24,727,461</u>
Total Additions	<u>29,628,703</u>
Deductions	
Benefits paid directly to participants	6,841,865
Refunds of employee contributions	255,233
Administrative expenses	833,560
Total Deductions	<u>7,930,658</u>
Net Increase	21,698,045
Net Assets Held in Trust for Pension Benefits	
Beginning of year	<u>93,640,265</u>
End of year	<u>\$ 115,338,310</u>

See accompanying notes.

**NOTES TO
FINANCIAL STATEMENTS**

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

1. Summary of Significant Accounting Policies

Reporting entity

The City of Manchester, New Hampshire, (the City) was incorporated in June of 1846 and operates as a municipal corporation governed by an elected mayor and a fourteen (14) member aldermanic board. Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Codification Section 2100 have been considered and as a result, the component units discussed below are included in the City's reporting entities because of their operational significance and financial relationship with the City.

Discretely presented component units

Manchester Development Corporation ("MDC") - The MDC was created by the Board of Mayor and Aldermen ("BMA") as a public corporation for the purpose of developing economic opportunities for the City. The MDC Board of Directors is comprised of twelve (12) members, all of whom shall be nominated by the Mayor and confirmed by the Board of Aldermen of the City. Separate financial statements are not available. MDC is presented as a governmental fund type.

Manchester School District ("District" or "MSD") - The MSD is responsible for elementary and secondary education within the government's jurisdiction. The fourteen (14) members of the school board are elected by the voters. However, the District is fiscally dependent upon the government as the government's BMA approves the District's budget, levies taxes (if necessary) and must approve any debt issuances. Other independent auditors audited the MSD, a June 30 year-end, and their report, dated October 18, 2004, has been issued under separate cover. The District is presented as a governmental fund type.

Manchester Transit Authority ("MTA") - The MTA was created by the BMA to provide a public transportation system for the citizens of the City. A five-member board appointed by the BMA oversees the MTA. Other independent auditors audited the MTA, a June 30 year-end, and their report, dated September 28, 2004, has been issued under separate cover. The MTA is presented as a proprietary fund type.

Complete financial statements of the individual component units for MDC, MSD and MTA may be obtained directly from their administrative offices.

Manchester Development Corporation	Manchester School District	Manchester Transit Authority
One City Hall Plaza	196 Bridge Street	110 Elm Street
Manchester NH 03104	Manchester NH 03104	Manchester NH 03101-2799

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

1. Summary of Significant Accounting Policies (continued)

Blended Component Unit

City of Manchester Employees' Contributory Retirement System (the "New System") - The New System was created by the BMA for the purpose of administering the assets of the employees' contributory retirement system. The New System's Board of Trustees consists of seven members, as follows: the City Finance Officer, the Mayor, one person appointed by the Board of Aldermen, two citizens of the City - one appointed by the Mayor, one elected by the New System members and two New System members also elected by the New System members. Other independent auditors audited the New System, a December 31 year end, for the year ended December 31, 2003, and their report, dated March 19, 2004, has been issued under separate cover. The New System is presented as a pension trust fund.

Complete financial statements of the component unit may be obtained directly from its administrative office.

City of Manchester Employees'
Contributory Retirement System
1045 Elm Street
Manchester NH 03101

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its non-blended component units. 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. Likewise, the primary government is reported separately from certain locally separate component units which the city is financially accountable for.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 instead 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.

Measurement Focus, Basis of Accounting, and Financial Statement 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred,

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

1. Summary of Significant Accounting Policies (continued)

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 expenditures related to compensated absences and claims and judgments, are recorded when due (matured).

Property taxes when levied for, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements) the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 *Capital Projects Fund* accounts for financial resources to be used for capital expenditures or for the acquisition or construction of capital facilities, improvements and/or equipment. Most of the capital outlays are financed by the issuance of general obligation bonds. Other sources include capital grants and low-interest state loans.

The City reports the following major proprietary funds:

The *Water Works Fund* accounts for the operations of the City's water service for residential, commercial and industrial entities for the City and six surrounding communities. It is independent in terms of its relationship to other City functions. Its operations are financed from special assessments and direct charges to the users of the service.

The *Environmental Protection Division (EPD)* accounts for the operations of the City's wastewater treatment plant as well as all services related to the treatment of sewage for the City and three surrounding communities. Its operations are financed from special assessments and direct charges to the users of the service.

Aviation Fund is used to account for the operations of the City's airport which is operated by the Department of Aviation.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

1. Summary of Significant Accounting Policies (continued)

Additionally, the City reports the following fund types:

Permanent Trust Funds are used to account for assets, contributions and income earned on investments used to maintain the City's cemeteries, endowment funds, and libraries.

The *Pension Trust Funds* account for the activities of the City's two defined benefit pension plans, which accumulate resources for pension benefit payments to qualified employees.

The *Agency Funds* account for monies held as a custodian for outside groups and agencies.

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 enterprise funds 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.

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 Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their government-wide activities and enterprise funds, subject to this private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The City has elected to follow subsequent private-sector guidance.

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.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

1. Summary of Significant Accounting Policies (continued)

Cash equivalents

New Hampshire Revised Statutes Annotated (“RSA”) Chapter 48:16 (“RSA 48:16”), as amended, establishes the policy the City must adhere to when investing City funds. With approval of the BMA, the Finance Officer, acting as Treasurer, may invest in obligations of the United States government, in savings bank deposits of banks incorporated under the laws of the State of New Hampshire (“the State”), in participation units of the New Hampshire Public Deposit Investment Pool (“NH-PDIP”), in certificates of deposit of banks incorporated under the laws of the State, or in national banks located in New Hampshire or the Commonwealth of Massachusetts. RSA 48:16 does not allow the City to enter into reverse repurchase agreements.

The City’s cash and cash equivalents represent short-term investments with an initial maturity of 90 days or less.

Investments

Investments are stated at fair value using quoted market prices.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide and proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life equal to or in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

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

Property and equipment that has been purchased by governmental funds is recorded as expenditures in the purchasing funds at the time of purchase or construction, and no depreciation expense is recorded. 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. Net interest cost capitalized in the Environmental Protection Division Fund and Aviation Fund amounted to approximately \$24,000 and \$201,000, respectively, for the year ended June 30, 2004.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	15-60
Improvements	5-30
Equipment	5-15
Vehicles	3-10
Interceptors (EPD)	50
Infrastructure	20-50

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

1. Summary of Significant Accounting Policies (continued)

Compensated absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when earned in the government-wide, proprietary, and fiduciary fund financial statements.

The current liability for compensated absences is recorded when due while the long term portion is recorded in the government-wide statements. The liability reported as compensated absences in the government-wide financial statements includes vested and accumulated vacation leave and sick leave benefits that are not expected to be liquidated with current fiscal year available financial resources. No liability is recorded for nonvesting accumulating rights to receive sick-pay benefits. However, a liability is recognized for that portion of accumulated sick-leave benefits that it is estimated will be taken as terminal leave prior to retirement.

Long-term obligations

In the government-wide financial statements, and proprietary 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, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

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 issued 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.

Pension accounting

Pension Trust Funds:

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Government-wide Statements:

The net pension obligation (asset), the cumulative difference between annual pension cost and the City's contributions to the plans since 1986, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27 and is recognized in the government wide financial statements. Expenditures are recognized when they are paid or are expected to be paid with current available resources.

Funding Policy:

The City makes annual contributions based upon annual actuarial determinations.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

1. Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute either expenditures or liabilities.

Inventory

Inventory is stated as lower of cost or market on a first-in, first-out basis.

Land held for resale

The City holds property for resale. The carrying value of this property is reported at the lower of cost or net realizable value. When the property is sold the cost of the portion sold is charged to expenditure.

Fund Equity and Net Assets

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified in three separate categories. The two categories, and their general meanings, are as follows:

Reserved fund balance - indicates that portion of fund equity which has been legally segregated for specific purposes.

Undesignated and unreserved fund balance - indicates that portion of fund equity which is available for appropriation and expenditure in future periods.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities are reported in the government-wide statement of net assets. One element of that reconciliation explains that “other long-term assets are not available to pay for current period expenditures, and therefore, are not reported in the funds.” The details of the \$1,277,839 difference consisting of current assets are as follows:

Accounts receivable:	
Interest on accounts receivable	\$ 395,561
Deferred professional fees:	
Underwriters’ discount and Cost of Issuance	882,278
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	\$ 1,277,839

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$(307,046,728) difference consisting of long-term debt are as follows:

Bonds payable:	\$ (278,995,333)
Less: Deferred loss on refunding (to be amortized as interest expense)	1,194,324
Add: Deferred charge for refunding premium (to be amortized over life of debt)	(1,823,961)
Deferred premium on revenue bond obligation (to be amortized as interest expense)	(9,688,270)
Refunding premium on Series 2003B	(213,906)
Capital appreciation bonds	(2,838,210)
Compensated absences	(7,151,726)
Insurance claims	(4,064,092)
Landfill closure and post-closure care	(3,465,554)
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	\$ (307,046,728)

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

2. Reconciliation of Government-Wide and Fund Financial Statements (continued)

The details of the \$949,544 difference consisting of current accruals are as follows:

Accrued interest	\$ (4,231,038)
Due to School District	3,300,131
Deferred revenue	1,880,451
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	\$ 949,544

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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 and reported as depreciation expense.” The details of this \$42,257,062 difference are as follows:

Capital outlay	\$ 54,357,212
Asset retirements, net of depreciation	(3,300,000)
Asset retirements – Gain on sale	686,201
Depreciation expense	(9,486,351)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ 42,257,062

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

2. Reconciliation of Government-Wide and Fund Financial Statements (continued)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(156,870,429) difference are as follows:

Long-term liabilities issued or incurred:	
Issuance of revenue obligation bonds	\$ (101,410,000)
Less refunding bond proceeds	(60,350,652)
Less refunding bond proceeds	(22,623,434)
Add payment to Escrow Agent	24,106,231
Less premium on refunding bonds	(1,866,838)
Less series 2003 discounts and COI amortization	170,135
Less series 2001 A discounts and COI amortization	(3,609)
Less series 2001 B discounts and COI amortization	(6,141)
Less series 2001 C discounts and COI amortization	(5,560)
Less series 2003 ABC premium and COI amortization	(1,697,702)
Less series 2003 ABC deferred professional fees	568,160
Less series 2001 B deferred loss on refinancing	(49,218)
Add series 2001 B premium amortization	30,500
Add series 2003 B refunding premium	(7,413,999)
Add series 2004 B refunding premium	(1,755,771)
Add series 2001 B refunding premium	9,019
Principal repayments:	
General obligation debt-City portion	9,630,629
General obligation debt-MSD portion reimbursed	<u>5,797,821</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (156,870,429)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$3,387,570 difference are as follows:

Prepaid Pension Asset	\$ (808,672)
Long-term liabilities incurred:	
Risk reserve	71,009
Landfill reserve	1,420,237
Capital appreciation bonds reserve	1,103,129
Compensated absences	(823,335)
Accrued interest	(688,620)
Interest receivable from MSD on bonds payable	<u>3,113,822</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 3,387,570</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

3. Stewardship, Compliance and Accountability

A. Budgets and Budgetary Accounting

Pursuant to the City's Charter, Section 6.01, the City adopts an annual budget for all General Fund functions and certain enterprise functions (the Water Works enterprise fund operates on a nonappropriated budgetary basis). The legal level of budgetary control is the department level. The special revenue and capital project funds are appropriated through a five-year capital improvement plan.

All portions of the annual City budget and the MSD budget are prepared under the direction of the Mayor. The Mayor establishes the procedures applicable to the preparation and adoption of the annual budget. Budgets include all proposed expenditures and the proposed use of all anticipated revenues. All departments, agencies, and officers submit detailed statements of departmental budget requests to the Mayor per established procedures.

The Mayor develops budget recommendations on appropriations and revenues and submits the recommendations to the BMA on or before the last day of March of each year. Departmental appropriations are made on a bottom-line basis. Benefits and non-departmental items are appropriated apart from the departmental budgets.

The Finance Committee of the BMA reviews the proposed budget recommendations presented by the Mayor. The BMA may increase, reduce or reject any item in the budget submitted by the Mayor. A public hearing is required to be conducted. A majority vote of the BMA is required to adopt the budget appropriation resolutions and is to be completed no later than the second Tuesday in June. The Mayor has line item veto authority.

If the BMA fail to adopt appropriation resolutions, the budget, as originally submitted by the Mayor, shall become the budget.

If during the fiscal year the Mayor certifies, after consultation with and verification by the Finance Officer, that there are available for appropriation revenues in excess of those estimated in the budget, the BMA may make supplemental appropriations for the year up to the amount of such excess, after observing the budget procedures set forth in section 6.04 of the City Charter. There were no additional appropriations during the year.

If at any time during the fiscal year it appears probable to the Mayor, after consultation with and verification by the Finance Officer, that the revenues or fund balances available will be insufficient to finance the expenditures for which appropriations have been authorized, the Mayor shall report to the BMA without delay, indicating the estimated amount of the deficit, any remedial action taken by the Mayor and recommendations as to any other steps to be taken. The BMA shall then take such further action as it deems necessary to prevent or reduce any deficit and for that purpose it may reduce one or more appropriations.

The legal level of control for budgetary is established by object categories within the departmental budgets. Departmental budget transfers from one object category to another must be approved by the Finance Officer prior to approval of the BMA. The Finance Officer is responsible for establishing controls related to the management and monitoring of the budget to prevent expenditures from exceeding budgeted appropriations.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

3. Stewardship, Compliance and Accountability (continued)

Encumbrance accounting is employed in governmental funds. On the GAAP basis, encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

The City employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statements of Revenues and Expenditures - Budgetary Basis, presents the “actual” results to provide a comparison with the budgets.

The major differences between the budgetary basis and the GAAP basis are:

- (a) Tax revenues are recorded when invoiced (budgetary), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no firm liability exists.

B. Budget/GAAP Reconciliation

Reconciliation of the reported revenues and expenditures of the general fund between the budgetary basis and the GAAP basis are presented below:

	Revenues	Expenditures
Statement of revenues and expenditures - budgetary basis	\$ 105,785,857	\$ 104,275,423
Central Business District	224,848	225,000
Sale of capital assets	2,499,367	
Current year encumbrances		(1,427,053)
State retirement contributions	1,094,057	1,094,057
Tax revenues of 2003 recognized in 2004	783,758	
Tax revenues of 2004 deferred until 2005	(835,517)	
Expenditures of prior year encumbrances		1,210,346
Statement of revenues and expenditures (in conformity with GAAP)	\$ 109,552,370	\$ 105,377,773

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

4. Cash, Cash Equivalents and Investments

Primary Government

Cash and cash equivalents consist of the following types of accounts at June 30, 2004.

Cash & Cash Equivalents	Primary Government	Component Units
Restricted Deposits	\$14,121,802	
Deposits	4,114,306	40,315
(1) Repurchase Agreements		
Non-Restricted	126,476,547	
Restricted	38,735,669	910,145
(1) Money Market / Index Funds	103,961,583	
(1) NH - PDIP Unclassified	27,198,018	
(1) MDC – Vanguard/BNH Portfolio Trust		679,191
	<u>\$ 314,607,925</u>	<u>\$1,629,651</u>
(1) See categorization under investments		
Investments	<u>\$ 37,412,893</u>	<u>0</u>

The City pools substantially all cash, except for separate cash accounts, which are maintained in accordance with legal restrictions.

Written contracts relative to third party holders of collateral or establishing each party's rights with regard to repurchase agreements are entered into by the City. Banks through which repurchase notes are written maintain their collateral in an investment book entry account with the Federal Reserve. For certain contracts collateral is separate from the bank's assets, while for other contracts it is not separate. Repurchase agreements are entered into only with financial institutions; no brokers or dealers are involved in these transactions. The following tables present collateral information for the City's deposits for all funds, as well as the City's component units.

Category A: Fully insured or collateralized with securities held by the City or its agent in the City's name.

Category B: Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category C: Uncollateralized

	<u>Category</u>			<u>Total Bank Balance</u>	<u>Carrying Amount</u>
	<u>A</u>	<u>B</u>	<u>C</u>		
Pooled Deposits					
Demand deposits	\$ 3,631,507		\$ 11,295	\$ 3,642,802	\$ 4,154,621
Restricted Deposits	14,121,802			14,121,802	14,121,802
Total Deposits	<u>\$ 17,753,309</u>	<u>\$ -</u>	<u>\$ 11,295</u>	<u>\$ 17,764,604</u>	<u>\$ 18,276,423</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

4. Cash, Cash Equivalents and Investments (continued)

In accordance with GASB Statement 3, investments are classified as to risk by the three categories described below:

- Category 1: Insured or registered in the City's name, or securities held by the City or its agent in the City's name.
- Category 2: Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the City's name.
- Category 3: Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent but not in the City's name.

	Category			Uncategorized (1)	Carry and Fair Value
	1	2	3		
Investments					
US Treasury Notes		\$ 4,061,272			\$ 4,061,272
US Government Securities			\$ 1,287,775		1,287,775
Corporate Bonds			3,835,023		3,835,023
Common Stocks			1,641,810		1,641,810
Index Funds				\$ 24,841,926	24,841,926
Fixed Inc Mutual Funds				168,669	168,669
Mortgage-Back				1,576,419	1,576,419
Total Investments	-	4,061,272	6,764,608	26,587,013	37,412,893
Cash Equivalents					
Repurchase Agreements		165,212,216			165,212,216
Non-Categorized Items (2)					
Money Market/Index Funds					103,961,583
NH - PDIP Unclassified					27,198,018
Total Cash Equivalents	-	165,212,216	-	-	296,371,817
Grand Total	\$ -	\$ 169,273,488	\$ 6,764,608	\$ 26,587,013	\$ 333,784,710

(1) Funds are not subject to investment classification because specific securities related to the City cannot be identified

(2) The amounts are not subject to risk categorization since the City does not own identifiable securities. Fair value of the position of the City is equal to the value of the investment pool.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

4. Cash, Cash Equivalents and Investments (continued)

At year end, the CRS Pension Trust's cash balance was as follows:

Cash and cash equivalents consist of the following types of accounts at December 31, 2003.

Cash & Cash Equivalents	CRS Pension Trust
Deposits	<u>\$1,525,395</u>
(1) See categorization under investments	
Investments	<u>\$ 94,582,885</u>

At year end, the CRS Pension Trust's investment balances were as follows:

	<u>Uncategorized (1)</u>	<u>Carry and Fair Value</u>
Investments		
Equity funds	\$ 33,665,369	\$ 33,665,369
Foreign equity	12,776,991	12,776,991
Alternative equity	3,022,429	3,022,429
Fixed income	17,873,994	17,873,994
Emerging market funds	4,270,282	4,270,282
Real estate	2,317,989	2,317,989
Timberfunds	4,332,536	4,332,536
Specialty investments	<u>16,323,295</u>	<u>16,323,295</u>
Total Investments	<u>\$ 94,582,885</u>	<u>\$ 94,582,885</u>

- (1) Funds are not subject to investment classification because specific securities related to the City cannot be identified.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

5. Taxes and Abatements

The principle tax of the City is the tax on real property. The State has no cap or limit as to the rate or amount of tax a municipality may raise. The municipality's annual property tax rate is established by the Commissioner of the Department of Revenue Administration of the State, based on reports filed with the State. A single tax is levied for general, county and school purposes. The "assessment year" for taxing purposes runs from April 1 to March 31 of the following year.

The City bills and collects its property taxes in two installments. The levy dates are June 1 and November 1 and the due dates for these semi-annual tax billings are July 1 and December 1. Property taxes are recorded as a receivable when billed, net of estimated allowance for abatements. Property tax revenues have been recorded using the modified accrual basis of accounting as described in Note 1.

Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). The City places a lien on delinquent property taxes prior to May 1 of the following assessment year. From the date of the tax lien, a two-year period of redemption is allowed the owner, during which time payment of taxes, interest and costs will be accepted and the lien released.

Interest accrues on delinquent taxes at a rate of 12 percent per annum from the due date to the date of payment. During the redemption period, 18 percent interest per annum is charged. Beyond the two-year period of redemption the City has the right to foreclose on properties for which taxes have not been paid. Properties are deeded to the City unless either the lien has been sold by the City, or the City has notified the tax collector that it will not accept the deed because acceptance could result in liability under environmental statutes imposing strict liability on owners. Except for any paramount federal lien and subject to bankruptcy and insolvency laws, tax liens take precedence over all other liens, and tax collector's deeds are free and clear of all encumbrances.

In December 1997, the New Hampshire Supreme Court declared that the property tax to fund education is a State tax, and therefore must be administered in a manner that is equal in valuation and uniform in rate throughout the State.

Chapter 17 of the Laws of 1999 became effective in 1999. The law includes a definition of "adequate education" for New Hampshire schools and establishes an "Education Trust Fund" and a formula for providing state financial assistance to local school districts.

The primary means of State funding for the Education Trust fund is a uniform statewide property tax under which some of the levies from more prosperous ("property rich" or "donor") communities will be collected by the State and redistributed to less affluent ("property poor" or "recipient") school districts. The law initially established a uniform tax rate of \$6.60 per thousand of total equalized value (not including utility property or local exemptions) but has been adjusted to \$5.49 for 2004. The new state aid property tax is assessed and collected in virtually the same manner in which property taxes have been administered in the past with one primary exception, donor communities will be required to send amounts in excess of what is required locally for an adequate education to the State for redistribution to recipient districts. The MSD is a recipient district.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

6. Receivables

Primary Government

	<u>General</u>	<u>CIP</u>	<u>MWW</u>	<u>EPD</u>	<u>Aviation</u>	<u>Other</u>	<u>Total</u>
Due from Warrants	\$ 16,148,918						\$16,148,918
Due from State of NH & other local governments	2,452,408			\$ 6,971,664	\$ 137,626		9,561,698
Prior year tax liens	603,453						603,453
Tax titles	862,269						862,269
Due from federal government				312,423	2,077,197	\$ 1,156,544	3,546,164
Accounts receivable-trade	1,806,971	\$ 85,000	\$ 2,202,095	2,950,453	2,465,162	745,329	10,255,010
Notes receivable						6,369,635	6,369,635
Other	100,443		359,219	466,193		10,562	936,417
Total gross receivables	<u>21,974,462</u>	<u>85,000</u>	<u>2,561,314</u>	<u>10,700,733</u>	<u>4,679,985</u>	<u>8,282,070</u>	<u>48,283,564</u>
Allowance for collection losses	(1,695,806)						(1,695,806)
Total net receivables	<u>\$ 20,278,656</u>	<u>\$ 85,000</u>	<u>\$ 2,561,314</u>	<u>\$ 10,700,733</u>	<u>\$ 4,679,985</u>	<u>\$ 8,282,070</u>	<u>\$ 46,587,758</u>

The receivables from the State of New Hampshire and other governmental entities represent their contractual commitment to reimburse the City for the repayment of debt incurred to build its wastewater treatment and related facilities.

7. Interfund Receivables, Payables and Transfers

Due from/to other funds consist of the following at June 30, 2004:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency	\$ 982,064
	Capital projects	4,789
	Special Revenue:	
	CDBG	350,664
	Enterprise:	
	Aggregation	1,700,039
	Discrete component:	
	Manchester Development Corporation	5,767
		<u>3,043,323</u>
Capital projects	Recreation	226,168
	Total - All Funds	<u>\$ 3,269,491</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

7. Interfund Receivables, Payables and Transfers (continued)

The balance of \$1,700,039 due from the enterprise to the general fund is the result of short-term advances. The balance of \$350,664 is also a result of a short-term advance. All remaining balances resulted from the time lag between the dates payments occur between funds for various activities.

Interfund transfers during the year ended June 30, 2004 were as follows:

Due to / from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - general fund	Component unit - MDC	\$ <u>5,767</u>

Interfund transfers:

<u>Transfers</u>	Transfers In (Out):		
	General Fund	Other Funds	Total
General Fund	\$ (1,642,043)	\$ 1,642,043	\$ -
Other Funds	365,367	(365,367)	-
Capital Projects	(855,261)	855,261	-
	\$ (2,131,937)	\$ 2,131,937	\$ -

Transfers are used to account for unrestricted revenues collected mainly in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

8. Capital Assets

Governmental activities

Changes in the governmental capital assets for the year ended June 30, 2004, were as follows:

	Balance 30-Jun-03	Additions	Retirements	Transfers	Balance 30-Jun-04
Capital assets, not being depreciated					
Land	\$ 18,983,808	\$ 145,284			\$ 19,129,092
Construction-in-Progress	18,902,050	36,277,817		\$ (12,776,510)	42,403,357
Total capital assets, not being depreciated	<u>37,885,858</u>	<u>36,423,101</u>	-	<u>(12,776,510)</u>	<u>61,532,449</u>
Capital assets, being depreciated					
Buildings	170,676,092	5,089,858	\$ (5,750,875)	12,605,943	182,621,018
Improvements other than buildings	14,254,148	1,898,847		170,567	16,323,562
Equipment	6,060,924	805,624	(295,777)		6,570,771
Vehicles	16,084,830	4,110,328	(1,451,421)		18,743,737
Infrastructure	35,430,640	6,029,454			41,460,094
Total capital assets, being depreciated	<u>242,506,634</u>	<u>17,934,111</u>	<u>(7,498,073)</u>	<u>12,776,510</u>	<u>265,719,182</u>
Less accumulated depreciation					
Buildings	67,003,656	5,105,083	(3,344,595)		68,764,144
Improvements other than buildings	6,273,719	567,050			6,840,769
Equipment	3,340,787	403,993	(123,095)		3,621,685
Vehicles	12,476,037	2,019,029	(1,416,584)	-	13,078,482
Infrastructure	17,516,796	1,391,196	-	-	18,907,992
Total accumulated depreciation	<u>106,610,995</u>	<u>9,486,351</u>	<u>(4,884,274)</u>	<u>-</u>	<u>111,213,072</u>
Governmental Activities Capital Assets, Net	<u>\$ 173,781,497</u>	<u>\$ 44,870,861</u>	<u>\$ (2,613,799)</u>	<u>\$ -</u>	<u>\$ 216,038,559</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

8. Capital Assets (continued)

Business-type Activities

Changes in the business-type capital assets for the year ended June 30, 2004, were as follows:

	Balance 30-Jun-03	Additions	Retirements	Transfers	Balance 30-Jun-04
Capital assets, not being depreciated					
Land	\$ 36,677,537	\$ 15,000	\$ (1,660,768)	\$ 2,045,194	\$ 37,076,963
Construction-in-Progress	123,988,270	60,859,008	(251,234)	(144,350,783)	40,245,261
Total capital assets, not being depreciated	<u>160,665,807</u>	<u>60,874,008</u>	<u>(1,912,002)</u>	<u>(142,305,589)</u>	<u>77,322,224</u>
Capital assets, being depreciated					
Buildings	244,575,059	7,863,252	(53,411)	32,517,192	284,902,092
Improvements other than buildings	182,967,840	2,155,843	(97,136)	106,205,156	291,231,703
Equipment	83,162,401	2,542,622	(453,798)	3,583,241	88,834,466
Total capital assets, being depreciated	<u>510,705,300</u>	<u>12,561,717</u>	<u>(604,345)</u>	<u>142,305,589</u>	<u>664,968,261</u>
Less total accumulated depreciation	<u>153,412,829</u>	<u>16,649,027</u>	<u>(604,345)</u>	-	<u>169,457,511</u>
Business-type Capital Assets, Net	<u>\$ 517,958,278</u>	<u>\$ 56,786,698</u>	<u>\$ (1,912,002)</u>	<u>\$ -</u>	<u>\$ 572,832,974</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

8. Capital Assets (continued)

Discretely Reported Component Units

Capital assets activity in the School District at June 30, 2004, consisted of the following:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Increases</u>	<u>Balance</u> <u>June 30, 2004</u>
Capital assets, being depreciated			
Portable classrooms	\$ 843,608	\$ 203,994	\$ 1,047,602
Instruments	83,561	35,142	118,703
Other machinery & equipment	<u>8,326,415</u>	<u>1,501,185</u>	<u>9,827,600</u>
Total capital assets, being depreciated	<u>9,253,584</u>	<u>1,740,321</u>	<u>10,993,905</u>
Less accumulated depreciation			
Portable classrooms	117,728	6,800	124,528
Instruments	13,442	3,514	16,956
Other machinery & equipment	<u>3,862,842</u>	<u>700,914</u>	<u>4,563,756</u>
Less total accumulated depreciation	<u>3,994,012</u>	<u>711,228</u>	<u>4,705,240</u>
Total Capital Assets being depreciated, Net	<u><u>\$ 5,259,572</u></u>	<u><u>\$ 1,029,093</u></u>	<u><u>\$ 6,288,665</u></u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

8. Capital Assets (continued)

Capital assets activity in the MTA at June 30, 2004, consisted of the following:

	Balance 30-Jun-03	Additions	Retirements	Transfers	Balance 30-Jun-04
Capital assets, not being depreciated					
Land	\$ 129,109				\$ 129,109
Total capital assets, not being depreciated	129,109	-	-	-	129,109
Capital assets, being depreciated					
Buildings	1,807,598				1,807,598
Buses	5,654,350	\$ 643,017			6,297,367
Equipment	1,447,783	52,048	\$ (51,493)		1,448,338
Total capital assets being depreciated	8,909,731	695,065	(51,493)	-	9,553,303
Less accumulated depreciation	6,909,597	537,838	(51,493)	-	7,395,942
Total Capital Assets being depreciated, Net	<u>\$ 2,129,243</u>	<u>\$ 157,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,286,470</u>

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

Governmental Activities:

General	\$ 2,634,053
Public safety	1,362,501
Highways and streets	2,693,791
Health and welfare	96,407
Education and library	1,928,726
Parks	770,873
Total depreciation expense – governmental activities	<u>\$ 9,486,351</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

9. Long-Term Debt

Primary Government

The debt service requirements of the City's outstanding General Obligation (GO) bonds, revenue bonds and notes payable at June 30, 2004 are as follows:

Governmental long-term debt:

Fiscal year	Principal	Interest	Total
2005	\$ 15,159,003	\$ 16,542,994	\$ 31,701,997
2006	16,555,734	12,532,298	29,088,032
2007	13,122,736	11,974,095	25,096,831
2008	14,361,674	11,464,420	25,826,094
2009	14,542,511	10,845,417	25,387,928
2010-2014	62,915,719	45,236,951	108,152,670
2015-2019	58,904,750	30,461,472	89,366,222
2020-2024	47,417,400	16,671,895	64,089,295
2025-2029	35,380,773	4,974,957	40,355,730
2030-2031	635,033	58,243	693,276
Total	\$ 278,995,333	\$ 160,762,742	\$ 439,758,075

Business-type Activities:

Fiscal year	Principal	Interest	Total
2005	\$ 13,810,199	\$ 14,240,916	\$ 28,051,115
2006	13,640,123	14,431,914	28,072,037
2007	12,658,062	14,293,485	26,951,547
2008	12,054,313	13,840,548	25,894,861
2009	11,633,248	13,398,674	25,031,922
2010-2014	55,289,056	60,232,652	115,521,708
2015-2019	62,019,653	47,316,494	109,336,147
2020-2024	70,667,891	32,516,124	103,184,015
2025-2029	71,889,227	16,287,491	88,176,718
2030-2034	29,499,967	3,729,577	33,229,544
2035	2,950,000	147,500	3,097,500
Debt Service Requirement	356,111,739	230,435,375	586,547,114
Less Bond Discount	(3,283,682)		(3,283,682)
Less Deferred Loss	(1,517,638)		(1,517,638)
Total Business-type Activities	\$ 351,310,419	\$ 230,435,375	\$ 581,745,794

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

9. Long-Term Debt (continued)

Interest rates for the City's outstanding GO bonds range from 2.05% to 8.875%. At June 30, 2004 the City's legal debt limit was \$815,916,140. Authorized, but unissued, bonds as of June 30, 2004 amounted to \$264,262,266. \$220,000,000 represents authorizations that have been made to put the proper paperwork in place to enable the option to refinance should the market environment provide the opportunity. This includes \$100 million for Airport Revenue Bonds, \$90 million for School Facilities Revenue Bonds and \$30 million for GO Bonds. Of the remaining \$44 million, \$36 million dedicated to CSO and other Water and Sewer projects to be funded through the State of New Hampshire Department of Environmental Services Sewer Revolving Fund or Drinking Water Revolving Loan Fund.

As previously stated, the business-type funds, EPD and Water Works comprise a large part of this total outstanding dollar amount with \$30,297,252 and \$6,116,180, respectively. All of the projects are expected to be financed through the State of New Hampshire DES-SRF.

On December 2, 2003, the City advance refunded \$24,905,000 of GO with \$25,495,000 of GO refunding. The net proceeds of \$27,406,261 (after payment of \$127,044 in underwriting fees, insurance, and other issuance costs and an original issue discount and contingency of \$63,468) were used to purchase government obligations. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments from FY 2004 forward on the refunded bonds. As a result, these bonds are considered to be defeased from FY 2004 forward, and the applicable portion of the liability for those bonds has been removed from the balance sheet. The amount of defeased bonds still outstanding at June 30, 2004, amounted to \$24,905,000.

The City advance refunded these bonds to reduce its total debt service payments of the GO debt over the next 16 years by approximately \$544,887 and to obtain an economic gain of approximately \$80,842. The advance refunding resulted in the recognition of an extraordinary loss of \$2,200,936 in the Enterprise Funds for the year ended June 30, 2004.

In prior years, the City defeased certain GO and other bonds by placing the securities purchased with the proceeds of new bonds in irrevocable trust accounts to provide for all future debt service payments of the refunded bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. On June 30, 2004 \$40,315,000 of bonds outstanding are considered defeased.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

9. Long-Term Debt (continued)

For June 30, 2004 an amount of \$2,838,210 was recorded in the Government-Wide Financial Statement for the accretion of interest on the capital appreciation bonds which is also included in the governmental long-term debt service in fiscal year 2005.

Long-term liability activity for the year ended June 30, 2004 was as follows:

	Balance 1-Jul-03	Increases	Decreases	Balance 30-Jun-04	Due within One year
Governmental activities:					
General Obligation Debt -					
City	\$ 77,254,438	\$ 87,409,067	\$ 31,750,829	\$ 132,912,676	\$ 9,749,969
Revenue Bonds Payable -					
MSD		101,410,000		101,410,000	
General Obligation Bonds					
Payable - MSD	41,682,257	8,788,222	5,797,822	44,672,657	5,409,034
	<u>118,936,695</u>	<u>197,607,289</u>	<u>37,548,651</u>	<u>278,995,333</u>	<u>15,159,003</u>
Compensated absences	6,328,390	823,336		7,151,726	1,787,932
Insurance claims	4,135,101		71,009	4,064,092	3,951,686
Capital appreciation bonds	5,136,395	414,226	2,712,411	2,838,210	2,838,210
Landfill post-closure care	18,106,957		14,641,403	3,465,554	-
	<u>\$ 152,643,538</u>	<u>\$ 198,844,851</u>	<u>\$ 54,973,474</u>	<u>\$ 296,514,915</u>	<u>\$ 23,736,830</u>
Business-type activities					
General Obligation Debt	\$ 44,030,159	\$ 9,768,419	\$ 7,497,568	\$ 46,301,010	\$ 7,675,199
Revenue Bonds, net of					
unamortized Original					
Issue Discount	271,253,722	38,345,000	4,589,313	305,009,409	6,135,000
	<u>\$ 315,283,881</u>	<u>\$ 48,113,419</u>	<u>\$ 12,086,881</u>	<u>\$ 351,310,419</u>	<u>\$ 13,810,199</u>

The EPD Enterprise Fund has nine loan agreements with original principal balances amounting to \$47,848,561 with the State of New Hampshire, State Water Pollution Control Revolving Fund (SRF) program for the purpose of financing certain projects in connection with the expansion of the wastewater treatment facility and water pollution abatement project.

Additionally, several projects are currently utilizing the services of the SRF. These projects are in various stages of the construction or completion phase of the project. Four DES eligible projects are classified as EPD Enterprise. Total unamortized indebtedness as of June 30, 2004 was \$4,210,590 for EPD and CSO projects.

The longtime general fund project also financed through the SRF for the Sanitary Landfill Closure was completed and amortized in this fiscal year in the amount of \$13,221,166.

The Department of Aviation (the "DA") Enterprise Fund has entered into a twenty year interest rate swap agreement for \$38,340,000 of its variable rate demand general airport revenue bonds. Based on

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

9. Long-Term Debt (continued)

the swap agreement, the DA owes interest calculated at a fixed rate of 4.38% to the counterparty to the swap. In return, the counterparty owes the DA interest based on a variable rate that matches the rate required by the bonds. Only the net difference in interest payments is actually exchanged with the counterparty. The \$38,340,000 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

The DA continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the DA effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds are based on the fixed rate.

At June 30, 2004, the swap agreement resulted in a cumulative unfavorable fair value of approximately \$2,193,317 based on dealer quoted prices, and accordingly, the fair value of the swap was recorded in accrued liabilities and additional interest expense in the related accompanying financial statements.

Manchester Housing and Redevelopment Authority

In March 2000, the Manchester Housing and Redevelopment Authority, New Hampshire the (“MHRA”) issued \$49,772,909 in revenue bonds (the “Bonds”) to finance, in part, the construction of the Manchester Civic Center (now the Verizon Wireless Arena) (the “Arena”). The MHRA is a public body, corporate and politic, established pursuant to Chapter 203 of the New Hampshire Revised Statutes. The MHRA is not a component unit of the City within the meaning of GASB No. 14.

The Bonds issued by the MHRA to finance the construction of the Arena are secured, to a degree, by revenues to be-paid by the City pursuant to a Financing Agreement between the City and the MHRA (the “Financing Agreement”). At the time of the issuance of the Bonds, MHRA assigned all of its rights under the Financing Agreement to a corporate trustee, to be held, in trust, for the benefit of the holders of the Bonds from time to time. Under the terms of the Financing Agreement, the City is to make payment of meals and rooms tax revenues received by it from the State of New Hampshire, pursuant to RSA 78-A:26, but only to the extent that (i) such funds are actually received by the City from this source, in excess of \$454,927 in any given year, and (ii) that the City’s Board of Mayor and Aldermen (the “BMA”) actually appropriates such funds in each year to make such payments. The City’s payments under the Financing Agreement are not secured by its full faith and credit. Moreover, the City is not morally obligated to make any payments under the Financing Agreement. The Financing Agreement stipulates that the Mayor will include an appropriation request in the annual budget submission to the City’s Board of Mayor and Aldermen, payable from the meals and rooms tax imposed by the State and paid to the City in excess of \$454,927 in each fiscal year in an amount sufficient to make the payments required under the Financing Agreement. There is, however, no assurance that the BMA will appropriate such funds on an annual basis or that sufficient meals and rooms tax revenues will be received by the City to make scheduled payments under the Financing Agreement. Pursuant to New Hampshire law, the Bonds do not constitute indebtedness of the City of Manchester.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

9. Long-Term Debt (continued)

In the event that either (i) the City does not receive meals and rooms tax revenues sufficient to make payments under the Financing Agreement, or (ii) that the BMA should determine not to appropriate meals and rooms tax revenues to make payments under the Financing Agreement (each an “Event of Early Termination”), holders of the Bonds may look only to an insurance policy provided American Capital Access Financial Guaranty Corporation for the payment of scheduled installments of principal and interest on the Bonds. An Event of Early Termination does not constitute a default by the City under the Financing Agreement. Holders of the Bonds have no security interest, mortgage, or other claim or interest in the Arena to secure the repayments of the Bonds.

In the event of default, bond reserves initially and subsequent bond insurance arrangements including the exercise of management control of the facility by the insurer will provide remedies for bondholders. In any event, title to the facility always remains with the City of Manchester. Therefore, the Arena is included as an asset on the City’s financial statement. The City treated the donation of the asset from MHRA as a non-exchange transaction and recorded the asset at construction cost as the estimated fair market value at the time of the donation.

Due to the uncertainty of the state meals and rooms tax revenue formula, the City is not including these unknown funds as either revenues or receivables. Similarly, since the non-funding clause in the Financing Agreement provides annual lease payments which are contingent upon the items discussed in the second paragraph, the City has not included any future payments pursuant to the Financing Agreement. Accruals for the general or unspecified business risks (“reserves for general contingencies”) are not permitted per FASB 5. The BMA may at any time, at its sole discretion, decide not to appropriate meals and rooms tax revenue funds.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

10. Employee Benefit Plans

All full-time employees of the City participate in one of the City's pension plans or the New Hampshire Retirement System ("NHRS").

City Plans

The vast majority of employees of the City participate in the City's pension plan known as the New System or the CRS. Certain employees of the City participate in a prior pension plan known as the Old System. In addition, a limited number of former police and fire department employees covered by the NHRS also qualify for supplementary benefits that are administered and paid for by the City.

SCHEDULE OF PLAN NET ASSETS

	CRS Pension Trust	Old System Pension Trust	Total
Assets			
Cash and cash equivalents	\$ 1,525,395	\$ 99,303	\$ 1,624,698
Investments	94,582,885	19,487,490	114,070,375
Receivables, net of allowances for collection losses	174,346	118,774	293,120
Other assets			-
Property and equipment, net where applicable, of accumulated depreciation	215,971		215,971
Total Assets	\$ 96,498,597	\$ 19,705,567	\$ 116,204,164
Liabilities			
Accounts and warrants payable	\$ 116,863		\$ 116,863
Accrued liabilities	748,991		748,991
Total Liabilities	865,854		865,854
Net Assets Held in Trust for Pension Benefits	\$ 95,632,743	\$ 19,705,567	\$ 115,338,310

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

10. Employee Benefit Plans (continued)

SCHEDULE OF CHANGES OF PLAN NET ASSETS

	CRS Pension Trust	Old System Pension Trust	Total
Additions			
Contributions			
Employer	\$ 3,323,023		\$ 3,323,023
Plan members	1,578,219		1,578,219
Total Contributions	<u>4,901,242</u>		<u>4,901,242</u>
Investment Gain (Loss)			
Net realized and unrealized appreciation (depreciation) in fair value of investments	21,194,734	\$ 2,148,461	23,343,195
Interest	193,160	747,810	940,970
Dividends	832,893		832,893
Less investment expense	(389,597)		(389,597)
Net Investment Income (Loss)	<u>21,831,190</u>	<u>2,896,271</u>	<u>24,727,461</u>
Total Additions (Reductions)	<u>26,732,432</u>	<u>2,896,271</u>	<u>29,628,703</u>
Deductions			
Benefits paid directly to participants	4,877,225	1,964,640	6,841,865
Refunds of employee contributions	255,233		255,233
Administrative expenses	763,775	69,785	833,560
Total Deductions	<u>5,896,233</u>	<u>2,034,425</u>	<u>7,930,658</u>
Net Decrease	20,836,199	861,846	21,698,045
Net Assets Held in Trust for Pension Benefits			
Beginning of year	74,796,544	18,843,721	93,640,265
End of year	<u>\$ 95,632,743</u>	<u>\$ 19,705,567</u>	<u>\$ 115,338,310</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

10. Employee Benefit Plans (continued)

New System

In 1974, the City established a single-employer public employee retirement system (the “New System”) to provide pension benefits to employees other than firefighters, police officers, teachers and employees previously covered under the “Old System” described below. Manchester School District administration employees are covered under this plan.

All covered employees hired after January 1, 1974 are required to participate in the New System as a condition of employment. Employees are 100% vested after five years of service. The retirement benefit is calculated at 1-½% of final average total compensation during the highest three years of service in the last ten years of service (hereafter average compensation), multiplied by the years of service prior to January 1, 1999 plus 2% after January 1, 1999 of average compensation multiplied by the years of service after January 1, 1999. There is a minimum benefit of 50% of average compensation for employees hired prior to January 1, 1974 who complete 20 years of service and attain age 62 before retirement or have combined age and years of service over specified amounts. All eligible employees are required to contribute 2-½% of their salaries to the New System prior to January 1, 1999 and 3-¾ % of their salaries after January 1, 1999. If an employee leaves covered employment or dies before five years of service, accumulated employee contributions and earnings thereon at rates determined annually by the New System Board of Trustees (5%, for the periods ended June 30, 2004 and 2003) are refunded. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees. Benefit provisions and contribution requirements are established by the City and may be amended only by the BMA, subject to approval of the voters of the City through referendum. The Plan was last amended on September 14, 2004. The referendum approved an optional buyback for service prior to January 1, 1999 and as far back as 1974, restoring ½% to be paid equally, ¼% by the retirement system and ¼% by the employee.

Membership in the Plan consisted of the following at December 31, 2003, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	509
Terminated vested members	68
Active members	<u>1,316</u>
Total Participants	<u><u>1,893</u></u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

10. Employee Benefit Plans (continued)

The City's plans, by policy, (i) require annual actuarial valuations, with yearly updates, and (ii) require annual City contributions based on actuarial determinations. During the year of actuarial valuation, the City has historically contributed the annual required contribution ("ARC") of the pension plan. Any difference between the ARC and the actual contribution made has been settled by the next actuarial valuation date, and thus the City has never actually had, or had need to report, a net pension obligation ("NPO").

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2004	\$ 3,844,598	100%
2003	3,323,023	100
2002	1,794,576	100
2001	1,117,163	100
2000	713,685	100
1999	796,552	100

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Unfunded Actuarial Accrued Liability (Surplus) (b)	Actuarial Accrued Liability (c)	Funded Ratio (a)/(c)	Covered Payroll (prior year)
12/31/03	\$ 95,297,689	\$ 20,954,959	\$ 116,252,648	81.9 %	\$ 41,998,187
12/31/02	89,755,853	6,364,857	106,120,710	84.6	38,940,104
12/31/01	94,812,631	1,457,848	96,270,479	98.5	38,692,738
12/31/00	90,144,513	(3,049,404)	87,095,109	103.5	35,370,961
12/31/99	82,584,305	(3,263,538)	79,320,767	103.0	29,581,577
12/31/98	72,569,967	(1,494,444)	71,075,523	102.1	28,255,208

Additional information as of the latest actuarial valuation follows:

Valuation Date:	December 31, 2003
Actuarial Cost Method:	Entry Age Normal
Investment Net Rate of Return:	7.5%
Projected Salary Increases:	4.5% - 5.5%
Amortization Method:	Level percent of payroll
Asset Valuation Method:	5 year smoothed market
Inflation Rate:	4.5%

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

10. Employee Benefit Plans (continued)

Old System

Prior to January 1, 1974, all eligible City employees participated in the Old System, a single employer contributory public employee retirement system (PERS). All employees hired before January 1, 1974 were given the option to remain in the Old System or participate in the New System. The Old System was replaced by the New System and only operates to cover the remaining participants. All employees covered under the Old System are fully vested. Benefits under the Old System are limited to retirement benefits without death benefits to survivors. Benefits are recognized as expenditures of the General Fund on a pay-as-you-go basis. At June 30, 2004, the Old System membership consisted of:

Members currently receiving benefits	127
Active Vested Members	19
Total Members	146

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year ended June 30	Annual required contributions	Percentage contributed *
2004	\$ 195,521	0.0 %
2003	87,547	0.0
2002	2,175,245	967.3
2001	2,196,055	92.6
2000	2,158,104	93.4
1999	2,048,811	96.8

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

10. Employee Benefit Plans (continued)

The City's annual pension cost and net pension obligation to the Plan for the current year were:

Annual required contribution	\$ 195,521
Interest on net pension obligation	(1,339,329)
Adjustment to annual required contribution	1,952,480
Annual pension cost	808,672
Less contributions made	0
Increase in net pension obligation (asset)	808,672
Net pension obligation (asset) beginning of year	(17,857,717)
Net pension obligation (asset) end of year	\$(17,049,045)

Three year trend information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation (Asset)</u>
6/30/2004	\$ 808,872	0.0 %	\$(17,049,045)
6/30/2003	653,531	0.0 %	(17,857,717)
6/30/2002	2,165,300	967.3	(18,511,248)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Assets	Actuarial Accrued Liability (AAL) P.U.C.	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/2003	\$ 18,843,721	\$ 20,631,992	\$ 1,788,271	91.33 %	\$ 987,984	181.00 %
07/01/2002	20,126,399	20,955,638	829,239	96.04	1,025,725	80.84
07/01/2001	-	21,262,936	21,262,936	0.00	1,009,090	2,107.14
07/01/2000	-	22,085,349	22,085,349	0.00	1,097,032	2,013.19
07/01/1999	-	22,269,566	22,269,566	0.00	1,326,886	1,678.33
07/01/1998	-	22,453,076	22,453,076	0.00	1,417,158	1,584.37

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2004
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	14 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.50 %
Projected salary increases	4.50 %

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

10. Employee Benefit Plans (continued)

NHRS Related Supplementary Benefits Plan

The City pays supplementary benefits of up to 50% of the last annual wage for any City employee who participates in the NHRS, was hired before June 30, 1972, and does not receive a pension benefit from the NHRS equal to at least 50% of the last annual wage. These costs are accounted for on a pay-as-you-go basis in the general fund.

At June 30, 2004, the membership consisted of:

Members currently receiving benefits	<u>52</u>
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New Hampshire Retirement System

The City contributes to the NHRS a cost-sharing, multiple-employer defined benefit pension plan administered by the state retirement board. The NHRS provides retirement and disability and death benefits to plan members and beneficiaries. Revised Statutes Annotated 100-A:16 of New Hampshire Law assigns the system the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The NHRS issues a publicly available financial report which can be obtained through the New Hampshire Retirement System at 4 Chennel Drive, Concord, New Hampshire 03301-8509.

NHRS members are required to contribute 9.30% of annual covered compensation to the pension plan. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16 and ranges from 7.87% to 13.44% of covered compensation.

The City's contributions to the system, consisting of firefighters and police officers, for the years ended June 30, 2004 and 2003 were \$2,760,949 and \$1,492,473 respectively and were equal to the required contributions. For the years ended June 30, 2004 and 2003, the City has recognized both revenue and expenditures of \$1,094,057 and \$800,863, respectively, on behalf of contributions made by the State to the NHRS.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

11. Contingent Liabilities and Insurance

There are various claims and legal actions pending against the City for which provision has been made in the financial statements starting in fiscal year 2002. In the opinion of the City Solicitor and other City officials, liabilities arising from these claims and legal actions, if any, will not be significant.

The City has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be significant.

The City's insurance coverage consists of both self-insured programs and policies maintained with various carriers. Coverage has not been materially reduced nor have settled claims exceeded commercial coverage in any of the past three years.

Changes in the balances of claims liabilities recorded by the City during the past two years are as follows:

Fiscal Year Ended	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2004	\$4,939,555	\$4,556,418	\$4,302,889	\$4,686,026
2003	4,976,402	4,640,796	\$4,603,949	4,939,555

Accident and Health

Accident and health claims are administered through a private carrier. The City is self-insured under this program. The City maintains a stop-loss policy with limits of \$100,000 per year, per claim and a 115% aggregate for the entire cost. The City has recorded \$621,964 in the General Fund for claim liabilities at year end.

Property

Property insurance is maintained with a commercial insurer and provides for a deductible of \$100,000 for each claim and an overall coverage limit of \$100,000,000.

General Liability

Liability claims are administered through a private carrier. The City is self-insured under this program, except for the Aviation Fund which maintains a liability insurance policy which provides coverage generally up to \$100,000,000 for each occurrence and in the aggregate in any one annual period of insurance. State law generally limits a city's liability for an incident to \$150,000 per individual and \$500,000 per incident. \$3,590,779 was recorded in the government wide statements for fiscal year 2004 as the City's estimated liabilities for unsettled claims.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

11. Contingent Liabilities and Insurance (continued)

Worker's Compensation

Worker's compensation claims are administered through a private carrier. The City is self-insured under this program for all City employees. There is no limit per employee. \$2,715,004 was recorded in the government wide statements as the City's estimated liability for all types of claims incurred in 2004 or prior, which have not been settled.

Department of Aviation

The DA has comprehensive airport liability insurance policies with insurance companies, which provide coverage generally up to \$100,000,000 for each occurrence and in the aggregate in any one annual period of insurance. Claims are subject to a deductible of \$1,000 for each occurrence up to a maximum of \$5,000 during any one annual insurance period.

Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

Regulatory

The City was issued an Administrative Order against it by the United States Environmental Protection Agency (EPA), ordering the City to evaluate and plan for appropriate treatment of combined sewer overflows pursuant to the Federal Clean Water Act. The City believes it is in compliance with the Administrative Order and is working with Federal and State authorities in dealing with combined sewer overflows from its publicly-owned treatment works. As of June 30, 2004, there is no pending claim by the EPA or the State.

12. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations required the City to place final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stopped accepting waste, the City reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of the financial statement date. The \$3,238,766 reported as landfill closure and postclosure care liability at June 30, 2004 represents the cumulative amount reported to date based on use of 100 percent of the estimated capacity of the landfill. The City closed the landfill on June 28, 1996. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

13. Fund Deficit

As of June 30, 2004, the CDBG and the Aggregation funds had fund deficits in the amounts of \$454,094 and \$1,699,907, respectively.

The City anticipates financing the deficits through future revenues and through future debt issuances.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2004

14 . Issued But Not Effective Professional Standards

The Governmental Accounting Standards Board (GASB) has issued statements not yet implemented by the City. The statements which might impact the City are as follows:

- GASB Statement No. 40, “Deposit and Investment Risk Disclosures.”
- GASB Statement Number 42, “Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries.”
- GASB Statement Number 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.”
- GASB Statement Number 45, “Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.”

Additionally, the Governmental Accounting Standards Board issued Statement Number 44, “Economic Condition Reporting: The Statistical Section” which amends portions of previous guidance related to the preparation of a statistical section when presented as a required part of a comprehensive annual financial report (CAFR).

15. Subsequent Events

In September 2004, the City issued \$61,970,000 of School Facilities Refunding Revenue Bonds, Series 2004 for a comprehensive renovation of school buildings. In October 2004, the City issued \$11,730,000 of GO refunding bonds, Series 2004. The interest rates of these 20-year serial bonds range from 2.0% to 5.5%.

**COMBINING AND INDIVIDUAL
FINANCIAL STATEMENTS AND SCHEDULES**



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**General Fund
Comparative Balance Sheets**

**City of Manchester, New Hampshire
June 30, 2004**

	<u>2004</u>	<u>2003</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 74,646,353	\$ 62,840,860
Restricted cash and cash equivalents	4,798,675	2,074,460
Investments	516,599	511,328
Receivables, net of allowances for collection losses	20,278,656	20,096,729
Prepaid items	3,397	4,099
Due from other funds	3,043,323	10,493,960
Inventories	595,338	589,385
Total Assets	<u>\$ 103,882,341</u>	<u>\$ 96,610,821</u>
<u>Liabilities and Fund Equity</u>		
Liabilities		
Accounts and warrants payable	\$ 4,580,659	\$ 4,672,490
Accrued liabilities	2,879,740	1,397,348
Insurance claims payable	621,964	804,454
Due to Manchester School District	24,419,382	23,550,478
Deferred revenue	18,207,297	17,190,758
Taxes collected in advance	28,107,837	26,186,396
Total Liabilities	<u>78,816,879</u>	<u>73,801,924</u>
Fund Equity		
Fund balances		
Reserved for		
Encumbrances	1,427,053	1,272,469
Inventory	595,339	589,385
Advances	1,700,039	1,623,865
Workers' compensation	2,715,004	2,964,110
Designated for		
Health insurance	1,933,868	1,879,840
General liability insurance	1,349,058	711,195
Special revenue	3,713,345	848,437
Tax rate stabilization	641,904	1,981,568
Revenue stabilization	9,633,625	9,633,624
Unreserved		
Undesignated fund balance	1,356,227	1,304,404
Total Fund Equity	<u>25,065,462</u>	<u>22,808,897</u>
Total Liabilities and Fund Equity	<u>\$ 103,882,341</u>	<u>\$ 96,610,821</u>

**General Fund
Comparative Statements of Revenues,
Expenditures and Changes in Fund Balances**

**City of Manchester, New Hampshire
Year Ended June 30, 2004**

	<u>2004</u>	<u>2003</u>
<u>Revenues</u>		
Taxes	\$ 62,989,526	\$ 59,369,549
Federal and state grants and aid	8,075,517	7,549,154
Nonenterprise charges for sales and services	4,690,757	4,491,647
Licenses and permits	21,452,411	20,521,738
Interest	735,622	736,111
Other	11,608,537	8,594,706
Total Revenues	109,552,370	101,262,905
<u>Expenditures</u>		
Current:		
General government	19,639,015	18,658,422
Public safety	39,325,628	35,444,763
Health and sanitation	2,810,741	2,462,857
Highway and streets	21,222,075	19,902,962
Welfare	1,271,988	1,352,284
Education	2,417,556	2,145,815
Parks and recreation	3,203,765	2,992,399
Debt service:		
Principal retirement	9,630,629	10,890,802
Interest	5,856,376	5,181,212
Total Expenditures	105,377,773	99,031,516
Excess of revenues over expenditures	4,174,597	2,231,389
<u>Other Financing Sources (Uses)</u>		
Proceeds of refunding bonds	24,490,273	-
Payment to refunded bond escrow agent	(24,276,368)	-
Transfers in	335,539	561,912
Transfers out	(2,467,476)	(1,790,165)
Total Other Financing Sources (Uses)	(1,918,032)	(1,228,253)
Net Change in Fund Balance	2,256,565	1,003,136
Fund Balance, beginning of year	22,808,897	21,805,761
Fund Balance, end of year	\$ 25,065,462	\$ 22,808,897

General Fund
Schedule of Revenues and Transfers in -
Budget and Actual (Budget Basis)

City of Manchester, New Hampshire
Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Taxes</u>				
Property tax	60,184,500	60,812,864	61,103,313	290,449
Boat tax	35,000	35,000	35,257	257
Cable franchise fee	1,000,000	1,000,000	1,033,635	33,635
Cost on deferred tax	18,000	18,000	29,345	11,345
Cost on tax title	20,000	20,000	22,917	2,917
Interest on tax	250,000	250,000	279,527	29,527
Interest on tax lien	400,000	400,000	264,729	(135,271)
Railroad tax	5,200	3,250	3,250	-
Tax lien	60,000	60,000	44,464	(15,536)
Total Taxes	61,972,700	62,599,114	62,816,437	217,323
<u>Federal and State Grants and Aid</u>				
CIP/federal capital	198,000	198,000	188,059	(9,941)
FEMA			200,335	200,335
Highway block grant	1,604,476	1,651,218	1,619,724	(31,494)
Home Investment Program	-	-	36,004	36,004
Landfill closure	21,372	21,372	21,372	-
Lieu of tax - Carpenter Center	47,849	47,849	50,676	2,827
Lieu of tax - MHRA	199,973	193,686	193,686	-
Lieu of tax - other	255,332	238,463	252,959	14,496
Medicare reimbursement	30,000	30,000		(30,000)
Meals & rooms tax	454,927	454,927	454,927	-
Preventive health	40,000	40,000	815	(39,185)
Revenue Sharing Distribution	3,955,713	3,955,713	3,955,713	-
Traffic reimbursement	25,000	25,000	7,190	(17,810)
Total Federal and State Grants and Aid	6,832,642	6,856,228	6,981,460	125,232
<u>Nonenterprise Charges for Sales and Services</u>				
Cemetery - Care of lot and grave	13,000	13,000	20,110	7,110
Cemetery - Cement container	27,000	27,000	23,839	(3,161)
Cemetery - Internment	108,150	108,150	99,275	(8,875)
Cemetery - Tomb storage	800	800		(800)
Cemetery - Sale of mausoleum	13,000	13,000	16,400	3,400
City Clerk - Certified record	214,000	214,000	218,978	4,978
City Clerk - Certified record, state share	(141,000)	(141,000)	(142,849)	(1,849)
City Clerk - Forfeiture Dog License				-
City Clerk - Late fee	3,500	3,500	2,367	(1,133)
City Clerk - Political filing fee	2,750	2,750	3,053	303
City Clerk - UCC financing statement	35,000	35,000	23,995	(11,005)
City Clerk - Vending machine commission	50	50	58	8
Finance - Wage assignment fee	1,800	1,800	2,081	281
Fire - Alarm permit	232,450	232,450	263,590	31,140
Fire - Central station monitoring	26,000	26,000	21,946	(4,054)
Fire - Day care inspection	2,000	2,000	2,650	650
Fire - False alarm	125,625	125,625	111,098	(14,527)
Fire - Hazardous inspection fee	3,000	3,000	1,400	(1,600)
Fire - Review of life safety code plan	1,500	1,500	4,550	3,050
Fire - Sprinkler system review	6,000	6,000	15,604	9,604

(continued)

General Fund
Schedule of Revenues and Transfers in -
Budget and Actual (Budget Basis)

City of Manchester, New Hampshire
Year Ended June 30, 2004
(Continued)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Nonenterprise Charges for Sales and Services (Continued)</u>				
Fire - Standby fee	2,000	2,000	1,545	(455)
Fire - Telephone dialer fee	400	400	725	325
Health - Day care health inspection	500	500	870	370
Health - HTLV testing and counseling				-
Health - Immunization reimbursement	6,815	6,815	8,310	1,495
Health - STD clinic test fee				-
Highway - Bid fee	1,200	1,200	840	(360)
Highway - Delay rent on landfill	30,000	30,000	29,188	(812)
Highway - Drop-off Center	574,000	574,000	545,341	(28,659)
Highway - Grade certification	4,600	4,600	4,095	(505)
Highway - Inspection fee	34,600	34,600	46,638	12,038
Highway - Maintenance	1,000	1,000	7,022	6,022
Highway - Sewer tap fee	60,000	60,000	80,700	20,700
Highway - Hackett Hill sewer recovery	-	-	16,377	16,377
Highway - Wellington sewer recovery	-	-	(26,686)	(26,686)
Highway - Youngsville sewer recovery	-	-	63,241	63,241
Human resources - Examination fee	8,000	8,000	8,900	900
Information systems - Department supplies	-	-	4,507	4,507
Parks - Concessions, rentals, bids	500	500	10,406	9,906
Parks - Softball fee	-	-	3,805	3,805
Planning - Site plan fee	75,000	75,000	47,797	(27,203)
Planning - Sub-Division fee	13,000	13,000	13,350	350
Planning - Zoning variance	30,000	30,000	57,142	27,142
Police/Fire - Accident/investigation report	66,000	66,000	71,396	5,396
Police - Auction	15,000	15,000	53,500	38,500
Police - Bicycle fee	-	-	-	-
Police - Booting fee	9,700	9,700	19,110	9,410
Police - Building violation fine	30,000	30,000	18,155	(11,845)
Police - Court parking fine	8,500	8,500	5,785	(2,715)
Police - District court fine	45,000	45,000	49,796	4,796
Police - Dog license fee	12,500	12,500	12,167	(333)
Police - Expired meter parking ticket	973,726	973,726	1,187,877	214,151
Police - Extra detail administrative	95,000	95,000	96,282	1,282
Police - Fingerprint	10,000	10,000	10,395	395
Police - Photograph sale	3,400	3,400	2,411	(989)
Police - Listed agent fee			3,250	3,250
Police - Towing fine	2,000	2,000	(2,007)	(4,007)
Police - Witness fee	105,100	105,100	95,059	(10,041)
Tax collector - auto registration parking	114,000	114,000	114,689	689
Tax collector - Demolition	-	-	-	-
Tax collector - Fee duplicate tax receipt	3,000	3,000	5,987	2,987
Tax collector - Motor vehicle title fee	50,000	50,000	58,896	8,896
Tax collector - Municipal agent fee	210,000	210,000	190,822	(19,178)
Traffic - Parking downtown meters & reserve	1,317,000	1,317,000	1,027,535	(289,465)
Traffic - Parking meter hoods revenue	60,000	60,000	16,650	(43,350)
Various - Bounced check fee	10,600	10,600	12,067	1,467
Various - Research fee	12,300	12,300	20,364	8,064
Various - Photocopy	8,300	8,300	8,313	13
Total Nonenterprise Charges for Sales and Services	4,677,366	4,677,366	4,690,757	13,391

General Fund
 Schedule of Revenues and Transfers in -
 Budget and Actual (Budget Basis)

City of Manchester, New Hampshire
 Year Ended June 30, 2004
 (Continued)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Licenses and Permits</u>				
Tax collector - Auto registration	14,555,000	14,555,000	14,399,844	(155,156)
Building - Certificate of compliance	230,000	230,000	222,520	(7,480)
Building - Building permit	1,460,600	1,460,600	1,593,389	132,789
Building - Electric permit	185,000	185,000	286,017	101,017
Building - Elevator permit	1,000	1,000	2,490	1,490
Building - Heating permit	108,000	108,000	142,881	34,881
Building - Plumbing permit	65,000	65,000	65,072	72
Building - Sign permit	20,000	20,000	25,868	5,868
Building - Yard sale permit	5,500	5,500	5,196	(304)
City Clerk - Amusement license	14,000	14,000	31,717	17,717
City Clerk - Dog license	52,000	52,000	52,182	182
City Clerk - Dog license, state share	(4,700)	(4,700)	(4,610)	90
City Clerk - Employment office license	600	600	546	(54)
City Clerk - Marriage license	43,000	43,000	43,998	998
City Clerk - Marriage license, state share	(39,500)	(39,500)	(37,164)	2,336
City Clerk - Mechanical device license	190,000	190,000	185,888	(4,112)
City Clerk - Peddler license	11,000	11,000	19,775	8,775
City Clerk - Second hand license	2,500	2,500	2,492	(8)
City Clerk - Sunday permit	80,000	80,000	88,493	8,493
City Clerk - Taxi license	11,500	11,500	10,660	(840)
Health - Bathing facility permit	8,000	8,000	9,550	1,550
Health - Food permit	145,000	145,000	147,335	2,335
Health - Septic permit	4,000	4,000	4,875	875
Highway - Encumbrance permit	5,500	5,500	6,650	1,150
Highway - Excavation permit	123,026	123,026	117,950	(5,076)
Highway - Pipe layer certification	2,000	2,000	1,825	(175)
Highway - Reclamation trust fund	273,000	273,000	297,749	24,749
Highway - Road Resurfacing	529,000	529,000	571,323	42,323
Police - Alarm permit	26,000	26,000	44,995	18,995
Police - Blasting permit	700	700	1,000	300
Police - Game of chance license	-	-	-	-
Police - Gun permit	7,000	7,000	7,125	125
Police - Place of assembly permit	25,000	25,000	28,450	3,450
Police - Towing license	16,250	16,250	13,940	(2,310)
Traffic - Parking fees	3,449,793	3,449,793	3,062,390	(387,403)
Total Licenses and Permits	21,604,769	21,604,769	21,452,411	(152,358)
<u>Interest</u>				
Income from invested funds	1,000,000	1,000,000	735,622	(264,378)

General Fund
Schedule of Revenues and Transfers in -
Budget and Actual (Budget Basis)

City of Manchester, New Hampshire
Year Ended June 30, 2004
(Continued)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Other Revenues</u>				
Building - Restitution from prior year	4,000	4,000	2,003	(1,997)
Building - Administration	800	800	1,342	542
Building - Sale of code	2,050	2,050	854	(1,196)
City Clerk - Building rent	13,200	13,200	1,400	(11,800)
City Solicitor - Worker's comp. reimb.	277,221	277,221	354,152	76,931
Public Health Improvement reimbursement	-	-	-	-
Finance - Airport reimbursement	50,000	50,000	22,857	(27,143)
Finance - Debt Recovery Livingston Park	25,000	25,000	25,000	-
Finance - Reimbursement from Water Works	-	-	20,000	20,000
Finance - Bond sale premiums	-	-	-	-
Health - HIV education reimbursement	69,000	69,000	6,033	(62,967)
Health - Immunization reimbursement	70,000	70,000	11,103	(58,897)
Health - Lead Poisoning	35,000	35,000	1,612	(33,388)
Health - STD reimbursement	25,000	25,000	535	(24,465)
Health - TB reimbursement	83,000	83,000	6,539	(76,461)
Health audit recoveries	-	-	(58,326)	(58,326)
Highway - Fuel reimbursements	6,500	6,500	11,686	5,186
Highway - Easement right	-	-	15,000	15,000
Highway / Traffic - Scrap metal and salvage	3,828	3,828	24,759	20,931
Human resources - ESP program	-	-	-	-
MEDO - Tower leases	-	-	-	-
MEDO - Wall St. Tower refinance	70,901	70,901	70,901	-
Police - Cruiser rental	5,000	5,000	7,909	2,909
Police - Extra detail revolving fund	-	-	7,730	7,730
Police - Employee benefit reimbursement	-	-	139,173	139,173
Tax collector - Excess receipt	-	-	266,969	266,969
Traffic - Repair traffic signals admin.	81,522	81,522	50,718	(30,804)
Traffic - Repair traffic signals labor	5,000	5,000	2,964	(2,036)
Traffic - Sale of capital assets	935,000	285,000	935,000	650,000
Various - Data processing	36,982	36,982	46,113	9,131
Various - Maps, prints, etc.	10,000	10,000	10,035	35
Various - Miscellaneous	83,588	83,588	83,006	(582)
Various - Reimbursement O/T salary	37,506	37,506	91,580	54,074
Various - telephone reimb.	300	300	232	(68)
Welfare - Benefit recoveries	133,000	133,000	57,673	(75,327)
MSD chargebacks	7,260,601	7,260,601	6,892,618	(367,983)
Total Other Revenues	9,323,999	8,673,999	9,109,170	435,171
Total Revenues	105,411,476	105,411,476	105,785,857	374,381
Transfers in	385,100	385,100	335,539	(49,561)
Total Transfers in	385,100	385,100	335,539	(49,561)
Total Revenues and Transfers in	105,796,576	105,796,576	106,121,396	324,820



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General Fund
Schedule of Expenditures, Encumbrances and
Other Financing Uses - Budget and Actual (Budget Basis)

	<u>Salaries & Wages</u>	<u>Employee Benefits</u>	<u>Purchased Professional Services</u>	<u>Purchased Property Services</u>	<u>Other Purchased Services</u>
General Government					
Aldermen	\$ 70,000	\$ 70,533			
Assessors	462,025	117,286		\$ 4,025	\$ 12,063
Building	966,323	316,824		3,934	29,390
City Clerk	785,767	225,098		19,328	191,532
City Solicitor	700,179	567,772	\$ 1,764		110,168
Civic Contribution					
Conservation	-	-		2,800	510
Economic Development Office	95,167	34,470		323	13,829
Elderly Services	166,039	76,577		54,974	3,798
Finance	722,778	167,630	304,869	4,138	48,067
Information Systems	1,052,724	353,780	13,436	471,592	84,363
Mayor	202,105	66,839			5,099
MCTV	342,149	24,526			
Nondepartmental					
Non-city Program					
Human Resources	606,704	(37,829)	38,905		22,354
Planning	664,535	197,082	5,120	937	9,820
Building Maintenance	679,628	240,747	3,290	309,972	3,660,822
Tax Collector	477,168	157,880	17,131	3,897	27,122
Youth Services	374,513	106,499	988	18,218	9,100
Total General Government	<u>8,367,804</u>	<u>2,685,714</u>	<u>385,503</u>	<u>894,138</u>	<u>4,228,037</u>
Public Safety					
Fire	13,874,892	4,480,395	12,649	345,841	89,709
Police	14,086,647	3,666,879	6,193	298,511	267,705
Total Public Safety	<u>27,961,539</u>	<u>8,147,274</u>	<u>18,842</u>	<u>644,352</u>	<u>357,414</u>
Health and Sanitation					
Health	1,911,763	698,118	2,094	13,601	19,672
Total Health and Sanitation	<u>1,911,763</u>	<u>698,118</u>	<u>2,094</u>	<u>13,601</u>	<u>19,672</u>
Highway and Streets					
Highway	7,820,984	2,826,980	3,319	4,821,274	216,588
Traffic	707,435	270,351	31,355	1,180,340	642,692
Total Highway and Streets	<u>8,528,419</u>	<u>3,097,331</u>	<u>34,674</u>	<u>6,001,614</u>	<u>859,280</u>
Welfare					
Welfare	456,490	141,974	179,800	24,145	84,452
Total Welfare	<u>456,490</u>	<u>141,974</u>	<u>179,800</u>	<u>24,145</u>	<u>84,452</u>
Education					
MSD					
Library	1,512,875	520,454		74,505	11,343
Total Education	<u>1,512,875</u>	<u>520,454</u>		<u>74,505</u>	<u>11,343</u>
Parks and Recreation					
Parks & Recreation	1,832,279	487,472	477	111,146	55,788
Total Parks and Recreation	<u>1,832,279</u>	<u>487,472</u>	<u>477</u>	<u>111,146</u>	<u>55,788</u>
Debt Service					
Principal retirement					
Interest					
Issue costs					
Total Debt Service					
Total Expenditures	<u>50,571,169</u>	<u>15,778,337</u>	<u>621,390</u>	<u>7,763,501</u>	<u>5,615,986</u>
Other Financing Uses					
Community improvement program					
Total Other Financing Uses					
Total Expenditures and Other Financing Uses	<u>\$ 50,571,169</u>	<u>\$ 15,778,337</u>	<u>\$ 621,390</u>	<u>\$ 7,763,501</u>	<u>\$ 5,615,986</u>

<u>Supplies & Materials</u>	<u>Capital Outlay</u>	<u>Miscellaneous</u>	<u>2004 Total Commitments</u>	<u>2004 Revised Budget</u>	<u>Commitments vs Revised Budget Variance</u>	<u>2004 Original Budget</u>	<u>2003 Total Commitments</u>
\$ 7,795	\$ 4,491	\$ 1,529	\$ 140,533	\$ 142,388	\$ 1,855	\$ 142,388	\$ 135,026
7,020		2,053	609,214	626,686	17,472	631,986	444,293
18,495	39,156	71,409	1,325,544	1,325,640	96	1,260,600	1,109,727
11,807		37,006	1,350,785	1,350,786	1	1,316,166	1,182,492
		142,386	1,428,696	971,810	(456,886)	966,810	1,573,840
634		830	142,386	142,387	1	125,700	119,645
1,751		1,834	4,774	13,202	8,428	13,202	13,310
6,886		75	147,374	172,000	24,626	172,000	233,455
14,873		86,263	308,349	309,773	1,424	295,473	274,061
16,592	27,665	664	1,348,618	1,349,804	1,186	1,257,166	1,125,610
1,007		50	2,020,816	2,023,868	3,052	2,023,868	1,934,786
		34,074	275,100	276,060	960	274,060	251,289
		1,519,853	400,749	402,019	1,270	402,019	371,625
		68,089	1,519,853	1,535,117	15,264	1,280,022	884,911
		(369)	68,089	68,089		68,089	67,597
12,233	28,856	270	670,854	1,072,169	401,315	1,048,169	1,791,823
5,446	2,386	201,830	885,596	885,618	22	939,798	851,237
414,751	14,254	74	5,525,294	5,615,081	89,787	5,615,081	5,261,279
9,023		1,164	692,295	704,795	12,500	704,795	626,254
8,546	6,452		525,480	526,764	1,284	538,764	518,672
536,859	123,260	2,169,084	19,390,399	19,514,056	123,657	19,076,156	18,770,932
405,628	67,506	59,260	19,335,880	19,462,734	126,854	19,581,334	16,787,491
446,861	15,198	159,319	18,947,313	18,947,343	30	19,292,743	17,903,052
852,489	82,704	218,579	38,283,193	38,410,077	126,884	38,874,077	34,690,543
90,906	15,606	59,238	2,810,998	3,071,406	260,408	3,071,406	2,475,542
90,906	15,606	59,238	2,810,998	3,071,406	260,408	3,071,406	2,475,542
1,102,116	127,354	1,214,722	18,133,337	18,256,567	123,230	18,252,967	17,254,728
393,100		4,938	3,230,211	3,259,745	29,534	3,267,245	3,219,154
1,495,216	127,354	1,219,660	21,363,548	21,516,312	152,764	21,520,212	20,473,882
4,710	13,189	367,335	1,272,095	1,307,294	35,199	1,307,294	1,345,431
4,710	13,189	367,335	1,272,095	1,307,294	35,199	1,307,294	1,345,431
306,957		907	2,427,041	2,428,640	1,599	2,398,640	2,148,845
306,957	-	907	2,427,041	2,428,640	1,599	2,398,640	2,148,845
300,059	75,000	378,923	3,241,144	3,308,024	66,880	3,308,024	3,018,319
300,059	75,000	378,923	3,241,144	3,308,024	66,880	3,308,024	3,018,319
		9,630,629	9,630,629	10,363,628	732,999	10,363,628	10,890,802
		5,856,376	5,856,376	5,864,924	8,548	5,864,924	5,181,213
		-					
		15,487,005	15,487,005	16,228,552	741,547	16,228,552	16,072,015
3,587,196	437,113	19,900,731	104,275,423	105,784,361	1,508,938	105,784,361	98,995,509
		1,612,215	1,612,215	1,612,215		1,612,215	1,790,165
		1,612,215	1,612,215	1,612,215		1,612,215	1,790,165
\$ 3,587,196	\$ 437,113	\$ 21,512,946	\$ 105,887,638	\$ 107,396,576	\$ 1,508,938	\$ 107,396,576	\$ 100,785,674



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CITY OF MANCHESTER, NEW HAMPSHIRE
Comprehensive Annual Financial Report
Year Ended June 30, 2004

Nonmajor Governmental Funds

Special Revenue Funds are to account for revenues legally restricted for specific expenditures.

HUD Section 108 Fund - to account for Housing Urban Development Programs that qualify for funding under Section 108.

Cash Special Projects Fund - to account for cash funded special programs, administered by City Departments.

CDBG - to account for various Community Development Block Grant funded programs.

Other Grant Fund - to account for all other Federal, State and private grants for special programs administered by City departments.

Civic Center - to account for a portion of the Meals and Rooms Tax distribution from the State of New Hampshire to help fund a City owned civic center.

Revolving Loan Fund - to account for a loan program funded by CDBG funds.

Expendable Trust Fund - to account for contributions and income received from various revenue sources for non-capital and capital reserve funds.

Permanent Funds are 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.

Cemetery Trust Fund - to account for assets, contributions and income earned on investments used to maintain the City's cemeteries and endowment funds, as well as for other purposes deemed appropriate by the Trustees.

Library Trust Fund - to account for contributions and income earned on investments used to maintain the City's library. The principal of the Trust is preserved with income used to add to the City's library resources.

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**Nonmajor Governmental Funds
Combining Balance Sheet**

	Special Revenue			
	HUD Section 108 Fund	Cash Special Projects Fund	CDBG Fund	Other Grants Fund
<u>Assets</u>				
Cash and cash equivalents	\$ 250,365	\$ 535,825		\$ 2,479,286
Restricted cash and cash equivalents				2,989,689
Investments				
Receivables, net of allowances for collection losses	6,369,635		\$ 382,817	1,306,011
Total Assets	<u>\$ 6,620,000</u>	<u>\$ 535,825</u>	<u>\$ 382,817</u>	<u>\$ 6,774,986</u>
<u>Liabilities and Fund Equity</u>				
Liabilities				
Accounts and warrants payable	\$ 6,620,000	\$ 111,495	\$ 476,858	\$ 900,724
Accrued liabilities		5,897	9,389	283,968
Due to other funds			350,664	
Deferred revenue				2,940,029
Other				199,674
Total Liabilities	<u>6,620,000</u>	<u>117,392</u>	<u>836,911</u>	<u>4,324,395</u>
Fund Equity				
Fund balances				
Reserved for				
Encumbrances		53,213	88,704	545,759
Cemetery and other trust funds				
Library				
Unreserved				
Undesignated fund balance		365,220	(542,798)	1,904,832
Total Fund Equity (Deficit)		<u>418,433</u>	<u>(454,094)</u>	<u>2,450,591</u>
Total Liabilities and Fund Equity	<u>\$ 6,620,000</u>	<u>\$ 535,825</u>	<u>\$ 382,817</u>	<u>\$ 6,774,986</u>

Special Revenue			Permanent Funds		
Civic Center Fund	Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	Total
353,364	\$ 1,882 100,893	\$ 71,668 1,190,032	\$ 92,585 13,505,114	\$ 30,931 94,009 2,713,658	\$ 3,815,906 3,184,591 17,408,804
	71,823	6	70	10,486	8,140,848
<u>\$ 353,364</u>	<u>\$ 174,598</u>	<u>\$ 1,261,706</u>	<u>\$ 13,597,769</u>	<u>\$ 2,849,084</u>	<u>\$ 32,550,149</u>
					\$ 8,109,077 299,254 350,664 2,940,029 199,674
					<u>11,898,698</u>
					-
					-
			\$ 13,597,769		687,676 13,597,769 2,849,084
				\$ 2,849,084	3,516,922
<u>\$ 353,364</u>	<u>174,598</u>	<u>1,261,706</u>	<u>13,597,769</u>	<u>2,849,084</u>	<u>20,651,451</u>
<u>\$ 353,364</u>	<u>\$ 174,598</u>	<u>\$ 1,261,706</u>	<u>\$ 13,597,769</u>	<u>\$ 2,849,084</u>	<u>\$ 32,550,149</u>

**Nonmajor Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances**

	HUD Section 108 Fund	Special Revenue		
		Cash Special Projects Fund	CDBG Fund	Other Grant Fund
Revenues				
Federal and state grants and aid			\$ 4,282,014	\$ 7,180,138
Nonenterprise charges for sales and services				140,937
Interest				1,643
Contributions				
Net loss on sale of securities				
Other				920,338
Total Revenues			4,282,014	8,243,056
Expenditures				
Current:				
General government		\$ 697,257	3,375,798	2,994,746
Public safety		6,069	3,700	1,255,835
Health and sanitation		5,503	31,665	1,967,205
Highway and streets		766,409	580,939	491,772
Welfare		500		69,358
Education				
Parks and recreation		155,725	597,390	400,788
Cemetery Trust				
Investment management fee				
Total Expenditures		1,631,463	4,589,492	7,179,704
Excess (deficiency) of revenues over expenditures		(1,631,463)	(307,478)	1,063,352
Other Financing Sources (Uses)				
Transfers in		1,642,043		
Transfers out		(30,267)		
Total Other Financing Sources (Uses)		1,611,776		
Net Change in Fund Balance		(19,687)	(307,478)	1,063,352
Fund Balance (Deficit), beginning of year		438,120	(146,616)	1,387,239
Fund Balance (Deficit), end of year	\$ -	\$ 418,433	\$ (454,094)	\$ 2,450,591

City of Manchester, New Hampshire
Year Ended June 30, 2004

Special Revenue			Permanent Funds		
Civic Center Fund	Revolving Loan Fund	Expendable Trust	Cemetery Trust	Library Trust	Total
\$ 2,741,235					\$ 14,203,387
2,706	\$ 17,547	\$ 10,220	\$ 247,514	\$ 84,617	140,937
			81,430	13,239	364,247
		380,847	1,722,368	204,659	94,669
175,000					2,307,874
2,918,941	17,547	391,067	2,051,312	302,515	18,206,452
2,741,235		160,896			9,969,932
					1,265,604
					2,004,373
					1,839,120
					69,858
				93,128	93,128
					1,153,903
			30,889		30,889
			13,206		29,071
2,741,235	17,547	160,896	44,095	108,993	16,455,878
177,706	17,547	230,171	2,007,217	193,522	1,750,574
					1,642,043
			(335,100)		(365,367)
			(335,100)		1,276,676
177,706	17,547	230,171	1,672,117	193,522	3,027,250
175,658	157,051	1,031,535	11,925,652	2,655,562	\$17,624,201
\$ 353,364	\$ 174,598	\$ 1,261,706	\$ 13,597,769	\$ 2,849,084	\$ 20,651,451



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CITY OF MANCHESTER, NEW HAMPSHIRE
Comprehensive Annual Financial Report
Year Ended June 30, 2004

Enterprise Funds - to account for the operations of the City that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis will be recovered or financed primarily through user charges.

Recreation Fund - to account for certain operations of the Parks and Recreation Department related to the revenue generating recreational facilities owned by the City. These facilities included a ski area, a golf course, a stadium and two ice skating rinks.

Aggregation Fund - to account for revenues and expenditures incurred in procuring energy services for the City.

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	Business-type Activities-Enterprise Funds		
	Non-Major		
	Recreation Fund	Aggregation Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 668,445		\$ 668,445
Receivables, net of allowances for collection losses	136,622	\$ 4,600	141,222
Total current assets:	<u>805,067</u>	<u>4,600</u>	<u>809,667</u>
Noncurrent assets:			
Capital assets, net, where applicable, of accumulated depreciation	9,856,571	288	9,856,859
Other assets	30,736		30,736
Total noncurrent assets:	<u>9,887,307</u>	<u>288</u>	<u>9,887,595</u>
Total Assets	<u>\$ 10,692,374</u>	<u>\$ 4,888</u>	<u>\$ 10,697,262</u>
Liabilities			
Current liabilities			
Accounts and warrants payable	\$ 61,911	\$ 1,050	\$ 62,961
Accrued liabilities	199,501	2,652	202,153
Due to other funds	226,168	1,700,039	1,926,207
Deferred revenue	18,528		18,528
Bonds and notes payable - City	127,823		127,823
Compensated absences	157,978	766	158,744
Total Current liabilities	<u>791,909</u>	<u>1,704,507</u>	<u>2,496,416</u>
Noncurrent liabilities			
Bonds payable	2,368,925		2,368,925
Total Noncurrent liabilities	<u>2,368,925</u>	<u>-</u>	<u>2,368,925</u>
Total Liabilities	<u>3,160,834</u>	<u>1,704,507</u>	<u>4,865,341</u>
Net Assets			
Invested in Capital Assets, net of related debt	7,514,798	288	7,515,086
Unreserved	16,742	(1,699,907)	(1,683,165)
Total Net Assets	<u>\$ 7,531,540</u>	<u>\$ (1,699,619)</u>	<u>\$ 5,831,921</u>

Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets (Deficits)

City of Manchester, New Hampshire
Year Ended June 30, 2004

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Recreation Fund</u>	<u>Aggregation Fund</u>	<u>Total</u>
<u>Operating Revenues</u>			
Charges for goods and services	\$ 2,138,738	\$ 55,661	\$ 2,194,399
Other	92,525		92,525
Total Operating Revenues	2,231,263	55,661	2,286,924
<u>Operating Expenses</u>			
Personnel services	1,713,733	89,062	1,802,795
Plant maintenance	241,261		241,261
Light/heat and power	255,218		255,218
General and administrative	254,116	23,261	277,377
Depreciation and amortization	308,247	41,586	349,833
Total Operating Expenses	2,772,575	153,909	2,926,484
Operating Loss	(541,312)	(98,248)	(639,560)
<u>Non-Operating Revenues (Expenses), net</u>			
Interest expense	(88,347)	(20,032)	(108,379)
Rent and other income	24,738		24,738
Gain on disposal of fixed assets	1,351	(238)	1,113
Transfer from capital projects fund	5,346,517		5,346,517
Total Non-operating Revenues (Expenses)	5,284,259	(20,270)	5,263,989
Net income (loss) before capital contributions	4,742,947	(118,518)	4,624,429
Capital Contributions	189,019		189,019
Change in Net Assets	4,931,966	(118,518)	4,813,448
Fund Net Assets (Deficit), beginning of year	2,599,574	(1,581,101)	1,018,473
Fund Net Assets (Deficit), end of year	\$ 7,531,540	\$ (1,699,619)	\$ 5,831,921

Nonmajor Proprietary Funds
Statement of Cash Flows

City of Manchester, New Hampshire
Year Ended June 30, 2004

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Recreation Fund</u>	<u>Aggregation Fund</u>	<u>Total</u>
<u>Cash Flows from Operating Activities</u>			
Cash received from customers	\$ 2,288,977	\$ 55,354	\$ 2,344,331
Cash payments for goods and services	(635,081)	(22,156)	(657,237)
Cash payments to employees for services	(1,694,200)	(89,340)	(1,783,540)
Other operating revenues	24,738		24,738
Net Cash Used in Operating Activities	(15,566)	(56,142)	(71,708)
<u>Cash Flows from Non-Capital and Related Financing Activities</u>			
Interest paid on cash advances		(20,032)	(20,032)
Short-term cash advance (to) from City	(175,459)	76,174	(99,285)
Net Cash Provided by (Used in) Non-Capital & Related Financing Activities	(175,459)	56,142	(119,317)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Proceeds from general obligations	1,678,348		1,678,348
Principal paid on bonds	(127,600)		(127,600)
Interest paid on bonds	(83,546)		(83,546)
Proceeds of capital contributions	189,019		189,019
Acquisition and construction of capital assets	(796,751)		(796,751)
Net Cash Provided by Capital & Related Financing Activities	859,470	-	859,470
Net Change in Cash and Cash Equivalents	668,445	-	668,445
Cash and Cash Equivalents at Beginning of Year	-	-	-
Cash and Cash Equivalents at End of Year	\$ 668,445	\$ -	\$ 668,445
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (541,312)	\$ (98,248)	\$ (639,560)
Adjustments to reconcile operating loss to cash provided by operating activities:			
Depreciation and amortization	308,247	41,586	349,833
Non-operating revenue	24,738		24,738
Change in Assets and Liabilities			
(Increase) decrease in receivables	57,980	(307)	57,673
Decrease in inventories		5,908	5,908
Decrease in accounts payable	(36,759)	(3,137)	(39,896)
Increase (decrease) in accrued liabilities	163,488	(555)	162,933
Increase (decrease) in compensated absences	8,318	(1,389)	6,929
Decrease in Deferred Revenue	(266)		(266)
Net Cash Used in Operating Activities	\$ (15,566)	\$ (56,142)	\$ (71,708)
Schedule of Noncash Investing, Capital and Financing Activities			
Transfer of Debt to General fund		25,000	25,000
Donation of land			



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CITY OF MANCHESTER, NEW HAMPSHIRE
Comprehensive Annual Financial Report
Year Ended June 30, 2004

Governmental Capital Assets - Capital assets of the City used in the operation not related to specific proprietary or trust funds.

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Governmental Capital Assets
Schedule of Capital Assets - By Source

City of Manchester, New Hampshire
June 30, 2004

Capital Assets

Land	\$ 19,129,093
Buildings	182,621,018
Improvements other than buildings	16,323,562
Equipment	6,570,771
Work-in-Process	42,403,357
Vehicles	18,743,736
Infrastructure	41,460,093

Total Capital Assets \$ 327,251,630

Investments in Capital Assets

Capital project funds	\$ 275,703,260
General fund revenues	27,195,218
Special revenue funds	24,353,152

Total Investments in Capital Assets \$ 327,251,630

	Land	Buildings	Improvements other than buildings	Equipment	Vehicles	Infrastructure	Total
General Government							
Assessors				\$ 5,985	\$ 161,630		\$ 167,615
Building				51,990	37,840		180,134
City Clerk		\$ 90,304		5,115			5,115
City Solicitor							
Civic Center	\$ 2,960,900	62,739,798					65,700,698
Economic Development Office	4,109,431			5,294			4,114,725
Elderly Services							-
Finance	240,833	3,770,053		25,775			4,036,661
Information Systems				920,829	14,375		935,204
Mayor					20,158		20,158
Personnel				8,354	21,663		30,017
Planning	44,714	768,974		25,311			838,999
Public Buildings	437,250	7,888,750	\$ 115,084	22,507	234,301		8,697,892
Tax Collector							-
Youth Services							-
Total General Government	7,793,128	75,257,879	115,084	1,071,160	489,967	-	84,727,218
Public Safety							
Fire Protection	661,291	8,709,751	55,714	446,019	7,864,526		17,737,301
Police Protection	96,115	3,445,944	52,716	277,176	1,473,071		5,345,022
Total Public Safety	757,406	12,155,695	108,430	723,195	9,337,597	-	23,082,323
Health and Sanitation							
Cemetery	71,255	298,604		373,883	374,977		1,118,719
Health				164,530	227,559		392,089
Total Health and Sanitation	71,255	298,604	-	538,413	602,536	-	1,510,808
Highway and Streets							
Highway	108,104	1,270,028	800,564	692,781	7,077,465	\$ 40,790,019	50,738,961
Traffic	3,687,950	9,892,097	1,853,279	240,436	313,145		15,986,907
Total Highway and Streets	3,796,054	11,162,125	2,653,843	933,217	7,390,610	40,790,019	66,725,868
Welfare							
Welfare	27,489	109,955			22,988		160,432
Total Welfare	27,489	109,955	-	-	22,988	-	160,432
Education							
High School Athletics							-
Library	72,270	1,334,211		63,000			1,469,481
School	1,609,845	78,489,617	1,835,615	67,633			82,002,710
Total Education	1,682,115	79,823,828	1,835,615	130,633	-	-	83,472,191
Parks and Recreation							
Parks & Recreation	5,001,646	3,812,932	11,610,590	3,174,153	900,038	670,074	25,169,433
Total Parks and Recreation	5,001,646	3,812,932	11,610,590	3,174,153	900,038	670,074	25,169,433
Construction in Progress		42,116,734	286,623				42,403,357
Total General Fixed Assets Allocated to Functions	\$ 19,129,093	\$ 224,737,752	\$ 16,610,185	\$ 6,570,771	\$ 18,743,736	\$ 41,460,093	\$ 327,251,630

Governmental Capital Assets
 Schedule of Changes in Capital Assets - By Function and Activity

City of Manchester, New Hampshire
 Year Ended June 30, 2004

	Capital Assets Beginning of Year	Additions	Deductions	Transfers	Capital Assets End of Year
General Government					
Building	\$ 121,161	\$ 81,337	\$ (47,977)	\$ 13,094	\$ 167,615
City Clerk	166,145	13,989			180,134
City Solicitor	5,115				5,115
Civic Center	65,700,698				65,700,698
Economic Development Office	4,114,725				4,114,725
Finance	130,775	2,101,974		1,803,912	4,036,661
Information Systems	954,172	84,181	(103,149)		935,204
Mayor	19,495	20,158		(19,495)	20,158
Personnel	21,663	8,354			30,017
Planning	838,999				838,999
Public Buildings	8,737,842	178,601	(117,450)	(101,101)	8,697,892
Tax Collector					
Youth Services					
Total General Government	80,810,790	2,488,594	(268,576)	1,696,410	84,727,218
Public Safety					
Fire Protection	14,009,852	3,211,929	(473,426)	988,946	17,737,301
Police Protection	4,681,469	973,429	(239,294)	(70,582)	5,345,022
Total Public Safety	18,691,321	4,185,358	(712,720)	918,364	23,082,323
Health and Sanitation					
Cemetery	1,067,618	58,886	(7,785)		1,118,719
Health	406,231	108,529	(122,671)		392,089
Total Health and Sanitation	1,473,849	167,415	(130,456)		1,510,808
Highway and Streets					
Highway	44,437,222	6,663,602	(469,082)	107,219	50,738,961
Traffic	21,628,117	137,663	(5,830,242)	51,369	15,986,907
Total Highway and Streets	66,065,339	6,801,265	(6,299,324)	158,588	66,725,868
Welfare					
Welfare	137,444	22,988			160,432
Total Welfare	137,444	22,988			160,432
Education					
Library	1,516,679		(47,198)		1,469,481
School	70,994,243	1,195,382		9,813,085	82,002,710
Total Education	72,510,922	1,195,382	(47,198)	9,813,085	83,472,191
Parks and Recreation					
Parks & Recreation	21,800,778	3,218,392	(39,800)	190,063	25,169,433
Total Parks and Recreation	21,800,778	3,218,392	(39,800)	190,063	25,169,433
Construction in Progress	18,902,050	36,277,817		(12,776,510)	42,403,357
Total General Fixed Assets Allocated to Functions	\$ 280,392,493	\$ 54,357,211	\$ (7,498,074)	\$ -	\$ 327,251,630



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**STATISTICAL
SECTION**



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General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Health and Sanitation	Highway and Streets	Welfare
1995	13,024,281	23,949,556	2,412,168	13,238,142	1,089,981
1996	14,047,737	24,822,918	2,356,684	14,468,980	1,118,771
1997	11,878,493	25,163,363	2,451,268	16,126,906	1,035,032
1998	11,469,775	27,063,571	2,544,046	16,538,533	1,524,002
1999	15,082,402	28,775,663	1,984,397	17,426,902	932,944
2000	17,751,003	29,689,148	2,304,060	18,505,080	1,213,010
2000 (3)					
2000	<u>17,751,003</u>	<u>29,689,148</u>	<u>2,304,060</u>	<u>18,505,080</u>	<u>1,213,010</u>
2001	17,384,526	32,148,521	2,620,250	19,717,326	1,401,741
2001 (3)					
2001	<u>17,384,526</u>	<u>32,148,521</u>	<u>2,620,250</u>	<u>19,717,326</u>	<u>1,401,741</u>
2002	18,368,831	34,556,506	2,711,544	20,099,068	2,146,722
2002 (3)					
2002	<u>18,368,831</u>	<u>34,556,506</u>	<u>2,711,544</u>	<u>20,099,068</u>	<u>2,146,722</u>
2003	18,658,422	35,444,763	2,462,857	19,902,962	1,352,284
2003 (3)					
2003	<u>18,658,422</u>	<u>35,444,763</u>	<u>2,462,857</u>	<u>19,902,962</u>	<u>1,352,284</u>
2004	19,639,015	39,325,628	2,810,741	21,222,075	1,271,988
2004 (3)					
2004	<u>19,639,015</u>	<u>39,325,628</u>	<u>2,810,741</u>	<u>21,222,075</u>	<u>1,271,988</u>

Notes

- (1) Includes the General Fund only prepared using GAAP basis.
- (2) Beginning in fiscal 1995 many recreation functions were accounted for in the Enterprise Fund.
- (3) MSD is included as a governmental discrete component unit beginning in fiscal year 2000.
- (4) City and MSD combined school chargebacks , were not allocated to school department from other general fund departments prior to this year.

Education	Parks and Recreation	Debt Service	Total Expenditures
65,080,717	1,088,965	(2) 15,501,374	135,385,184
70,883,458	1,166,400	15,290,065	144,155,013
69,740,141	1,158,885	16,872,450	144,426,538
78,409,488	1,169,744	16,164,151	154,883,310
79,988,320	2,411,070	19,733,680	166,335,378
3,049,175	2,790,074	13,522,285	88,823,835
107,809,716 (4)		8,407,080	116,216,796
<u>110,858,891</u>	<u>2,790,074</u>	<u>21,929,365</u>	<u>205,040,631</u>
2,184,410	2,940,972	13,873,698	92,271,444
108,250,789		8,194,461	116,445,250
<u>110,435,199</u>	<u>2,940,972</u>	<u>22,068,159</u>	<u>208,716,694</u>
2,258,746	3,034,011	14,755,024	97,930,452
128,526,953		-	128,526,953
<u>130,785,699</u>	<u>3,034,011</u>	<u>14,755,024</u>	<u>226,457,405</u>
2,145,815	2,992,399	16,072,014	99,031,516
136,173,457		-	136,173,457
<u>138,319,272</u>	<u>2,992,399</u>	<u>16,072,014</u>	<u>235,204,973</u>
2,417,556	3,203,765	15,487,005	105,377,773
146,830,693		-	146,830,693
<u>149,248,249</u>	<u>3,203,765</u>	<u>15,487,005</u>	<u>252,208,466</u>

General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	Taxes	Federal and State	Charges for Sales and Services	Licenses and Permits
1995	95,650,105	13,191,242	10,795,404	10,192,255
1996	100,570,543	13,645,131	11,120,727	11,120,727
1997	103,951,582	14,354,349	11,578,643	13,802,836
1998	107,223,578	18,769,545	13,711,063	14,129,835
1999	117,348,501	17,963,054	14,138,976	14,969,847
2000	60,190,452	7,302,746	3,615,039	16,212,440
2000 (2)	<u>23,167,248</u> (3)	<u>71,911,186</u>	<u>13,458,205</u>	-
2000	83,357,700	79,213,932	17,073,244	16,212,440
2001	58,628,056	7,146,789	3,898,497	18,432,863
2001 (2)	<u>26,968,740</u> (3)	<u>72,758,132</u>	<u>15,689,722</u>	-
2001	85,596,796	79,904,921	19,588,219	18,432,863
2002	59,020,928	7,291,673	4,432,086	19,744,630
2002 (2)	<u>27,046,973</u> (3)	<u>84,367,190</u>	<u>15,266,844</u>	-
2002	86,067,901	91,658,863	19,698,930	19,744,630
2003	59,369,549	7,549,154	4,491,647	20,521,738
2003 (2)	<u>34,512,636</u> (3)	<u>87,782,355</u>	<u>16,539,326</u>	-
2003	93,882,185	95,331,509	21,030,973	20,521,738
2004	62,989,526	8,075,517	4,690,757	21,452,411
2004 (2)	<u>36,657,061</u> (3)	<u>91,071,375</u>	<u>18,188,696</u>	-
2004	99,646,587	99,146,892	22,879,453	21,452,411

Notes

- (1) Includes the General Fund only using GAAP basis.
- (2) MSD is included as a governmental discrete component unit beginning in fiscal year 2000.
- (3) The City issues a combined property tax bill for both local and state funding. The State portion is included in federal and state.

Interest	Other	Total Revenues
1,856,668	3,200,885	134,886,559
2,426,075	2,969,759	141,852,962
2,342,522	3,100,525	149,130,457
2,008,604	1,403,320	157,245,945
1,989,669	1,384,046	167,794,093
2,548,473	6,655,281	96,524,431
-	5,626,537	114,163,176
<u>2,548,473</u>	<u>12,281,818</u>	<u>210,687,607</u>
2,255,766	7,942,319	98,304,290
443,944	1,153,134	117,013,672
<u>2,699,710</u>	<u>9,095,453</u>	<u>215,317,962</u>
1,132,648	9,120,585	100,742,550
202,593	76,678	126,960,275
<u>1,335,241</u>	<u>9,197,263</u>	<u>227,702,828</u>
736,111	8,594,706	101,262,905
129,158	151,495	139,114,967
<u>865,269</u>	<u>8,746,201</u>	<u>240,377,875</u>
735,622	11,608,537	109,552,370
106,215	508,910	146,532,254
<u>841,837</u>	<u>12,117,447</u>	<u>256,084,627</u>

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy	Current Tax Collections (1)	Percent of Current Taxes Collected	Delinquent Tax Collections (1)
1995	106,908,274	102,767,174	96.13%	7,196,199
1996	106,457,759	103,886,028	97.58%	4,683,658
1997	113,630,813	110,590,166	97.32%	3,464,940
1998	114,851,627	112,425,511	97.89%	2,869,480
1999	120,680,494	117,945,857	97.73%	4,035,991
2000	67,984,582			
2000 (2)	47,634,400			
2000	<u>115,618,982</u>	113,614,291	98.56%	2,539,282
2001	63,738,811			
2001 (2)	52,484,694			
2001	<u>116,223,505</u>	114,648,459	98.64%	2,355,346
2002	66,132,649			
2002 (2)	55,489,470			
2002	<u>121,622,119</u>	120,213,115	98.84%	2,188,790
2003	66,896,880			
2003 (2)	63,667,857			
2003	<u>130,564,737</u>	129,134,168	98.90%	1,506,291
2004	71,226,134			
2004 (2)	64,497,077			
2004	<u>135,723,211</u>	134,487,059	99.09%	1,446,467

Notes

- (1) Actual collections of levy, including additional warrants (less refunds), and amounts refundable, including proceeds from tax titles, possessions, abatements and other credits.
- (2) MSD is included as a governmental discrete component unit beginning in fiscal year 2000.

City of Manchester, New Hampshire
Table III

Total Tax Collections (1)	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
109,963,373	102.86%	8,505,985	7.96%
108,569,686	101.98%	6,394,058	6.01%
114,055,106	100.37%	5,969,765	5.25%
115,294,991	100.39%	5,526,401	4.81%
121,981,848	101.08%	4,225,047	3.50%
116,153,574	100.64%	3,690,455	2.82%
117,003,805	100.67%	2,910,155	2.50%
122,401,905	100.64%	2,130,369	1.75%
130,640,459	100.06%	2,054,648	1.57%
135,933,526	100.15%	1,844,332	1.36%

**Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year	RESIDENTIAL REAL PROPERTY		NON-RESIDENTIAL REAL PROPERTY	
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value
1995	2,189,624,800	1,832,332,667	1,546,090,000	1,333,994,744
1996	2,207,856,400	1,843,933,159	1,470,693,500	1,267,839,224
1997	2,236,972,700	1,928,424,741	1,455,775,600	1,254,978,966
1998	2,259,471,600	1,984,603,953	1,465,117,900	1,286,884,409
1999	2,282,638,700	2,037,888,314	1,521,938,800	1,358,752,611
2000	2,304,804,600	2,093,183,725	1,557,536,400	1,414,527,654
2001	2,336,235,300	2,157,786,367	1,560,443,200	1,441,251,686
2002 (3)	3,144,786,262	2,953,682,974	2,123,426,704	1,994,389,691
2003	3,176,542,062	3,049,090,096	2,088,003,742	2,004,227,051
2004	3,225,785,062	3,176,861,396	2,095,599,838	2,063,817,055

Notes

- (1) Exemptions for the blind and elderly.
- (2) Amounts shown are net taxable assessed values after deducting exemptions for the blind and elderly.
- (3) Reflects the new assessed valuation determined through a Citywide valuation.

City of Manchester, New Hampshire
Table IV

Exemptions (1)	TOTAL		Ratio of Total Assessed Value to Total Estimated Market Value
	Assessed Value (2)	Estimated Market Value	
65,964,850	3,669,749,950	3,166,327,411	115.90%
67,420,550	3,611,129,350	3,111,772,383	116.05%
68,416,750	3,624,331,550	3,183,403,707	113.85%
60,331,000	3,664,258,500	3,271,488,362	112.01%
64,695,250	3,739,882,250	3,396,640,925	110.11%
64,609,150	3,797,731,850	3,507,711,379	108.27%
64,874,250	3,831,804,250	3,599,038,053	106.47%
113,152,500	5,155,060,466	4,948,072,665	104.18%
133,472,400	5,131,073,404	5,053,317,147	101.54%
138,579,800	5,182,805,100	5,240,678,451	98.90%

**Special Assessment Billings and Collection -
Central Business District
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Assessment Billings</u>	<u>Current Collections</u>	<u>Percent of Billings Collected</u>	<u>Delinquent Assessment Collections</u>
1995	40,600	40,600	100.00%	-
1996	180,374	180,108	99.85%	-
1997	150,272	149,300	99.35%	164
1998	167,176	155,238	92.86%	-
1999	223,818	222,206	99.28%	11,958
2000	221,289	218,844	98.90%	2,432
2001	205,833	204,208	99.21%	1,505
2002	207,495	192,415	92.73%	2,819
2003	220,253	218,496	99.20%	13,284
2004	224,848	224,730	99.95%	2,287

<u>Total Collections</u>	<u>Total Collections as a Percent of Total Billings</u>	<u>Outstanding Delinquent Assessments</u>	<u>Ratio of Delinquent Assessments to Total Billings</u>
40,600	100.00%	-	0.00%
180,108	99.85%	266	0.15%
149,464	99.46%	1,074	0.71%
155,238	92.86%	13,032	7.80%
234,164	104.62%	2,686	1.20%
221,276	99.99%	2,699	1.22%
205,713	99.94%	2,819	1.37%
195,234	94.09%	15,080	7.27%
231,779	105.23%	3,555	1.61%
227,017	100.96%	1,386	0.62%

REAL PROPERTY TAX RATES

Fiscal Year	Rate per thousand (1)				Total
	City	School Local	School State	County	
1995	10.93	15.73		2.00	28.66
1996	10.29	17.32		2.02	29.63
1997	11.37	17.42		2.05	30.84
1998	11.88	17.31		1.97	31.16
1999	12.17	18.47		1.91	32.55
2000	15.53	6.10	\$ 6.94	1.92	30.49 (2)
2001	14.74	7.04	6.86	2.04	30.68
2002	11.26	5.25	5.66	1.65	23.82 (3)
2003	11.51	6.73	5.83	1.61	25.68
2004	12.19	7.07	5.49	1.65	26.40

Notes

- (1) Rates are based on assessed value of property. Assessment rate for real property is 100% percent.
- (2) Beginning in 2000, Rate includes Statewide tax for education.
- (3) 2002 tax rate reflects the new assessed valuation determined through a Citywide valuation.

Base Valuation - Real Estate		(1)	\$ 8,368,370,664
Legal Debt Limit (City):			
9.75% of Base Valuation			\$ 815,916,140
Amount of Debt Applicable to Legal Debt Limit:			
Total Bonded Debt for General Government	(2)	\$ 177,592,090	
Recreation Enterprise Debt		2,496,748	
Less: Debt for Fiscal Year Conversion		(2,926,872)	
Less: Debt for Urban Redevelopment		(2,839,921)	
Less: Debt for Parking Facilities		(2,482,611)	
Less: Debt for Pension Obligation Bonds		(16,606,657)	
			<u>155,232,777</u>
Legal Debt Limit - City			<u>\$660,683,363</u>
Legal Debt Margin:			
Percent of:			
Legal Debt Margin Outstanding		19.0%	
Legal Debt Margin Available		<u>81.0%</u>	
		<u>100.0%</u>	
Legal Debt Limit (School):			
7% of Base Valuation			\$ 585,785,946
Amount of Debt Applicable to Legal Debt Limit:			
Bonded Debt for School District		\$ 146,035,456	
Less: Debt for facilities revenue bond		\$ (101,410,000)	
Less: Debt for fiscal year conversion		(1,521,974)	
Less: Debt for Pension Obligation Bonds		(47,201)	
			<u>43,056,281</u>
Legal Debt Limit - School			<u>\$ 542,729,666</u>
Legal Debt Margin:			
Percent of:			
Legal Debt Margin Outstanding		7.4%	
Legal Debt Margin Available		<u>92.6%</u>	
		<u>100.0%</u>	
Legal Debt Limit (Water and Waste Water):			
10% of Base Valuation			\$ 836,837,066
Amount of Debt Applicable to Legal Debt Limit:			
Debt for water projects		\$ 49,888,774	
Less: Debt for revenue bonds		\$ (38,345,000)	
Debt for sewer projects		32,341,217	
			<u>43,884,991</u>
Legal Debt Limit - Water & Wastewater			<u>\$ 792,952,075</u>
Legal Debt Margin:			
Percent of:			
Legal Debt Margin Outstanding		5.2%	
Legal Debt Margin Available		<u>94.8%</u>	
		<u>100.0%</u>	
Summary of Base Valuation:			
2003 Net Local Assessed Valuation			\$ 5,321,384,900
State of New Hampshire Dept. of Revenue Administration Inventory Adjustment			2,816,820,459
State of New Hampshire Dept. of Revenue Administration Shared Revenue Adjustment			<u>230,165,305</u>
			<u>\$ 8,368,370,664</u>

- (1) The general debt limit of the City is 9.75% of base valuation. The base valuation for computing the debt limit is determined by adding the amount of taxable property lost to cities, towns and districts as a result of the enactment of the State Business Profit Tax Law to the "equalize assessed valuation". Not more than 7% of the base valuation may be incurred for school purposes. Water and sewer projects ordered by the State Water Supply and Pollution Control Commission, self-supporting sewer debt, debt for urban redevelopment and housing purposes, and overlapping debt are excluded from the measure of indebtedness. Other water projects are subject to a separate, special debt limit of 10% of the City's base valuation. Borrowings authorized by legislative acts rather than the general municipal finance statutes are sometimes excluded from a city or town's debt limit.
- The Total Equalized Valuation figure includes Utility Valuation and Railroad Monies Reimbursements.
- (2) The total bonded debt for general government includes the School District portion.

**Ratio of Net General Obligation Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Debt Payable from Enterprise Revenues and School Revenue Bond
1995	100,668	3,669,749,950	183,319,614	81,919,281
1996	101,900	3,611,129,350	201,193,606	83,240,962
1997	102,675	3,624,331,550	185,624,973	79,118,458
1998	103,330	3,664,258,500	196,451,555	75,198,876
1999	105,221	3,739,882,250	303,770,286	196,421,507
2000	106,180	3,797,731,850	381,830,519	254,435,951
2001	107,297	3,831,804,250	371,180,560	260,310,117
2002	108,078	5,155,060,466	467,614,567	331,827,007
2003	108,150	5,131,073,404	439,401,854	320,465,159
2004	109,234	5,182,805,100	635,107,072	411,140,000

Notes

- (1) Population figures acquired from State of New Hampshire, Planning Department.
- (2) From Table IV.

Net General Obligation Bonded Debt	Ratio of Net General Obligation Bonded Debt to Assessed Value	Net General Obligation Bonded Debt Per Capita
101,400,333	2.76%	1,007
117,952,644	3.27%	1,158
106,506,515	2.94%	1,037
121,252,679	3.31%	1,173
107,348,779	2.87%	1,020
127,394,568	3.35%	1,200
110,870,443	2.89%	1,033
135,787,560	2.63%	1,256
118,936,695	2.32%	1,100
223,967,072	4.32%	2,050

Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures (1) Last Ten Fiscal Years

**City of Manchester, New Hampshire
Table IX**

Fiscal Year	Total General Governmental Expenditures (City/MSD)	Bonded Debt Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
1995	135,385,184	15,501,374	11.45%
1996	144,155,013	15,290,065	10.61%
1997	144,426,538	16,872,450	11.68%
1998	154,883,310	16,164,151	10.44%
1999	166,335,378	19,733,680	11.86%
2000	88,823,835	13,522,285	
2000 (3)	<u>100,643,360</u>	<u>8,477,713</u>	
2000	189,467,195	21,999,998	11.61%
2001	92,271,444	13,873,698	
2001 (3)	<u>104,032,817</u>	<u>8,194,461</u>	
2001	196,304,261	22,068,159	11.24%
2002	97,930,452	14,596,362	
2002 (3)	<u>112,773,899</u>	<u>8,439,589</u>	
2002	210,704,351	23,035,951	10.93%
2003	99,031,517	16,072,014	
2003 (3)	<u>119,872,722</u>	<u>9,250,388</u>	
2003	218,904,239	25,322,402	11.57%
2004	105,377,773	15,487,004	
2004 (3)	<u>126,370,248</u>	<u>9,079,857</u>	
2004	231,748,021	24,566,861	10.60%

Notes

- (1) Includes the General Fund only.
- (2) General obligation bonds reported in enterprise funds have been excluded.
- (3) MSD is included as a governmental discrete component unit beginning in fiscal year 2000.

DIRECT DEBT:

School	\$ 43,056,281
Parking Facilities	16,606,657
Urban renewal	2,839,921
Fiscal Year Conversion	2,926,872
Other	<u>158,537,341</u>
	<u>\$ 223,967,072</u>

OVERLAPPING DEBT:

<u>Overlapping Entity</u>	<u>Outstanding Debt</u>	<u>City Estimated Share (1)</u>	
		<u>%</u>	<u>\$ Amount</u>
Hillsborough County (2)	\$ -	N/A	N/A

Notes

- (1) Estimated share and dollar amount of outstanding debt based upon City's share of total 2001 assessments to member communities.
- (2) Source: Hillsborough County Treasurer. Share varies on basis of most recent equalized assessed valuation as determined by the State Department of Revenue Administration of New Hampshire. As of June 30, 2003 there is no overlapping debt, and it is not expected that there will be in the foreseeable future

**Aviation Revenue Bond Coverage
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Expenses (1)</u>	<u>Net Revenue Available for 1992 Debt Service</u>
1995	8,898,791	5,710,017	3,188,774
1996	9,327,954	5,989,549	3,338,405
1997	10,464,648	6,335,497	4,129,151
1998	11,586,104	6,459,977	5,126,127
1999	21,831,476	11,136,557	10,694,919
2000	25,347,377	13,336,522	12,010,855
2001	32,183,363	13,909,243	18,274,120
2002	35,214,341	14,923,309	20,291,032
2003 (3)	38,658,389	20,192,680	N/A
2004	39,261,859	21,673,975	N/A

Notes _____

- (1) Exclusive of depreciation and bond interest.
- (2) Principal, interest, and O&M reserve required at year end to fund three months of operations and maintenance expense.
- (3) As of fiscal 2003, the 1992 Debt was paid off and there is no 1992 Debt Service coverage required.

REQUIREMENTS		Net Revenue Available for 1998/2000/2001/2002 Debt Service	REQUIREMENTS	
1992 Debt Service Total (2)	Service Coverage		1998/2000/2001/2002 Debt Service Total (2)	Service Coverage ratio
4,015,111	0.79			
3,993,449	0.84			
3,329,084	1.24			
3,308,280	1.55			
3,306,450	3.23			
3,331,255	3.61	\$ 8,679,600	\$ 4,266,791	2.03
3,332,688	5.48	14,941,432	6,866,107	2.18
1,666,233	12.18	18,624,799	8,881,197	2.10
N/A	N/A	18,465,709	11,300,538	1.63
N/A	N/A	17,587,884	12,323,354	1.43

**Ratio of Bonded Debt Expenditures
to Local Revenues (1)
Last Ten Fiscal Years**

**City of Manchester, New Hampshire
Table XII**

Fiscal Year	Local Revenues	Bonded Debt Expenditures	Ratio of Bonded Debt Expenditures To Local Revenues
1995	121,695,317	15,501,374	12.74%
1996	128,162,993	15,290,065	11.93%
1997	134,776,108	16,872,450	12.52%
1998	138,476,400	16,164,151	11.67%
1999	149,831,039	19,733,680	13.17%
2000	89,221,685	13,522,285	
2000 (2)	<u>42,251,990</u>	<u>8,477,713</u>	
2000	131,473,675	21,999,998	16.73%
2001	91,157,501	13,873,698	
2001 (2)	<u>44,255,540</u>	<u>8,194,461</u>	
2001	135,413,041	22,068,159	16.30%
2002	93,450,877	14,596,362	
2002 (2)	<u>42,593,085</u>	<u>8,439,589</u>	
2002	136,043,962	23,035,951	16.93%
2003	93,713,751	16,072,014	
2003 (2)	<u>51,332,612</u>	<u>9,250,388</u>	
2003	145,046,363	25,322,402	17.46%
2004	101,476,853	15,487,004	
2004 (2)	<u>55,460,879</u>	<u>9,079,857</u>	
2004	156,937,732	24,566,861	15.65%

Notes

- (1) Includes the General Fund only.
- (2) MSD is included as a governmental discrete component unit beginning in fiscal year 2000.

Fiscal Year	Population (1)	NH Per Capita Income (2)	School Enrollment (3)	Manchester Unemployment Rate (4)
1995	100,668	25,400	15,355	4.60%
1996	101,900	26,526	16,587	4.00%
1997	102,675	26,615	16,791	2.90%
1998	103,330	27,806	17,104	2.70%
1999	105,221	29,303	16,467	2.40%
2000	106,180	31,114	16,693	2.50%
2001	107,006	33,332	16,942	2.80%
2002	108,078	34,138	16,994	4.50%
2003	108,150	35,064	17,172	4.10%
2004	109,234	35,500	17,431	4.60%

Source

- (1) State of New Hampshire, Planning Department
- (2) U.S. Department of Commerce, Bureau of Economic Analysis, estimated based on most recent data available.
- (3) School Department
- (4) State of New Hampshire, Economic and Labor Market Information Bureau

<u>Fiscal Year</u>	<u>New Commercial Construction Value</u>	<u>New Residential Construction Value</u>	<u>Total Construction Value (1)</u>	<u>Airport Tonnage (2)</u>
1995	7,904,712	30,400,084	38,304,796	51,774
1996	32,708,609	31,213,466	63,922,075	59,736
1997	57,985,836	35,906,571	93,892,407	57,350
1998	51,086,703	26,496,083	77,582,786	65,513
1999	22,034,115	16,466,026	38,500,141	72,135
2000	21,514,398	20,446,608	41,961,006	83,227
2001	49,137,554	27,493,997	76,631,551	80,711
2002	23,541,058	20,321,036	43,862,094	93,570
2003	16,374,751	79,676,760	96,051,511	84,248
2004	28,272,928	55,887,020	84,159,948	80,928

Notes

- (1) City of Manchester, Building Department
- (2) City of Manchester, Airport Authority.

<u>Name of Business</u>	<u>Type of Business</u>	<u>Real Property Assessed Value</u>	<u>% of Total Assessed Value</u>
Manchester Mall Realty Trust	Retail Mall	\$ 83,500,000	1.58%
Public Service Co. of NH	Utility	66,612,000	1.26%
Keyspan Energy Delivery	Utility	30,011,700	0.57%
Waterford Place, LLC	Apartments	26,159,300	0.50%
Stone Ends Apartments, LLC	Apartments	23,530,200	0.45%
IPC Office Properties, LLC	Office Buildings	22,342,000	0.42%
Manchester Hill Vistas, Inc	Office Condominiums	16,862,600	0.32%
Cotter Company	Warehouse/Distributor	14,799,900	0.28%
BCIA New England Holdings	Office Buildings	14,764,300	0.28%
Portnoy, Barry M. Tee	Medical Insurance	<u>14,665,000</u>	<u>0.28%</u>
		<u>\$ 313,247,000</u>	<u>5.94%</u>

Source _____
City of Manchester, Board of Assessor

**Governmental Expenditures Per Capita (1)
Last Ten Fiscal Years**

Fiscal Year	Population	General Government	Public Safety	Health and Sanitation	Highway and Streets
1995	100,668	129	238	24	132
1996	101,900	138	244	23	142
1997	102,675	116	245	24	157
1998	103,330	111	262	25	160
1999	105,221	143	273	19	166
2000	106,180	167	280	22	174
2001	107,006	162	300	24	184
2002	108,078	170	320	25	186
2003	108,150	173	328	23	184
2004	109,234	180	360	26	194

Notes

(1) Includes the General Fund only.

City of Manchester, New Hampshire
Table XVI

Welfare	Education	Parks and Recreation	Debt Service	MSD	Total
11	646	11	154		1,345
11	696	11	150		1,415
10	679	11	164		1,406
15	759	11	156		1,499
9	760	23	188		1,581
11	29	26	207	\$ 1,095	2,011
13	20	27	206	1,085	2,021
20	21	28	137	1,189	2,096
13	20	28	149	1,259	2,177
12	22	29	142	1,344	2,309

Date of Incorporation	June 1846
Form of Government	Mayoral
Number of employees:	
City	1,241
School	2,613
Area in square miles	33.906
Number of registered voters	47,765
Total population	109,234
Total number of properties	31,649
Total taxable properties	30,286
Total tax-exempt properties	1,363
Manchester, New Hampshire facilities and services:	
Miles of streets	392
Number of street lights	8,792
Culture and recreation:	
Golf course	1
Ski area	1
Parks	73
Park acreage	1,224
Athletic fields, basketball and tennis courts	130
Indoor ice arenas	2
Fire Department:	
Number of stations	10
Number of fire personnel and officers	258
Number of fire/hazardous condition calls	4,626
Number of emergency medical service calls	9,969
Police Protection:	
Number of stations	5
Number of police personnel and officers	283
Number of motorized patrol units	37
Number of bike patrol units	18
Number of mounted patrol units	1
Total number of arrests	5,512
Total number of calls for service	101,270
Sewerage System:	
Miles of sanitary sewers	349
Sewage pumping stations	14
Number of service connections	23,421
Water System:	
Miles of water mains	482
Number of service connections	30,126
Number of fire hydrants	3,240
Daily average consumption in gallons	16,483,000
Education:	
Number of elementary schools	15
Number of secondary schools	8
Number of full time equivalent instructors K-12	1,316
Number of elementary school students	7,284
Number of secondary school students	10,147
Airport:	
Number of employees	71
Number of enplanements	1,891,750
Number of carriers	12