

CITY OF MANCHESTER NEW HAMPSHIRE



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2005**

CITY OF MANCHESTER, NEW HAMPSHIRE
Comprehensive Annual Financial Report
Year Ended June 30, 2005

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INTRODUCTORY SECTION

**City of Manchester
Department of Finance**

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November 30, 2005

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, 2005 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 – the Manchester School District (MSD), the Manchester Development Corporation (MDC), and the Manchester Transit Authority (MTA). Using the criteria of GASB Codification Section 2100, management determined that the three component units should be discretely presented.

The City's Charter requires an annual independent audit be 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, 2005, 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 United States 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 109,761, according to the 2005 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.

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 (BMA) 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.

Independent City Auditor – A charter amendment was adopted by voters on November 2, 2004 which established the Office of the Independent City Auditor (OICA) as a division within the Office of the City Solicitor. Prior to adoption of the amendment, the internal audit function had been the responsibility of the City’s Finance Officer. The establishment of the OICA provides for a better segregation of duties and stronger internal control.

The OICA is charged with conducting investigations, analyses and research on any department, board, commission or agency as the BMA directs.

The OICA conducts post-audits of the accounts and records of any City department, board, institution, commission or agency as the BMA directs.

The OICA is responsible for the audit of the City’s CAFR. The City Charter requires that the Finance Department issue a CAFR that details the financial condition and operation of the City consistent with GAAP not later than 90 days after the close of the fiscal year. The City Charter directs that the CAFR is to be subsequently audited by a certified public accountant designated by the OICA.

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.

A proposed charter amendment that would have limited combined annual municipal and school district spending to the rate of inflation was not allowed on the November 2005 ballot. RSA: 49-B: 5-a requires that any proposed charter amendment must be reviewed by the Attorney General's Office, the Secretary of State and the Department of Revenue Administration (the State's municipal regulatory authority) to ensure that it will not conflict with any existing state law(s). In a joint opinion, the three state offices objected to the proposed amendment. A Petitioners Committee filed suit to have the amendment placed on the ballot and a hearing in Superior Court was held on October 5, 2005. The Court issued a decision October 31, 2005 denying the Petitioner's request and the question was not put before the voters.

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 75% of the cash and investments held at fiscal year-end in the city-wide statements 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.

The Cities of Manchester and Nashua presented legislation that would enable the use of certain derivative products including various types of swap agreements. In a currently expanding global economy, the ability to utilize different types of arrangements provides the opportunity to work with a diversity of financing structure scenarios to achieve the best possible financing for these cities. This is even more distinctly true when it is applicable to refinancing current outstanding debt. The legislation contains language specific to getting the proper local authorizations, while according that much more flexibility for each community. The bill took effect on August 6, 2005. It should be noted that similar legislation was passed a few years ago that was specifically structured for use with Airport Revenue Bond Debt.

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.

A Charter Amendment allowing a section 401 (h) sub-trust for the payment of a health insurance subsidy to retirees was referred to voters for consideration at the November 2005 election. The Amendment provides for a health insurance subsidy of \$200 per month plus indexing (4% annually) for qualified participants based on years of service. The subsidy can only be used to purchase City provided health insurance and can only be applied to the retirees portion of the health insurance. Employee contributions to the plan will increase from 3.75% to 5%, an increase of 1.25% to help pay for the added health benefit. The system's actuaries estimate that the FY 2006 employees' contribution would increase by approximately \$1.2 million and that the estimated accrued liability over thirty (30) years would be approximately \$17 million. Voters adopted the Amendment in November 2005. In accordance with Chapter 41 of the Laws of 2005, the sub trust will be established within ninety (90) days of the election with employee contributions being deducted at that time, February 2005 and employer contributions commencing with FY 2007.

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

Education funding in New Hampshire remains a volatile public policy issue. In fiscal year 2005, the State adopted an education funding formula that reduced state funding for Manchester by approximately \$3.4 million. As a result the City took steps to restrict departmental spending city wide and dedicated additional undesignated fund balance as part of the tax rate setting process to avoid "rate shock" and any deficit situation. However, in June 2005, the Legislature adopted yet another revised education funding formula that resulted in an approximate \$5 million increase in funding for the City of Manchester in FY2006, from \$42,051,653 to \$47,007,257. The new "biennial" formula would also result in essentially level funding for Manchester in FY 2007. It is important to note that several cities/towns have filed suit over this new formula and preliminary court decisions have supported the plaintiffs. Consequently, state funding for education continues as an uncertainty for both the short and long-term future.

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 (Most Livable State and #1 Healthiest State – 2004 Morgan Quitno Press; Fourth (4th) Safest State 2004 - Morgan Quinto; #2 in Child and Family Well-being - 2003 Kids Count Data Book; #4 Friendliest State for Small Business and Entrepreneurship 2003 – Small Business Survival Committee; #7 Best Small Metro Area for Doing

Business in America 2005 – Inc. Magazine; #3 Best Economy 2003 – World Development Alliance; #10 Best Place to Live in America 2004 – Men’s Journal.

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 labor force in the Manchester NH MetroNECTA numbers 108,100 while the unemployment rate is 3.4% (October 2005).

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 completed in 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 was 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 recently renovated "McQuade Building" is another mixed commercial use project. Funding for this project 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, located on a long-standing vacant lot at a major downtown intersection, began construction at the intersection of Bridge and Elm Streets in May 2004 and is nearing completion, with the first tenants in residence. The building contains 204 rental apartment units and 5,200 sq. ft. of retail space fronting on Elm Street, the City's retail spine. The City financed the construction of an adjacent 300 car-parking garage at a cost of approximately \$5 million. This project is 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 a Riverfront Baseball Stadium, the pedestrian river walk system (the "Riverwalk"), and parking.

The City-owned Baseball Stadium, with capacity for over 7,500 spectators and home to the Toronto Blue Jays AA affiliate, The New Hampshire Fishercats, was completed in April 2005. Construction is currently underway on a 127-room Hilton Garden Inn adjacent to the Stadium, scheduled to open in February 2006. The \$10 million hotel will generate an estimated \$200,000 in annual tax revenues to the City. Also part of the Riverfront development is a \$30 million residential project including 45 townhouse condominiums and 132 garden-style apartments.

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. AngelouEconomics of Austin, Texas will craft a Global Economic Development Strategy to guide City activities over the next decade and beyond; Hillier Architects of Philadelphia, PA is creating a new vision for a Downtown Development Plan. In addition, a Parks and Recreation Master Plan and a Parking Study are being carried out concurrently. The results of all these studies are expected to be finalized in early 2006.

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 less than 2% increase in the overall property tax rate imposed on City taxpayers, from \$27.92 per \$1,000 of assessed valuation for fiscal year 2005 to \$28.36 per \$1,000 of assessed valuation for fiscal year 2006.

The tax levy calculations set forth in the following table for fiscal years 2001 through 2005 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.”

In 2005 the City began the process of a City-wide revaluation. The revaluation will be effective as of April 2006 and will be used to assess property taxes beginning with fiscal year 2007. As part of the Supreme Court decision on education funding, cities and towns in New Hampshire are required to undertake revaluations every five years. The City expects the next revaluation after April 2006 to be effective for April 1, 2011.

Calculation of Property Tax Levy

	2001	2002	2003	2004	2005
Departmental Requirements:					
General Government	\$22,412,332	\$22,795,572	\$21,089,086	\$ 19,369,214	\$ 21,508,513
Public Safety	32,896,813	35,675,949	36,920,465	40,196,357	41,736,476
Highways & Safety	18,125,291	15,326,474	18,111,301	18,685,055	18,925,469
Sanitation	1,785,333	6,440,962	2,966,376	2,835,157	3,264,854
Health	2,503,716	2,733,226	2,805,523	3,071,406	3,253,176
Welfare	1,269,737	1,461,074	1,476,875	1,307,294	1,247,067
Culture & Recreation	4,629,710	4,834,839	4,671,441	4,786,541	5,182,890
Economic Development	2,220,785	2,595,161	2,890,339	2,913,235	3,384,663
Education	106,832,425	115,808,857	121,148,267	126,575,275	137,499,619
Debt Service Requirements					
Principal on Long-Term Loans	10,287,693	10,034,398	10,890,802	10,363,628	9,750,050
Interest on Long-Term Loans	3,585,996	3,298,349	5,181,213	5,864,924	7,808,100
Non-Departmental Requirements:					
Transit Subsidy	663,330	725,000	725,000	850,000	1,011,785
Motorized Equipment	399,900	382,500	50,000	120,000	200,000
County Tax	8,045,138	8,736,858	8,465,440	8,770,087	9,340,848
Veterans Exemptions	590,700	573,400	575,200	565,500	761,100
Overlay Reserve for Abatements	(2,307)	1,081,931	1,023,700	1,542,714	715,673
Total Estimated Requirements	216,246,592	232,504,550	238,991,028	247,816,387	265,590,283
Estimated Revenues:					
Taxes, Penalties & Interest	1,587,210	1,152,162	1,140,787	1,262,999	1,216,879
Auto Registration	12,682,000	14,913,000	15,569,000	15,681,000	16,398,811
Licenses & Permits	3,888,400	3,806,100	4,422,038	4,459,276	4,621,950
State and Federal Revenues	8,160,596	8,533,036	8,862,815	9,080,714	9,525,451
Charges for Services	11,138,603	16,507,345	5,816,757	6,292,008	6,010,102
Interest	1,700,000	1,825,000	1,816,000	1,000,000	1,500,000
Surplus	1,800,000	1,500,000	2,250,000	1,600,000	2,588,516
Trust & Agency Funds	300,000	300,100	300,000	335,100	300,100
Miscellaneous	3,862,130	1,589,419	10,317,663	9,838,850	11,448,055
Education Adequacy Grant	36,878,752	42,283,387	42,473,084	45,567,271	42,051,653
State Education Taxes (1)	25,515,954	28,447,547	29,155,221	27,840,016	22,402,805
School Revenues	17,468,979	18,036,000	15,007,326	16,510,927	23,080,423
Total Estimated Revenues	124,982,624	138,893,096	137,130,691	139,468,161	141,144,745
Tax Levy	\$ 91,263,968	\$ 93,611,454	\$ 101,860,337	\$ 108,348,226	\$ 124,445,538

(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 2005 totaled \$265,590,283, are assumed to be funded first from estimated non-tax revenues, which in fiscal year 2005 totaled \$141,144,745. 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	06/30/07
Fire Department	IAFF	3.0 Years	06/30/07
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 expected to remain the strongest in the region. 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.

The City's fiscal year 2006 Budget will be challenged by fuel and heating oil costs. The uncertainty surrounding heating fuel for buildings and gasoline and diesel fuel for the City fleet will require a constant vigil of impacted line items and departmental budgets so as to make spending decisions within overall appropriation levels. The FY 2006 and 2007 budgets will also experience pressure in the employee benefits area due to increasing health care costs and the addition of pension benefits. All employee contracts expire at the conclusion of FY 2007, and will present a unique opportunity for management.

Building permit data indicates significant activity for the spring of 2006. However the availability of affordable housing remains a concern.

BOND ISSUES AND CREDIT RATING DURING PERIOD
--

The general debt limit of the City is 9.75% of base valuation¹, providing a total capacity of \$941,161,341; while School is 7% of base valuation for a maximum allowable limit of \$675,705,578. 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, 2005 the City has a total outstanding General Obligation debt of \$263,666,521 and authorized and unissued debt of \$22,750,000 for 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.

¹ Base valuation for debt limits is provided annually by the State of New Hampshire Department of Revenue Administration as part of the calculations for equalized assessed valuations for each municipality, and amounted to \$9,652,936,827.

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

The City's Charter requires 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, 2005 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,

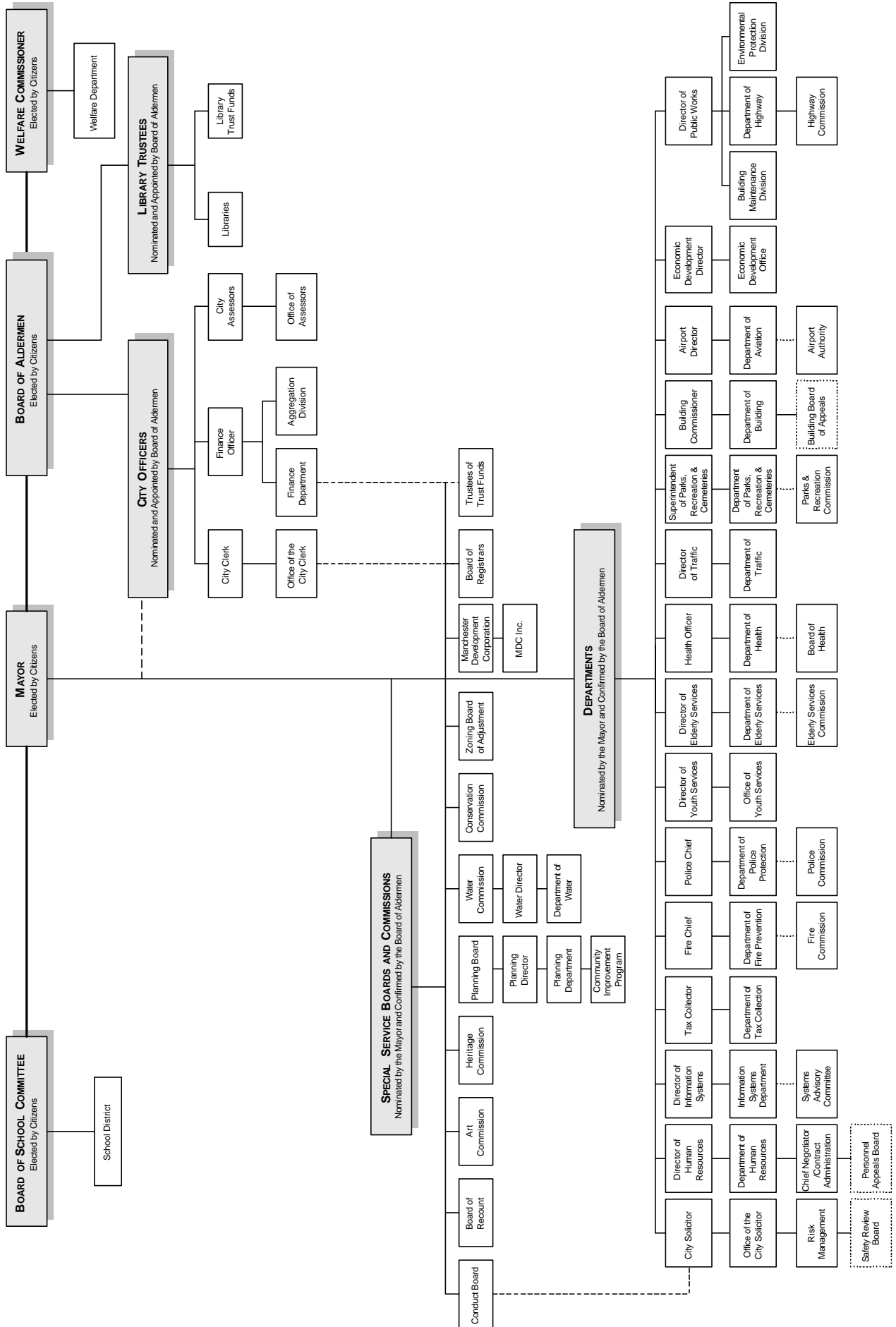
Kevin A. Clougherty

Kevin A. Clougherty
Finance Officer



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CITY OF MANCHESTER NEW HAMPSHIRE ORGANIZATION CHART



**List of Principal Officials
in office at the close of fiscal year ended June 30, 2005**

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 Rusczyk, 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, 2005 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 96.4% 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 85% of the assets and 93% 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, 2005, 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 19 through 32 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 28, 2005 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 28, 2005

City of Manchester, New Hampshire
Management's Discussion and Analysis
June 30, 2005

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, 2005. 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 \$433.1 million. Total net assets for Governmental Activities at fiscal year-end were \$93.5 million and total net assets for Business-Type Activities were \$339.6 million.
- ◆ On a government-wide basis, during the fiscal year, the City's net assets increased by \$25.8 million or 6.3%, from \$407.3 million to \$433.1 million. Net assets increased by \$10.8 million for Governmental Activities and net assets increased by \$15 million for Business-Type Activities. Government-wide expenses were \$212.1 million, while revenues were \$237.9 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 \$67.6 million, a decrease of \$86.9 million from the prior fiscal year. Of the total fund, \$5.9 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 \$24.1 million, a decrease of \$1 million from the prior fiscal year. Included in the fiscal year 2005 budget was an appropriation of \$2 million of unreserved and undesignated fund balance. As of June 30, 2005, \$1.1 million of the total general fund fund balance represents unreserved general fund balance. Unreserved and undesignated general fund fund balance at year-end represents .9% of total general fund expenditures and transfers (\$118.9 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 MSD, the MTA and the MDC.

The government-wide financial statements (statement of net assets and statement of activities) can be found on pages 34-37 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 96-97 and in the combining statement of revenues, expenditures and changes in fund balance on pages 98-99.

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 41.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on pages 38-39 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 101-103 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 42-44 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 45-46 and 74-75 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 47-83 of this report.

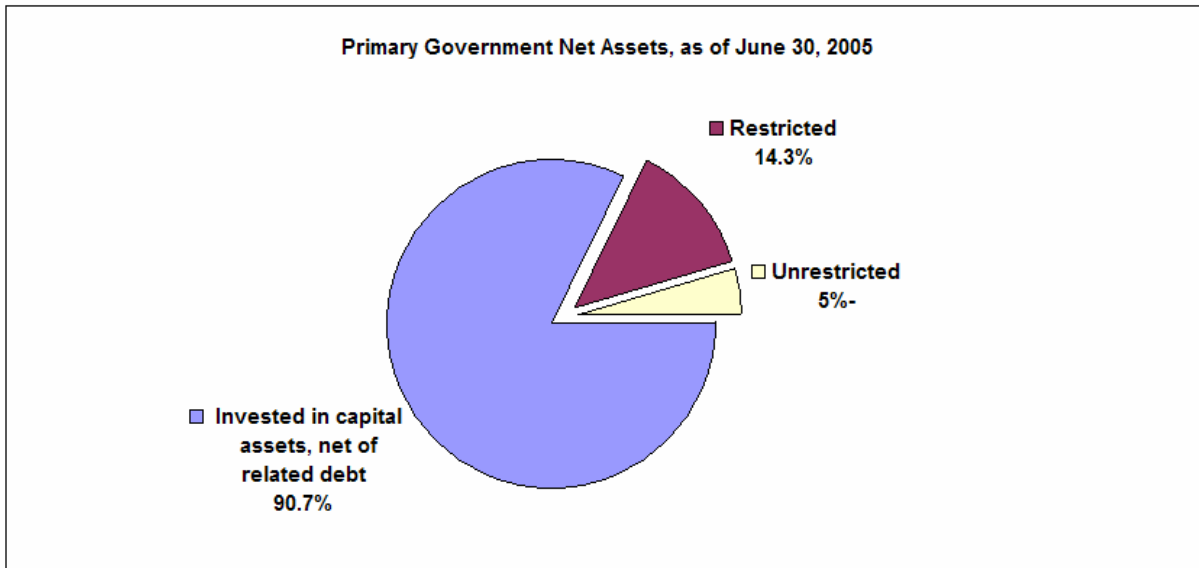
The notes to this report also contain certain information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

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 \$433.1 and \$407.3 million at June 30, 2005 and 2004, respectively.

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

	June 30, 2005			June 30, 2004		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Current and Other Assets	\$ 169,553	\$ 102,391	\$ 271,944	\$254,912	\$ 127,240	\$ 382,152
Non-Current	20,794	4,447	25,241	17,931	5,610	23,541
Capital Assets	303,702	586,618	890,320	216,039	572,833	788,872
Total Assets	494,049	693,456	1,187,505	488,882	705,683	1,194,565
Current Liabilities	103,387	23,439	126,826	109,641	39,092	148,733
Long-term liabilities outstanding	297,141	330,421	627,562	296,522	342,012	638,534
Total Liabilities	400,528	353,860	754,388	406,163	381,104	787,267
Net Assets:						
Invested in capital assets, net of related debt	114,061	278,807	392,868	94,438	243,640	338,078
Restricted	19,439	42,328	61,767	19,162	38,493	57,655
Unrestricted	(39,979)	18,461	(21,518)	(30,881)	42,446	11,565
Total Net Assets	\$ 93,521	\$ 339,596	\$ 433,117	\$ 82,719	\$324,579	\$ 407,298



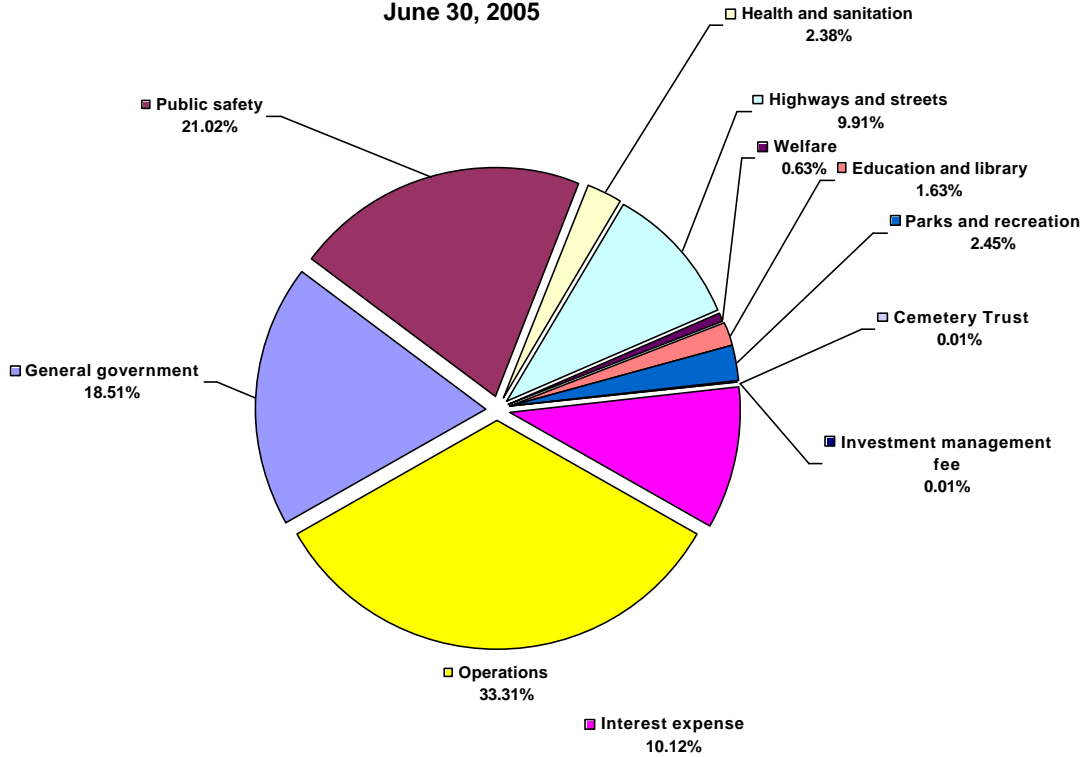
At the end of the current fiscal year, the City is able to report a positive balance in both its governmental and proprietary activities.

The portion of the City's net assets of \$392.9 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.

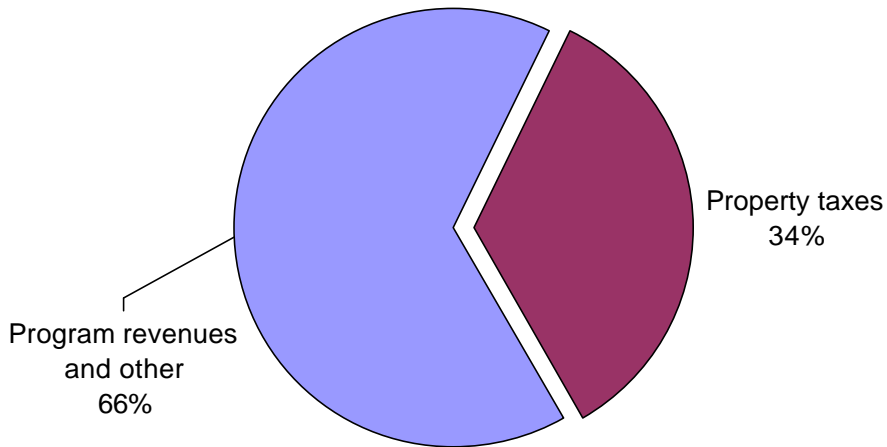
The portion of the City's net assets that are restricted, \$61.8 million, represents resources that are subject to external restrictions on how they may be used. Governmental unrestricted net assets (deficit) of (\$39.9) million may not be used to meet the government's ongoing obligations to citizens and creditors, due to the negative balance. The primary reasons for the negative balance are due to the Pension Obligation Bond with an outstanding balance of \$15,982,876, which was issued to properly fund the unfunded amount, the Landfill Closure Project, which has an outstanding balance of \$13,686,486, other landfill closure and post-closure care costs estimated liability with an outstanding balance of \$3,214,982, Urban Renewal Related Projects with outstanding balances of \$2,394,524, Revaluation debt with an outstanding balance of \$1,362,130, long-term debt related to insurance claims with an estimated outstanding balance of \$3,611,038, as well as long-term debt related to compensated absences with an estimated outstanding balance of \$9,584,503 at June 30, 2005.

City of Manchester, New Hampshire						
Changes in Net Assets (\$ 000's)						
Primary government						
June 30, 2005			June 30, 2004			
Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total	
Revenues:						
Program Revenues:						
Charges for services	\$ 25,587	\$ 78,753	\$ 104,340	\$ 22,783	\$ 71,028	\$ 93,811
Operating grants and contributions	20,757	5,607	26,364	24,127	4,188	28,315
Capital grants and contributions		17,948	17,948		4,637	4,637
General Revenues:						
Property taxes/auto/franchise fees	81,062		81,062	77,328		77,328
Unrestricted investment earnings	2,890	2,456	5,346	2,607	2,177	4,784
Transfers and other	5,818	(3,007)	2,811	1,137	4,323	5,460
Total revenues	136,114	101,757	237,871	127,982	86,353	214,335
Expenses:						
General government	39,257		39,257	37,484		37,484
Public safety	44,575		44,575	38,502		38,502
Health and sanitation	5,044		5,044	5,247		5,247
Highways and streets	21,018		21,018	21,277		21,277
Welfare	1,345		1,345	1,325		1,325
Education and library	3,467		3,467	2,509		2,509
Parks and recreation	5,190		5,190	4,717		4,717
Cemetery Trust	26		26	31		31
Investment management fee	31		31	29		29
Interest expense	5,359	16,106	21,465	5,856	13,196	19,052
Operations		70,634	70,634		59,879	59,879
Total Expenses	125,312	86,740	212,052	116,977	73,075	190,052
Change in net assets	10,802	15,017	25,819	11,005	13,278	24,283
Net assets - beginning	82,719	324,579	407,298	71,714	311,301	383,015
Net assets - ending	\$ 93,521	\$ 339,596	\$ 433,117	\$ 82,719	\$ 324,579	\$ 407,298

**City of Manchester Primary Government Expenses
June 30, 2005**



**City of Manchester Primary government revenues
June 30, 2005**



The City's net assets increased by \$25.8 million during the fiscal year, with net assets of Governmental Activities increasing by \$10.8 million, and net assets of Business-Type Activities increasing by \$15 million.

Governmental Activities

More than 59.55% of the governmental funds revenues were derived from property taxes, auto registrations and franchise fees, followed by 18.8% from charges for services, then 15.25% from operating grants and finally, about 6.4% 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 \$15 million, which is an increase of \$1.7 million from an increase of \$13.3 million for last year. See next page for more detail.

- ◆ Water Works net assets increased by \$3.1 million, up \$1.5 million from the increase in net assets of \$1.6 million last year.
- ◆ EPD net assets decreased by \$.9 million, down \$2.7 million from the increase in net assets of \$1.8 million due mainly to the donation of land for \$2.99 million.
- ◆ Aviation net assets increased by \$12.6 million. Aviation fund capital contributions amounted to \$13.9 million, an increase from \$.8 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 \$67.6 million, a decrease from \$154.5 million as reported on June 30, 2004. Approximately 50.5% of this total amount constitutes unreserved 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: \$17.17 million to cemetery, library and other trust funds; \$8.84 million to liquidate contracts and purchase orders of the prior period; \$2.39 million to self-insured workers' compensation claims reserve; \$1.7 million for advances to an enterprise fund and \$.7 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 \$1.12 million while the total fund balance reached \$24.05 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 15.85% of total general fund expenditures of \$112,705,143, while total fund balance represents 21.34% 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 FY2005, approximately 11.8% higher than FY 2004. Operating income dropped from \$6,086,033 in FY2004 to \$2,461,808 in FY2005, a decrease of 59.6%. This decrease was due to increased depreciation expense from the improvements of a larger physical plant placed in service in FY2005.

Net assets of the proprietary fund consisting of the Water Works were \$66.48 million, as compared to \$63.41 million in the prior year.

The unrestricted net assets of the Water Works was \$.5 million. The restricted net assets increased from \$6.7 million to \$10.52 million to maintain the reserves for the revenue bonds sold in FY2004. The Water Works experienced operating revenues of \$13.5 million from user fees. There was a total net income for the Water Works of \$618,122 before capital contributions of \$2.45 million. The change in net assets for the fiscal year ended June 30, 2005 was \$3.07 million, due mainly to an increase in capital contributions.

Total assets for EPD decreased from \$145.7 million ending balance at June 30, 2004 down to \$140.64 million at June 30, 2005. EPD's cash decreased by \$5 million primarily due to paying cash, rather than incurring debt, for the construction and acquisition of capital resources. This resulted in a \$5.7 million increase in investments in capital assets.

The fiscal year 2005 ending fund balance (fund net assets) is \$104.5 million. Investments in capital assets accounts for 80% of this total fund balance.

General Fund Budgetary Highlights

The City ended Fiscal Year (FY) 2005 with decrease in the general fund balance sheet over FY 2004. The City's "rainy day" revenue stabilization fund increased from \$9,633,625 to \$10,098,844. The City's unreserved and undesignated fund balance decreased from \$1,356,227 to \$1,122,693, less than the targeted one percent of the FY 2005 tax warrants according to City ordinance which would make it \$1,460,872, resulting in a deficit of \$338,179. The deficit occurred even after using up the tax rate stabilization, which had a balance of \$641,904 last year. The special revenue account which accounts for one-time revenues, (i.e., property sales, etc.) which increased by \$894,341 to \$4,607,686 from \$3,713,345. The City's reserves for workers compensation, health insurance, and general liability had an aggregate decrease of \$1,573,000 or 26% from \$5,997,930 to \$4,424,930.

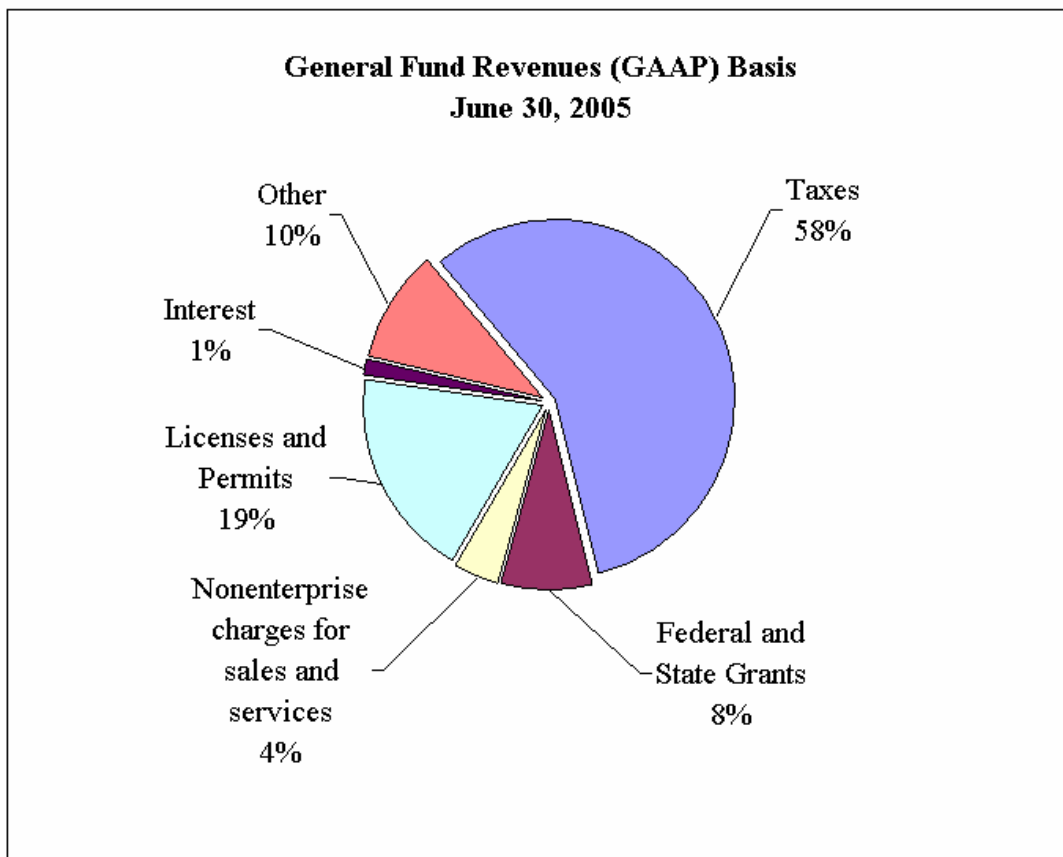
During the year, actual revenues and other financing sources on a budgetary basis were \$111.13 million, realizing a deficit of \$779,553 over the estimated revenues and transfers of \$111.92. Actual tax revenues were under budget by \$949,868. Actual intergovernmental revenue was \$465,641 over budgetary estimates. Investment income was \$398,585 more than the \$1 million that had been budgeted. Additional shortfalls of \$227,874 resulted in licenses and permits. Nonenterprise charges for sales and services were \$25,625 less than budgeted. Other revenues were \$415,328 less than budgeted.

Actual expenditures on a budgetary basis and other financing uses totaled \$113.12 million, \$771,107 less than budgeted. The combined net difference of budgeted revenues and expenses

on a budgetary basis resulted in a negative variance of \$8,446. The fiscal year 2005 budget included a planned appropriation of fund balance of \$1.9 million.

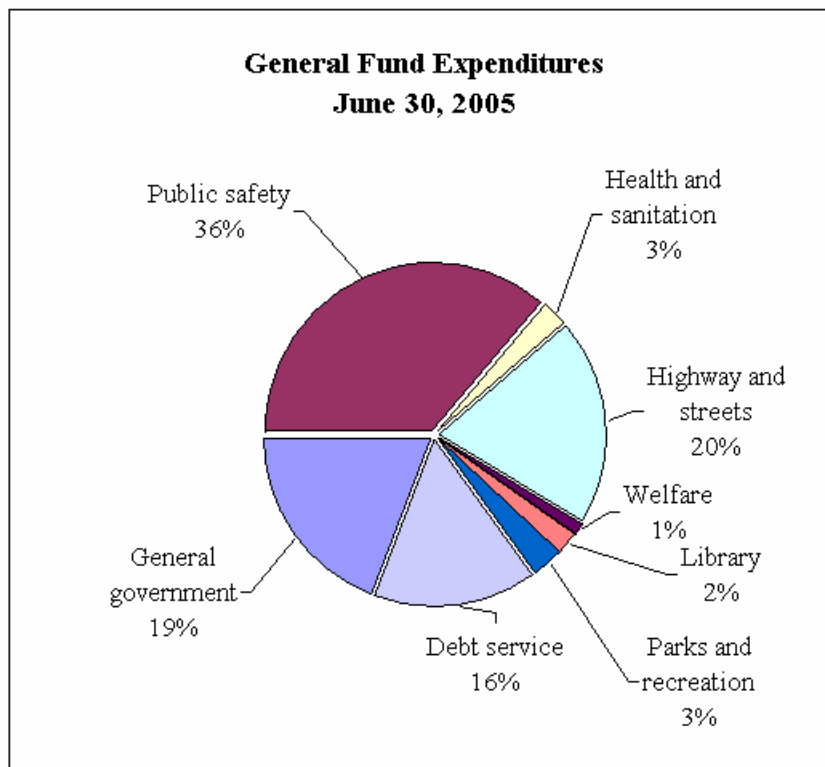
General Fund Revenues - The following schedule presents a summary of General Fund revenues (GAAP basis) for the years ended June 30, 2005 and 2004.

Revenues	2005 Amount (000's)	2004 Amount (000's)	Amount of Increase (Decrease) (000's)	Percent of Increase (Decrease)
Taxes	\$ 65,844	\$ 62,990	\$ 2,854	4.53%
Federal and State Grants	9,112	8,075	1,037	12.84%
Nonenterprise charges for sales and services	4,688	4,691	(3)	-0.06%
Licenses and Permits	21,964	21,452	512	2.39%
Interest	1,398	736	662	89.95%
Other	11,860	11,608	252	2.17%
Total	\$ 114,866	\$ 109,552	\$ 5,314	4.85%



General Fund Expenditures - The following schedule presents a summary of General Fund Expenditures (GAAP basis) for the years ended June 30, 2005 and 2004.

Expenditures	2005 Amount (000's)	2004 Amount (000's)	Amount of Increase (Decrease) (000's)	Percent of Increase (Decrease)
General government	\$ 21,652	\$ 19,639	\$ 2,013	10.25%
Public safety	41,273	39,326	1,947	4.95%
Health and sanitation	2,958	2,811	147	5.23%
Highway and streets	22,186	21,222	964	4.54%
Welfare	1,186	1,272	(86)	-6.76%
Library	2,461	2,417	44	1.82%
Parks and recreation	3,435	3,204	231	7.21%
Debt service	17,554	15,487	2,067	13.35%
Total	\$ 112,705	\$ 105,378	\$ 7,327	6.95%

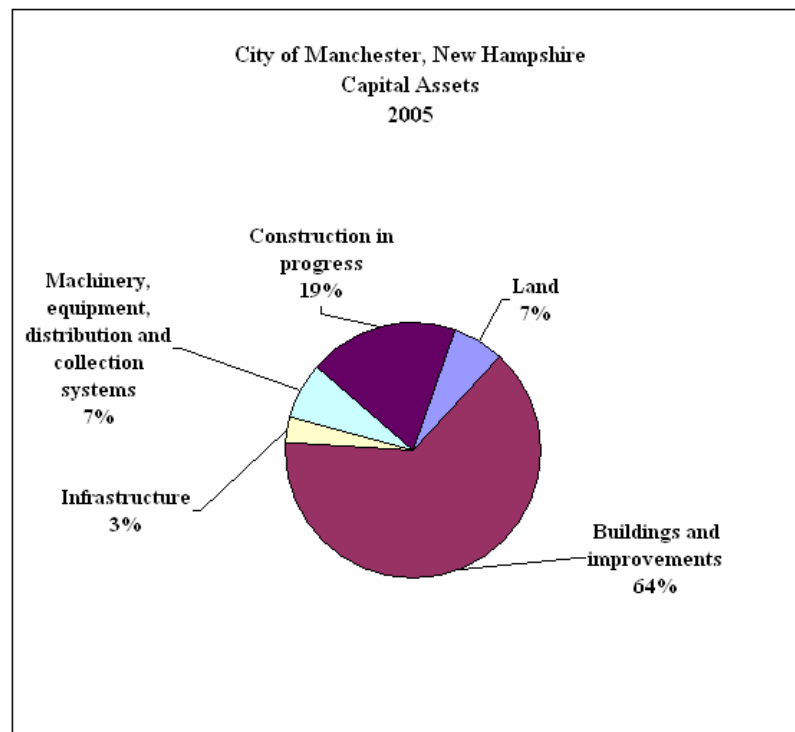


Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$890.32 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 \$39.59 million or 11.71%.

City of Manchester, New Hampshire
Capital Assets (net of depreciation) (000's)
June 30, 2005 and 2004
Primary Government

	2005			2004			Change
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total	
Land	\$ 18,454	\$ 39,518	\$ 57,972	\$ 19,129	\$ 37,077	\$ 56,206	\$ 1,766
Buildings and improvements	127,700	439,726	567,426	123,340	440,981	564,321	3,105
Infrastructure	30,454	-	30,454	22,552	-	22,552	7,902
Machinery, equipment, distribution and collection systems	8,896	53,937	62,833	8,614	54,530	63,144	(311)
Construction in progress	118,198	53,437	171,635	42,403	40,245	82,648	88,987
Total	\$303,702	\$586,618	\$890,320	\$216,038	572,833	\$788,871	\$101,449



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.
- ◆ Aviation capital improvements and buildings.
- ◆ Water Works improvements.
- ◆ EPD capital improvements and infrastructure.
- ◆ Recreation capital improvements.

Information on the City’s capital assets can be found in Note 8 on pages 66-69 of this report.

City of Manchester, New Hampshire
Outstanding Debt
General Obligation and Revenue Bonds (000's) in thousands
June 30, 2005 and 2004

	2005			2004		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
General Obligation Bonds	\$162,273	\$ 43,579	\$205,852	\$177,585	\$ 46,382	\$223,967
Revenue Bonds	99,025	282,663	381,688	101,410	304,928	406,338
Totals	<u>\$261,298</u>	<u>\$326,242</u>	<u>\$587,540</u>	<u>\$278,995</u>	<u>\$351,310</u>	<u>\$630,305</u>

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 \$960,628,724. 100% of the general obligation debt is backed by the full faith and credit of the City government.

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 (\$9,652,936,828) 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, 2005, the City recorded long-term debt of \$123,103,696 related to Governmental Activities, \$138,194,794 related to the MSD and \$326,242,612 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 70-74 of this report.

Economic Factors and Next Year's Budgets and Rates

As of October 2005, the unemployment rate for the Manchester Metropolitan Statistical Area was 3.4%, the same as in the prior year.

Fiscal Year 2005 Budget

The fiscal year 2006 combined General Fund budget for the City and the MSD contains an appropriation increase of 3.17% over the fiscal 2005 budget. Non-property tax revenues are anticipated to remain flat. In the formulation of the fiscal 2006 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 2006 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 2006 budget.

The following table sets forth the City's General Fund operating budgets for fiscal years 2004-2006. Enterprise funds, the County tax, veteran exemptions and the overlay reserve for abatements are excluded from this table.

BUDGET TRENDS

	2004		2005		2006	
	Amount	%	Amount	%	Amount	%
Education	\$ 126,575,275	54.3%	\$ 137,499,619	54.9%	\$ 142,203,719	54.9%
General Government	18,172,463	7.8%	21,851,784	8.7%	23,099,336	8.9%
Public Safety	40,134,677	17.2%	40,305,905	16.1%	42,813,034	16.5%
Highway and Streets	21,520,212	9.2%	22,190,323	8.9%	22,796,144	8.8%
Health and Welfare	4,378,700	1.9%	4,500,243	1.8%	4,661,509	1.8%
Culture and Recreation	5,819,972	2.5%	6,045,190	2.4%	6,083,322	2.3%
Economic Development	172,000	0.1%	229,989	0.1%	261,449	0.1%
Motorized Equipment	120,000	0.1%	200,000	0.1%	1,500,000	0.6%
Debt Service	16,228,552	7.0%	17,558,150	7.0%	15,467,725	6.0%
Total Budget	233,121,851	100.0%	250,381,203	100%	258,886,238	100.0%
Less MSD Budget	(126,575,275)		(137,499,619)		(142,203,719)	
General Fund Budget	\$ 106,546,576		\$ 112,881,584		\$ 116,682,519	

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	\$ 78,761,739	\$ 16,140,267	\$ 94,902,006
Restricted cash	52,931,834	70,129,520	123,061,354
Investments	3,248,538	3,043,864	6,292,402
Receivables	30,321,178	11,953,198	42,274,376
Prepaid expenses	1,271	983,036	984,307
Internal balances	3,579,449	(3,579,449)	-
Due from City			-
Inventories	709,034	948,083	1,657,117
Total current assets	<u>169,553,043</u>	<u>99,618,519</u>	<u>269,171,562</u>
Noncurrent assets:			
Land held for resale	2,555,000		2,555,000
Capital assets, net of depreciation	303,702,470	586,617,963	890,320,433
Pension asset	16,317,877		16,317,877
Deferred charges, net	1,920,295	2,772,259	4,692,554
Receivables		4,201,679	4,201,679
Other		245,410	245,410
Total noncurrent assets	<u>324,495,642</u>	<u>593,837,311</u>	<u>918,332,953</u>
Total Assets	<u>\$ 494,048,685</u>	<u>\$ 693,455,830</u>	<u>\$ 1,187,504,515</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 18,444,548	\$ 4,745,691	\$ 23,190,239
Retainage payable	252,563	4,085,036	4,337,599
Accrued liabilities	1,013,940	14,343,843	15,357,783
Other liabilities	1,383,690	146,145	1,529,835
Insurance claims payable	835,000		835,000
Due to school district	29,527,581		29,527,581
Accrual for landfill closure	3,214,982		3,214,982
Accrual for pension benefits			-
Unearned revenue	19,090,999	29,969	19,120,968
Taxes collected in advance	29,623,456		29,623,456
Total current liabilities	<u>103,386,759</u>	<u>23,350,684</u>	<u>126,737,443</u>
Noncurrent liabilities:			
Due within one year	16,555,733	14,151,940	30,707,673
Due in more than one year	244,742,757	316,522,488	561,265,245
Other liabilities due in more than one year	16,410,523	4,266,577	20,677,100
Bond premiums (discounts)	19,431,725	(4,431,816)	14,999,909
Total noncurrent liabilities	<u>297,140,738</u>	<u>330,509,189</u>	<u>627,649,927</u>
Total Liabilities	<u>400,527,497</u>	<u>353,859,873</u>	<u>754,387,370</u>
NET ASSETS			
Investment in capital assets, net of related debt	114,061,411	278,806,782	392,868,193
Restricted for:			
Coverage account		4,968,879	4,968,879
Manchester Regional Industrial Foundation		4,207	4,207
PFCs		4,468,202	4,468,202
MSDC		5,251,395	5,251,395
Revenue bond O&M		8,129,000	8,129,000
Revenue bond fund		11,861,724	11,861,724
Bond funds - capital improvements		7,542,710	7,542,710
Workmen's compensation	2,388,525	102,075	2,490,600
Cemetery and other trust funds	14,164,429		14,164,429
Library trust funds	2,885,440		2,885,440
Designated for:			
Equipment replacement			-
Land Held for resale			-
Restricted for debt service			-
Unrestricted	(39,978,617)	18,460,983	(21,517,634)
Total Net Assets	<u>\$ 93,521,188</u>	<u>\$ 339,595,957</u>	<u>\$ 433,117,145</u>
See accompanying notes.			

Manchester School District	Component Units	
	Manchester Transit Authority	Manchester Development Corporation
\$ 6,770,491	\$ 940,756	\$ 1,665,978
	630,493	30,238
20,267,127	460,834	864,260
	151,784	
29,527,581	184,121	
<u>56,565,199</u>	<u>2,367,988</u>	<u>2,560,476</u>
6,891,998	2,667,411	
<u>6,891,998</u>	<u>2,667,411</u>	<u>-</u>
\$ 63,457,197	\$ 5,035,399	\$ 2,560,476
\$ 1,428,631	\$ 67,912	
15,397,911	35,697	\$ 55,154
1,104,409		
	630,493	
31,902,766	6,883	
<u>49,833,717</u>	<u>740,985</u>	<u>55,154</u>
-		
5,620,105	291,305	
<u>5,620,105</u>	<u>291,305</u>	<u>-</u>
55,453,822	1,032,290	55,154
6,891,998	1,078,867	
39,094		
16,058,820		
(14,986,537)	2,924,242	2,505,322
<u>\$ 8,003,375</u>	<u>\$ 4,003,109</u>	<u>\$ 2,505,322</u>

Statement of Activities

	Expenses	Program Revenues		
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
General government	\$ 39,257,227	\$ 14,043,476	\$ 13,272,378	
Public safety	44,575,376	2,586,789	1,375,203	
Health and sanitation	5,043,862	1,584,228	1,815,446	
Highways and streets	21,018,167	5,846,363	3,766,747	
Welfare	1,345,172	94,465		
Education and library	3,466,500	27,420	27,777	
Parks and recreation	5,190,321	1,404,382	506,398	
Cemetery Trust	26,100			
Investment management fee	30,823			
Interest	5,359,441			
Total governmental activities	<u>125,312,989</u>	<u>25,587,123</u>	<u>20,763,949</u>	<u>-</u>
Business-type activities				
Water	13,461,136	13,546,594		\$ 2,451,261
EPD	12,403,517	11,148,848	2,377,826	679,713
Aviation	57,832,875	51,657,611	3,229,750	13,914,058
Recreation	2,967,744	2,317,267	18,000	902,731
Aggregation	75,465	82,938		
Total business-type activities	<u>86,740,737</u>	<u>78,753,258</u>	<u>5,625,576</u>	<u>17,947,763</u>
Total primary government:	<u>\$ 212,053,726</u>	<u>\$ 104,340,381</u>	<u>\$ 26,389,525</u>	<u>\$ 17,947,763</u>
Component units				
Manchester School District	155,458,263	15,763,673	19,079,218	337,094
Manchester Transit Authority	5,850,160	3,206,538	2,315,302	657,054
Manchester Development Corporation	47,340			
Total component units	<u>\$ 161,355,763</u>	<u>\$ 18,970,211</u>	<u>\$ 21,394,520</u>	<u>\$ 994,148</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				
Donation of land				
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, 2005

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
\$ (11,941,373)		\$ (11,941,373)			
(40,613,384)		(40,613,384)			
(1,644,188)		(1,644,188)			
(11,405,057)		(11,405,057)			
(1,250,707)		(1,250,707)			
(3,411,303)		(3,411,303)			
(3,279,541)		(3,279,541)			
(26,100)		(26,100)			
(30,823)		(30,823)			
(5,359,441)		(5,359,441)			
<u>(78,961,917)</u>	-	<u>(78,961,917)</u>			
	\$ 2,536,719	2,536,719			
	1,802,870	1,802,870			
	10,968,544	10,968,544			
	270,254	270,254			
	7,473	7,473			
-	15,585,860	15,585,860			
<u>\$ (78,961,917)</u>	<u>\$ 15,585,860</u>	<u>\$ (63,376,057)</u>			
			\$ (120,278,278)		
				\$ 328,734	
					\$ (47,340)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (120,278,278)</u>	<u>\$ 328,734</u>	<u>\$ (47,340)</u>
64,709,146		64,709,146	49,964,738		
15,194,741		15,194,741			
1,158,850		1,158,850			
2,890,053	2,455,431	5,345,484	267,926	15,312	72,257
			64,454,458		
6,697,790		6,697,790	169,415		
	(167,778)	(167,778)			
(886,861)	(2,856,187)	(3,743,048)		8,479	
<u>89,763,719</u>	<u>(568,534)</u>	<u>89,195,185</u>	<u>114,856,537</u>	<u>23,791</u>	<u>72,257</u>
10,801,802	15,017,326	25,819,128	(5,421,741)	352,525	24,917
82,719,386	324,578,631	407,298,017	13,425,116	3,650,584	2,480,405
<u>\$ 93,521,188</u>	<u>\$ 339,595,957</u>	<u>\$ 433,117,145</u>	<u>\$ 8,003,375</u>	<u>\$ 4,003,109</u>	<u>\$ 2,505,322</u>

Balance Sheet
Governmental Funds

City of Manchester, New Hampshire
June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 66,318,323	\$ 7,029,458	\$ 5,413,958	\$ 78,761,739
Restricted cash and cash equivalents	3,711,382	30,378,671	18,841,781	52,931,834
Investments	546,316		2,702,222	3,248,538
Receivables, net of allowances for collection losses	21,233,357	58,019	7,423,867	28,715,243
Prepaid items	1,271			1,271
Due from other funds	12,106,319	305,347	4,483	12,416,149
Inventories	709,034			709,034
Land held for resale	2,555,000		-	2,555,000
Total Assets	<u>\$ 107,181,002</u>	<u>\$ 37,771,495</u>	<u>\$ 34,386,311</u>	<u>\$ 179,338,808</u>
Liabilities and Fund Equity				
Liabilities				
Accounts and warrants payable	\$ 3,665,829	\$ 7,552,142	\$ 7,231,624	\$ 18,449,595
Retainage payable		247,515		247,515
Accrued liabilities	2,547,998	218,854	1,061,670	3,828,522
Insurance claims payable	835,000			835,000
Due to other funds		6,924,456	743,613	7,668,069
Due to Manchester School District	27,657,908	2,499,301		30,157,209
Unearned revenue	18,801,918		2,168,908	20,970,826
Taxes collected in advance	29,623,456			29,623,456
Total Liabilities	<u>83,132,109</u>	<u>17,442,268</u>	<u>11,205,815</u>	<u>111,780,192</u>
Fund Equity				
Fund balances				
Reserved for				
Encumbrances	1,342,259	6,320,139	1,178,265	8,840,663
Cemetery and other trust funds			14,281,573	14,281,573
Library			2,885,440	2,885,440
Inventory	709,034			709,034
Advances	1,743,447			1,743,447
Workers' compensation	2,388,525			2,388,525
Land held for resale	2,555,000			2,555,000
Designated for				
Health insurance	956,761			956,761
General liability insurance	1,079,644			1,079,644
Special revenue	2,052,686			2,052,686
Revenue stabilization	10,098,844			10,098,844
Unreserved, reported in:				
General fund	1,122,693			1,122,693
Capital projects		14,009,088		14,009,088
Special revenue			4,835,218	4,835,218
Total Fund Equity	<u>24,048,893</u>	<u>20,329,227</u>	<u>23,180,496</u>	<u>67,558,616</u>
Total Liabilities and Fund Balances	<u>\$ 107,181,002</u>	<u>\$ 37,771,495</u>	<u>\$ 34,386,311</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.	303,702,470
Pension asset created in governmental activities is not a financial resource and, therefore, is not reported in the funds.	16,317,877
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,357,600
Long-term liabilities consisting of bonds payable are not due and payable in current period and, therefore, are not reported in the fund	(297,140,742)
Long-term liabilities consisting of accruals and unearned revenues are not due and payable in the current period and, therefore, are not reported in the funds.	725,367
	<u>\$ 93,521,188</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, 2005

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>				
Taxes	\$ 65,843,620			\$ 65,843,620
Federal and state grants and aid	9,111,635	-	\$ 11,536,329	20,647,964
Nonenterprise charges for sales and service	4,688,142		12,013	4,700,155
Licenses and permits	21,964,114			21,964,114
Interest	1,398,584	\$ 929,472	561,998	2,890,054
Contributions			109,069	109,069
Net loss on sale of securities			453,314	453,314
Other	11,859,982	252,719	1,539,547	13,652,248
Total Revenues	114,866,077	1,182,191	14,212,270	130,260,538
<u>Expenditures</u>				
Current:				
General government	21,652,439	78,402,429	9,367,994	109,422,862
Public safety	41,272,573	39,132	1,653,567	42,965,272
Health and sanitation	2,958,017		1,884,145	4,842,162
Highway and streets	22,185,782	4,530,200	2,043,552	28,759,534
Welfare	1,185,782		135,290	1,321,072
Education	2,461,374	871,878	97,482	3,430,734
Parks and recreation	3,435,608	4,893,539	612,886	8,942,033
Cemetery Trust			26,100	26,100
Investment management fee			30,823	30,823
Debt service:				
Principal retirement	9,832,097			9,832,097
Interest	7,721,471			7,721,471
Total Expenditures	112,705,143	88,737,178	15,851,839	217,294,160
Excess (Deficiency) of revenues over expenditures	2,160,934	(87,554,987)	(1,639,569)	(87,033,622)
<u>Other Financing Sources (Uses)</u>				
Proceeds of refunding bonds	73,516,645			73,516,645
Payment to refunded bond escrow agent	(82,354,058)			(82,354,058)
Proceeds from premium of refunding bonds	10,059,239			10,059,239
Deferred cost of issuance	(1,087,631)			(1,087,631)
Transfers in	2,881,013		7,059,567	9,940,580
Transfers out	(6,192,711)	(850,000)	(2,890,953)	(9,933,664)
Total Other Financing Sources (Uses)	(3,177,503)	(850,000)	4,168,614	141,111
Net Change in Fund Balances	(1,016,569)	(88,404,987)	2,529,045	(86,892,511)
Fund Balance (Deficit), beginning	25,065,462	108,734,214	20,651,451	154,451,127
Fund Balance, ending	\$ 24,048,893	\$ 20,329,227	\$ 23,180,496	\$ 67,558,616

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, 2005**

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

Net change in fund balances – total governmental funds \$ (86,892,511)

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. 87,663,917

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 41,120

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. 9,834,947

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. 154,329

Change in net assets of governmental activities \$ 10,801,802

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, 2005

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 66,644,764	\$ 66,644,764	\$ 65,694,896	\$ (949,868)
Federal and state grants and aid	7,186,963	7,186,963	7,652,604	465,641
Nonenterprise charges for sales and services	4,713,767	4,713,767	4,688,142	(25,625)
Licenses and permits	22,191,988	22,191,988	21,964,114	(227,874)
Interest	1,000,000	1,000,000	1,398,585	398,585
Other	9,824,219	9,824,219	9,408,891	(415,328)
Total Revenues	111,561,701	111,561,701	110,807,232	(754,469)
Expenditures				
Current:				
General government	21,391,893	22,041,914	21,636,814	405,100
Public safety	40,305,905	39,937,454	39,897,277	40,177
Health and sanitation	3,253,176	3,183,162	2,953,622	229,540
Highway and streets	22,190,323	22,138,426	22,089,874	48,552
Welfare	1,247,067	1,222,126	1,203,254	18,872
Education	2,560,557	2,464,747	2,458,465	6,282
Parks and recreation	3,484,633	3,417,725	3,417,724	1
Debt service:				
Principal retirement	9,833,050	9,833,050	9,832,096	954
Interest	7,725,100	7,725,100	7,721,471	3,629
Total Expenditures	111,991,704	111,963,704	111,210,597	753,107
Excess of revenues over expenditures	(430,003)	(402,003)	(403,365)	(1,362)
Other Financing Sources (Uses)				
Transfers in	350,100	350,100	325,016	(25,084)
Transfers out	(1,901,665)	(1,929,665)	(1,911,665)	18,000
Total Other Financing Sources (Uses)	(1,551,565)	(1,579,565)	(1,586,649)	(7,084)
Net Change in Fund Balances	\$ (1,981,568)	\$ (1,981,568)	\$ (1,990,014)	\$ (8,446)

See accompanying notes.

	Business-type Activities-Enterprise Funds				
	Water Works Fund	Major		Non-Major Funds	Total
		EPD Fund	Aviation Fund		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,618,678	\$ 13,521,239		\$ 350	\$ 16,140,267
Restricted cash and cash equivalents	17,688,903	787,210	\$ 51,653,407	-	70,129,520
Restricted investments			3,043,864	-	3,043,864
Receivables, net of allowances for collection losses	2,945,960	4,591,549	3,837,241	578,448	11,953,198
Prepaid items	439,342	32,202	511,492		983,036
Due from other funds				19,346	19,346
Inventories	737,130	65,559	145,394		948,083
Total current assets:	<u>24,430,013</u>	<u>18,997,759</u>	<u>59,191,398</u>	<u>598,144</u>	<u>103,217,314</u>
Noncurrent assets:					
Capital assets, net, where applicable, of accumulated depreciation	99,078,143	117,192,242	357,913,506	12,434,072	586,617,963
Deferred charges	877,552		1,842,088	52,619	2,772,259
Receivables		4,201,679			4,201,679
Other receivables		245,410			245,410
Total noncurrent assets:	<u>99,955,695</u>	<u>121,639,331</u>	<u>359,755,594</u>	<u>12,486,691</u>	<u>593,837,311</u>
Total Assets	\$ 124,385,708	\$ 140,637,090	\$ 418,946,992	\$ 13,084,835	\$ 697,054,625
Liabilities					
Current liabilities					
Accounts and warrants payable	\$ 818,188	\$ 1,215,661	\$ 2,077,545	\$ 634,297	\$ 4,745,691
Retainage payable	3,421,016	474,288	189,732		4,085,036
Accrued liabilities	1,281,000	1,560,024	9,391,821	175,213	12,408,058
Due to other funds				3,598,795	3,598,795
Unearned revenue		510	2,047	27,412	29,969
Bonds and notes payable	1,133,582	6,783,396	5,970,000	264,962	14,151,940
Compensated absences	1,096,400	342,789	290,255	206,341	1,935,785
Other	146,145				146,145
Total Current liabilities	<u>7,896,331</u>	<u>10,376,668</u>	<u>17,921,400</u>	<u>4,907,020</u>	<u>41,101,419</u>
Noncurrent liabilities					
Bonds payable	47,533,787	24,105,632	238,348,184	2,103,069	312,090,672
Due to State of New Hampshire	2,472,392	1,705,875			4,178,267
Other			88,310		88,310
Total Noncurrent liabilities	<u>50,006,179</u>	<u>25,811,507</u>	<u>238,436,494</u>	<u>2,103,069</u>	<u>316,357,249</u>
Total Liabilities	57,902,510	36,188,175	256,357,894	7,010,089	357,458,668
Net Assets					
Invested in capital assets, net of related debt	55,498,511	84,597,340	128,644,890	10,066,041	278,806,782
Restricted	10,521,928		31,806,264		42,328,192
Unrestricted	462,759	19,851,575	2,137,944	(3,991,295)	18,460,983
Total Net Assets	\$ 66,483,198	\$ 104,448,915	\$ 162,589,098	\$ 6,074,746	\$ 339,595,957

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, 2005

	Business-type Activities-Enterprise Funds				Total
	Major			Non-major Funds	
	Water Works Fund	EPD Fund	Aviation Fund		
<u>Operating Revenues</u>					
Charges for goods and services	\$ 13,497,270	\$ 11,053,377	\$ 39,723,591	\$ 2,292,636	\$ 66,566,874
Other			3,692,169	82,087	3,774,256
Total Operating Revenues	13,497,270	11,053,377	43,415,760	2,374,723	70,341,130
<u>Operating Expenses</u>					
Personnel services	5,348,952	2,822,939	5,643,416	1,613,630	15,428,937
Plant maintenance	184,107	1,269,663	525,721	61,499	2,040,990
Light/heat and power	975,934	2,223,589	2,356,338	294,506	5,850,367
General and administrative	2,491,626	457,204	16,312,889	282,397	19,544,116
Depreciation and amortization	2,069,785	4,748,112	16,115,588	634,362	23,567,847
Total Operating Expenses	11,070,404	11,521,507	40,953,952	2,886,394	66,432,257
Operating Income (Loss)	2,426,866	(468,130)	2,461,808	(511,671)	3,908,873
<u>Non-Operating Revenues (Expenses), net</u>					
Soundproofing program grant			3,229,750	-	3,229,750
Soundproofing program expense			(3,281,395)	-	(3,281,395)
Interest income	532,664	286,842	1,635,925	-	2,455,431
Interest expense	(2,262,868)	(882,010)	(12,804,499)	(156,815)	(16,106,192)
Reimbursements of bond interest expense		213,084		-	213,084
Finance and service charges	(127,864)	95,471	(793,029)	-	(825,422)
Passenger facility charges			5,961,820	-	5,961,820
Customer facility charges			2,280,031	-	2,280,031
Rent and other income	49,324			25,482	74,806
Donation of land		(167,778)		-	(167,778)
Gain (Loss) on disposal of capital assets	-	(2,821,285)		(34,902)	(2,856,187)
Transfer from general fund				18,000	18,000
Total Non-operating Expenses	(1,808,744)	(3,275,676)	(3,771,397)	(148,235)	(9,004,052)
Net income (loss) before capital contributions	618,122	(3,743,806)	(1,309,589)	(659,906)	(5,095,179)
Capital Contributions	2,451,261	2,844,455	13,914,058	902,731	20,112,505
Change in Net Assets	3,069,383	(899,351)	12,604,469	242,825	15,017,326
Fund Net Assets (Deficit), beginning of year	63,413,815	105,348,266	149,984,629	5,831,921	324,578,631
Fund Net Assets, end of year	\$ 66,483,198	\$ 104,448,915	\$ 162,589,098	\$ 6,074,746	\$ 339,595,957

See accompanying notes.

	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	\$ 13,113,144	\$ 10,978,303	\$ 43,171,724	\$ 1,927,035	\$ 69,190,206
Cash payments for goods and services	(4,134,574)	(3,989,060)	(20,271,123)	(100,572)	(28,495,329)
Cash payments to employees for services	(5,350,627)	(2,866,741)	(5,549,369)	(1,579,791)	(15,346,528)
Other operating revenues	49,324			25,482	74,806
Net Cash Provided by Operating Activities	3,677,267	4,122,502	17,351,232	272,154	25,423,155
Cash Flows from Non-Capital and Related Financing Activities					
Amounts from federal & state governments for soundproofing			3,229,750	-	3,229,750
Soundproofing related expenses			(3,281,395)	-	(3,281,395)
Passenger and customer facility charges			8,435,473	-	8,435,473
Interest paid on cash advances				(41,558)	(41,558)
Short-term cash advance from City				1,672,588	1,672,588
Net Cash Provided by Non-Capital & Related Financing Activities	-	-	8,383,828	1,631,030	10,014,858
Cash Flows from Capital and Related Financing Activities					
Proceeds from State of New Hampshire Revolving Fund	2,372,392	2,356,073		-	4,728,465
Reimbursement of bond interest expenses		232,682		-	232,682
Proceeds from general obligation refundings	115,997			67,357	183,354
Payment to escrow agent for general obligations refunded	(110,000)			(66,400)	(176,400)
Payments for State of New Hampshire liability	(398,373)	(5,599,897)		-	(5,998,270)
Principal paid on bonds and notes	(829,029)	(722,340)	(22,635,000)	(129,674)	(24,316,043)
Interest paid on bonds and notes	(2,262,868)	(971,065)	(12,893,629)	(116,816)	(16,244,378)
Contributed capital by federal, state & local governments	2,451,261	4,450,710	14,680,228	920,731	22,502,930
Acquisition and construction of capital assets	(16,456,956)	(9,380,301)	(10,665,728)	(3,246,477)	(39,749,462)
Net Cash Used in Capital & Related Financing Activities	(15,117,576)	(9,634,138)	(31,514,129)	(2,571,279)	(58,837,122)
Cash Flows from Investing Activities					
Investment management fee	(63,744)			-	(63,744)
Interest and dividends from investments	551,763	370,170	1,635,925	-	2,557,858
Net Cash Provided by Investing Activities	488,019	370,170	1,635,925	-	2,494,114
Net Decrease in Cash and Cash Equivalents	(10,952,290)	(5,141,466)	(4,143,144)	(668,095)	(20,904,995)
Cash and Cash Equivalents at Beginning of Year	\$ 31,259,871	\$ 19,449,915	\$ 58,840,415	\$ 668,445	\$ 110,218,646
Cash and Cash Equivalents at End of Year	\$ 20,307,581	\$ 14,308,449	\$ 54,697,271	\$ 350	\$ 89,313,651
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 2,426,866	\$ (468,130)	\$ 2,461,808	\$ (511,671)	\$ 3,908,873
Adjustments to reconcile operating income (loss) to cash provided by operating activities:					
Depreciation and amortization	2,069,785	4,748,112	16,115,588	634,362	23,567,847
Non-operating revenue	49,324			25,482	74,806
Change in Assets and Liabilities					
Increase in receivables	(384,127)	(128,530)	(117,049)	(437,226)	(1,066,932)
Increase in inventories	(7,690)	(43,649)	(31,179)	-	(82,518)
Increase in prepaid expenses and other assets	(48,149)	(14,302)	(75,492)	(21,884)	(159,827)
Increase (decrease) in accounts payable	252,017	(253,065)	(1,483,950)	571,336	(913,662)
Increase (decrease) in accrued liabilities	(679,084)	220,899	454,763	(11,622)	(15,044)
Increase (decrease) in compensated absences	(1,675)	61,167	153,729	33,839	247,060
Increase (decrease) in unearned revenue			(126,986)	8,884	(118,102)
Decrease in interfund liabilities				(19,346)	(19,346)
Net Cash Provided by Operating Activities	\$ 3,677,267	\$ 4,122,502	\$ 17,351,232	\$ 272,154	\$ 25,423,155

See accompanying notes.

Fiduciary Funds
Statement of Fiduciary Net Assets

City of Manchester, New Hampshire
Year ended June 30, 2005

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
<u>Assets</u>		
Assets		
Cash and cash equivalents	\$ 10,424,865	
Investments	113,454,627	
Receivables, net of allowances for collection losses	1,786,201	\$ 1,143,716
Other assets	8,300	
Capital assets, net, where applicable, of accumulated depreciation	<u>171,928</u>	
Total Assets	<u>\$ 125,845,921</u>	<u>\$ 1,143,716</u>
Liabilities		
Accounts and warrants payable	\$ 164,516	
Accrued liabilities	474,817	
Due to other funds		<u>\$ 1,143,716</u>
Total Liabilities	<u>639,333</u>	<u>1,143,716</u>
Total Net Assets	<u>\$ 125,206,588</u>	<u>\$ -</u>

See accompanying notes.

Fiduciary Trusts
Statement of Changes in Fiduciary Net Assets

City of Manchester New Hampshire
Year Ended June 30, 2005

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 3,915,053
Plan members	1,695,265
Total Contributions	<u>5,610,318</u>
Investment Gain	
Net realized and unrealized appreciation in fair value of investments	10,549,057
Interest	792,876
Dividends	1,249,771
Less investment expense	(422,072)
Net Investment Income	<u>12,169,632</u>
Total Additions	<u>17,779,950</u>
Deductions	
Benefits paid directly to participants	6,918,951
Refunds of employee contributions	200,559
Administrative expenses	792,162
Total Deductions	<u>7,911,672</u>
Net Increase	9,868,278
Net Assets Held in Trust for Pension Benefits	
Beginning of year	115,338,310
End of year	<u>\$ 125,206,588</u>

See accompanying notes.

**NOTES TO
FINANCIAL STATEMENTS**

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

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 September 23, 2005, 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 23, 2005, 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 One City Hall Plaza Manchester NH 03104	Manchester School District 286 Commercial Street Manchester NH 03101	Manchester Transit Authority 110 Elm Street Manchester NH 03101-2799
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City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

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, 2004, and their report, dated April 1, 2005, 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

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

1. Summary of Significant Accounting Policies (continued)

statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes when levied for intergovernmental revenues when the eligibility requirements have been met, 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. 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, 2005

1. Summary of Significant Accounting Policies (continued)

Additionally, the City reports the following fund types:

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 enterprise funds, subject to this private-sector guidance for their business-type activities, subject to this same limitation. The City has elected not 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 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.

Cash equivalents

The City's cash and cash equivalents represent short term investments with an initial maturity of three months or less.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

1. Summary of Significant Accounting Policies (continued)

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 \$9,300 and \$43,000, respectively, for the year ended June 30, 2005.

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

Capital assets are reported as expenditures and no depreciation expense is reported in the governmental fund financial statements.

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 paid 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

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

1. Summary of Significant Accounting Policies (continued)

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.

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.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

1. Summary of Significant Accounting Policies (continued)

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 or Deficits – This category represents the net assets of the City, which are not restricted for any project or other purpose. Deficits require future funding.

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.

Designated fund balance - indicates that portion of fund equity for which the City has made tentative plans.

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, 2005

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 \$2,357,600 difference consisting of current assets are as follows:

Accounts receivable:		
Interest on accounts receivable	\$	437,305
Deferred professional fees:		
Underwriters’ discount and Cost of Issuance		1,920,295
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	\$	2,357,600

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 \$(297,140,742) difference consisting of long-term debt are as follows:

Bonds payable:		\$ (261,298,490)
Less: Deferred loss on refunding (to be amortized as interest expense)		1,103,800
Add: Deferred charge for refunding premium (to be amortized over life of debt)		(1,582,452)
Deferred premium on revenue bond obligation (to be amortized as interest expense)		(9,116,551)
Refunding premium on Series 2003B		(196,419)
Refunding premium on Series 2003		(8,735,818)
Refunding premium on Series 2004		(904,289)
Compensated absences		(9,584,503)
Insurance claims		(3,611,038)
Landfill closure and post-closure care		(3,214,982)
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	\$	(297,140,742)

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

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

The details of the \$725,367 difference consisting of current accruals are as follows:

Accrued interest	\$ (1,784,089)
Due to School District	629,628
Unearned revenue	1,879,828
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	\$ 725,367

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 \$87,663,917 difference are as follows:

Capital outlay	\$ 98,643,161
Asset retirements, net of depreciation	(5,307)
Asset retirements – Loss on sale	(886,861)
Depreciation expense	(10,087,076)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ 87,663,917

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

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 detail of this \$9,834,947 difference are as follows:

Long-term liabilities issued or incurred:	
Add series 2003 MSD discounts and COI	969,635
Add series 2004 series discounts and COI	154,191
Add series 2004 refunding discounts and COI	98,000
Add series 2004 refunding discounts and COI	1,166,955
Less series 2003 refunding premium	(9,115,636)
Less series 2004 refunding premium	(943,603)
Add series 2004 premium and COI amortization	975,518
Principal repayments:	
General obligation debt-City portion	9,832,097
General obligation debt-MSD portion reimbursed	6,697,790
	9,834,947
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ 9,834,947

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 \$154,329 difference are as follows:

Prepaid Pension Asset	\$ (731,168)
Long-term liabilities incurred:	
Risk reserve	453,054
Landfill reserve	250,572
Capital appreciation bonds reserve	2,838,210
Compensated absences	(2,432,777)
Accrued interest	2,446,941
Interest receivable from MSD on bonds payable	(2,670,503)
	154,329
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ 154,329

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

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.

Pursuant to the state level requirements, the 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, 2005

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	\$ 110,807,232	\$ 111,210,597
Central Business District	227,668	225,000
Proceeds from delinquent taxes	2,451,092	
Current year encumbrances		(1,342,259)
State retirement contributions	1,459,031	1,459,031
Tax revenues of 2004 recognized in 2005	901,997	
Tax revenues of 2005 deferred until 2006	(980,943)	
Expenditures of prior year encumbrances		1,152,774
Statement of revenues and expenditures (in conformity with GAAP)	\$ 114,866,077	\$ 112,705,143

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

4. Cash, Cash Equivalents and Investments

Deposits: The City has a policy that deposits can include demand and savings accounts and certificates of deposits. The State of New Hampshire requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

Investments: The City's policy for investments other than pension plan investments, Municipal Revenue Bond Investments under the provisions of Chapter 33-B, and certain other Trust Fund investments follow the provisions of New Hampshire Revised Statutes Annotated (RSA) Chapter 48:16 (RSA 48:16). The City policy allows investments in the following: (1) U.S. Treasury securities maturing in less than one year; (2) fully insured or collateralized certificates of deposit at commercial banks and savings and loan associations (collateral limited to U.S. treasury bills, FNMA and GMNA securities); and (3) repurchase agreements collateralized by U.S. government obligations.

The City's policy for Municipal Revenue Bonds Investments follow Chapter 33-B of the RSA's. The investments under this chapter are governed by a resolution and/or by a trust or security agreement between the municipality and a corporate trustee which restricts the types of securities in which the applicable revenue bond proceeds can be invested. Generally these agreements allow for investments in obligations of the United States government, and certain marketable securities.

The City's policy for investments under the custodianship of the Trustees of Trust Funds include Cemetery Trust Funds RSA 31:25, Capital Reserve Funds RSA 34:5 and the Old System Pension Trust Chapter 98:4 of the Laws of 1999 follow the prudent investor guidelines which allows for various investments as long as these investments would be acquired by prudent persons of discretion and intelligence in investment matters, who are seeking a reasonable income and the preservation of capital.

Interest Rate Risk: The City limits its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Concentrations: The City's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific entity.

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2005, \$836,284 of the \$227,535,591 cash and cash equivalent total was uninsured and uncollateralized. The City has steadfastly maintained sufficient collateralization of its funds to prevent losses that might be attributable to failures at individual institutions.

In accordance with Investment Policy, these funds are secured by third party perfected arrangements and safekeeping procedures have been structured to assure prudence in protection of the City principal.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

4. Cash, Cash Equivalents and Investments (continued)

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Cash and investments of the City consist of the following at June 30, 2005:

Cash and Cash Equivalents		
Deposits with Financial Institutions	\$ 105,607,600	
Pooled Investments Funds	21,300,023	
Repurchase Investments	100,627,968	
Total Cash and Cash Equivalents	227,535,591	
Investments		
Corporate Bonds	3,043,864	*
U.S. Treasury Bills	546,316	**
Total Investments	3,590,180	
Library Trust Funds:		
U.S. Treasury Notes	170,583	***
U.S. Government Agencies	153,578	***
Corporate Bonds	715,497	***
Common Stocks	1,491,600	***
Fixed Income Mutual Funds	170,964	
Total Library Trust Funds	2,702,222	
Old System Pension Trust Fund:		
U.S. Treasury Notes	3,952,025	***
Corporate Bonds	3,552,459	***
Mortgage Backed	1,797,588	***
Total Old System Pension Trust Fund	9,302,071	
Total Investments	15,594,473	
CRS Pension (Blended Component Unit)		
Cash	852,634	
Investments	104,152,556	
Total CRS Pension	105,005,190	
Total	\$ 348,135,254	

* Uninsured and unregistered, with securities held by the counterparty's trust department in the City's name.

** Uninsured and unregistered, with securities held by the counterparty's agent in the City's name.

*** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

4. Cash, Cash Equivalents and Investments (continued)

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Assets

Cash and cash equivalents	\$ 110,279,417
Restricted cash	107,683,943
Investments	<u>6,292,402</u>
	<u>224,255,762</u>

Pension Trust Funds

Cash and cash equivalents	10,424,865
Investments	<u>113,454,627</u>
	<u>123,879,492</u>

Total	<u><u>\$ 348,135,254</u></u>
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Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the entity's debt type investments to this risk using the segmented time distribution model is as follows:

Type of Investment	Market Value	Investment Maturities (in Years)			
		Less Than 1 Year	1 - 5 Years	6 - 10 Years	Over 10 Years
US Treasury Bills	\$ 546,316	\$ 546,316	\$ -	\$ -	\$ -
US Treasury Notes	4,122,608	2,609,381	1,272,581	240,646	-
US Government Agencies	153,578	50,688	102,890	-	-
Corporate Bonds	7,311,820	133,867	1,977,549	321,910	4,878,494
Mortgage Backed	1,797,588	-	-	-	1,797,588
Fixed Income Mutual Fund	170,964	170,964	-	-	-
Pooled Investments	21,300,023	21,300,023	-	-	-
Repurchase Investment	100,627,968	100,627,968	-	-	-
Total	<u><u>\$ 136,030,864</u></u>	<u><u>\$ 125,439,207</u></u>	<u><u>\$ 3,353,020</u></u>	<u><u>\$ 562,556</u></u>	<u><u>\$ 6,676,082</u></u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

4. Cash, Cash Equivalents and Investments (continued)

Credit Risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the rating for each debt type investment.

<u>Average Rating</u>	<u>Corporate Bonds</u>	<u>Mortgage Backed</u>	<u>US Government Agencies</u>	<u>Repurchase Investment</u>	<u>Fixed Income Mutual fund</u>	<u>Pooled Investments</u>
AAA	\$3,982,356	\$1,797,588	\$ 153,578	\$100,627,968		\$21,300,023
AA+	73,931					
AA-	208,876					
A+	1,516,986					
A	707,905					
A-	76,110					
BBB+	567,897					
BB+	177,758					
Unrated					\$ 170,964	
	<u>\$7,311,820</u>	<u>\$1,797,588</u>	<u>\$ 153,578</u>	<u>\$100,627,968</u>	<u>\$ 170,964</u>	<u>\$21,300,023</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

5. Taxes and Abatements

The principal 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 \$4.34 for 2005. 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, 2005

6. Receivables

Primary Government

	General	Capital Projects	MWW	EPD	Aviation	Nonmajor governmental	Nonmajor proprietary	Total
Due from Warrants	\$ 15,869,093							\$15,869,093
Due from State of NH & other local governments	2,449,827			\$ 5,436,970	\$ 80,981			7,967,778
Prior year tax liens	548,884							548,884
Tax titles	968,578							968,578
Due from federal government					1,367,671	\$ 716,107		2,083,778
Accounts receivable-trade	2,897,834	\$ 58,019	\$ 2,670,978	3,203,995	2,388,589	157,492	578,448	11,955,355
Notes receivable						6,458,946		6,458,946
Other	101,465		274,982	397,673		91,322		865,442
Total gross receivables	22,835,681	58,019	2,945,960	9,038,638	3,837,241	7,423,867	578,448	46,717,854
Allowance for collection losses	(1,602,324)							(1,602,324)
Total net receivables	\$ 21,233,357	\$ 58,019	\$ 2,945,960	\$ 9,038,638	\$ 3,837,241	\$ 7,423,867	\$ 578,448	\$ 45,115,530

7. Interfund Receivables, Payables and Transfers

Due from/to other funds consist of the following at June 30, 2005:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency	\$ 1,143,716
	Capital projects	6,924,456
	Special Revenue:	
	Other grants	314,098
	HUD Section 108	39,427
	CDBG	385,606
	Enterprise:	
	Aggregation	1,743,446
	Recreation	1,530,654
		<u>12,081,403</u>
Non-Major :		
HUD Section 108	General fund	4,483
Aggregation	Recreation	19,346
Capital projects	Recreation	305,347
	Total - All Funds	\$ 12,410,579

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

7. Interfund Receivables, Payables and Transfers (continued)

The balance of \$1,743,446 due from the enterprise to the general fund is the result of short-term advances. The balance of \$39,427 resulted from the time lag between the dates payments occur between funds for various activities. All remaining balances are the result of short-term advances.

Interfund transfers during the year ended June 30, 2005 were as follows:

Due to / from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>	
Interfund transfers:			
		<u>Transfers In (Out):</u>	
	<u>General</u>	<u>Other</u>	<u>Total</u>
<u>Transfers</u>	<u>Fund</u>	<u>Funds</u>	
General Fund	\$ (5,324,711)	\$ 5,324,711	\$ -
Other Funds	2,881,013	(2,881,013)	-
Capital Projects	(850,000)	850,000	-
Recreation Fund	(18,000)	18,000	-
	<u>\$ (3,311,698)</u>	<u>\$ 3,311,698</u>	<u>\$ -</u>

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, 2005

8. Capital Assets

Governmental activities

Changes in the governmental capital assets for the year ended June 30, 2005, were as follows:

	Balance 30-Jun-04	Additions	Retirements	Transfers	Balance 30-Jun-05
Capital assets, not being depreciated					
Land	\$ 19,129,092		\$ (675,223)		\$ 18,453,869
Construction-in-Progress	42,403,357	\$ 86,007,083	(5,307)	\$ (10,206,728)	118,198,405
Total capital assets, not being depreciated	<u>61,532,449</u>	<u>86,007,083</u>	<u>(680,530)</u>	<u>(10,206,728)</u>	<u>136,652,274</u>
Capital assets, being depreciated					
Buildings	182,621,018		(27,500)	7,880,604	190,474,122
Improvements other than buildings	16,323,562	226,462	(126,500)	2,326,124	18,749,648
Equipment	6,570,771	1,457,087	(193,388)	(35,829)	7,798,641
Vehicles	18,743,737	1,424,406	(1,012,610)	35,829	19,191,362
Infrastructure	41,460,094	9,528,123			50,988,217
Total capital assets, being depreciated	<u>265,719,182</u>	<u>12,636,078</u>	<u>(1,359,998)</u>	<u>10,206,728</u>	<u>287,201,990</u>
Less accumulated depreciation					
Buildings	68,764,144	5,239,437	(17,185)		73,986,396
Improvements other than buildings	6,840,769	716,825	(20,155)		7,537,439
Equipment	3,621,685	776,290	(123,119)	(1,493)	4,273,363
Vehicles	13,078,482	1,728,419	(987,895)	1,493	13,820,499
Infrastructure	18,907,992	1,626,105	-	-	20,534,097
Total accumulated depreciation	<u>111,213,072</u>	<u>10,087,076</u>	<u>(1,148,354)</u>	<u>-</u>	<u>120,151,794</u>
Governmental Activities Capital Assets, Net	<u>\$ 216,038,559</u>	<u>\$ 88,556,085</u>	<u>\$ (892,174)</u>	<u>\$ -</u>	<u>\$ 303,702,470</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

8. Capital Assets (continued)

Business-type Activities

Changes in the business-type capital assets for the year ended June 30, 2005, were as follows:

	Balance 30-Jun-04	Additions	Retirements	Transfers	Balance 30-Jun-05
Capital assets, not being depreciated					
Land	\$ 37,076,963		\$ (167,778)	\$ 2,608,649	\$ 39,517,834
Construction-in-Progress	40,245,261	\$ 36,778,267	(14,751)	(23,572,089)	53,436,688
Total capital assets, not being depreciated	<u>77,322,224</u>	<u>36,778,267</u>	<u>(182,529)</u>	<u>(20,963,440)</u>	<u>92,954,522</u>
Capital assets, being depreciated					
Buildings	284,902,092	1,688,753	(67,096)	56,111,401	342,635,150
Improvements other than buildings	291,231,703	207,349	(2,821,285)	(36,335,899)	252,281,868
Equipment & vehicles	88,834,466	1,228,694	(166,125)	1,187,938	91,084,973
Total capital assets, being depreciated	<u>664,968,261</u>	<u>3,124,796</u>	<u>(3,054,506)</u>	<u>20,963,440</u>	<u>686,001,991</u>
Less accumulated depreciation					
Buildings	88,038,727	12,159,698	(32,193)		100,166,232
Improvements other than buildings	47,114,583	7,910,140			55,024,723
Equipment & vehicles	34,304,201	3,009,518	(166,124)		37,147,595
Less total accumulated depreciation	<u>169,457,511</u>	<u>23,079,356</u>	<u>(198,317)</u>	<u>-</u>	<u>192,338,550</u>
Business-type Total Capital Assets, Net	<u>\$ 572,832,974</u>	<u>\$ 16,823,707</u>	<u>\$ (3,038,718)</u>	<u>\$ -</u>	<u>\$ 586,617,963</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

8. Capital Assets (continued)

Discretely Reported Component Units

Capital assets activity in the School District at June 30, 2005, consisted of the following:

	Balance <u>July 1, 2004</u>	<u>Increases</u>	Balance <u>June 30, 2005</u>
Capital assets, not being depreciated			
Land		\$ 169,400	\$ 169,400
Capital assets, being depreciated			
Portable classrooms	\$ 1,047,602	-	1,047,602
Instruments	118,703	6,125	124,828
Other machinery & equipment	9,827,600	1,352,343	11,179,943
Total capital assets, being depreciated	<u>10,993,905</u>	<u>1,358,468</u>	<u>12,352,373</u>
Less accumulated depreciation			
Portable classrooms	124,528	-	124,528
Instruments	16,956	613	17,569
Other machinery & equipment	4,563,756	923,922	5,487,678
Less total accumulated depreciation	<u>4,705,240</u>	<u>924,535</u>	<u>5,629,775</u>
Total Capital Assets being depreciated, Net	<u>\$ 6,288,665</u>	<u>\$ 603,333</u>	<u>\$ 6,891,998</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

8. Capital Assets (continued)

Capital assets activity in the MTA at June 30, 2005, consisted of the following:

	Balance 30-Jun-04	Additions	Retirements	Balance 30-Jun-05
Capital assets, not being depreciated				
Land	\$ 129,109			\$ 129,109
Capital assets, being depreciated				
Buildings	1,807,598			1,807,598
Buses	6,297,367	\$ 591,356	\$ (209,607)	6,679,116
Equipment	1,448,338	285,750	(107,149)	1,626,939
Total capital assets				
being depreciated	<u>9,553,303</u>	<u>877,106</u>	<u>(316,756)</u>	<u>10,113,653</u>
Less accumulated depreciation	7,395,942	496,165	(316,756)	7,575,351
Total Capital Assets				
being depreciated, Net	<u>\$ 2,286,470</u>	<u>\$ 380,941</u>	<u>\$ -</u>	<u>\$ 2,667,411</u>

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

Governmental Activities:

General	\$ 2,728,965
Public safety	1,029,454
Highways and streets	3,338,259
Health and welfare	36,990
Education and library	1,977,663
Parks	975,745
Total depreciation expense – governmental activities	<u>\$ 10,087,076</u>

Business-type Activities:

Water Works Fund	\$ 2,037,551
EPD Fund	4,748,112
Aviation Fund	15,659,331
Recreation Fund	634,074
Aggregation Fund	288
Total depreciation expense – business-type activities	<u>\$ 23,079,356</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

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, 2005 are as follows:

Governmental long-term debt:

Fiscal year	Principal	Interest	Total
2006	\$ 16,555,733	\$ 12,324,374	\$ 28,880,107
2007	13,122,736	11,765,810	24,888,546
2008	14,361,674	11,256,110	25,617,784
2009	14,542,511	10,637,065	25,179,576
2010	12,866,239	10,008,054	22,874,293
2011-2015	61,920,931	41,469,211	103,390,142
2016-2020	55,943,351	26,889,512	82,832,863
2021-2025	44,586,912	13,903,900	58,490,812
2026-2030	27,097,055	3,070,802	30,167,857
2031	301,348	18,744	320,092
Debt Service Requirement	261,298,490	141,343,582	402,642,072
Add Bond Premium	19,431,725		19,431,725
Total Business-type Activities	<u>\$ 280,730,215</u>	<u>\$ 141,343,582</u>	<u>\$ 422,073,797</u>

Business-type Activities:

Fiscal year	Principal	Interest	Total
2006	\$ 14,151,939	\$ 15,856,396	\$ 30,008,335
2007	13,155,847	15,955,740	29,111,587
2008	12,538,195	15,486,783	28,024,978
2009	12,098,353	15,028,777	27,127,130
2010	11,073,702	14,558,557	25,632,259
2011-2015	53,915,532	60,644,511	114,560,043
2016-2020	60,396,941	47,483,145	107,880,086
2021-2025	69,932,321	32,248,524	102,180,845
2026-2030	64,622,946	11,998,197	76,621,143
2031-2035	18,788,652	2,483,410	21,272,062
Debt Service Requirement	330,674,428	231,744,040	562,418,468
Less Bond Discount	(3,064,602)		(3,064,602)
Less Deferred Loss	(1,367,214)		(1,367,214)
Total Business-type Activities	<u>\$ 326,242,612</u>	<u>\$ 231,744,040</u>	<u>\$ 557,986,652</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

9. Long-Term Debt (continued)

Interest rates for the City's outstanding GO bonds range from 2.00% to 8.875%. At June 30, 2005, the City's legal debt limit was \$941,161,341. Authorized, unissued financing resolutions as of June 30, 2005 totaled \$176,257,205. A large component of that total in the amount \$100,000,000 has been authorized for a refinancing of outstanding General Airport Revenue Bonds, while \$20,000,000 has been highlighted as new money for continuance of capital improvements at the Airport. The City had been reviewing proposals submitted by underwriters as well as the use of swap arrangements to maximize the potential amount of savings to be achieved on an advance refunding of Airport bonds.

The second largest outstanding balance is represented by EPD Enterprise Funds in the amount of \$33,507,205. The large majority of these funds will be utilized for CSO Projects of various sizes for locations throughout the City, as well as the replacement of the sludge dewatering equipment at the treatment plant. These projects will be financed primarily through the State of New Hampshire Department of Environmental Services Sewer Revolving Fund. EPD continues to pursue an aggressive path with the scheduled continuance of these mandated projects.

The remaining outstanding balance will serve to finance new money in the traditional fashion which is the issuance of Public Improvement General Obligation Bonds. These are currently listed in the amounts of \$15,600,000 for City; \$4,400,000 for MSD and \$2,750,000 for Recreation Enterprise. The City projects consist of Fire Station Rehabilitation, Parks Facilities Improvements, Major Fleet Upgrades, Building Improvements Projects, Public Works Infrastructure and Information/Public Safety Upgrade Project. For MSD, the \$4,400,000 is to be used to construct a sports complex at Memorial High School. The City has three high schools and with the culmination of this project each school will have its own "home" field and related athletic facilities. Finally, the Recreation Enterprise in tandem with a private partnership has built a brand new clubhouse at Derryfield Golf Course, which is also a City owned facility. The \$2,750,000 appropriated for this project is another innovative arrangement whereby the City sells bonds for an economic development project with the managing entity agreeing to pay a percentage of the annual debt service and other concessions in accordance with the management agreement.

Among the notable transactions in FY 2005 was a \$61,970,000 refinancing of the School Facilities Revenue Bonds. The Series 2004 Bonds were issued to refund, prior to maturity, the original issuance of same in the amount of \$101,400,000, identified as Series 2003. The new proceeds of the Series 2004 Bonds (after payment of the underwriting fee and other costs of issuance of the Series 2004 Bonds) will be applied to the purchase of an investment portfolio which will mature and bear interest sufficient to meet the principal, interest and the redemption premium requirements of the Refunded Bonds. The TIC of 4.278% represented a 4.99 percentage savings of the refunded bonds, which in this instance represent a defeasance of \$63,170,000. The Net PV Savings amounted to \$3,153,366.44. The total cash savings amounted to \$5,145,657. The balance of the refunding bonds on June 30, 2005 was \$60,785,000.

Also, in September 2004, the City advance refunded \$11,690,000 of outstanding GO debt with a refunding in the amount of \$11,730,000. The net proceeds of \$12,530,766, subsequent to factoring in the premium received on the sale and accounting for the expenditures including underwriters discount and costs of issuance, were used to purchase SLGS to fund the refunding escrow account. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

9. Long-Term Debt (continued)

from FY 2005 forward on the refunded bonds. As a result, those bonds are considered to be defeased and the applicable portion of the liability for those bonds has been removed from the balance sheet. The City will realize savings of \$474,040 through 2019, which results in a net present value savings of \$374,576 over the same period.

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, 2005, \$44,175,000 of outstanding GO Bonds and \$63,170,000 of School Revenue Bonds are considered defeased.

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Balance 30-Jun-04	Increases	Decreases	Balance 30-Jun-05	Due within One year
Governmental activities:					
General Obligation Debt -					
City	\$ 132,912,676	\$ 4,322,517	\$ 14,131,497	\$ 123,103,696	\$ 9,986,010
Revenue Bonds Payable -					
MSD	101,410,000	61,970,000	64,355,000	99,025,000	2,470,000
General Obligation Bonds					
Payable - MSD	44,672,657	7,224,127	12,726,990	39,169,794	4,099,723
Premiums (Discounts)	10,531,813	9,961,239	1,061,327	19,431,725	1,061,327
	<u>289,527,146</u>	<u>83,477,883</u>	<u>92,274,814</u>	<u>280,730,215</u>	<u>17,617,060</u>
Compensated absences	7,151,726	2,432,777		9,584,503	2,396,126
Insurance claims	4,064,092		453,054	3,611,038	4,028,991
Capital appreciation bonds	2,838,210		2,838,210	-	
Landfill post-closure care	3,465,554		250,572	3,214,982	-
	<u>\$ 307,046,728</u>	<u>\$ 85,910,660</u>	<u>\$ 95,816,650</u>	<u>\$ 297,140,738</u>	<u>\$ 24,042,177</u>
Business-type activities					
General Obligation Debt	\$ 46,381,739	\$ 5,053,402	\$ 7,855,713	\$ 43,579,428	\$ 8,181,939
Revenue Bonds, net of					
unamortized Original					
Issue Discount	304,928,680		22,265,496	282,663,184	5,970,000
	<u>\$ 351,310,419</u>	<u>\$ 5,053,402</u>	<u>\$ 30,121,209</u>	<u>\$ 326,242,612</u>	<u>\$ 14,151,939</u>

The EPD Enterprise Fund has nine loan agreements with original principal balances amounting to \$50,604,720 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 projects.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

9. Long-Term Debt (continued)

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, 2005 was \$1,705,875 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 \$12,560,108.

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 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, 2005, the swap agreement resulted in a cumulative unfavorable fair value of \$3,108,128 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 Codification Section 2100.

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

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

9. Long-Term Debt (continued)

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.

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, 2005

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	\$ 852,634	\$ 9,572,231	\$ 10,424,865
Investments	104,152,556	9,302,071	113,454,627
Receivables, net of allowances for collection losses	1,698,358	87,843	1,786,201
Other assets	8,300		8,300
Property and equipment, net where applicable, of accumulated depreciation	171,928		171,928
Total Assets	<u>\$ 106,883,776</u>	<u>\$ 18,962,145</u>	<u>\$ 125,845,921</u>
Liabilities			
Accounts and warrants payable	\$ 164,516		\$ 164,516
Accrued liabilities	474,817		474,817
Total Liabilities	639,333		639,333
Net Assets Held in Trust for Pension Benefits	<u><u>\$ 106,244,443</u></u>	<u><u>\$ 18,962,145</u></u>	<u><u>\$ 125,206,588</u></u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

10. Employee Benefit Plans (continued)

SCHEDULE OF CHANGES OF PLAN NET ASSETS

	CRS Pension Trust	Old System Pension Trust	Total
Additions			
Contributions			
Employer	\$ 3,915,053		\$ 3,915,053
Plan members	1,695,265		1,695,265
Total Contributions	<u>5,610,318</u>		<u>5,610,318</u>
Investment Gain (Loss)			
Net realized and unrealized appreciation (depreciation) in fair value of investments	10,090,995	\$ 458,062	10,549,057
Interest	10,843	782,033	792,876
Dividends	1,249,771		1,249,771
Less investment expense	(422,072)		(422,072)
Net Investment Income (Loss)	<u>10,929,537</u>	<u>1,240,095</u>	<u>12,169,632</u>
Total Additions (Reductions)	<u>16,539,855</u>	<u>1,240,095</u>	<u>17,779,950</u>
Deductions			
Benefits paid directly to participants	5,009,300	1,909,651	6,918,951
Refunds of employee contributions	200,559		200,559
Administrative expenses	718,296	73,866	792,162
Total Deductions	<u>5,928,155</u>	<u>1,983,517</u>	<u>7,911,672</u>
Net Decrease	10,611,700	(743,422)	9,868,278
Net Assets Held in Trust for Pension Benefits			
Beginning of year	95,632,743	19,705,567	115,338,310
End of year	<u>\$ 106,244,443</u>	<u>\$ 18,962,145</u>	<u>\$ 125,206,588</u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

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 1-1/2% 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 2-1/2% of their salaries to the New System prior to January 1, 1999 and 3-3/4 % 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 1/2% to be paid equally, 1/4% by the retirement system and 1/4% by the employee.

Membership in the Plan consisted of the following at December 31, 2004, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	519
Terminated vested members	74
Active members	<u>1,344</u>
Total Participants	<u><u>1,937</u></u>

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

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
2005	\$ 4,083,493	100%
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)
12/31/04	\$ 103,826,765	\$ 22,520,228	\$ 126,346,993	82.2 %	\$ 45,027,930
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, 2004
Actuarial Cost Method:	Entry Age Normal
Investment Net Rate of Return:	7.5%
Projected Salary Increases:	4.5% - 14.4%
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, 2005

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, 2005, the Old System membership consisted of:

Members currently receiving benefits	125
Active Vested Members	20
Total Members	145

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year ended June 30	Annual required contributions	Percentage contributed
2005	\$ 71,571	0.0 %
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, 2005

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	\$ 71,571
Interest on net pension obligation	(1,278,678)
Adjustment to annual required contribution	1,938,275
Annual pension cost	731,168
Less contributions made	0
Increase in net pension obligation (asset)	731,168
Net pension obligation (asset) beginning of year	(17,049,045)
Net pension obligation (asset) end of year	\$(16,317,877)

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>
6/30/2005	\$ 731,168	0.0 %	\$(16,317,877)
6/30/2004	808,872	0.0 %	(17,049,045)
6/30/2003	653,531	0.0 %	(17,857,717)

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
07/01/2004	\$ 19,705,567	\$ 20,335,101	\$ 629,534	96.90 %	\$ 1,047,706	60.08 %
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, 2005
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	13 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, 2005

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, 2005, the membership consisted of:

Members currently receiving benefits	<u>49</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 9.68% to 14.36% of covered compensation.

The City's contributions to the system, consisting of firefighters and police officers, for the years ended June 30, 2005 and 2004 were \$2,866,242 and \$2,760,949 respectively and were equal to the required contributions. For the years ended June 30, 2005 and 2004, the City has recognized both revenue and expenditures of \$1,459,031 and \$1,094,057, respectively, on behalf of contributions made by the State to the NHRS.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

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
2005	\$4,686,026	\$4,533,002	\$4,293,014	\$4,446,038
2004	\$4,939,555	\$4,556,418	\$4,302,889	\$4,686,026

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 \$835,000 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. \$860,799 was recorded in the government wide statements for fiscal year 2005 as the City's estimated liabilities for unsettled claims.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

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. \$2,365,133 was recorded in the government wide statements as the City's estimated liability for all types of claims incurred in 2005 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, 2005, there is no pending claim by the EPA or the State.

The EPD completed the Long-Term Control Plan for Combined Sewer Overflows in 1998 and entered into negotiations with EPA. The project is estimated to cost \$85 to \$140 million. The City has signed a consent order with EPA and NHDES to address the first phase of the CSO Remediation over an 11-year period at an estimated cost of \$59 million. EPD has initiated the CSO projects as required by the City's Consent Order. To date, all eligible CSO work has been awarded SRF loans and 20% State grants. At the conclusion of Phase I, the City and EPA will reassess CSO activity and evaluate the need for Phase II.

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 \$3,214,982 reported as landfill closure and postclosure care liability at June 30, 2005 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.

City of Manchester, New Hampshire
Notes to Financial Statements
June 30, 2005

13 . Fund Deficit

As of June 30, 2005, the CDBG and the Aggregation funds had fund deficits in the amounts of \$83,473 and \$1,692,146, respectively.

The City anticipates financing the deficits through future revenues.

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 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.”
- GASB Statement Number 46, “Net Assets Restricted by Enabling Legislation – An Amendment of GASB Statement Number 34.”
- GASB Statement Number 47, “Accounting for Termination Benefits.”

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 CAFR.

15. Subsequent Events

Shortly after the end of FY2005, the City closed on a bond sale that had been worked on for many months previously. Proceeds in the amount of \$76,325,000 were received on the Series 2005 General Airport Revenue Bond issuance on July 7, 2005. The Series 2005A (Non-AMT) component was a new money issuance in the amount of \$17,110,000, which will be used to finance certain capital improvements at the Airport, consisting primarily of property acquisition, runway and taxiway improvements and parking lot improvements, all as part of the Federal Aviation Administration-approved Master Plan Update. The Series 2005B (Multi-Modal, Non-AMT) bonds in the amount of \$59,215,000 were issued to advance refund a portion of the outstanding Series 1998 and Series 2000 (Non-AMT) bonds. The True Interest Cost (TIC) on the new money portion was 4.50%, while the TIC on the refunding piece exceeded the projections at 3.35%. This also represented a 15.22% percentage savings on the refunded bonds and a Net PV Savings of \$8,873,272.25.

**COMBINING AND INDIVIDUAL
FINANCIAL STATEMENTS AND SCHEDULES**

**General Fund
Comparative Balance Sheets**

**City of Manchester, New Hampshire
June 30, 2005**

	<u>2005</u>	<u>2004</u>
<u>Assets</u>		
Assets		
Cash and cash equivalents	\$ 66,318,323	\$ 74,646,353
Restricted cash and cash equivalents	3,711,382	4,798,675
Investments	546,316	516,599
Receivables, net of allowances for collection losses	21,233,357	20,278,656
Prepaid items	1,271	3,397
Due from other funds	12,106,319	3,043,323
Inventories	709,034	595,338
Land held for resale	2,555,000	
Total Assets	<u>\$ 107,181,002</u>	<u>\$ 103,882,341</u>
<u>Liabilities and Fund Equity</u>		
Liabilities		
Accounts and warrants payable	\$ 3,665,829	\$ 4,580,659
Accrued liabilities	2,547,998	2,879,740
Insurance claims payable	835,000	621,964
Due to Manchester School District	27,657,908	24,419,382
Unearned revenue	18,801,918	18,207,297
Taxes collected in advance	29,623,456	28,107,837
Total Liabilities	<u>83,132,109</u>	<u>78,816,879</u>
Fund Equity		
Fund balances		
Reserved for		
Encumbrances	1,342,259	1,427,053
Inventory	709,034	595,339
Advances	1,743,447	1,700,039
Workers' compensation	2,388,525	2,715,004
Land held for resale	2,555,000	
Designated for		
Health insurance	956,761	1,933,868
General liability insurance	1,079,644	1,349,058
Special revenue	2,052,686	3,713,345
Tax rate stabilization		641,904
Revenue stabilization	10,098,844	9,633,625
Unreserved		
Undesignated fund balance	1,122,693	1,356,227
Total Fund Equity	<u>24,048,893</u>	<u>25,065,462</u>
Total Liabilities and Fund Equity	<u>\$ 107,181,002</u>	<u>\$ 103,882,341</u>

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

**City of Manchester, New Hampshire
Year Ended June 30, 2005**

	<u>2005</u>	<u>2004</u>
<u>Revenues</u>		
Taxes	\$ 65,843,620	\$ 62,989,526
Federal and state grants and aid	9,111,635	8,075,517
Nonenterprise charges for sales and services	4,688,142	4,690,757
Licenses and permits	21,964,114	21,452,411
Interest	1,398,584	735,622
Other	11,859,982	11,608,537
Total Revenues	114,866,077	109,552,370
<u>Expenditures</u>		
Current:		
General government	21,652,439	19,639,015
Public safety	41,272,573	39,325,628
Health and sanitation	2,958,017	2,810,741
Highway and streets	22,185,782	21,222,075
Welfare	1,185,782	1,271,988
Education	2,461,374	2,417,556
Parks and recreation	3,435,608	3,203,765
Debt service:		
Principal retirement	9,832,097	9,630,629
Interest	7,721,471	5,856,376
Total Expenditures	112,705,143	105,377,773
Excess of revenues over expenditures	2,160,934	4,174,597
<u>Other Financing Sources (Uses)</u>		
Proceeds of refunding bonds	73,516,645	24,490,273
Payment to refunded bond escrow agent	(82,354,058)	(24,276,368)
Proceeds from premium of refunding bonds	10,059,239	-
Deferred cost of issuance	(1,087,631)	-
Transfers in	2,881,013	335,539
Transfers out	(6,192,711)	(2,467,476)
Total Other Financing Sources (Uses)	(3,177,503)	(1,918,032)
Net Change in Fund Balance	(1,016,569)	2,256,565
Fund Balance, beginning of year	25,065,462	22,808,897
Fund Balance, end of year	<u>\$ 24,048,893</u>	<u>\$ 25,065,462</u>

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

City of Manchester, New Hampshire
 Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Taxes</u>				
Property tax	64,923,264	64,923,264	63,830,825	(1,092,439)
Boat tax	40,000	40,000	38,103	(1,897)
Cable franchise fee	1,000,000	1,000,000	1,158,850	158,850
Cost on deferred tax	25,000	25,000	27,340	2,340
Cost on tax title	28,000	28,000	20,316	(7,684)
Interest on tax	250,000	250,000	304,394	54,394
Interest on tax lien	315,000	315,000	224,613	(90,387)
Railroad tax	3,500	3,500	3,610	110
Tax lien	60,000	60,000	86,845	26,845
Total Taxes	66,644,764	66,644,764	65,694,896	(949,868)
<u>Federal and State Grants and Aid</u>				
CIP/federal capital	227,000	227,000	161,990	(65,010)
FEMA			259,539	259,539
Highway block grant	1,662,974	1,662,974	1,736,479	73,505
Home Investment Program	-	-	42,155	42,155
Landfill closure	21,372	21,372	218,177	196,805
Lieu of tax - Carpenter Center	50,000	50,000	51,466	1,466
Lieu of tax - MHRA	193,700	193,700	179,153	(14,547)
Lieu of tax - other	526,277	526,277	567,475	41,198
Medicare reimbursement	30,000	30,000	-	(30,000)
Meals & rooms tax	454,927	454,927	454,927	-
Preventive health	40,000	40,000	-	(40,000)
Revenue Sharing Distribution	3,955,713	3,955,713	3,955,713	-
Traffic reimbursement	25,000	25,000	25,530	530
Total Federal and State Grants and Aid	7,186,963	7,186,963	7,652,604	465,641
<u>Nonenterprise Charges for Sales and Services</u>				
Cemetery - Care of lot and grave	13,000	13,000	23,093	10,093
Cemetery - Cement container	27,000	27,000	23,968	(3,032)
Cemetery - Internment	108,150	108,150	112,055	3,905
Cemetery - Tomb storage	800	800	-	(800)
Cemetery - Sale of mausoleum	13,000	13,000	15,400	2,400
City Clerk - Certified record	214,000	214,000	217,428	3,428
City Clerk - Certified record, state share	(141,000)	(141,000)	(141,861)	(861)
City Clerk - Late fee	2,500	2,500	4,019	1,519
City Clerk - Political filing fee	100	100	20	(80)
City Clerk - UCC financing statement	35,000	35,000	27,684	(7,316)
City Clerk - Vending machine commission	75	75	65	(10)
Finance - Wage assignment fee	1,800	1,800	1,839	39
Fire - Alarm permit	248,000	248,000	274,155	26,155
Fire - Central station monitoring	22,000	22,000	24,062	2,062
Fire - Day care inspection	2,000	2,000	1,250	(750)
Fire - False alarm	80,000	80,000	129,207	49,207
Fire - Hazardous inspection fee	3,000	3,000	3,750	750
Fire - Review of life safety code plan	1,500	1,500	5,725	4,225
Fire - Sprinkler system review	12,000	12,000	31,475	19,475

(continued)

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

City of Manchester, New Hampshire
Year Ended June 30, 2005
(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	1,000	1,000	1,725	725
Fire - Telephone dialer fee	700	700	725	25
Health - Day care health inspection	500	500	590	90
Health - Immunization reimbursement	-	-	10,075	10,075
Highway - Bid fee	1,500	1,500	2,645	1,145
Highway - Delay rent on landfill	35,000	35,000	24,039	(10,961)
Highway - Drop-off Center	550,000	550,000	490,415	(59,585)
Highway - Grade certification	5,600	5,600	3,225	(2,375)
Highway - Inspection fee	60,000	60,000	29,775	(30,225)
Highway - Maintenance	500	500	11,293	10,793
Highway - Sewer tap fee	95,000	95,000	70,550	(24,450)
Highway - Hackett Hill sewer recovery	-	-	48,614	48,614
Highway - Wellington sewer recovery	-	-	30,377	30,377
Highway - Youngsville sewer recovery	-	-	5,670	5,670
Human resources - Examination fee	23,500	23,500	8,429	(15,071)
Information systems - Department supplies	-	-	6,663	6,663
Parks - Concessions, rentals, bids	200	200	5,720	5,520
Parks - Softball fee	-	-	2,490	2,490
Planning - Site plan fee	75,000	75,000	55,228	(19,772)
Planning - Sub-Division fee	13,000	13,000	12,875	(125)
Planning - Zoning variance	27,000	27,000	37,690	10,690
Police/Fire - Accident/investigation report	64,000	64,000	67,266	3,266
Police - Auction	15,000	15,000	3,480	(11,520)
Police - Booting fee	13,000	13,000	20,090	7,090
Police - Building violation fine	20,000	20,000	11,800	(8,200)
Police - Court parking fine	8,500	8,500	4,530	(3,970)
Police - District court fine	45,000	45,000	66,704	21,704
Police - Dog license fee	12,500	12,500	16,475	3,975
Police - Expired meter parking ticket	1,116,492	1,116,492	1,161,859	45,367
Police - Extra detail administrative	95,000	95,000	100,579	5,579
Police - Fingerprint	9,000	9,000	10,405	1,405
Police - Photograph sale	2,600	2,600	2,353	(247)
Police - Listed agent fee	12,500	12,500	18,525	6,025
Police - Towing fine	5,000	5,000	5,135	135
Police - Witness fee	95,100	95,100	97,177	2,077
Tax collector - auto registration parking	114,000	114,000	228,034	114,034
Tax collector - Fee duplicate tax receipt	5,000	5,000	4,752	(248)
Tax collector - Motor vehicle title fee	58,000	58,000	58,495	495
Tax collector - Municipal agent fee	200,000	200,000	196,654	(3,346)
Traffic - Parking downtown meters & reserve	1,227,000	1,227,000	932,848	(294,152)
Traffic - Parking meter hoods revenue	30,000	30,000	29,237	(763)
Various - Bounced check fee	10,400	10,400	11,709	1,309
Various - Research fee	15,300	15,300	19,599	4,299
Various - Photocopy	8,950	8,950	8,289	(661)
Total Nonenterprise Charges for Sales and Services	4,713,767	4,713,767	4,688,142	(25,625)

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

City of Manchester, New Hampshire
 Year Ended June 30, 2005
 (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	15,150,000	15,150,000	15,194,741	44,741
Building - Certificate of compliance	230,000	230,000	212,529	(17,471)
Building - Building permit	1,357,600	1,357,600	1,366,017	8,417
Building - Electric permit	230,000	230,000	232,235	2,235
Building - Elevator permit	2,000	2,000	3,525	1,525
Building - Heating permit	135,000	135,000	171,357	36,357
Building - Plumbing permit	90,000	90,000	95,227	5,227
Building - Sign permit	25,000	25,000	25,065	65
Building - Yard sale permit	5,500	5,500	4,435	(1,065)
City Clerk - Amusement license	14,000	14,000	26,750	12,750
City Clerk - Dog license	52,000	52,000	55,638	3,638
City Clerk - Dog license, state share	(4,700)	(4,700)	(4,540)	160
City Clerk - Employment office license	500	500	50	(450)
City Clerk - Marriage license	43,000	43,000	43,290	290
City Clerk - Marriage license, state share	(39,500)	(39,500)	(36,670)	2,830
City Clerk - Mechanical device license	185,000	185,000	157,390	(27,610)
City Clerk - Peddler license	11,000	11,000	17,268	6,268
City Clerk - Second hand license	2,500	2,500	644	(1,856)
City Clerk - Sunday permit	80,000	80,000	90,776	10,776
City Clerk - Taxi license	10,000	10,000	9,550	(450)
Fire - Central station annual permit	3,000	3,000	4,000	1,000
Health - Bathing facility permit	8,000	8,000	8,875	875
Health - Food permit	145,000	145,000	141,710	(3,290)
Health - Septic permit	4,000	4,000	4,385	385
Highway - Encumbrance permit	8,500	8,500	7,500	(1,000)
Highway - Excavation permit	130,000	130,000	116,400	(13,600)
Highway - Pipe layer certification	3,000	3,000	2,150	(850)
Highway - Reclamation trust fund	327,811	327,811	303,773	(24,038)
Highway - Road Resurfacing	607,000	607,000	578,886	(28,114)
Police - Alarm permit	51,300	51,300	65,025	13,725
Police - Blasting permit	700	700	700	-
Police - Gun permit	7,500	7,500	4,720	(2,780)
Police - Place of assembly permit	28,000	28,000	28,950	950
Police - Towing license	13,250	13,250	13,562	312
Traffic - Parking fees	3,276,027	3,276,027	3,018,201	(257,826)
Total Licenses and Permits	<u>22,191,988</u>	<u>22,191,988</u>	<u>21,964,114</u>	<u>(227,874)</u>
<u>Interest</u>				
Income from invested funds	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,398,585</u>	<u>398,585</u>

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

City of Manchester, New Hampshire
Year Ended June 30, 2005
(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	1,951	(2,049)
Building - Administration	-	-	642	642
Building - Sale of code	50	50	695	645
City Solicitor - Worker's comp. reimb.	355,918	355,918	366,311	10,393
Finance - Airport reimbursement	50,000	50,000	24,824	(25,176)
Finance - Debt Recovery Baseball	155,055	155,055	155,055	-
Finance - Debt Recovery Livingston Park	25,000	25,000	25,000	-
Finance - Lease payments - baseball	750,000	750,000	750,000	-
Health - HIV education reimbursement	69,000	69,000	-	(69,000)
Health - Immunization reimbursement	70,000	70,000	1,551	(68,449)
Health - Lead Poisoning	35,000	35,000	-	(35,000)
Health - STD reimbursement	25,000	25,000	-	(25,000)
Health - TB reimbursement	83,000	83,000	-	(83,000)
Highway - Fuel reimbursements	13,000	13,000	19,598	6,598
Highway - Easement right	-	-	(15,000)	(15,000)
Highway / Traffic - Scrap metal and salvage	11,000	11,000	22,843	11,843
MEDO - Wall St. Tower refinance	70,000	70,000	88,626	18,626
Police - Cruiser rental	5,000	5,000	8,419	3,419
Police - Extra detail revolving fund	7,000	7,000	10,041	3,041
Police - Employee benefit reimbursement	-	-	36	36
Tax collector - Excess receipt	-	-	323,870	323,870
Traffic - Repair traffic signals admin.	5,000	5,000	25,751	20,751
Traffic - Repair traffic signals labor	5,000	5,000	7,490	2,490
Various - Data processing	41,982	41,982	32,411	(9,571)
Various - Maps, prints, etc.	10,000	10,000	6,940	(3,060)
Various - Miscellaneous	56,850	56,850	90,921	34,071
Various - Reimbursement O/T salary	31,706	31,706	33,810	2,104
Various - telephone reimb.	250	250	192	(58)
Welfare - Benefit recoveries	85,000	85,000	94,215	9,215
MSD chargebacks	7,860,408	7,860,408	7,332,699	(527,709)
Total Other Revenues	<u>9,824,219</u>	<u>9,824,219</u>	<u>9,408,891</u>	<u>(415,328)</u>
Total Revenues	<u>111,561,701</u>	<u>111,561,701</u>	<u>110,807,232</u>	<u>(754,469)</u>
Transfers in	350,100	350,100	325,016	(25,084)
Total Transfers in	<u>350,100</u>	<u>350,100</u>	<u>325,016</u>	<u>(25,084)</u>
Total Revenues and Transfers in	<u>111,911,801</u>	<u>111,911,801</u>	<u>111,132,248</u>	<u>(779,553)</u>



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General Fund
Schedule of Expenditures, Encumbrances and
Other Financing Uses - Budget and Actual (Budget Basis) with comparative totals for 2004

	<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	\$ 66,919	\$ 84,965			\$ 155
Assessors	505,679	134,640		\$ 3,200	12,945
Building	1,027,114	352,411		4,060	51,017
City Clerk	780,888	228,476		18,140	269,078
City Solicitor	719,305	537,114	\$ 338		242,434
Civic Contribution					
Conservation	10,840				
Economic Development Office	101,489	28,720		969	16,377
Elderly Services	172,103	69,895	20,670	4,342	28,625
Finance	776,530	205,057	187,725	41,641	29,148
Information Systems	1,085,038	364,844	14,104	483,648	84,106
Mayor	204,651	64,761			4,921
MCTV	307,342	26,400			
Nondepartmental					
Non-city Program					
Human Resources	589,727	1,422,325	40,673		22,529
Planning	674,721	189,391		1,540	3,649
Building Maintenance	855,016	295,447	4,171	338,208	3,949,908
Tax Collector	488,674	158,174	14,811	535	32,815
Youth Services	391,040	108,946	1,430	10,400	9,945
Total General Government	<u>8,757,076</u>	<u>4,271,566</u>	<u>283,922</u>	<u>906,683</u>	<u>4,757,652</u>
Public Safety					
Fire	14,353,517	4,606,773	15,676	287,745	176,634
Police	14,363,706	4,141,014	7,039	342,942	290,198
Total Public Safety	<u>28,717,223</u>	<u>8,747,787</u>	<u>22,715</u>	<u>630,687</u>	<u>466,832</u>
Health and Sanitation					
Health	2,089,695	707,599	2,562	14,927	24,702
Total Health and Sanitation	<u>2,089,695</u>	<u>707,599</u>	<u>2,562</u>	<u>14,927</u>	<u>24,702</u>
Highway and Streets					
Highway	8,379,772	3,010,351	2,856	4,707,527	203,524
Traffic	752,301	262,795	29,172	1,203,763	606,977
Total Highway and Streets	<u>9,132,073</u>	<u>3,273,146</u>	<u>32,028</u>	<u>5,911,290</u>	<u>810,501</u>
Welfare					
Welfare	460,074	150,982	176,610	2,466	39,643
Total Welfare	<u>460,074</u>	<u>150,982</u>	<u>176,610</u>	<u>2,466</u>	<u>39,643</u>
Education					
MSD					
Library	1,577,300	508,191	76,120	13,707	
Total Education	<u>1,577,300</u>	<u>508,191</u>	<u>76,120</u>	<u>13,707</u>	<u>-</u>
Parks and Recreation					
Parks & Recreation	1,909,369	539,472	1,012	107,258	91,137
Total Parks and Recreation	<u>1,909,369</u>	<u>539,472</u>	<u>1,012</u>	<u>107,258</u>	<u>91,137</u>
Debt Service					
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>52,642,810</u>	<u>18,198,743</u>	<u>594,969</u>	<u>7,587,018</u>	<u>6,190,467</u>
Other Financing Uses					
Community improvement program	-	-	-	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>\$ 52,642,810</u>	<u>\$ 18,198,743</u>	<u>\$ 594,969</u>	<u>\$ 7,587,018</u>	<u>\$ 6,190,467</u>

<u>Supplies & Materials</u>	<u>Capital Outlay</u>	<u>Miscellaneous</u>	<u>2005 Total Commitments</u>	<u>2005 Revised Budget</u>	<u>Commitments vs Revised Budget Variance</u>	<u>2005 Original Budget</u>	<u>2004 Total Commitments</u>
\$ 5,576	\$ 9,671	\$ 1,805	\$ 152,039	\$ 152,039	\$ -	\$ 154,031	\$ 140,533
7,135		929	673,516	691,439	17,923	706,661	609,214
15,445	7,590	60,798	1,442,666	1,442,667	1	1,430,571	1,325,544
11,315		28,424	1,380,415	1,380,415		1,294,153	1,350,785
		146,183	1,538,930	990,365	(548,565)	1,005,238	1,428,696
485		825	146,183	146,184	1	145,450	142,386
1,759		1,553	12,150	14,522	2,372	14,522	4,774
		76	150,867	224,682	73,815	229,989	147,374
10,899	556	83,298	295,711	296,393	682	290,412	308,349
37,681	(3,383)	884	1,334,854	1,338,604	3,750	1,356,995	1,348,618
1,070			2,066,922	2,097,776	30,854	2,140,588	2,020,816
			275,403	284,370	8,967	290,173	275,100
		83,738	417,480	417,480		426,000	400,749
		1,344,647	1,344,647	3,005,030	1,660,383	2,256,785	1,519,853
		68,134	68,134	68,134		68,089	68,089
6,044	326	5,364	2,086,988	1,011,203	(1,075,785)	1,031,840	670,854
1,157		(275)	870,183	882,157	11,974	893,233	885,596
404,024	27,693	269,107	6,143,574	6,337,767	194,193	6,363,195	5,525,294
3,657		59	698,725	710,507	11,782	732,560	692,295
5,831	2,502	7,333	537,427	550,180	12,753	561,408	525,480
512,078	44,955	2,102,882	21,636,814	22,041,914	405,100	21,391,893	19,390,399
439,621	224,288	20,176	20,124,430	20,124,430		20,086,007	19,335,880
461,699	25,223	141,026	19,772,847	19,813,024	40,177	20,219,898	18,947,313
901,320	249,511	161,202	39,897,277	39,937,454	40,177	40,305,905	38,283,193
94,531	880	18,726	2,953,622	3,183,162	229,540	3,253,176	2,810,998
94,531	880	18,726	2,953,622	3,183,162	229,540	3,253,176	2,810,998
1,648,283	5,082	1,002,744	18,960,139	19,008,690	48,551	19,027,975	18,133,337
269,218		5,509	3,129,735	3,129,736	1	3,162,348	3,230,211
1,917,501	5,082	1,008,253	22,089,874	22,138,426	48,552	22,190,323	21,363,548
3,211		370,268	1,203,254	1,222,126	18,872	1,247,067	1,272,095
3,211		370,268	1,203,254	1,222,126	18,872	1,247,067	1,272,095
282,927		220	2,458,465	2,464,747	6,282	2,560,557	2,427,041
282,927	-	220	2,458,465	2,464,747	6,282	2,560,557	2,427,041
364,441	49,217	355,818	3,417,724	3,417,725	1	3,484,633	3,241,144
364,441	49,217	355,818	3,417,724	3,417,725	1	3,484,633	3,241,144
-	-	9,832,096	9,832,096	9,833,050	954	9,833,050	9,630,629
-	-	7,721,471	7,721,471	7,725,100	3,629	7,725,100	5,856,376
		17,553,567	17,553,567	17,558,150	4,583	17,558,150	15,487,005
4,076,009	349,645	21,570,936	111,210,597	111,963,704	753,107	111,991,704	104,275,423
-	-	1,911,665	1,911,665	1,929,665	18,000	1,901,665	1,612,215
		1,911,665	1,911,665	1,929,665	18,000	1,901,665	1,612,215
\$ 4,076,009	\$ 349,645	\$ 23,482,601	\$ 113,122,262	\$ 113,893,369	\$ 771,107	\$ 113,893,369	\$ 105,887,638



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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**

	<u>Special Revenue</u>			
	<u>HUD Section 108 Fund</u>	<u>Cash Special Projects Fund</u>	<u>CDBG Fund</u>	<u>Other Grants Fund</u>
<u>Assets</u>				
Assets				
Cash and cash equivalents	\$ 408,057	\$ 2,320,959		\$ 2,405,567
Restricted cash and cash equivalents				2,915,087
Investments				
Receivables, net of allowances for collection losses	6,121,369		\$ 607,705	656,085
Due from other funds	4,483			
Total Assets	<u>\$ 6,533,909</u>	<u>\$ 2,320,959</u>	<u>\$ 607,705</u>	<u>\$ 5,976,739</u>
<u>Liabilities and Fund Equity</u>				
Liabilities				
Accounts and warrants payable	\$ 6,490,000	\$ 193,688	\$ 298,491	\$ 248,815
Accrued liabilities		7,641	7,081	1,044,564
Due to other funds	43,909		385,606	314,098
Unearned revenue				2,168,908
Total Liabilities	<u>6,533,909</u>	<u>201,329</u>	<u>691,178</u>	<u>3,776,385</u>
Fund Equity				
Fund balances				
Reserved for				
Encumbrances		40,755	399,202	738,308
Cemetery and other trust funds				
Library				
Unreserved				
Undesignated fund balance		2,078,875	(482,675)	1,462,046
Total Fund Equity (Deficit)		<u>2,119,630</u>	<u>(83,473)</u>	<u>2,200,354</u>
Total Liabilities and Fund Equity	<u>\$ 6,533,909</u>	<u>\$ 2,320,959</u>	<u>\$ 607,705</u>	<u>\$ 5,976,739</u>

Special Revenue			Permanent Funds		
Civic Center Fund	Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	Total
\$ 661,551	\$ 2,069 166,300	\$ 10,905 1,030,045	\$ 222,521 13,942,083	\$ 43,880 126,715 2,702,222	\$ 5,413,958 18,841,781 2,702,222
	25,443	187	455	12,623	7,423,867 4,483
<u>\$ 661,551</u>	<u>\$ 193,812</u>	<u>\$ 1,041,137</u>	<u>\$ 14,165,059</u>	<u>\$ 2,885,440</u>	<u>\$ 34,386,311</u>
	\$ 2,384		\$ 630		\$ 7,231,624 1,061,670 743,613 2,168,908
	<u>2,384</u>		<u>630</u>		<u>11,205,815</u>
\$ 117,144			\$ 14,164,429	\$ 2,885,440	1,178,265 14,281,573 2,885,440
<u>\$ 544,407</u>	<u>191,428</u>	<u>\$ 1,041,137</u>			<u>4,835,218</u>
<u>661,551</u>	<u>191,428</u>	<u>1,041,137</u>	<u>14,164,429</u>	<u>2,885,440</u>	<u>23,180,496</u>
<u>\$ 661,551</u>	<u>\$ 193,812</u>	<u>\$ 1,041,137</u>	<u>\$ 14,165,059</u>	<u>\$ 2,885,440</u>	<u>\$ 34,386,311</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			\$ 3,595,682	\$ 4,785,973
Nonenterprise charges for sales and services				12,013
Interest				663
Contributions				
Net loss on sale of securities				
Other				1,314,165
Total Revenues			3,595,682	6,112,814
Expenditures				
Current:				
General government		\$ 1,523,811	1,949,482	2,439,850
Public safety		70,887		1,582,680
Health and sanitation		5,544	44,217	1,834,384
Highway and streets		800,539	1,051,240	191,773
Welfare				135,290
Education				
Parks and recreation		253,690	180,122	179,074
Cemetery Trust				
Investment management fee				
Total Expenditures		2,654,471	3,225,061	6,363,051
Excess (deficiency) of revenues over expenditures		(2,654,471)	370,621	(250,237)
Other Financing Sources (Uses)				
Transfers in		6,946,521		
Transfers out		(2,590,853)		
Total Other Financing Sources (Uses)		4,355,668		
Net Change in Fund Balance		1,701,197	370,621	(250,237)
Fund Balance (Deficit), beginning of year	-	418,433	(454,094)	2,450,591
Fund Balance (Deficit), end of year	\$ -	\$ 2,119,630	\$ (83,473)	\$ 2,200,354

Special Revenue			Permanent Funds		Total
Civic Center Fund	Revolving Loan Fund	Expendable Trust	Cemetery Trust	Library Trust	
\$ 3,154,674					\$ 11,536,329
11,551	\$ 16,830	\$ 37,816	\$ 399,858	\$ 95,280	12,013
			81,291	27,778	561,998
			425,894	27,420	109,069
183,590		41,792			453,314
3,349,815	16,830	79,608	907,043	150,478	14,212,270
3,154,674		300,177			9,367,994
					1,653,567
					1,884,145
					2,043,552
					135,290
				97,482	97,482
					612,886
			26,100		26,100
			14,183	16,640	30,823
3,154,674		300,177	40,283	114,122	15,851,839
195,141	16,830	(220,569)	866,760	36,356	(1,639,569)
113,046					7,059,567
			(300,100)		(2,890,953)
113,046			(300,100)		4,168,614
308,187	16,830	(220,569)	566,660	36,356	2,529,045
353,364	174,598	1,261,706	13,597,769	2,849,084	20,651,451
\$ 661,551	\$ 191,428	\$ 1,041,137	\$ 14,164,429	\$ 2,885,440	\$ 23,180,496



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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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**Nonmajor Proprietary Funds
Combining Statement of Net Assets**

**City of Manchester, New Hampshire
June 30, 2005**

	Business-type Activities-Enterprise Funds		
	Non-Major		
	Recreation Fund	Aggregation Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 350		\$ 350
Receivables, net of allowances for collection losses	546,400	\$ 32,048	578,448
Due from other funds		19,346	19,346
Total current assets:	<u>546,750</u>	<u>51,394</u>	<u>598,144</u>
Noncurrent assets:			
Capital assets, net, where applicable, of accumulated depreciation	12,434,072		12,434,072
Deferred charges	52,619		52,619
Total noncurrent assets:	<u>12,486,691</u>	<u>-</u>	<u>12,486,691</u>
Total Assets	<u>\$ 13,033,441</u>	<u>\$ 51,394</u>	<u>\$ 13,084,835</u>
Liabilities			
Current liabilities			
Accounts and warrants payable	\$ 634,204	\$ 93	\$ 634,297
Accrued liabilities	175,213		175,213
Due to other funds	1,855,348	1,743,447	3,598,795
Unearned revenue	27,412		27,412
Bonds and notes payable	264,962		264,962
Compensated absences	206,341		206,341
Total Current liabilities	<u>3,163,480</u>	<u>1,743,540</u>	<u>4,907,020</u>
Noncurrent liabilities			
Bonds payable	2,103,069		2,103,069
Total Noncurrent liabilities	<u>2,103,069</u>	<u>-</u>	<u>2,103,069</u>
Total Liabilities	<u>5,266,549</u>	<u>1,743,540</u>	<u>7,010,089</u>
Net Assets			
Invested in Capital Assets, net of related debt	10,066,041		10,066,041
Unreserved	<u>(2,299,149)</u>	<u>(1,692,146)</u>	<u>(3,991,295)</u>
Total Net Assets	<u>\$ 7,766,892</u>	<u>\$ (1,692,146)</u>	<u>\$ 6,074,746</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, 2005

	<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	\$ 2,209,698	\$ 82,938	\$ 2,292,636
Other	82,087		82,087
Total Operating Revenues	2,291,785	82,938	2,374,723
<u>Operating Expenses</u>			
Personnel services	1,584,102	29,528	1,613,630
Plant maintenance	61,499		61,499
Light/heat and power	294,506		294,506
General and administrative	278,306	4,091	282,397
Depreciation and amortization	634,074	288	634,362
Total Operating Expenses	2,852,487	33,907	2,886,394
Operating Loss	(560,702)	49,031	(511,671)
<u>Non-Operating Revenues (Expenses), net</u>			
Interest expense	(115,257)	(41,558)	(156,815)
Rent and other income	25,482		25,482
Gain on disposal of fixed assets	(34,902)		(34,902)
Transfer from general fund	18,000		18,000
Total Non-operating Revenues (Expenses)	(106,677)	(41,558)	(148,235)
Net income (loss) before capital contributions	(667,379)	7,473	(659,906)
Capital Contributions	902,731		902,731
Change in Net Assets	235,352	7,473	242,825
Fund Net Assets (Deficit), beginning of year	7,531,540	(1,699,619)	5,831,921
Fund Net Assets (Deficit), end of year	\$ 7,766,892	\$ (1,692,146)	\$ 6,074,746

	<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	\$ 1,890,891	\$ 36,144	\$ 1,927,035
Cash payments for goods and services	(92,872)	(7,700)	(100,572)
Cash payments to employees for services	(1,549,497)	(30,294)	(1,579,791)
Other operating revenues	25,482		25,482
Net Cash Provided by (Used in) Operating Activities	274,004	(1,850)	272,154
<u>Cash Flows from Non-Capital and Related Financing Activities</u>			
Interest paid on cash advances		(41,558)	(41,558)
Short-term cash advance from City	1,629,180	43,408	1,672,588
Net Cash Provided by Non-Capital & Related Financing Activities	1,629,180	1,850	1,631,030
<u>Cash Flows from Capital and Related Financing Activities</u>			
Proceeds from general obligation refundings	67,357		67,357
Payment to escrow agent for general obligations refunded	(66,400)		(66,400)
Principal paid on bonds	(129,674)		(129,674)
Interest paid on bonds	(116,816)		(116,816)
Proceeds of capital contributions	920,731		920,731
Acquisition and construction of capital assets	(3,246,477)		(3,246,477)
Net Cash Used in Capital & Related Financing Activities	(2,571,279)	-	(2,571,279)
Net Decrease in Cash and Cash Equivalents	(668,095)	-	(668,095)
Cash and Cash Equivalents at Beginning of Year	\$ 668,445	\$ -	668,445
Cash and Cash Equivalents at End of Year	\$ 350	\$ -	\$ 350
Reconciliation of operating profit (loss) to net cash Provided by (Used in) operating activities			
Operating profit (loss)	\$ (560,702)	\$ 49,031	\$ (511,671)
Adjustments to reconcile operating profit (loss) to cash provided by (used in) operating activities:			
Depreciation and amortization	634,074	288	634,362
Non-operating revenue	25,482		25,482
Change in Assets and Liabilities			
Increase in receivables	(409,778)	(27,448)	(437,226)
Increase in prepaid expenses and other assets	(21,884)		(21,884)
Increase (decrease) in accounts payable	572,293	(957)	571,336
Decrease in accrued liabilities	(8,970)	(2,652)	(11,622)
Increase (decrease) in compensated absences	34,605	(766)	33,839
Increase in unearned revenue	8,884		8,884
Increase in interfund liabilities		(19,346)	(19,346)
Net Cash Provided by (Used in) Operating Activities	\$ 274,004	\$ (1,850)	\$ 272,154



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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, 2005**

Capital Assets

Land	\$ 18,453,869
Buildings	190,474,122
Improvements other than buildings	18,749,648
Equipment	7,798,641
Work-in-Process	118,198,405
Vehicles	19,191,362
Infrastructure	50,988,217

Total Capital Assets

\$ 423,854,264

Investments in Capital Assets

Capital project funds	\$ 368,249,591
General fund revenues	28,903,502
Special revenue funds	26,701,171

Total Investments in Capital Assets

\$ 423,854,264

	Land	Buildings	Improvements other than buildings	Equipment	Vehicles	Infrastructure	Total
General Government							
Building				\$ 5,985	\$ 165,741		\$ 171,726
City Clerk		\$ 90,304		89,650	45,548		225,502
City Solicitor				5,115			5,115
Civic Center	\$ 2,960,900	62,739,798					65,700,698
Economic Development Office	4,109,431			5,294			4,114,725
Elderly Services		2,890,996					2,890,996
Finance	240,833	3,770,053		25,775			4,036,661
Information Systems				1,035,819	14,375		1,050,194
Mayor					20,158		20,158
Personnel				8,354	23,898		32,252
Planning	44,714	768,974		25,311			838,999
Public Buildings	437,250	7,992,769	\$ 115,084	30,955	210,750		8,786,808
Total General Government	7,793,128	78,252,894	115,084	1,232,258	480,470	-	87,873,834
Public Safety							
Fire Protection	661,291	8,945,534	55,714	493,753	7,681,536		17,837,828
Police Protection	96,115	3,573,773	52,716	305,324	1,428,157		5,456,085
Total Public Safety	757,406	12,519,307	108,430	799,077	9,109,693	-	23,293,913
Health and Sanitation							
Cemetery	71,255	298,604		355,300	374,977		1,100,136
Health				164,530	227,559		392,089
Total Health and Sanitation	71,255	298,604	-	519,830	602,536	-	1,492,225
Highway and Streets							
Highway	108,104	1,270,028	2,900,109	1,522,542	7,789,904	\$ 50,047,588	63,638,275
Traffic	3,012,727	9,892,097	1,853,279	240,436	305,043		15,303,582
Total Highway and Streets	3,120,831	11,162,125	4,753,388	1,762,978	8,094,947	50,047,588	78,941,857
Welfare							
Welfare	27,489	109,955			-		137,444
Total Welfare	27,489	109,955	-	-	-	-	137,444
Education							
Library	72,270	1,466,211		73,775			1,612,256
School	1,609,845	82,879,593	1,835,615				86,325,053
Total Education	1,682,115	84,345,804	1,835,615	73,775	-	-	87,937,309
Parks and Recreation							
Parks & Recreation	5,001,645	3,785,433	11,937,131	3,410,723	903,716	940,629	25,979,277
Total Parks and Recreation	5,001,645	3,785,433	11,937,131	3,410,723	903,716	940,629	25,979,277
Construction in Progress		111,451,632	6,746,773				118,198,405
Total General Fixed Assets Allocated to Functions	\$ 18,453,869	\$ 301,925,754	\$ 25,496,421	\$ 7,798,641	\$ 19,191,362	\$ 50,988,217	\$ 423,854,264

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

City of Manchester, New Hampshire
 Year Ended June 30, 2005

	Capital Assets Beginning of Year	Additions	Deductions	Transfers	Capital Assets End of Year
General Government					
Building	\$ 167,615	\$ 11,728	\$ (7,617)		\$ 171,726
City Clerk	180,134	56,160	(10,792)		225,502
City Solicitor	5,115				5,115
Civic Center	65,700,698				65,700,698
Economic Development Office	4,114,725				4,114,725
Elderly Services	-			\$ 2,890,996	2,890,996
Finance	4,036,661				4,036,661
Information Systems	935,204	114,990			1,050,194
Mayor	20,158				20,158
Personnel	30,017			2,235	32,252
Planning	838,999				838,999
Public Buildings	8,697,892	8,449	(23,552)	104,019	8,786,808
Total General Government	84,727,218	191,327	(41,961)	2,997,250	87,873,834
Public Safety					
Fire Protection	17,737,301	128,304	(172,920)	145,143	17,837,828
Police Protection	5,345,022	144,954	(185,843)	151,952	5,456,085
Total Public Safety	23,082,323	273,258	(358,763)	297,095	23,293,913
Health and Sanitation					
Cemetery	1,118,719	17,246		(35,829)	1,100,136
Health	392,089				392,089
Total Health and Sanitation	1,510,808	17,246	-	(35,829)	1,492,225
Highway and Streets					
Highway	50,738,961	11,286,241	(549,843)	2,162,916	63,638,275
Traffic	15,986,907		(707,223)	23,898	15,303,582
Total Highway and Streets	66,725,868	11,286,241	(1,257,066)	2,186,814	78,941,857
Welfare					
Welfare	160,432			(22,988)	137,444
Total Welfare	160,432	-	-	(22,988)	137,444
Education					
High School Athletics					
Library	1,469,481	10,775		132,000	1,612,256
School	82,002,710		(67,633)	4,389,976	86,325,053
Total Education	83,472,191	10,775	(67,633)	4,521,976	87,937,309
Parks and Recreation					
Parks & Recreation	25,169,433	857,231	(309,797)	262,410	25,979,277
Total Parks and Recreation	25,169,433	857,231	(309,797)	262,410	25,979,277
Construction in Progress	42,403,357	86,007,083	(5,307)	(10,206,728)	118,198,405
Total General Fixed Assets Allocated to Functions	\$ 327,251,630	\$ 98,643,161	\$ (2,040,527)	\$ -	\$ 423,854,264



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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
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 (2)					
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 (2)					
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 (2)					
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 (2)					
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 (2)					
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>
2005	21,652,439	41,272,573	2,958,017	22,185,782	1,185,782
2005 (2)					
2005	<u>21,652,439</u>	<u>41,272,573</u>	<u>2,958,017</u>	<u>22,185,782</u>	<u>1,185,782</u>

Notes

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

City of Manchester, New Hampshire
Table I

Education	Parks and Recreation	Debt Service	Total Expenditures
\$ 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 (3)		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>
2,461,374	3,435,608	17,553,568	112,705,143
155,458,263		-	155,458,263
<u>157,919,637</u>	<u>3,435,608</u>	<u>17,553,568</u>	<u>268,163,406</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
1996	\$ 100,570,543	\$ 13,645,131	\$ 11,075,889	\$ 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
2005	65,843,620	9,111,635	4,688,142	21,964,114
2005	(2) <u>49,964,738</u>	(3) <u>83,870,770</u>	<u>15,763,673</u>	-
2005	115,808,358	92,982,405	20,451,815	21,964,114

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
\$ 2,426,075	\$ 2,969,759	\$ 141,808,124
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	126,960,278
<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	139,114,970
<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>
1,398,584	11,859,982	114,866,077
267,926	169,415	150,036,522
<u>1,666,510</u>	<u>12,029,397</u>	<u>264,902,599</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)
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	98.27%	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
2005	73,730,471			
2005 (2)	72,372,093			
2005	<u>146,102,564</u>	144,769,852	99.09%	1,136,723

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
\$ 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%
116,153,573	100.46%	3,690,456	3.19%
117,003,805	100.67%	2,910,156	2.50%
122,401,905	100.64%	2,130,370	1.75%
130,640,459	100.06%	2,054,649	1.57%
135,933,526	100.15%	1,920,055	1.41%
145,906,575	99.87%	2,250,638	1.54%

**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
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
2005	3,279,018,462	3,229,287,435	2,140,996,138	2,108,524,855

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	
\$ 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%
142,082,000	5,277,932,600	5,337,812,290	98.88%

**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>
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
2005	227,668	226,317	99.41%	351

<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>
\$ 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%
231,780	105.23%	3,554	1.61%
227,017	100.96%	1,385	0.62%
226,668	99.56%	2,385	1.05%

REAL PROPERTY TAX RATES

Fiscal Year	Rate per thousand (1)				Total
	City	School Local	School State	County	
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
2005	12.38	9.47	4.34	1.73	27.92

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.

<u>Base Valuation - Real Estate</u>		(1)	<u>\$ 9,652,936,828</u>
<u>Legal Debt Limit (City):</u>			
9.75% of Base Valuation			\$ 941,161,341
Amount of Debt Applicable to Legal Debt Limit:			
Total Bonded Debt for General Government	(2) \$ 123,139,097		
Recreation Enterprise Debt	2,368,031		
Less: Debt for Urban Redevelopment	(2,394,524)		
Less: Debt for Parking Facilities	(6,951,851)		
Less: Debt for Pension Obligation Bonds	<u>(15,982,876)</u>		<u>100,177,877</u>
Legal Debt Limit - City			<u><u>\$840,983,464</u></u>
<u>Legal Debt Margin:</u>			
Percent of:			
Legal Debt Margin Outstanding	10.6%		
Legal Debt Margin Available	<u>89.4%</u>		
	<u><u>100.0%</u></u>		
<u>Legal Debt Limit (School):</u>			
7% of Base Valuation			\$ 675,705,578
Amount of Debt Applicable to Legal Debt Limit:			
Bonded Debt for School District	\$ 138,159,393		
Less: Debt for facilities revenue bond	<u>(99,025,000)</u>		<u>39,134,393</u>
Legal Debt Limit - School			<u><u>\$ 636,571,185</u></u>
<u>Legal Debt Margin:</u>			
Percent of:			
Legal Debt Margin Outstanding	5.8%		
Legal Debt Margin Available	<u>94.2%</u>		
	<u><u>100.0%</u></u>		
<u>Legal Debt Limit (Water and Waste Water):</u>			
10% of Base Valuation			\$ 965,293,683
Amount of Debt Applicable to Legal Debt Limit:			
Debt for water projects	\$ 48,667,369		
Less: Debt for revenue bonds	(38,345,000)		
Debt for sewer projects	<u>30,889,027</u>		<u>41,211,396</u>
Legal Debt Limit - Water & Wastewater			<u><u>\$ 924,082,287</u></u>
<u>Legal Debt Margin:</u>			
Percent of:			
Legal Debt Margin Outstanding	4.3%		
Legal Debt Margin Available	<u>95.7%</u>		
	<u><u>100.0%</u></u>		
<u>Summary of Base Valuation:</u>			
2004 Net Local Assessed Valuation			\$ 5,420,014,600
State of New Hampshire Dept. of Revenue Administration Inventory Adjustment			3,984,795,669
State of New Hampshire Dept. of Revenue Administration Shared Revenue Adjustment			<u>248,126,559</u>
			<u><u>\$ 9,652,936,828</u></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 does not include 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
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
2005	109,761	5,277,932,600	591,972,917	386,120,000

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
\$ 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
205,852,917	3.90%	1,875

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
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)	100,643,360	8,477,713	
2000	<u>189,467,195</u>	<u>21,999,998</u>	11.61%
2001	92,271,444	13,873,698	
2001 (3)	104,032,817	8,194,461	
2001	<u>196,304,261</u>	<u>22,068,159</u>	11.24%
2002	97,930,452	14,596,362	
2002 (3)	112,773,899	8,439,589	
2002	<u>210,704,351</u>	<u>23,035,951</u>	10.93%
2003	99,031,517	16,072,014	
2003 (3)	119,872,722	9,250,388	
2003	<u>218,904,239</u>	<u>25,322,402</u>	11.57%
2004	105,377,773	15,487,004	
2004 (3)	126,370,248	9,079,857	
2004	<u>231,748,021</u>	<u>24,566,861</u>	10.60%
2005	112,705,143	17,553,569	
2005 (3)	137,087,947	13,953,687	
2005	<u>249,793,090</u>	<u>31,507,256</u>	12.61%

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	\$ 39,134,393
Parking Facilities	15,982,876
Urban renewal	2,394,524
Other	<u>148,341,124</u>
	<u><u>\$ 205,852,917</u></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 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, 2005 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>Revenue Credit from prior year (4)</u>	<u>Coverage amount from prior year (4)</u>	<u>Expenses (1)</u>
1996	\$ 9,327,954			\$ 5,989,549
1997	10,464,648			6,335,497
1998	11,586,104			6,459,977
1999	21,831,476			11,136,557
2000	25,347,377			13,336,522
2001	32,183,363	\$ 844,000	\$ 1,206,000	13,909,243
2002	35,214,341	2,036,240	1,724,000	14,923,309
2003 (3)	38,658,389	2,467,415	2,236,000	20,192,680
2004	41,424,013	3,093,467	2,825,135	21,673,975
2005	47,157,125	3,678,923	2,774,395	24,838,364

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.
- (4) Provided by Leigh Fisher Associates, Aviation Consultants

Net Revenue Available for 1992 Debt Service	REQUIREMENTS		Net Revenue Available for 1998/2000/2001/2002 Debt Service	REQUIREMENTS		Coverage ratio
	1992 Debt Service Total (2)	Coverage		1998/2000/2001/2002 Debt Service Total (2)	O & M Reserve (4)	
\$ 3,338,405	\$ 3,993,449	0.84				
4,129,151	3,329,084	1.24				
5,126,127	3,308,280	1.55				
10,694,919	3,306,450	3.23				
12,010,855	3,331,255	3.61	\$ 8,679,600	\$ 4,266,791	\$ 2,082,000	1.37
18,274,120	3,332,688	5.48	20,324,120	6,866,107	1,249,500	2.50
20,291,032	1,666,233	12.18	24,051,272	8,881,197	458,000	2.58
N/A	N/A	N/A	23,169,124	11,300,538	953,835	1.89
N/A	N/A	N/A	25,668,640	11,767,527	434,000	2.10
N/A	N/A	N/A	28,772,079	11,521,512	334,000	2.43

**Water Department Revenue Bond Coverage
Last Two Fiscal Years**

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

<u>MWW Fiscal year December 31</u>	<u>Gross Revenue</u>	<u>Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>	REQUIREMENTS	
				<u>Revenue Bonds Section 705 Total</u>	<u>Coverage ratio</u>
2002				N/A	N/A
2003	10,315,059	7,140,275	3,174,784	1,389,966	2.28
2004	12,704,122	7,646,598	5,057,524	2,209,159	2.29

Note

(1) Exclusive of depreciation and bond interest.

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

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

Fiscal Year	Local Revenues	Bonded Debt Expenditures	Ratio of Bonded Debt Expenditures To Local Revenues
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>42,593,088</u>	<u>8,439,589</u>	
2002	136,043,965	23,035,951	16.93%
2003	93,713,751	16,072,014	
2003 (2)	<u>51,332,615</u>	<u>9,250,388</u>	
2003	145,046,366	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%
2005	105,754,442	17,553,569	
2005 (2)	<u>66,165,752</u>	<u>13,953,687</u>	
2005	171,920,194	31,507,256	18.33%

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)
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%
2005	109,761	36,858	17,818	3.50%

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>
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
2005	86,844,587	58,125,276	144,969,863	79,222

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	1.56%
Public Service Co. of NH	Utility	58,689,200	1.10%
Keyspan Energy Delivery	Utility	30,011,700	0.56%
Stone Ends Apartments, LLC	Apartments	23,530,200	0.44%
IPC Office Properties, LLC	Office Buildings	22,342,000	0.42%
Waterford Place, LLC	Apartments	22,000,000	0.41%
Manchester Hill Vistas, Inc	Office Condominiums	16,862,600	0.32%
Cotter Company	Warehouse/Distributor	14,799,900	0.28%
Portnoy, Barry M. Tee	Medical Insurance	14,665,000	0.27%
Dartmouth-Hitchcock Clinic	Medical Offices	<u>14,337,200</u>	<u>0.27%</u>
		<u>\$ 300,737,800</u>	<u>5.62%</u>

Source _____
City of Manchester, Board of Assessor



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

Fiscal Year	Population	General Government	Public Safety	Health and Sanitation	Highway and Streets
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
2005	109,761	197	376	27	202

Notes

(1) Includes the General Fund only.

City of Manchester, New Hampshire
Table XVII

Welfare	Education	Parks and Recreation	Debt Service	MSD	Total
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
11	22	31	160	1,416	2,442

Date of Incorporation	June 1846
Form of Government	Mayoral
Number of employees:	
City	1,243
School	2,877
Area in square miles	33.906
Number of registered voters	56,286
Total population	109,761
Total number of properties	32,078
Total taxable properties	30,686
Total tax-exempt properties	1,392
Manchester, New Hampshire facilities and services:	
Miles of streets	393
Number of street lights	8,798
Culture and recreation:	
Golf course	1
Ski area	1
Parks	73
Park acreage	1,224
Athletic fields, basketball and tennis courts	134
Indoor ice arenas	2
Fire Department:	
Number of stations	10
Number of fire personnel and officers	258
Number of fire/hazardous condition calls	4,810
Number of emergency medical service calls	10,390
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	5,627
Total number of calls for service	104,968
Sewerage System:	
Miles of sanitary sewers	349
Sewage pumping stations	14
Number of service connections	23,704
Water System:	
Miles of water mains	486
Number of service connections	30,352
Number of fire hydrants	3,267
Daily average consumption in gallons	16,664,000
Education:	
Number of elementary schools	15
Number of secondary schools	8
Number of full time equivalent instructors K-12	1,377
Number of elementary school students	7,323
Number of secondary school students	10,495
Airport:	
Number of employees	72
Number of enplanements	2,118,709
Number of carriers	12