

# **CITY OF MANCHESTER**

## **NEW HAMPSHIRE**



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2006**



**CITY OF MANCHESTER, NEW HAMPSHIRE**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2006**

**TABLE OF CONTENTS**

	<u><b>Page</b></u>
<b><u>INTRODUCTORY SECTION</u></b>	
Letter of Transmittal	1
Organizational Chart	7
City Officials	8
<b><u>FINANCIAL SECTION</u></b>	
Independent Auditor's Report	9
Management's Discussion and Analysis	11
<b>Basic Financial Statements</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets	24
Statement of Activities	26
<b>Fund Financial Statements</b>	
Balance Sheet – Governmental Funds	28
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) – Governmental Funds	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund	31
Statement of Net Assets – Proprietary Funds	32
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	33
Statement of Cash Flows - Proprietary Funds	34
Statement of Net Assets – Fiduciary Trust and Agency Funds	35
Statement of Changes in Fiduciary Net Assets – Fiduciary Trust	36
<b>Notes to the Financial Statements</b>	37
<b>Combining And Individual Fund Statements and Schedules</b>	
<b>General Fund:</b>	
Comparative Balance Sheets	77
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances	78
Schedule of Revenues and Transfers In - Budget and Actual (Budget Basis)	79
Schedule of Expenditures, Encumbrances and Other Financing Uses - Budget and Actual (Budget Basis)	84
<b>Nonmajor Governmental Funds:</b>	
Combining Balance Sheet	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	90

**CITY OF MANCHESTER, NEW HAMPSHIRE**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2006**

**TABLE OF CONTENTS**

**Page**

**Nonmajor Proprietary Funds:**

Combining Statement of Net Assets	93
Combining Statement of Revenues, Expenditures and Changes in Fund Net Assets	94
Combining Statement of Cash Flows	95

**Capital Assets Used in the Operation of Governmental Funds:**

Schedule of Capital Assets - By Source	97
Schedule of Capital Assets - By Function and Activity	98
Schedule of Changes in Capital Assets - By Function and Activity	99

**STATISTICAL SECTION**

Net Assets By Component	Table I	101
Changes In Net Assets	Table II	102
Program Revenues by Function/Program	Table III	104
Fund Balances, Governmental Funds	Table IV	106
Changes In Fund Balances, Governmental Funds	Table V	108
Tax Revenues by Source, Governmental Funds	Table VI	110
Assessed Value and Estimated Actual Value of Taxable Property	Table VII	112
Property Tax Rates	Table VIII	113
Principal Property Taxpayers	Table IX	114
Property Tax Levies And Collections	Table X	115
Ratios of Net General Bonded Debt Outstanding by Type	Table XI	116
Legal Debt Margin Information	Table XII	117
Aviation Revenue Bond Coverage	Table XIII	118
Water Department Revenue Bond Coverage	Table XIV	120
Demographic and Economic Statistics	Table XV	121
Principal Employers	Table XVI	122
'Full-Time Equivalent City Government Employees By Functions/Programs	Table XVII	123
Operating Indicators By Function/Program	Table XVIII	124
Capital Asset Statistics By Function/Program	Table XIX	126

# **INTRODUCTORY SECTION**



**City of Manchester  
Department of Finance**

One City Hall Plaza  
Manchester, NH 03101  
(603) 624-6460  
Fax: (603) 624-6549

November 30, 2006

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, 2006 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 (MD&A), 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 MD&A is management's opportunity to provide an overview and analysis of the City's financial operations. The MD&A should be read in partnership with this transmittal letter.

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 for the fiscal year ended June 30, 2006. The auditor's report on the basic financial statements is included in the financial section of this report. In addition to meeting the requirements set forth in State statutes and the Charter, the audit was designed to meet the requirements of the federal Single Audit Act and related OMB Circular 133. The auditor's reports on internal controls and compliance can be found in a separately issued Single Audit report.

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 City's financial statements include three discretely presented component units – the Manchester School District, the Manchester Development Corporation, and the Manchester Transit Authority.

**General** - The City, the largest United States city north of Boston, Massachusetts is located on the Merrimack River in south central New Hampshire. Manchester is approximately 58 miles north of Boston and 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 provides general governmental services for the territory within its boundaries, including police and fire protection, collection and disposal of garbage and rubbish, water and sewer services, highways, and street and sidewalk maintenance, public health and welfare, and code compliance. Public education is provided through the MSD for grades kindergarten through twelve and vocational education is available in grades nine through twelve. In addition, the City maintains 47 parks, two ice-skating coliseums, the McIntyre Ski Area, the Derryfield Country Club, four municipal pools, a minor league baseball stadium and a 10,000 seat civic arena. The City also owns and operates the Manchester-Boston Regional Airport.

**Government**— 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 Charter, approved by the voters in 1996, 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 (BMA) representing each of the city's twelve wards and two aldermen elected at-large. The BMA approves the City's budget. 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 Finance Officer and the Department of Finance. The Finance Officer 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 BMA. 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 adopted debt policies and ordinances for the handling of one-time revenues, insurance reserves and undesignated fund balances.

**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** – The Charter requires an Independent City Auditor (IA). The IA is responsible for the independent audit of the City's CAFR as well as conducting investigations, analyses and research. The existence of the IA provides for strong internal controls.

**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 Charter requires budget adoption by the second Tuesday of June. If the BMA fails to adopt appropriation resolutions for the ensuing fiscal year by June 30<sup>th</sup>, the Mayor's budget as originally proposed shall prevail. The Charter also provides for supplemental appropriations, reductions of appropriations, transfers of appropriations under certain limited circumstances and allows for the adoption of biennial budgets.

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 is the departmental level within each fund.

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

Excess cash is 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. 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.

**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.

**Community Improvement Programs** – As part of the budget process, the Finance Officer provides the Mayor and Aldermanic CIP committee with a five year debt affordability forecast as a basis for the 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.

**Economy-**As the State's largest city and business center, Manchester boasts a diversified economic base. 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. The City has made a major effort 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.

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. Housing reports indicate that southern New Hampshire is bucking national trends. Nationally housing sales are up, but prices are down. In southern New Hampshire housing sales are down, but prices are still on the rise though not at the rates seen over the last several years.

While the City's current economy appears resilient with property tax collections remaining strong, the Board of Mayor and Aldermen have adopted 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.

Employment remains strong in the City. The labor force in the Manchester NH MetroNECTA numbers 108,530 while the unemployment rate is 3.3% ( June 2006).

**Debt-** The general debt limit of the City is 9.75% of base valuation<sup>1</sup>, of which. 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 sometimes excluded from a city or town's statutory debt limit.

As of June 30, 2006 the City has a total outstanding General Obligation debt of \$183,585,245 and authorized and unissued debt of \$75,395,107 for various improvements, infrastructure improvements, and economic development projects.

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

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<sup>1</sup> 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 \$1,033,736,702.

I would like to thank the City's department heads and the hard working staff in all of the for completion of another successful year. I would especially like to thank the employees of the Finance Department for their commitment and dedication.

Respectfully submitted,

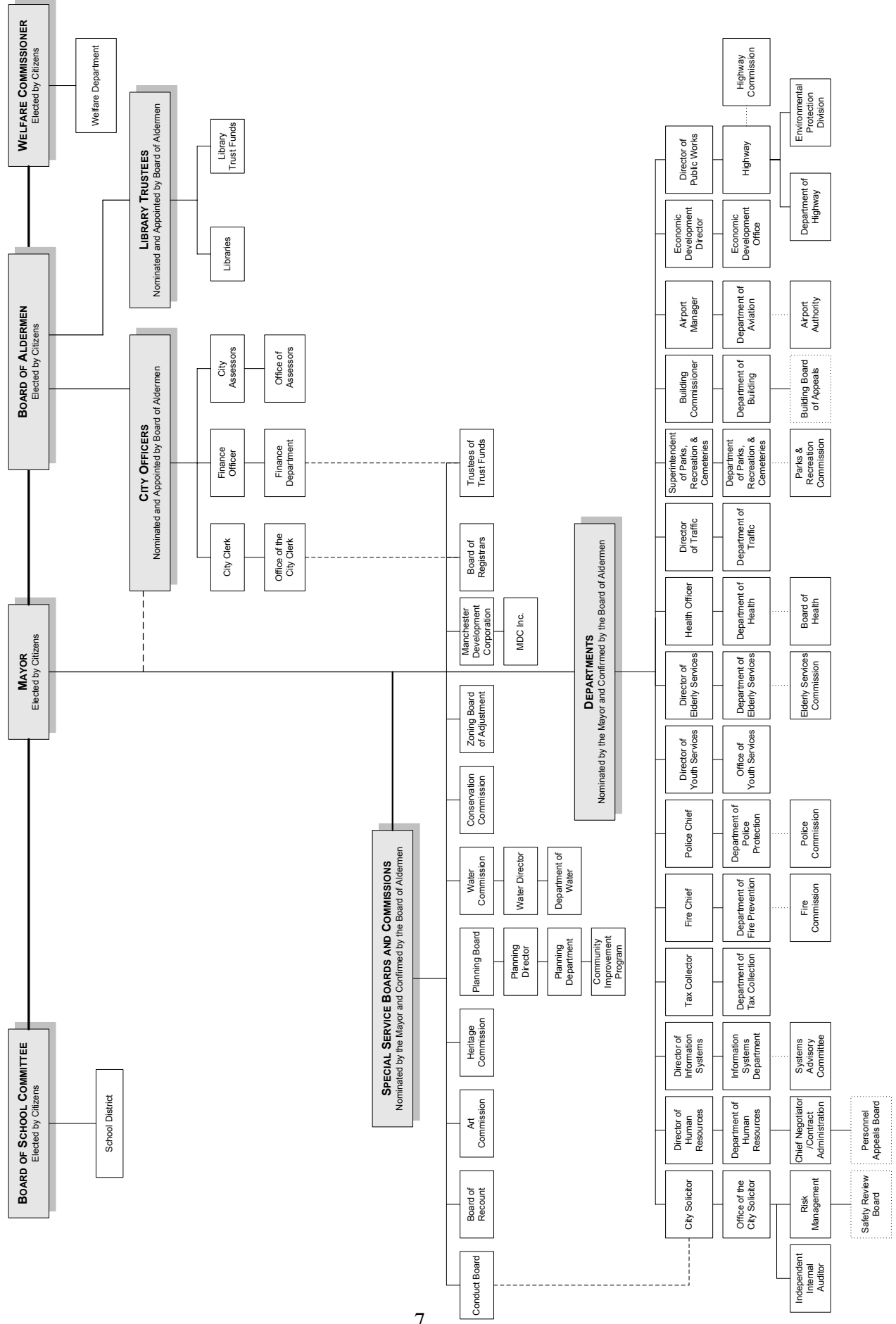
A handwritten signature in dark ink, reading "Randy M. Sherman". The signature is fluid and cursive, with the first name "Randy" being more prominent and the last name "Sherman" following in a similar style.

Randy M Sherman  
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, 2006**

**Mayor**

Frank C. Guinta

**Aldermen**

Ward 1	Mark E. Roy	Ward 7	William P. Shea
Ward 2	Theodore L. Gatsas	Ward 8	Betsi L. DeVries
Ward 3	Patrick T. Long	Ward 9	Michael D. Garrity
Ward 4	Jerome Duval	Ward 10	George W. Smith
Ward 5	Ed Osborne	Ward 11	Henry R. Thibault
Ward 6	Real R. Pinard	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, CTP
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	Paul Borek
Building Commissioner	Leon LaFreniere
Director of Traffic	Unfilled
Airport Director	Kevin A. Dillon
Director of Water	Thomas M. Bowen, P.E.
Director of Information Systems	Diane Prew
Director of City Library	Unfilled
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	David Cornell
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, 2006 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 96.2% 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 86% 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 10 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 of 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, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof, and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis on pages 11 through 22 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. 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 27, 2006 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, capital asset schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary detail, combining and individual nonmajor fund statements and capital assets 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. The prior year comparative information has been derived from the City's 2005 financial statements and, in our report dated October 28, 2005, we expressed unqualified opinions on the respective financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

*McGladrey & Pullen, LLP*

New Haven, Connecticut  
October 27, 2006

# **City of Manchester, New Hampshire**

## **Management's Discussion and Analysis**

### **June 30, 2006**

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, 2006. 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 \$465.2 million. Total net assets for Governmental Activities at fiscal year-end were \$113.1 million and total net assets for Business-Type Activities were \$352.1 million.
- ◆ On a government-wide basis, during the fiscal year, the City's net assets increased by \$32.1 million or 7.4%, from \$433.1 million to \$465.2 million. Net assets increased by \$19.6 million for Governmental Activities and net assets increased by \$12.5 million for Business-Type Activities. Government-wide expenses were \$212.5 million, while revenues were \$244.7 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 \$43.7 million, a decrease of \$23.8 million from the prior fiscal year. Of the total funds, \$14.8 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 was \$25.3 million, an increase of \$1.3 million from the prior fiscal year. Included in the fiscal year 2006 budget was an appropriation of \$.75 million of unreserved and undesignated fund balance. As of June 30, 2006, \$.8 million of the total general fund fund balance represents unreserved general fund balance. Unreserved and undesignated general fund fund balance at year-end represents .6% of total general fund expenditures and transfers (\$120.9 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 such as changes in the City's property tax base and the condition of the City's infrastructure will need to be considered 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 that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities).

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

The government-wide financial statements (statement of net assets and statement of activities) can be found on pages 24-27 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 fund types:

**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 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 88-89 and in the combining statement of revenues, expenditures and changes in fund balance on pages 90-91.

The City adopts an annual 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 31.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on pages 28-29 of this report.

**Proprietary funds.** The City 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 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. 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 93-95 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 32-34 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 35-36 and 67-68 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 37-75 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 \$465.3 and \$433.1 million at June 30, 2006 and 2005, respectively.

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

	<b>June 30, 2006</b>			<b>June 30, 2005</b>		
	<b>Govern- mental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>	<b>Govern- mental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
Current and Other Assets	\$152,343	\$116,451	\$ 268,794	\$169,553	\$102,391	\$ 271,944
Non-Current	20,313	4,037	24,350	20,794	4,447	25,241
Capital Assets	331,705	596,182	927,887	303,702	586,618	890,320
<b>Total Assets</b>	<b>504,361</b>	<b>716,670</b>	<b>1,221,031</b>	<b>494,049</b>	<b>693,456</b>	<b>1,187,505</b>
Current Liabilities	110,465	24,990	135,455	103,387	23,439	126,826
Long-term liabilities outstanding	280,759	339,555	620,314	297,141	330,421	627,562
<b>Total Liabilities</b>	<b>391,224</b>	<b>364,545</b>	<b>755,769</b>	<b>400,528</b>	<b>353,860</b>	<b>754,388</b>
Net Assets:						
Invested in Capital						
Assets, net of related debt	139,340	290,468	429,808	114,061	278,807	392,868
Restricted	20,257	46,926	67,183	21,994	42,328	64,322
Unrestricted	(46,460)	14,731	(31,729)	(42,534)	18,461	(24,073)
<b>Total Net Assets</b>	<b>\$113,137</b>	<b>\$352,125</b>	<b>\$ 465,262</b>	<b>\$ 93,521</b>	<b>\$339,596</b>	<b>\$ 433,117</b>

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

A portion of the City's net assets totalling \$429.8 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, \$67.2 million, represents resources that are subject to external restrictions on how they may be used. Governmental unrestricted net assets (deficit) of (\$46.5) 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 Old System Pension Obligation Bond with an outstanding balance of \$15.3 million, which was issued to properly fund the unfunded amount, the Landfill Closure Project, which has an outstanding balance of \$12.9 million, other landfill closure and post-closure care costs estimated liability with an outstanding balance of \$3.8 million, Urban Renewal Related Projects with outstanding balances of \$1.9 million, Revaluation debt with an outstanding balance of \$1.0 million, long-term debt related to insurance claims with an estimated outstanding balance of \$3.4 million, as well as long-term debt related to compensated absences with an estimated outstanding balance of \$10.5 million at June 30, 2006. The increase in invested capital assets net of related debt is due to major building additions and renovations.

**City of Manchester, New Hampshire**  
**Changes in Net Assets (\$ 000's)**  
**Primary government**

	<b>June 30, 2006</b>			<b>June 30, 2005</b>		
	<b>Govern- mental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>	<b>Govern- mental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 21,760	\$ 81,516	\$103,276	\$ 25,587	\$ 78,753	\$104,340
Operating grants and contributions	27,451	4,589	32,040	20,757	5,607	26,364
Capital grants and contributions		8,603	8,603		17,948	17,948
General Revenues:						
Property taxes/auto/franchise fees	84,289		84,289	81,062		81,062
Unrestricted investment earnings	3,720	4,441	8,161	2,890	2,456	5,346
Transfers and other	7,352	941	8,293	5,818	(3,007)	2,811
<b>Total revenues</b>	<b>144,572</b>	<b>100,090</b>	<b>244,662</b>	<b>136,114</b>	<b>101,757</b>	<b>237,871</b>
<b>Expenses:</b>						
General government	27,046		27,046	39,257		39,257
Public safety	49,411		49,411	44,575		44,575
Health and sanitation	4,650		4,650	5,044		5,044
Highways and streets	28,344		28,344	21,018		21,018
Welfare	1,430		1,430	1,345		1,345
Education and library	4,456		4,456	3,467		3,467
Parks and recreation	5,155		5,155	5,190		5,190
Cemetery Trust	27		27	26		26
Investment management fee	37		37	31		31
Interest expense	4,400	13,410	17,810	5,359	16,106	21,465
Operations		74,151	74,151		70,634	70,634
<b>Total Expenses</b>	<b>124,956</b>	<b>87,561</b>	<b>212,517</b>	<b>125,312</b>	<b>86,740</b>	<b>212,052</b>
Change in net assets	19,616	12,529	32,145	10,802	15,017	25,819
<b>Net assets - beginning</b>	<b>93,521</b>	<b>339,596</b>	<b>433,117</b>	<b>82,719</b>	<b>324,579</b>	<b>407,298</b>
<b>Net assets - ending</b>	<b>\$113,137</b>	<b>\$352,125</b>	<b>\$465,262</b>	<b>\$ 93,521</b>	<b>\$339,596</b>	<b>\$433,117</b>

The City's net assets increased by \$32.1 million during the fiscal year, with net assets of Governmental Activities increasing by \$19.6 million, and net assets of Business-Type Activities increasing by \$12.5 million. The general government incurred more expenditures in 2006 than 2005 related to investments in net assets.

**Governmental Activities**

More than 58.3% of the governmental funds revenues were derived from property taxes, auto registrations and franchise fees, 19% from operating grants, then followed by 15.1% from charges for services and finally, about 7.7% 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. Total revenues, excluding transfers and other, increased by \$6.9 million. Property taxes, auto registrations and franchise fees increased by \$3.2 million or 4.0% over last year.

## **Business-Type Activities**

Business-Type activities increased the City's net assets by \$12.5 million, which is a decrease of \$2.5 million from an increase of \$15 million for last year. See next page for more detail.

- ◆ Water Works net assets increased by \$3.2 million, up \$.1 million from the increase in net assets of \$3.1 million last year. Water usage, service charges and fire protection charges rates increased 9.5% beginning January 1, 2006.
- ◆ EPD net assets increased by \$2.8 million, up \$3.7 million from the decrease in net assets of \$.9 million due mainly to the donation of land for \$2.99 million in the previous fiscal year. The most significant change in EPD's fund net assets lies in nonoperating revenues and expenses with a \$2.3 million decrease from fiscal year 2004. The key factor for this change was the donation of fixed assets to the Public Works Department (PWD) and to the Parks & Recreation Department.
- ◆ Aviation net assets increased by \$6.2 million. Aviation fund capital contributions amounted to \$4.9 million, a decrease from \$13.9 million the previous year. Manchester-Boston Regional Airport experienced a slight decrease (-1.6%) in passenger enplanements in FY2006, as enplanements decreased by 34,886 from FY 2005.

## **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 \$43.7 million, a decrease from \$67.6 million as reported on June 30, 2005. The decrease of \$23.8 in fund balances consists of the excess of expenditures over revenues totaling \$26.6 million in the Capital Projects fund. Approximately 40.3% 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: \$18.3 million to cemetery, library and other trust funds; \$4.4 million to liquidate contracts and purchase orders of the prior period; \$2.3 million to self-insured workers' compensation claims reserve, \$3.0 million for land held for resale and \$.89 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 \$.77 million while the total fund balance reached \$25.3 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 15.4% of total general fund expenditures of \$116.7 million, while total fund balance represents 21.7% 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-Boston Regional Airport experienced a slight decrease (-1.6%) in passenger enplanements in FY2006, as enplanements decreased by 34,886 from FY 2005. This decrease resulted from the

ongoing nationwide airline struggles with bankruptcies, competitive strategies, and high fuel costs. At Manchester (a medium hub), several airlines reduced capacity by eliminating nearly 20 % of their available seats. The impact of this seat reduction was felt mainly in the second half of FY2006. Operating income decreased from \$2.5 million in FY2005 to \$1.8 million in FY2006, a decrease of 25.7%. This decrease was due primarily to increased operating expenses, specifically, purchased property services, (\$14.5 million in FY2006 versus \$13.9 million in FY2005, a 4.3% increase). This increase is attributable to the increased plant size of the facility, both in terms of the Terminal and airfield/runway expansion.

Net assets of the proprietary fund consisting of the Water Works were \$69.7 million, as compared to \$66.5 million in the prior year. The unrestricted net deficit of the Water Works was \$.09 million. The restricted net assets increased from \$10.52 million to \$11.0 million. The Water Works experienced operating revenues of \$15.4 million from user fees. There was a total net income for the Water Works of \$1.1 million before capital contributions of \$2.1 million. The change in net assets for the fiscal year ended June 30, 2006 was \$3.2 million, due mainly to an increase in capital contributions.

Total assets for Environmental Protection Division (EPD) increased from \$140.6 million ending balance at June 30, 2005 to \$140.7 million at June 30, 2006. EPD's cash decreased by \$6.0 million primarily due to paying cash, rather than incurring debt, for the construction and acquisition of capital resources. This contributed to a \$9.6 million increase in investments in capital assets. The fiscal year 2006 ending fund balance (fund net assets) is \$107.22 million. Investments in capital assets accounts for 87.8% of this total fund balance.

The Parks & Recreation Fund and the Aggregation Fund, both non-major funds, reported net operating losses for FY 2006 of \$1.2 million. The Aggregation Fund was dissolved effective June 30, 2006. A transfer from the General Fund in the amount of \$1.8 million closed out the fund. It is the intention of the BMA to reimburse the General Fund in the amount of \$1.5 million from various enterprise funds and the MSD.

### **General Fund Budgetary Highlights**

The City ended Fiscal Year (FY) 2006 with an increase in the general fund balance sheet over FY 2005. The City's "rainy day" Revenue Stabilization fund remained at \$10.1 million. The City's unreserved and undesignated fund balance decreased from \$1.1 million to \$.7 million, less than the targeted one percent of the FY 2006 tax warrants according to City ordinance which would make it \$1.5 million. In order to fund additional amounts into the Tax Rate Stabilization Reserve, the City has to realize an excess amount past the \$1.5 million. The special revenue account which accounts for one-time revenues, (i.e., property sales, etc.) increased by \$3.6 to \$5.7 million from \$2.1 million. The City's reserves for workers compensation, health insurance, and general liability had an aggregate decrease of \$.7 million or 15.9% from \$4.4 to \$3.7 million.

During the year, actual revenues and other financing sources on a budgetary basis were \$115.6 million, \$1.4 million less than the estimated revenues. Actual tax revenues were under budget by \$73,572. Actual intergovernmental revenue was \$216,871 over budgetary estimates. Investment income was \$31,992 less than the \$2.2 million that had been budgeted. Additional shortfalls of \$1.1 resulted in a decrease of building permits included in licenses and permits. Nonenterprise charges for sales and services were \$46,955 less than budgeted. Other revenues were \$829,113 less than budgeted of which approximately \$400 thousand is due a decrease in chargebacks received from the Manchester School District. Transfers in were \$467,803 over budgeted estimates.

Actual expenditures on a budgetary basis and other financing uses totaled \$116.8 million, \$960,074 less than budgeted. The combined net difference of budgeted revenues and expenses on a budgetary basis resulted in a negative variance of \$477,666. The fiscal year 2006 budget included a planned appropriation of fund balance of \$750,000.

**General Fund Revenues** - The following schedule presents a summary of General Fund revenues (GAAP basis) for the years ended June 30, 2006 and 2005.

	<b>2006</b>	<b>2005</b>	<b>Amount of</b>	<b>Percent of</b>
<b>Revenues</b>	<b>Amount</b>	<b>Amount</b>	<b>Increase</b>	<b>Increase</b>
	<b>(000's)</b>	<b>(000's)</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
Taxes	\$ 69,053	\$ 65,844	\$ 3,209	4.87 %
Federal and State Grants	9,510	9,112	398	4.37
Nonenterprise charges for sales and services	4,812	4,688	124	2.65
Licenses and Permits	21,610	21,964	(354)	(1.61)
Interest	2,218	1,398	820	58.66
Other	9,874	11,860	(1,986)	(16.75)
Total	<u>\$ 117,077</u>	<u>\$ 114,866</u>	<u>\$ 2,211</u>	<u>1.92 %</u>

**General Fund Expenditures** - The following schedule presents a summary of General Fund Expenditures (GAAP basis) for the years ended June 30, 2006 and 2005.

	<b>2006</b>	<b>2005</b>	<b>Amount of</b>	<b>Percent of</b>
<b>Expenditures</b>	<b>Amount</b>	<b>Amount</b>	<b>Increase</b>	<b>Increase</b>
	<b>(000's)</b>	<b>(000's)</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
General government	\$ 23,061	\$ 21,652	\$ 1,409	0.0651 %
Public safety	44,980	41,273	3,707	0.0898
Health and sanitation	3,125	2,958	167	0.0565
Highway and streets	22,949	22,186	763	0.0344
Welfare	1,261	1,186	75	0.0632
Library	2,574	2,461	113	0.0459
Parks and recreation	3,293	3,435	(142)	(0.0413)
Debt service	15,466	17,554	(2,088)	(0.1189)
Total	<u>\$ 116,709</u>	<u>\$ 112,705</u>	<u>\$ 4,004</u>	<u>0.0355 %</u>

## 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, 2006, amounts to \$927.9 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 \$37.5 million or 4.2%.

	2006			2005			
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total	Change
Land	\$ 18,447	\$ 40,159	\$ 58,606	\$ 18,454	\$ 39,518	\$ 57,972	\$ 634
Buildings and improvements	153,974	439,095	593,069	127,700	439,726	567,426	25,643
Infrastructure	31,885	-	31,885	30,454	-	30,454	1,431
Machinery, equipment, distribution and collection systems	8,909	51,690	60,599	8,896	53,937	62,833	(2,234)
Construction in progress	118,490	65,238	183,728	118,198	53,437	171,635	12,093
<b>Total</b>	<b>\$ 331,705</b>	<b>\$ 596,182</b>	<b>\$ 927,887</b>	<b>\$ 303,702</b>	<b>\$ 586,618</b>	<b>\$ 890,320</b>	<b>\$ 37,567</b>

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 plant improvements.
- ◆ EPD capital improvements and infrastructure.
- ◆ Recreation capital improvements.

Information on the City's capital assets can be found in Note 8 on pages 57-60 of this report.

**City of Manchester, New Hampshire**  
**Outstanding Debt**  
**General Obligation and Revenue Bonds (000's) in thousands**  
**June 30, 2006 and 2005**

	2006			2005		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
General Obligation Bonds	\$148,188	\$ 35,397	\$183,585	\$162,273	\$ 43,579	\$205,852
Revenue Bonds, net of premiums and discounts	114,925	295,580	410,505	118,457	282,663	401,120
Totals	<u>\$263,113</u>	<u>\$330,977</u>	<u>\$594,090</u>	<u>\$280,730</u>	<u>\$326,242</u>	<u>\$606,972</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 \$929.2 million. 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.

The general debt limit of the City is 9.75% of base valuation. Base valuation (\$10,602,427,714) 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, 2006, the City recorded long-term debt of \$113.1 million related to Governmental Activities, \$131.6 million related to the MSD and \$334.4 million related to Business-Type Activities, well below its statutory debt limit. Information on the City's long-term debt can be found in Note 10 on pages 62-66 of this report.

### **Fiscal Year 2007 Budget**

The fiscal year 2007 combined General Fund budget for the City and the MSD contains an appropriation increase of 1.61% over the fiscal 2006 budget. Non-property tax revenues are anticipated to be relatively flat as compared to fiscal year 2006. In the formulation of the fiscal 2007 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 Traffic department's parking segment of the General Fund was transformed into a new Parking Enterprise fund in the fiscal 2007 budget. The areas of concern in developing the fiscal year 2007 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 2007 budget.

The following table sets forth the City's General Fund operating budgets for fiscal years 2005-2007. Enterprise funds, the County tax, veteran exemptions and the overlay reserve for abatements are excluded from this table.

### BUDGET TRENDS

	2005		2006		2007	
	Amount	%	Amount	%	Amount	%
Education	\$ 137,499,619	54.9%	\$ 142,203,719	54.9%	\$ 145,500,000	55.3%
General Government	21,851,784	8.7%	23,099,336	8.9%	14,039,158	5.3%
Public Safety	40,305,905	16.1%	42,813,034	16.5%	45,635,644	17.3%
Highway and Streets	22,190,323	8.9%	22,796,144	8.8%	31,078,469	11.8%
Health and Welfare	4,500,243	1.8%	4,661,509	1.8%	4,879,380	1.9%
Culture and Recreation	6,045,190	2.4%	6,083,322	2.3%	6,434,936	2.4%
Economic Development	229,989	0.1%	261,449	0.1%	380,823	0.1%
Motorized Equipment	200,000	0.1%	1,500,000	0.6%	1,330,000	0.5%
Debt Service	17,558,150	7.0%	15,467,725	6.0%	13,783,550	5.2%
Total Budget	<u>250,381,203</u>	<u>100.0%</u>	<u>258,886,238</u>	<u>100%</u>	<u>263,061,960</u>	<u>100.0%</u>
Less MSD Budget	(137,499,619)		(142,203,719)		(145,500,000)	
General Fund Budget	<u>\$ 112,881,584</u>		<u>\$ 116,682,519</u>		<u>\$ 117,561,960</u>	

### 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 Finance Officer at One City Hall Plaza, Manchester, NH 03101.

# **BASIC FINANCIAL STATEMENTS**





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Statement of Net Assets

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 65,512,899	\$ 10,367,610	\$ 75,880,509
Restricted cash	29,214,646	83,315,038	112,529,684
Investments	546,173	-	546,173
Restricted Investments	19,371,587	3,056,536	22,428,123
Receivables	33,128,966	21,155,980	54,284,946
Prepaid expenses	1,045	1,179,789	1,180,834
Internal balances	3,672,536	(3,672,536)	-
Due from City			-
Inventories	895,312	1,048,150	1,943,462
Total current assets	152,343,164	116,450,567	268,793,731
Noncurrent assets:			
Land held for resale	3,000,000		3,000,000
Capital assets, net of depreciation	331,704,760	596,182,413	927,887,173
Pension asset	15,478,964		15,478,964
Deferred charges, net	1,834,487	4,037,466	5,871,953
Total noncurrent assets	352,018,211	600,219,879	952,238,090
<b>Total Assets</b>	<b>\$ 504,361,375</b>	<b>\$ 716,670,446</b>	<b>\$ 1,221,031,821</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 21,215,639	\$ 10,735,760	\$ 31,951,399
Retainage payable	24,794	2,884,631	2,909,425
Accrued liabilities	3,573,297	11,201,310	14,774,607
Other liabilities	6,953,708	143,619	7,097,327
Insurance claims payable	845,167		845,167
Due to school district	26,682,465		26,682,465
Accrual for pension benefits			-
Unearned revenue	19,767,355	25,217	19,792,572
Taxes collected in advance	31,403,021		31,403,021
Total current liabilities	110,465,446	24,990,537	135,455,983
Noncurrent liabilities:			
Due within one year	13,122,736	13,320,847	26,443,583
Due in more than one year	231,620,021	321,066,641	552,686,662
Other liabilities due in more than one year	17,645,578	8,578,119	26,223,697
Bond premiums (discounts)	18,370,399	(3,410,506)	14,959,893
Total noncurrent liabilities	280,758,734	339,555,101	620,313,835
<b>Total Liabilities</b>	<b>391,224,180</b>	<b>364,545,638</b>	<b>755,769,818</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	139,339,868	290,467,921	429,807,789
Restricted for:			
Coverage account		614,303	614,303
PFCs		3,837,492	3,837,492
MSDC		5,302,986	5,302,986
Revenue bond O&M		14,968,000	14,968,000
Revenue bond fund		12,621,158	12,621,158
Bond funds - capital improvements		9,476,268	9,476,268
Workmen's compensation	2,338,749	106,099	2,444,848
Cemetery and other trust funds	15,020,296		15,020,296
Library trust funds	2,897,992		2,897,992
Designated for:			
Equipment replacement			-
Restricted for debt service			-
Unrestricted (Deficit)	(46,459,710)	14,730,581	(31,729,129)
<b>Total Net Assets</b>	<b>\$ 113,137,195</b>	<b>\$ 352,124,808</b>	<b>\$ 465,262,003</b>

See accompanying notes.

Component Units		
Manchester School District	Manchester Transit Authority	Manchester Development Corporation
\$ 5,207,137	\$ 548,967	\$ 1,836,904
2,838,760		
18,429,097	2,052,586 965,154	806,343
26,682,465		
	224,267	
<u>53,157,459</u>	<u>3,790,974</u>	<u>2,643,247</u>
6,907,909	4,250,395	
<u>6,907,909</u>	<u>4,250,395</u>	<u>-</u>
<b>\$ 60,065,368</b>	<b>\$ 8,041,369</b>	<b>\$ 2,643,247</b>
\$ 1,684,898	\$ 1,732,487	\$ 14
16,225,534	776,740	75,549
	280,345 6,645	
34,424,968		
<u>52,335,400</u>	<u>2,796,217</u>	<u>75,563</u>
6,448,909		
<u>6,448,909</u>	<u>-</u>	<u>-</u>
<b>58,784,309</b>	<b>2,796,217</b>	<b>75,563</b>
6,907,909	2,851,613	
41,457	1,398,782	
10,082,611		
(15,750,918)	994,757	2,567,684
<u><b>\$ 1,281,059</b></u>	<u><b>\$ 5,245,152</b></u>	<u><b>\$ 2,567,684</b></u>

# Statement of Activities

	Expenses	Program Revenues		
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
General government	\$ 27,046,192	\$ 12,619,759	\$ 14,546,757	
Public safety	49,410,627	2,670,102	2,450,968	
Health and sanitation	4,649,675	1,730,138	1,510,875	
Highways and streets	28,343,982	4,046,571	7,302,015	
Welfare	1,430,019	78,928		
Education and library	4,456,108		52,022	
Parks and recreation	5,155,343	614,752	1,587,946	
Cemetery Trust	27,163			
Investment management fee	36,920			
Interest	4,399,559			
Total governmental activities	<u>124,955,588</u>	<u>21,760,250</u>	<u>27,450,583</u>	<u>-</u>
Business-type activities				
Water	14,795,858	15,489,946		\$ 2,096,454
EPD	13,120,698	12,154,804	1,935,899	1,503,330
Aviation	56,203,377	51,750,393	2,652,613	4,902,721
Recreation	3,363,302	2,121,088		100,753
Aggregation	77,900			
Total business-type activities	<u>87,561,135</u>	<u>81,516,231</u>	<u>4,588,512</u>	<u>8,603,258</u>
Total primary government:	<u>\$ 212,516,723</u>	<u>\$ 103,276,481</u>	<u>\$ 32,039,095</u>	<u>\$ 8,603,258</u>
Component units				
Manchester School District	172,260,045	23,134,715	20,714,574	1,702,620
Manchester Transit Authority	6,165,181	3,251,140	2,588,849	1,548,317
Manchester Development Corporation	58,509		6,000	
Total component units	<u>\$ 178,483,735</u>	<u>\$ 26,385,855</u>	<u>\$ 23,309,423</u>	<u>\$ 3,250,937</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				
Gain (loss) on disposal of assets				
Transfers				
Transfers in				
Transfers out				
Total general revenues				
Change in net assets (deficits)				
Net assets (deficits) - beginning				
Net assets - 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
\$ 120,324		\$ 120,324			
(44,289,557)		(44,289,557)			
(1,408,662)		(1,408,662)			
(16,995,396)		(16,995,396)			
(1,351,091)		(1,351,091)			
(4,404,086)		(4,404,086)			
(2,952,645)		(2,952,645)			
(27,163)		(27,163)			
(36,920)		(36,920)			
(4,399,559)		(4,399,559)			
(75,744,755)	-	(75,744,755)			
	\$ 2,790,542	2,790,542			
	2,473,335	2,473,335			
	3,102,350	3,102,350			
	(1,141,461)	(1,141,461)			
	(77,900)	(77,900)			
-	7,146,866	7,146,866			
\$ (75,744,755)	\$ 7,146,866	\$ (68,597,889)			
			\$ (126,708,136)	\$ 1,223,125	\$ (52,509)
\$ -	\$ -	\$ -	\$ (126,708,136)	\$ 1,223,125	\$ (52,509)
67,924,107		67,924,107	49,199,508		
15,377,773		15,377,773			
987,449		987,449			
3,719,822	4,440,863	8,160,685	623,982	11,016	114,871
		-	69,794,279		
		-	368,051		
6,569,723		6,569,723			
		-			
2,194,416	(471,406)	1,723,010		7,902	
		-	-	-	-
3,518,731	1,770,046	5,288,777	-	-	-
(4,931,259)	(357,518)	(5,288,777)	-	-	-
95,360,762	5,381,985	100,742,747	119,985,820	18,918	114,871
19,616,007	12,528,851	32,144,858	(6,722,316)	1,242,043	62,362
93,521,188	339,595,957	433,117,145	8,003,375	4,003,109	2,505,322
\$ 113,137,195	\$ 352,124,808	\$ 465,262,003	\$ 1,281,059	\$ 5,245,152	\$ 2,567,684

**Balance Sheet  
Governmental Funds**

**City of Manchester, New Hampshire  
June 30, 2006**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 58,886,430	\$ 2,319,007	\$ 4,307,462	\$ 65,512,899
Restricted cash and cash equivalents	8,986,380	18,446,639	1,781,627	29,214,646
Restricted investments			19,371,587	19,371,587
Investments	546,173			546,173
Receivables, net of allowances for collection losses	21,996,042	15,000	9,673,547	31,684,589
Prepaid items	1,045			1,045
Due from other funds	18,529,899		8,585	18,538,484
Inventories	895,312			895,312
Land held for resale	3,000,000		-	3,000,000
<b>Total Assets</b>	<b>\$ 112,841,281</b>	<b>\$ 20,780,646</b>	<b>\$ 35,142,808</b>	<b>\$ 168,764,735</b>
<b><u>Liabilities and Fund Equity</u></b>				
<b><u>Liabilities</u></b>				
Accounts and warrants payable	\$ 4,820,700	\$ 7,401,794	\$ 8,993,145	\$ 21,215,639
Retainage payable	24,794			24,794
Accrued liabilities	3,231,921		312,010	3,543,931
Insurance claims payable	845,167			845,167
Due to other funds		13,731,708	171,919	13,903,627
Due to Manchester School District	27,275,998	5,340,170		32,616,168
Unearned revenue	18,208,912		1,558,443	19,767,355
Deferred revenue	1,713,809			1,713,809
Taxes collected in advance	31,403,021			31,403,021
<b>Total Liabilities</b>	<b>87,524,322</b>	<b>26,473,672</b>	<b>11,035,517</b>	<b>125,033,511</b>
<b><u>Fund Balance</u></b>				
Fund balances				
Reserved for				
Encumbrances	1,081,815		451,491	1,533,306
Library			2,897,992	2,897,992
Inventory	895,312			895,312
Workers' compensation	2,338,749			2,338,749
Land held for resale	3,000,000			3,000,000
Designated for				
Health insurance	517,333			517,333
General liability insurance	931,926			931,926
Special revenue	5,680,848			5,680,848
Revenue stabilization	10,098,845			10,098,845
Unreserved, reported in:				
General fund	772,131			772,131
Capital projects		(5,693,026)		(5,693,026)
Permanent funds			15,424,258	15,424,258
Special revenue			5,333,550	5,333,550
<b>Total Fund Equity</b>	<b>25,316,959</b>	<b>(5,693,026)</b>	<b>24,107,291</b>	<b>43,731,224</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 112,841,281</b>	<b>\$ 20,780,646</b>	<b>\$ 35,142,808</b>	

**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.	<b>331,704,760</b>
Pension asset created in governmental activities is not a financial resource and, therefore, is not reported in the funds.	<b>15,478,964</b>
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<b>482,058</b>
Deferred Revenue	<b>1,713,809</b>
Long-term liabilities consisting of bonds payable are not due and payable in current period and, therefore, are not reported in the funds.	<b>(280,758,734)</b>
Deferred Professional Fees	<b>1,834,487</b>
Long-term liabilities consisting of accruals are not due and payable in the current period and, therefore, are not reported in the funds	<b>(1,049,373)</b>
	<b>\$ 113,137,195</b>

See accompanying notes.

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

**City of Manchester, New Hampshire  
Year Ended June 30, 2006**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Revenues</u></b>				
Taxes	\$ 69,052,574			\$ 69,052,574
Federal and state grants and aid	9,509,644		\$ 17,506,409	27,016,053
Nonenterprise charges for sales and service	4,812,300		96,552	4,908,852
Licenses and permits	21,609,795			21,609,795
Interest	2,218,008	\$ 314,214	1,174,705	3,706,927
Contributions		254,062	180,467	434,529
Net loss on sale of securities			139,631	139,631
Other	9,874,688		2,334,135	12,208,823
<b>Total Revenues</b>	<b>117,077,009</b>	<b>568,276</b>	<b>21,431,899</b>	<b>139,077,184</b>
<b><u>Expenditures</u></b>				
Current:				
General government	23,060,587	23,483,026	7,643,239	54,186,852
Public safety	44,979,762	238,915	2,682,786	47,901,463
Health and sanitation	3,125,580		1,471,072	4,596,652
Highway and streets	22,948,965	1,193,758	7,882,088	32,024,811
Welfare	1,261,528		159,978	1,421,506
Education	2,573,610		102,069	2,675,679
Parks and recreation	3,292,841	1,674,830	2,104,714	7,072,385
Cemetery Trust			26,100	26,100
Investment management fee			36,920	36,920
Debt service:				
Principal retirement	9,986,012			9,986,012
Interest	5,480,168			5,480,168
<b>Total Expenditures</b>	<b>116,709,053</b>	<b>26,590,529</b>	<b>22,108,966</b>	<b>165,408,548</b>
<b>Excess (Deficiency) of     revenues over expenditures</b>	<b>367,956</b>	<b>(26,022,253)</b>	<b>(677,067)</b>	<b>(26,331,364)</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Proceeds from sale of Capital Assets	3,916,500			3,916,500
Transfers in	1,125,422		2,393,309	3,518,731
Transfers out	(4,141,812)		(789,447)	(4,931,259)
<b>Total Other Financing Sources (Uses)</b>	<b>900,110</b>		<b>1,603,862</b>	<b>2,503,972</b>
<b>Net Change in Fund Balances</b>	<b>1,268,066</b>	<b>(26,022,253)</b>	<b>926,795</b>	<b>(23,827,392)</b>
<b>Fund Balance, beginning</b>	<b>24,048,893</b>	<b>20,329,227</b>	<b>23,180,496</b>	<b>67,558,616</b>
<b>Fund Balance (Deficit), ending</b>	<b>\$ 25,316,959</b>	<b>\$ (5,693,026)</b>	<b>\$ 24,107,291</b>	<b>\$ 43,731,224</b>

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, 2006**

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

Net change in fund balances – total governmental funds	\$ (23,827,392)
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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.	28,002,290
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(121,267)
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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.	17,617,060
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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.	(2,054,684)
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Change in net assets of governmental activities	<u>\$ 19,616,007</u>
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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, 2006**

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>				
Taxes	\$ 68,738,766	\$ 68,747,101	\$ 68,673,529	\$ (73,572)
Federal and state grants and aid	7,404,711	7,404,711	7,621,582	216,871
Nonenterprise charges for sales and services	4,819,255	4,859,255	4,812,300	(46,955)
Licenses and permits	22,790,577	22,750,577	21,609,795	(1,140,782)
Interest	2,250,000	2,250,000	2,218,008	(31,992)
Other	10,703,801	10,703,801	9,874,688	(829,113)
<b>Total Revenues</b>	<b>116,707,110</b>	<b>116,715,445</b>	<b>114,809,902</b>	<b>(1,905,543)</b>
<b><u>Expenditures</u></b>				
Current:				
General government	23,690,911	23,586,777	23,111,250	475,527
Public safety	42,813,034	43,053,877	42,976,417	77,460
Health and sanitation	3,390,123	3,344,022	3,122,661	221,361
Highway and streets	22,796,144	22,748,269	22,748,268	1
Welfare	1,271,386	1,271,386	1,255,323	16,063
Education	2,701,475	2,643,260	2,571,800	71,460
Parks and recreation	3,381,847	3,378,464	3,281,807	96,657
Debt service:				
Principal retirement	9,986,025	9,986,025	9,986,012	13
Interest	5,481,700	5,481,700	5,480,168	1,532
<b>Total Expenditures</b>	<b>115,512,645</b>	<b>115,493,780</b>	<b>114,533,706</b>	<b>960,074</b>
<b>Excess of revenues</b>				
<b>Excess of revenues over expenditures</b>	<b>1,194,465</b>	<b>1,221,665</b>	<b>276,196</b>	<b>(945,469)</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	300,100	300,100	767,903	467,803
Transfers out	(2,244,565)	(2,271,765)	(2,271,765)	
<b>Total Other Financing Sources (Uses)</b>	<b>(1,944,465)</b>	<b>(1,971,665)</b>	<b>(1,503,862)</b>	<b>467,803</b>
<b>Net Change in Fund Balances</b>	<b>\$ (750,000)</b>	<b>\$ (750,000)</b>	<b>\$ (1,227,666)</b>	<b>\$ (477,666)</b>

See accompanying notes.

Proprietary Funds  
Statement of Net Assets

City of Manchester, New Hampshire  
June 30, 2006

	Business-type Activities-Enterprise Funds				Total
	Water Works Fund	Major EPD Fund	Aviation Fund	Non-Major Funds	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 3,321,665	\$ 7,045,295	\$ 300	\$ 350	\$ 10,367,610
Restricted cash and cash equivalents	13,812,423	1,225,832	68,276,783	-	83,315,038
Restricted investments	-	-	3,043,864	12,672	3,056,536
Receivables, net of allowances for collection losses	3,543,351	8,551,922	8,852,951	207,756	21,155,980
Prepaid items	426,500	22,445	730,844	-	1,179,789
Inventories	825,800	55,672	166,678	-	1,048,150
Total current assets:	21,929,739	16,901,166	81,071,420	220,778	120,123,103
Noncurrent assets:					
Capital assets, net, where applicable, of accumulated depreciation	103,003,204	123,791,436	357,355,403	12,032,370	596,182,413
Deferred charges	846,712	-	3,141,197	49,557	4,037,466
Total noncurrent assets:	103,849,916	123,791,436	360,496,600	12,081,927	600,219,879
<b>Total Assets</b>	<b>\$ 125,779,655</b>	<b>\$ 140,692,602</b>	<b>\$ 441,568,020</b>	<b>\$ 12,302,705</b>	<b>\$ 720,342,982</b>
<b>Liabilities</b>					
Current liabilities					
Accounts and warrants payable	\$ 2,077,972	\$ 2,427,534	\$ 6,137,410	\$ 92,844	\$ 10,735,760
Retainage payable	1,519,889	880,080	484,662	-	2,884,631
Accrued liabilities	719,639	217,170	8,090,093	80,613	9,107,515
Due to other funds	4,609	-	357,519	3,310,408	3,672,536
Unearned revenue	-	-	-	25,217	25,217
Bonds and notes payable	1,144,415	5,524,324	6,400,000	252,108	13,320,847
Compensated absences	1,177,601	325,765	366,075	224,354	2,093,795
Other	105,156	-	574	37,889	143,619
Total Current liabilities	6,749,281	9,374,873	21,836,333	4,023,433	41,983,920
Noncurrent liabilities					
Bonds payable	46,389,373	18,581,308	250,834,493	1,850,961	317,656,135
Due to State of New Hampshire	2,970,000	5,513,931	-	-	8,483,931
Other	-	-	94,188	-	94,188
Total Noncurrent liabilities	49,359,373	24,095,239	250,928,681	1,850,961	326,234,254
<b>Total Liabilities</b>	<b>56,108,654</b>	<b>33,470,112</b>	<b>272,765,014</b>	<b>5,874,394</b>	<b>368,218,174</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	58,735,838	94,171,873	127,630,909	9,929,301	290,467,921
Restricted	11,024,500	345,752	35,901,806	-	47,272,058
Unrestricted	(89,337)	12,704,865	5,270,291	(3,500,990)	14,384,829
<b>Total Net Assets</b>	<b>\$ 69,671,001</b>	<b>\$ 107,222,490</b>	<b>\$ 168,803,006</b>	<b>\$ 6,428,311</b>	<b>\$ 352,124,808</b>

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, 2006

	Business-type Activities-Enterprise Funds				
	Major			Non-major Funds	Total
	Water Works Fund	EPD Fund	Aviation Fund		
<b><u>Operating Revenues</u></b>					
Charges for goods and services	\$ 15,366,252	\$ 12,036,163	\$ 41,295,332	\$ 1,974,682	\$ 70,672,429
Other			2,472,489	9,380	2,481,869
<b>Total Operating Revenues</b>	<b>15,366,252</b>	<b>12,036,163</b>	<b>43,767,821</b>	<b>1,984,062</b>	<b>73,154,298</b>
<b><u>Operating Expenses</u></b>					
Personnel services	5,451,817	2,944,890	6,047,265	1,585,221	16,029,193
Plant maintenance	268,619	1,138,500	288,287	208,535	1,903,941
Light/heat and power	1,270,694	2,819,527	2,629,048	358,169	7,077,438
General and administrative	3,235,925	446,524	16,813,302	264,435	20,760,186
Depreciation and amortization	2,244,745	5,001,926	16,161,596	730,688	24,138,955
<b>Total Operating Expenses</b>	<b>12,471,800</b>	<b>12,351,367</b>	<b>41,939,498</b>	<b>3,147,048</b>	<b>69,909,713</b>
<b>Operating Income (Loss)</b>	<b>2,894,452</b>	<b>(315,204)</b>	<b>1,828,323</b>	<b>(1,162,986)</b>	<b>3,244,585</b>
<b><u>Non-Operating Revenues (Expenses), net</u></b>					
Soundproofing program grant			2,652,613	-	2,652,613
Soundproofing program expense			(4,069,746)	-	(4,069,746)
Interest income	671,547	300,240	3,469,077	-	4,440,864
Interest expense	(2,324,058)	(769,331)	(10,022,801)	(294,154)	(13,410,344)
Reimbursements of bond interest expense		118,641		-	118,641
Finance and service charges			(171,332)	-	(171,332)
Passenger facility charges			5,612,588	-	5,612,588
Customer facility charges			2,369,984	-	2,369,984
Rent and other income	123,694			137,026	260,720
Gain (Loss) on disposal of capital assets	(274,286)			(197,120)	(471,406)
<b>Total Non-operating Expenses</b>	<b>(1,803,103)</b>	<b>(350,450)</b>	<b>(159,617)</b>	<b>(354,248)</b>	<b>(2,667,418)</b>
Net income (loss) before capital contributions	1,091,349	(665,654)	1,668,706	(1,517,234)	577,167
Capital Contributions	2,096,454	3,439,229	4,902,721	100,753	10,539,157
Transfer to general fund			(357,519)	-	(357,519)
Transfer from general fund				1,770,046	1,770,046
<b>Change in Net Assets</b>	<b>3,187,803</b>	<b>2,773,575</b>	<b>6,213,908</b>	<b>353,565</b>	<b>12,528,851</b>
<b>Fund Net Assets, beginning of year</b>	<b>66,483,198</b>	<b>104,448,915</b>	<b>162,589,098</b>	<b>6,074,746</b>	<b>339,595,957</b>
<b>Fund Net Assets, end of year</b>	<b>\$ 69,671,001</b>	<b>\$ 107,222,490</b>	<b>\$ 168,803,006</b>	<b>\$ 6,428,311</b>	<b>\$ 352,124,808</b>

See accompanying notes.

Proprietary Funds  
Statement of Cash Flows

City of Manchester, New Hampshire  
Year Ended June 30, 2006

	Business-type Activities-Enterprise Funds				Total
	Water Works Fund	Major EPD Fund	Aviation Fund	Non-Major Funds	
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 14,727,872	\$ 12,242,196	\$ 42,937,670	\$ 2,352,559	\$ 72,260,297
Cash payments for goods and services	(6,194,655)	(4,637,248)	(14,873,361)	(1,443,534)	(27,148,798)
Cash payments to employees for services	(5,324,762)	(3,040,424)	(5,943,361)	(1,561,545)	(15,870,092)
Other operating revenues	123,694	-	-	137,026	260,720
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>3,332,149</b>	<b>4,564,524</b>	<b>22,120,948</b>	<b>(515,494)</b>	<b>29,502,127</b>
<b>Cash Flows Provided by Non-Capital and Related Financing Activities</b>					
Amounts from federal & state governments for soundproofing	-	-	2,652,613	-	2,652,613
Soundproofing related expenses	-	-	(4,069,746)	-	(4,069,746)
Passenger and customer facility charges	-	-	8,056,103	-	8,056,103
Long-term cash advance from City	-	-	-	1,501,005	1,501,005
<b>Net Cash Provided by Non-Capital &amp; Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>6,638,970</b>	<b>1,501,005</b>	<b>8,139,975</b>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchase of restricted investments	-	-	-	12,672	12,672
Proceeds from revenue bonds	-	-	18,030,000	-	18,030,000
Proceeds from State of New Hampshire Revolving Fund	497,608	3,780,048	-	-	4,277,656
Reimbursement of bond interest expenses	-	213,221	-	-	213,221
Deferred charges	30,840	-	(1,445,651)	-	(1,414,811)
Proceeds from premiums	-	-	930,184	-	930,184
Payments for State of New Hampshire liability	(403,014)	(6,175,602)	-	-	(6,578,616)
Principal paid on bonds and notes	(730,567)	(607,794)	(6,135,000)	(264,962)	(7,738,323)
Interest paid on bonds and notes	(2,324,058)	(876,843)	(12,266,490)	(295,195)	(15,762,586)
Contributed capital by federal, state & local governments	2,096,454	3,508,598	647,462	100,753	6,353,267
Acquisition and construction of capital assets	(6,444,092)	(10,825,855)	(15,365,824)	(526,107)	(33,161,878)
<b>Net Cash Used in Capital &amp; Related Financing Activities</b>	<b>(7,276,829)</b>	<b>(10,984,227)</b>	<b>(15,605,319)</b>	<b>(972,839)</b>	<b>(34,839,214)</b>
<b>Cash Flows from Investing Activities</b>					
Investment management fee	99,640	-	-	-	99,640
Interest and dividends from investments	671,547	382,381	3,469,077	-	4,523,005
<b>Net Cash Provided by Investing Activities</b>	<b>771,187</b>	<b>382,381</b>	<b>3,469,077</b>	<b>-</b>	<b>4,622,645</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(3,173,493)</b>	<b>(6,037,322)</b>	<b>16,623,676</b>	<b>12,672</b>	<b>7,425,533</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>\$ 20,307,581</b>	<b>\$ 14,308,449</b>	<b>\$ 54,697,271</b>	<b>\$ 350</b>	<b>\$ 89,313,651</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 17,134,088</b>	<b>\$ 8,271,127</b>	<b>\$ 71,320,947</b>	<b>\$ 13,022</b>	<b>\$ 96,739,184</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ 2,894,452	\$ (315,204)	\$ 1,828,323	\$ (1,162,986)	\$ 3,244,585
Adjustments to reconcile operating income (loss) to cash provided by operating activities:					
Depreciation and amortization	2,244,745	5,001,926	16,161,596	730,688	24,138,955
Non-operating revenue	123,694	-	-	137,026	260,720
<b>Change in Assets and Liabilities</b>					
Decrease (increase) in receivables	(597,391)	(9,181)	(833,982)	370,692	(1,069,862)
Increase in inventories	(88,670)	-	(21,284)	-	(109,954)
Decrease (increase) in prepaid expenses and other assets	12,842	37,318	(219,352)	3,062	(166,130)
Increase (decrease) in accounts payable	(641,343)	103,742	2,601,395	(541,452)	1,522,342
Increase (decrease) in accrued liabilities	(701,990)	(252,206)	2,524,601	(74,004)	1,496,401
Increase (decrease) in compensated absences	81,201	(1,871)	75,820	23,675	178,825
Increase in due from other funds	4,609	-	-	-	4,609
Increase (decrease) in unearned revenue	-	-	3,831	(2,195)	1,636
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 3,332,149</b>	<b>\$ 4,564,524</b>	<b>\$ 22,120,948</b>	<b>\$ (515,494)</b>	<b>\$ 29,502,127</b>
<b>Schedule of Noncash Investing, Capital and Financing Activities</b>					
Disposal of Capital Assets	274,286	-	-	197,120	471,406
Transfer (to) from general fund	-	-	357,519	1,770,046	2,127,565

See accompanying notes.

**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**

**City of Manchester, New Hampshire**  
**Year ended June 30, 2006**

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,501,884	\$ -
Investments	129,550,233	
Receivables, net of allowances for collection losses	1,623,900	962,321
Other assets	7,900	
Capital assets, net, where applicable, of accumulated depreciation	176,560	
<b>Total Assets</b>	<b><u>\$ 134,860,477</u></b>	<b><u>\$ 962,321</u></b>
 <b>Liabilities</b>		
Accounts and warrants payable	\$ 135,068	\$ -
Accrued liabilities	883,526	
Due to other funds		962,321
<b>Total Liabilities</b>	<b><u>1,018,594</u></b>	<b><u>962,321</u></b>
 <b>Total Net Assets Held in Trust for Pension Benefits</b>	<b><u>\$ 133,841,883</u></b>	<b><u>\$ -</u></b>

See accompanying notes.

**Fiduciary Trusts**  
**Statement of Changes in Fiduciary Net Assets**

**City of Manchester New Hampshire**  
**Year Ended June 30, 2006**

	<b><u>Pension Trust Funds</u></b>
<b>Additions</b>	
Contributions	
Employer	\$ 4,063,392
Plan members	3,188,343
<b>Total Contributions</b>	<u>7,251,735</u>
Investment Gain	
Net realized and unrealized appreciation in fair value of investments	7,567,452
Interest	1,211,070
Dividends	1,466,287
Less investment expense	(460,147)
<b>Net Investment Income</b>	<u>9,784,662</u>
<b>Total Additions</b>	<u>17,036,397</u>
<b>Deductions</b>	
Benefits paid directly to participants	7,188,869
Refunds of employee contributions	383,771
Administrative expenses	828,462
<b>Total Deductions</b>	<u>8,401,102</u>
<b>Net Increase</b>	8,635,295
<b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of year	125,206,588
End of year	<u><u>\$ 133,841,883</u></u>

See accompanying notes.

**NOTES TO  
FINANCIAL STATEMENTS**



**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**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 November 13, 2006, 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 18, 2006, 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

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**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, 2005, and their report, dated March 31, 2006, 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 – Suite 403  
Manchester NH 03101-1824

**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 legally 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.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**1. Summary of Significant Accounting Policies (continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, 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.

The *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, 2006**

**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, 2006**

**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.

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 \$28,000 and \$61,000, respectively, for the year ended June 30, 2006.

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

<u>Assets</u>	<u>Years</u>
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 and proprietary 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 liability is recorded for nonvesting accumulating rights to receive sick-pay benefits. However, a liability

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**1. Summary of Significant Accounting Policies (continued)**

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, 2006**

**1. Summary of Significant Accounting Policies (continued)**

Inventory

Inventory is stated using the moving average method.

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 reduce 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 or is not available for appropriations.

***Unreserved 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, 2006**

**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 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 \$2,316,545 difference consisting of current assets are as follows:

Accounts receivable:	
Interest on accounts receivable	\$ 482,058
Deferred charges:	
Cost of Issuance Fees	1,834,487
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 2,316,545</u>

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 \$280,758,734 difference consisting of long-term debt are as follows:

Bonds payable:	\$ 244,742,757
Less: Deferred loss on refunding (to be amortized as interest expense)	(1,013,278)
Add: Deferred charge for refunding premium (to be amortized over life of debt)	1,438,942
Deferred premium on revenue bond obligation (to be amortized as interest expense)	8,544,832
Refunding premium on Series 2003B	178,933
Refunding premium on Series 2003	8,356,000
Refunding premium on Series 2004	864,970
Compensated absences	10,515,564
Insurance claims	3,336,388
Landfill closure and post-closure care	3,793,626
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 280,758,734</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

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

The details of the \$1,049,373 difference consisting of current accruals are as follows:

Accrued interest	\$ 1,642,905
Due to School District	(593,532)
Net adjustment to decrease fund balance – total governmental funds	<u>                    </u>
to arrive at net assets – governmental activities	<u><u>\$ 1,049,373</u></u>

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 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 \$28,002,290 difference are as follows:

Capital outlay	\$ 40,312,525
Asset retirements	(1,735,932)
Depreciation expense	<u>(10,574,303)</u>
Net adjustment to increase net changes in fund balances -	
total governmental funds to arrive at changes in net assets	
of governmental activities	<u><u>\$ 28,002,290</u></u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**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 \$17,617,060 difference is as follows:

Principal repayments:	
General obligation debt-City portion	\$ 9,986,010
General obligation debt-MSD portion reimbursed	6,569,723
Add bond discounts, COI and premiums amortization	<u>1,061,327</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 17,617,060</u></u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$2,054,684 difference are as follows:

Prepaid Pension Asset	\$ 838,913
Deferred Professional Fees	85,809
Long-term liabilities incurred:	
Risk reserve	(274,650)
Landfill reserve	578,645
Compensated absences	931,058
Accrued interest	(141,187)
Interest receivable from MSD on bonds payable	<u>36,096</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 2,054,684</u></u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**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, 2006**

**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:

	<u>Revenues</u>	<u>Expenditures</u>
Statement of revenues and expenditures -		
budgetary basis	\$ 114,809,902	\$ 114,533,706
Central Business District	236,637	230,500
Sale of Capital Assets	3,916,500	
Current year encumbrances		(1,081,815)
State retirement contributions	1,888,062	1,888,062
Tax revenues of 2004 recognized in 2005	980,943	
Tax revenues of 2005 deferred until 2006	(838,535)	
Expenditures of prior year encumbrances		1,138,600
	<u>                    </u>	<u>                    </u>
Statement of revenues and expenditures		
(in conformity with GAAP)	<u><u>\$ 120,993,509</u></u>	<u><u>\$ 116,709,053</u></u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**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 City follows the state of New Hampshire which 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.

At times the New System maintains cash balances in excess of the amount insured by FDIC. The New System has not experienced any losses in such accounts and cannot avoid at least temporary exposure to such risk when it holds cash deposits in anticipation of monthly annuity payroll obligations. The New System believes it is not exposed to any significant risk with respect to these accounts. At any given time, only the \$100,000 limit specified by the FDIC is guaranteed against loss.

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 follows 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.

The New System does not have a written policy in place to address custodial credit risk on investments but in practice, it minimizes such risk by holding its investments in the New System's name and not in the name of the custodian for benefit of the New System.

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.

Interest rate risk associated with an adverse affect of changes in the fair market value of fixed income securities is not addressed in policy by the New System. While policies do exist to limit the percentage of market value in a single issue at any one time and of the total percentage held of any issuer's debt instrument, the duration of the remaining life of individual securities is not subject to any limitations and may therefore introduce a measure of Interest Rate Risk.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**4. Cash, Cash Equivalents and Investments (continued)**

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.

The New System's Statement of Investment Objectives, Policies and Guidelines prohibit more than 5% at cost of any security as a percentage of any funds held by the New System. In addition, no more than 5% of the outstanding shares of any one corporation can be held by the New System. Taken together, these guidelines mitigate the magnitude of risk and loss attributable to a single issuer.

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, 2006, \$11,485 of the \$191,912,077 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.

Foreign currency risk:

Risk associated with fluctuation in the exchange rate between U.S. dollars and the base currency in other countries, while it exists, can be mitigated by policies which the New System has in place. Forward purchase or sales of currencies, including cross currency hedges, are permitted to protect or enhance the U.S. dollar value of the account. The use of derivative instruments such as currency futures or options for currency is also permitted upon completion of any necessary disclosure or other documentation. No speculative currency hedging is permitted.

Investment Policy:

The New System's Board of Trustees' investment objectives and risk tolerance are intended to achieve a maximum total return with emphasis on preservation of capital in real terms. The investment mix is designed to participate in rising markets, with defensive action expected to an even greater degree in declining markets. Total return includes interest, dividends, and realized / unrealized gains or losses from investments.

The Board's investment policy permits fund assets to be invested in U.S. and non-U.S. equities, U.S. and non-U.S. fixed income securities and equity real estate commingled funds. Asset allocations among various classes are:

	<u>Policy Mix</u>	<u>Current Mix</u>		<u>Policy Mix</u>	<u>Current Mix</u>
TAA	17.00%	17.31%	Hedge Funds	10.00%	9.34%
Large Cap Equity	20.00%	20.94%	Private Equity	5.00%	1.29%
Mid / Small Equity	10.00%	10.29%	Fixed Income	18.00%	17.25%
International Equity	9.00%	8.68%	Real Assets	5.00%	6.98%
Emerging Markets	4.00%	5.75%	Cash	2.00%	2.17%

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**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, 2006:

<b>Cash and Cash Equivalents</b>	
Deposits with Financial Institutions	\$ 74,234,234
Municipal Backed Investment Fund	25,387,515
Repurchase Investments	89,793,848
CR Pension Cash	2,496,480
<b>Total Cash and Cash Equivalents</b>	<b>\$ 191,912,077</b>
<b>Investments</b>	
Corporate Bonds	\$ 3,056,536
U.S. Treasury Bills	546,173
Total Investments	<b>3,602,709</b>
<b>Library Trust Funds:</b>	
U.S. Treasury Notes	382,378
U.S. Government Agencies	315,148
Corporate Bonds	542,258
Common Stocks	1,299,137
Equity Mutual Funds	78,006
Fixed Income Mutual Funds	187,248
Total Library Trust Funds	<b>2,804,175</b>
<b>Cemetery Trust Funds:</b>	
Mutual Funds	14,669,037
<b>Expendable Trust Funds:</b>	
Mutual Funds	1,898,375
<b>Old System Pension Trust Fund:</b>	
U.S. Treasury Notes	3,336,778
Corporate Bonds	3,483,536
Mortgage Backed	1,542,268
Mutual Funds	8,750,169
Total Old System Pension Trust Fund	<b>17,112,751</b>
<b>City Retirement System Investments, at fair value</b>	
Equity funds	35,890,134
International equity	9,972,453
Alternative equity	1,479,786
Hedge funds	10,740,290
Fixed income	19,831,774
Emerging market funds	6,608,375
Real estate	3,134,452
Timber funds	4,885,996
Specialty investments	19,894,222
Total City Retirement System	<b>112,437,482</b>
<b>Total Investments</b>	<b>\$ 152,524,529</b>
<b>Total Cash and Investments</b>	<b>\$ 344,436,606</b>

\* 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, 2006**

**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	\$ 75,880,509
Restricted cash	112,529,684
Investments	546,173
Restricted Investments	22,428,123
	<u>211,384,489</u>

**Pension Trust Funds**

Cash and cash equivalents	3,501,884
Investments	129,550,233
	<u>133,052,117</u>

<b>Total</b>	<u><u>\$ 344,436,606</u></u>
--------------	------------------------------

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	\$ 546,173	\$ 546,173	\$ -	\$ -	\$ -
US Treasury Notes	3,719,156	1,096,880	334,974	2,287,302	
US Government Agencies	315,148	-	242,469	72,679	
Corporate Bonds	7,082,330	124,900	2,357,620	440,883	4,158,927
Mortgage Backed	1,542,268	-	-	-	1,542,268
Fixed Income Mutual Fund	187,248	187,248	-	-	-
Municipal Backed Investment Fund	25,387,515	25,387,515	-	-	-
Repurchase Investment	89,793,848	89,793,848	-	-	-
Total	<u>\$128,573,686</u>	<u>\$117,136,564</u>	<u>\$2,935,063</u>	<u>\$2,800,864</u>	<u>\$5,701,195</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**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.

Average Rating	Corporate Bonds	Mortgage Backed	US Government Obligations	Repurchase Investment	Fixed Income Mutual fund	Equity Mutual fund	Municipal Backed Investment Fund
AAA	\$ 4,261,851	\$ 1,542,268	\$ 4,580,477	\$ 89,793,848			\$ 25,387,515
AA	210,353						
AA-	404,951						
A+	1,141,325						
A	727,760						
A-	284,639						
BBB	51,451						
Unrated					\$ 187,248	\$ 78,006	
	<u>\$ 7,082,330</u>	<u>\$ 1,542,268</u>	<u>\$ 4,580,477</u>	<u>\$ 89,793,848</u>	<u>\$ 187,248</u>	<u>\$ 78,006</u>	<u>\$ 25,387,515</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**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.

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 \$2.48 for 2006. 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, 2006**

**6. Receivables**

**Primary Government**

	General	Capital Projects	Water Works	EPD	Aviation	Nonmajor governmental	Nonmajor business type	Total
Due from Warrants	\$16,510,379							\$16,510,379
Due from State of NH & other local governments	2,434,265			\$4,826,836	\$ 353,932			7,615,033
Prior year tax liens	550,272							550,272
Tax titles	824,551							824,551
Due from federal government	132,764			147,162	5,349,980	\$ 1,196,174		6,826,080
Accounts receivable-trade	2,495,547	\$15,000	\$2,864,146	3,217,202	2,700,752	239,698	\$207,756	11,740,101
Notes receivable						6,243,700		6,243,700
Other	93,524		679,205	360,722	448,287	1,993,975		3,575,713
Total gross receivables	23,041,302	15,000	3,543,351	8,551,922	8,852,951	9,673,547	207,756	53,885,829
Allowance for collection losses	(1,045,260)							(1,045,260)
Total net receivables	\$21,996,042	\$15,000	\$3,543,351	\$8,551,922	\$8,852,951	\$9,673,547	\$207,756	\$52,840,569

**7. Interfund Receivables, Payables and Transfers**

Due from/to other funds consist of the following at June 30, 2006:

Receivable Fund	Payable Fund	Amount
General Fund	Agency	\$ 962,321
	Capital projects	13,731,708
	Special Revenue:	
	Revolving Loan	1,539
	HUD Section 108	
	CDBG	170,380
	Other grants	(8,585)
	Enterprise Funds:	
	Aviation	357,519
	Water Works	4,609
	Recreation	3,310,408
		<u>\$ 18,529,899</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**7. Interfund Receivables, Payables and Transfers (continued)**

The balance of \$3,310,408 due from the Recreation enterprise as well as the balance of \$13,731,708 due from Capital Projects to the general fund is the result of short-term advances. The remaining outstanding balances resulted from the time lag between the dates payments occur between funds for various activities, and are expected to be collected within one year.

Interfund transfers during the year ended June 30, 2006 were as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
	Transfers In (Out):	
	General	Other
<u>Transfers</u>	<u>Fund</u>	<u>Funds</u>
General Fund	\$ (2,421,766)	\$ 2,421,766
Other Funds	817,903	(817,903)
Aviation Fund	357,519	(357,519)
Aggregation Fund	<u>(1,770,046)</u>	<u>1,770,046</u>
Sub-totals	<u><u>\$ (3,016,390)</u></u>	<u><u>\$ 3,016,390</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, 2006**

**8. Capital Assets**

**Governmental activities**

Changes in the governmental capital assets for the year ended June 30, 2006, were as follows:

	Balance 30-Jun-05	Additions	Retirements	Transfers	Balance 30-Jun-06
Capital assets, not being depreciated					
Land	\$ 18,453,869		\$ (7,303)		\$ 18,446,566
Construction-in-Progress	118,198,405	\$ 30,724,337		\$ (30,432,676)	118,490,066
Total capital assets, not being depreciated	<u>136,652,274</u>	<u>30,724,337</u>	<u>(7,303)</u>	<u>(30,432,676)</u>	<u>136,936,632</u>
Capital assets, being depreciated					
Buildings	190,474,122	1,189,878	(6,742,941)	30,432,676	215,353,735
Improvements other than buildings	18,749,648	3,084,179			21,833,827
Equipment	7,798,641	873,406	(85,094)		8,586,953
Vehicles	19,191,362	1,168,325	(605,970)		19,753,717
Infrastructure	50,988,217	3,272,400			54,260,617
Total capital assets, being depreciated	<u>287,201,990</u>	<u>9,588,188</u>	<u>(7,434,005)</u>	<u>30,432,676</u>	<u>319,788,849</u>
Less accumulated depreciation					
Buildings	73,986,396	6,009,135	(5,028,160)		74,967,371
Improvements other than buildings	7,537,439	709,347			8,246,786
Equipment	4,273,363	590,737	(85,094)		4,779,006
Vehicles	13,820,499	1,423,504	(592,122)		14,651,881
Infrastructure	20,534,097	1,841,580			22,375,677
Total accumulated depreciation	<u>120,151,794</u>	<u>10,574,303</u>	<u>(5,705,376)</u>	<u>-</u>	<u>125,020,721</u>
Governmental Activities Capital Assets, Net	<u>\$ 303,702,470</u>	<u>\$ 29,738,222</u>	<u>\$ (1,735,932)</u>	<u>\$ -</u>	<u>\$ 331,704,760</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**8. Capital Assets (continued)**

**Business-type Activities**

Changes in the business-type capital assets for the year ended June 30, 2006, were as follows:

	Balance 30-Jun-05	Additions	Retirements	Transfers	Balance 30-Jun-06
Capital assets, not being depreciated					
Land	\$ 39,517,834	\$ 603,039		\$ 38,220	\$ 40,159,093
Construction-in-Progress	53,436,688	32,367,413	\$ (79,209)	(20,486,240)	65,238,652
Total capital assets, not being depreciated	92,954,522	32,970,452	(79,209)	(20,448,020)	105,397,745
Capital assets, being depreciated					
Buildings	342,635,150	1,306,433	(1,172,915)	9,355,330	352,123,998
Improvements other than buildings	252,281,868	141,565	(7,005)	10,454,501	262,870,929
Equipment & vehicles	91,084,973	307,165	(3,215,232)	638,189	88,815,095
Total capital assets, being depreciated	686,001,991	1,755,163	(4,395,152)	20,448,020	703,810,022
Less accumulated depreciation					
Buildings	100,166,232	9,059,321	(482,339)		108,743,214
Improvements other than buildings	55,024,723	12,132,590			67,157,313
Equipment & vehicles	37,147,595	2,709,375	(2,732,143)		37,124,827
Less total accumulated depreciation	192,338,550	23,901,286	(3,214,482)	-	213,025,354
Business-type Total Capital Assets, Net	\$ 586,617,963	\$ 10,824,329	\$ (1,259,879)	\$ -	\$ 596,182,413

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**8. Capital Assets (continued)**

**Discretely Reported Component Units**

Capital assets activity in the School District at June 30, 2006, consisted of the following:

	Balance July 1, 2005	Increases	Balance June 30, 2006
Capital assets, not being depreciated			
Land	\$ 169,400	-	\$ 169,400
Capital assets, being depreciated			
Portable classrooms	1,047,602	-	1,047,602
Improvements	-	172,068	172,068
Instruments	124,828	31,732	156,560
Other machinery & equipment	11,179,943	909,671	12,089,614
Total capital assets, being depreciated	<u>12,352,373</u>	<u>1,113,471</u>	<u>13,465,844</u>
Total all capital assets	<u>12,521,773</u>	<u>1,113,471</u>	<u>13,635,244</u>
Less accumulated depreciation			
Portable classrooms	173,964	34,920	208,884
Improvements	-	5,736	5,736
Instruments	17,569	7,300	24,869
Other machinery & equipment	5,438,242	1,049,604	6,487,846
Less total accumulated depreciation	<u>5,629,775</u>	<u>1,097,560</u>	<u>6,727,335</u>
Total Capital Assets being depreciated, Net	<u><u>\$6,891,998</u></u>	<u><u>\$ 15,911</u></u>	<u><u>\$ 6,907,909</u></u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**8. Capital Assets (continued)**

Capital assets activity in the MTA at June 30, 2006, consisted of the following:

	Balance Jun 30, 2005	Additions	Retirements	Balance Jun 30, 2006
Capital assets, not being depreciated				
Land	\$ 129,109			\$ 129,109
Total capital assets, not being depreciated	129,109	-	-	129,109
Capital assets, being depreciated				
Buildings	1,807,598			1,807,598
Buses	6,679,116	\$ 1,908,827	\$ (153,981)	8,433,962
Equipment	1,626,939	213,488	(40,624)	1,799,803
Total capital assets being depreciated	10,113,653	2,122,315	(194,605)	12,041,363
Less accumulated depreciation	7,575,351	539,331	(194,605)	7,920,077
Total Capital Assets being depreciated, Net	<u>\$ 2,667,411</u>	<u>\$ 1,582,984</u>	<u>\$ -</u>	<u>\$ 4,250,395</u>

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

**Governmental Activities:**

General	\$ 3,538,707
Public safety	1,021,873
Highways and streets	2,971,375
Health and welfare	36,812
Education and library	1,917,738
Parks	1,086,735
Cemetery	1,063
Total depreciation expense – governmental activities	<u>\$10,574,303</u>

**Business-type Activities:**

Water Works	\$ 2,244,745
EPD	5,001,926
Aviation	15,923,927
Recreation	730,688
Total depreciation expense – business-type activities	<u>\$ 23,901,286</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**9. Unearned Revenue/Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue and deferred revenue reported in the governmental funds and governmental activities were as follows:

	<u>Unearned Revenue</u>	<u>Deferred Revenue</u>
<b>General Fund:</b>		
Taxes and accrued interest on delinquent property taxes	\$ -	\$ 1,388,809
Advanced tax collections	16,061,738	
Gatsas (Livingston Park) receivable		325,000
Impact fees	2,147,174	
<b>Nonmajor funds</b>	1,558,443	
<b>Total deferred/unearned revenue</b>	<u><u>\$19,767,355</u></u>	<u><u>\$ 1,713,809</u></u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**10. 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, 2006 are as follows:

Governmental long-term debt:

Fiscal year	Principal	Interest	Total
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	10,008,055	22,874,294
2011	13,101,272	9,447,270	22,548,542
2012-2016	60,777,552	38,586,716	99,364,268
2017-2021	52,824,504	24,058,681	76,883,185
2022-2026	43,818,828	11,578,326	55,397,154
2027-2031	19,327,441	1,681,175	21,008,616
Debt Service Requirement	244,742,757	129,019,208	373,761,965
Add Net Bond Premium	18,370,399		18,370,399
Total Governmental Activities	<u>\$ 263,113,156</u>	<u>\$ 129,019,208</u>	<u>\$ 392,132,364</u>

Business-type Activities:

Fiscal year	Principal	Interest	Total
2007	\$ 13,320,847	\$ 15,475,741	\$ 28,796,588
2008	12,703,195	15,006,783	27,709,978
2009	12,263,353	14,548,777	26,812,130
2010	11,238,702	14,075,057	25,313,759
2011	10,378,740	12,619,744	22,998,484
2012-2016	57,139,958	55,658,092	112,798,050
2017-2021	65,465,787	42,285,879	107,751,666
2022-2026	82,364,347	26,312,816	108,677,163
2027-2031	55,782,559	8,842,331	64,624,890
2032-2035	13,730,000	1,269,625	14,999,625
Debt Service Requirement	334,387,488	206,094,845	540,482,333
Add Net Bond Premium	1,360,968		1,360,968
Less Deferred Loss	(4,771,474)		(4,771,474)
Total Business-type Activities	<u>\$ 330,976,982</u>	<u>\$ 206,094,845</u>	<u>\$ 537,071,827</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**10. Long-Term Debt (continued)**

Interest rates for the City's outstanding GO bonds range from 2.00% to 7.10%. At June 30, 2006, the City's legal debt limit was \$1,033,736,702. Authorized, unissued financing resolutions as of June 30, 2006 totaled \$79,395,107.

The largest outstanding balance is represented by EPD Enterprise Funds in the amount of \$43,395,107. 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 and secondary clarifier 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 \$24,050,000 for City; \$6,200,000 for MSD; \$3,000,000 for Water Works Enterprise 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, Revaluation Update Project, Parking and Traffic Improvements, Police/Fire CAD/RMS Project, Neighborhood Revitalization, Annual Bridge Rehabilitation, PW/Fleet Maintenance Administrative Support, Residential 50/50 Sidewalk/Curb Program, Storm Drain Infrastructure, Hands Across the Merrimack Project and Information/Public Safety Upgrade Project. For MSD, \$4,400,000 of the \$6,200,000 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. The balance of \$1,800,000 is to be used for School Facility Improvements and School Recreation Facility Projects. For Water Works Enterprise, the \$3,000,000 is to be used for various Treatment Plant Improvements. 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.

In FY 2006 the City issued \$59,215,000 refunding bonds for the purpose of refinancing a portion of the 1998 and 2000 General Airport Revenue Bonds. The Series 2005 Bonds were issued to refund, prior to maturity, the original issuance of same in the amount of \$18,975,000, identified as Series 1998 and \$39,320,000, identified as Series 2000. The new proceeds of the Series 2005 Bonds (after payment of the underwriting fee and other costs of issuance of the Series 2005 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 3.6178% represented a 15.22 percentage savings of the refunded bonds, which in this instance represent a defeasance of \$58,295,000. The Net PV Savings amounted to \$8,873,272.25. The total cash savings amounted to \$14,275,575. The balance of the refunding bonds on June 30, 2006 was \$59,215,000. The balance of the irrevocable trust account for the refunded bonds on June 30, 2006 was \$61,424,456.

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, 2006, \$23,120,000 of outstanding GO Bonds and \$63,170,000 of School Revenue Bonds are considered defeased.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**10. Long-Term Debt (continued)**

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Balance 30-Jun-05	Increases	Decreases	Balance 30-Jun-06	Due within One year
Governmental activities:					
General Obligation Debt -					
City	\$ 123,103,696		\$ 9,986,010	\$ 113,117,686	\$ 8,332,626
Revenue Bonds Payable -					
MSD	99,025,000		2,470,000	96,555,000	2,520,000
General Obligation Bonds					
Payable - MSD	39,169,794		4,099,723	35,070,071	2,270,110
Premiums (Discounts)	19,431,725		1,061,326	18,370,399	1,061,327
	<u>280,730,215</u>	<u>-</u>	<u>17,617,059</u>	<u>263,113,156</u>	<u>14,184,063</u>
Compensated absences	9,584,503	931,061		10,515,564	2,628,891
Insurance claims	3,611,038		274,650	3,336,388	3,433,059
Landfill post-closure care	3,214,982	578,644		3,793,626	-
	<u>\$ 297,140,738</u>	<u>\$ 1,509,705</u>	<u>\$ 17,891,709</u>	<u>\$ 280,758,734</u>	<u>\$ 20,246,013</u>
Business-type activities					
General Obligation Debt	\$ 43,579,428	\$ -	\$ 8,181,940	\$ 35,397,488	\$ 6,920,847
Revenue Bonds	287,095,000	76,325,000	64,430,000	298,990,000	6,400,000
Premiums (Discounts)	(4,431,816)	930,184	(91,126)	(3,410,506)	(91,126)
	<u>\$ 326,242,612</u>	<u>\$ 77,255,184</u>	<u>\$ 72,520,814</u>	<u>\$ 330,976,982</u>	<u>\$ 13,229,721</u>

The EPD Enterprise Fund has seven loan agreements with original principal balances amounting to \$44,583,679 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.

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, 2006 was \$5,513,931 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 \$11,899,049.

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

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**10. Long-Term Debt (continued)**

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, 2006, the swap agreement resulted in a cumulative unfavorable fair value of \$885,716 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 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

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**10. Long-Term Debt (continued)**

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. The recording of the asset and not the revenue bonds discussed above within governmental activities, in the opinion of the auditors is not in accordance with accounting principles generally accepted in United States of America.

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, 2006**

**11. 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**

	<b>CRS Pension Trust</b>	<b>Old System Pension Trust</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,496,480	\$ 1,005,404	\$ 3,501,884
Investments	112,437,482	17,112,751	129,550,233
Receivables, net of allowances for collection losses	1,534,353	89,547	1,623,900
Other assets	7,900		7,900
Property and equipment, net where applicable, of accumulated depreciation	176,560		176,560
<b>Total Assets</b>	<b>\$ 116,652,775</b>	<b>\$ 18,207,702</b>	<b>\$ 134,860,477</b>
<b>Liabilities</b>			
Accounts and warrants payable	\$ 135,068		\$ 135,068
Accrued liabilities	883,526		883,526
<b>Total Liabilities</b>	<b>1,018,594</b>		<b>1,018,594</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 115,634,181</b>	<b>\$ 18,207,702</b>	<b>\$ 133,841,883</b>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**11. Employee Benefit Plans (continued)**

**SCHEDULE OF CHANGES OF PLAN NET ASSETS**

	<b>CRS Pension Trust</b>	<b>Old System Pension Trust</b>	<b>Total</b>
<b>Additions</b>			
Contributions			
Employer	\$ 4,063,392	\$ -	\$ 4,063,392
Plan members	3,188,343		3,188,343
<b>Total Contributions</b>	<u>7,251,735</u>		<u>7,251,735</u>
Investment Gain (Loss)			
Net realized and unrealized appreciation (depreciation) in fair value of investments	7,529,771	37,681	7,567,452
Interest	32,091	1,178,979	1,211,070
Dividends	1,466,287		1,466,287
Less investment expense	(460,147)		(460,147)
<b>Net Investment Income (Loss)</b>	<u>8,568,002</u>	<u>1,216,660</u>	<u>9,784,662</u>
<b>Total Additions (Reductions)</b>	<u>15,819,737</u>	<u>1,216,660</u>	<u>17,036,397</u>
<b>Deductions</b>			
Benefits paid directly to participants	5,295,620	1,893,249	7,188,869
Refunds of employee contributions	383,771		383,771
Administrative expenses	750,608	77,854	828,462
<b>Total Deductions</b>	<u>6,429,999</u>	<u>1,971,103</u>	<u>8,401,102</u>
<b>Net Decrease</b>	9,389,738	(754,443)	8,635,295
<b>Net Assets Held in Trust for Pension Benefits</b>			
Beginning of year	106,244,443	18,962,145	125,206,588
End of year	<u>\$ 115,634,181</u>	<u>\$ 18,207,702</u>	<u>\$ 133,841,883</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**11. Employee Benefit Plans (continued)**

*New System*

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

All covered employees hired after January 1, 1974 are required to participate in the New System as a condition of employment. Employees are 100% vested after five years of service. The retirement benefit is calculated at 1-½% of final average total compensation during the highest three years of service in the last ten years of service (hereafter average compensation), multiplied by the years of service prior to January 1, 1999 plus 2% after January 1, 1999 of average compensation multiplied by the years of service after January 1, 1999. There is a minimum benefit of 50% of average compensation for employees hired prior to January 1, 1974 who complete 20 years of service and attain age 62 before retirement or have combined age and years of service over specified amounts. All eligible employees are required to contribute 2-½% of their salaries to the New System prior to January 1, 1999 and 3-¾ % of their salaries after January 1, 1999. If an employee leaves covered employment or dies before five years of service, accumulated employee contributions and earnings thereon at rates determined annually by the New System Board of Trustees (5%, for the periods ended June 30, 2006 and 2005) 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.

Membership in the Plan consisted of the following at December 31, 2005, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	531
Terminated vested members	79
Active members	<u>1,354</u>
Total Participants	<u>1,964</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**11. 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**

Valuation Year Ended December 31	Year Ended June 30 *	Annual Required Contribution	contribution Year Ended December 31	Annual Required Contribution as a Percent of Valuation Payroll
2004	2006	N/A	N/A	8.72 %
2003	2005	\$ 4,083,493	\$ 5,413,826	8.76
2002	2004	\$ 3,844,598	\$ 3,950,981	N/A

\* Effective June 30, 2004, contributions were determined on a percent-of-payroll basis by multiplying the ARC rate by the actual payroll.

**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)
12/31/2005	\$113,856,253	\$34,059,414	\$147,915,667	77.0 %	\$47,233,321
12/31/2004	103,826,765	22,520,228	126,346,993	82.2	45,027,930
12/31/2003	95,297,689	20,954,959	116,252,648	82.0	41,998,187

Additional information as of the latest actuarial valuation follows:

Valuation Date:	December 31, 2005
Actuarial Cost Method:	Entry Age Normal
Investment Net Rate of Return:	7.5%
Projected Salary Increases:	4.0% - 14.4%
Amortization Method:	Level percent of payroll
Asset Valuation Method:	5 year smoothed market
Inflation Rate:	4.0%
Remaining Amortization Period	28 years

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**11. 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, 2006, the Old System membership consisted of:

Members currently receiving benefits	122
Active Vested Members	<u>17</u>
Total Members	<u>139</u>

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Plan Year ended 30-Jun	Annual required contributions	Percentage contributed
2006	\$ 124,659	0.0 %
2005	71,571	0.0
2004	195,521	0.0

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

Annual required contribution	\$ 124,659
Interest on net pension obligation	(1,223,841)
Adjustment to annual required contribution	<u>1,938,095</u>
Annual pension cost	838,913
Less contributions made	<u>-</u>
Increase in net pension obligation (asset)	838,913
Net pension obligation (asset) beginning of year	<u>(16,317,877)</u>
Net pension obligation (asset) end of year	<u><u>\$ (15,478,964)</u></u>

**Three year trend information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2006	\$ 838,913	0.0 %	\$(15,478,964)
6/30/2005	731,168	0.0 %	(16,317,877)
6/30/2004	808,872	0.0 %	(17,049,045)

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**11. Employee Benefit Plans (continued)**

**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
7/1/2006	\$18,207,702	\$18,596,488	\$ 388,786	97.91 %	\$ 881,317	44.11 %
7/1/2005	18,962,145	20,011,713	1,049,568	94.76	1,077,069	97.45
7/1/2004	19,705,567	20,335,101	629,534	96.90	1,047,706	60.09

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2006
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	12 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.50 %
Projected salary increases	4.50 %

***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. The unfunded pension obligation related to this benefit at June 30, 2006 was \$43,011.

At June 30, 2006, the membership consisted of:

Members currently receiving benefits	39
--------------------------------------	----

***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:41-a 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, 2006, 2005 and 2004 were \$3,498,933, \$2,866,242 and \$2,760,949 respectively and were equal

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**11. Employee Benefit Plans (continued)**

to the required contributions. For the years ended June 30, 2006, 2005 and 2004, the City has recognized both revenue and expenditures of \$1,888,062, \$1,459,031 and \$1,094,057, respectively, on behalf of contributions made by the State to the NHRS.

**12. Contingent Liabilities and Risk Management**

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, losses arising from these claims and legal actions, if any, will not have a material adverse effect on the City.

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
2006	\$4,446,038	\$4,326,784	\$4,085,693	\$4,204,947
2005	\$4,686,026	\$4,533,002	\$4,293,014	\$4,446,038

**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 \$845,167 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. \$780,652 was recorded in the government wide statements for fiscal year 2006 as the City's estimated liabilities for unsettled claims.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**12. 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. \$2,338,749 was recorded in the government wide statements as the City's estimated liability for all types of claims incurred in 2006 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 amount 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, 2006, 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.

**13. 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 \$3,793,626 reported as landfill closure and postclosure care liability at June 30, 2006 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

**14 . Fund Deficits**

As of June 30, 2006, the CDBG, and the Capital Projects funds had fund deficits in the amounts of \$55,778 and \$5,693,026, respectively.

The City anticipates financing the deficits through future revenues.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2006**

**15 . Issued But Not Effective Professional Standards**

The Governmental Accounting Standards Board (GASB) has issued statements not yet implemented by the City. Management has not currently determined what, if any, impact implementation of the following statements may have on the financials. The statements which might impact the City are as follows:

- GASB Statement Number 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,” issued April 2004, will be effective for the City beginning with its year ended June 30, 2007. This Statement establishes uniform financial reporting standards for OPED (Other Postemployment Benefits) and supersedes the interim guidance included in Statement No. 26, “Financial Reporting for Postemployment Healthcare Plans Administered by Defined Pension Plans.”
- GASB Statement Number 45, “Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions,” issued June 2004, will be effective for the City beginning with its year ending June 30, 2008. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits, expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.
- GASB Statement Number 48, “Sales and Pledges of Receivables and Future Revenue and Intra-Entity Transfers of Assets and Future Revenues,” issued September 2006, is effective for periods beginning after December 15, 2006. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.
- GASB Statement Number 49, Accounting and Financial Reporting for Pollution Remediation Obligations, issued December 1, 2006 will be effective for the City beginning with its fiscal year June 30, 2008 but the liability should be measured at July 1, 2007 so that beginning net assets can be restated. This Statement identifies the circumstances under which a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted, if the pollution poses an imminent danger to the public or the environment, if the government has violated pollution prevention permit or license, if the government has been named as a responsible party for cleaning up the pollution, if the government began to clean up the pollution, and if the government is named in a lawsuit. In addition, it provides disclosure information about their pollution obligations associated with clean up efforts.



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**COMBINING AND INDIVIDUAL  
FINANCIAL STATEMENTS AND SCHEDULES**



**General Fund  
Comparative Balance Sheets**

**City of Manchester, New Hampshire  
June 30, 2006**

	<u>2006</u>	<u>2005</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 58,886,430	\$ 66,318,323
Restricted cash and cash equivalents	8,986,380	3,711,382
Investments	546,173	546,316
Receivables, net of allowances for collection losses	21,996,042	21,233,357
Prepaid items	1,045	1,271
Due from other funds	18,529,899	12,106,319
Inventories	895,312	709,034
Land held for resale	3,000,000	2,555,000
<b>Total Assets</b>	<b><u>\$ 112,841,281</u></b>	<b><u>\$ 107,181,002</u></b>
<b><u>Liabilities and Fund Equity</u></b>		
<b><u>Liabilities</u></b>		
Accounts and warrants payable	\$ 4,820,700	\$ 3,665,829
Retainage payable	24,794	
Accrued liabilities	3,231,921	2,547,998
Insurance claims payable	845,167	835,000
Due to Manchester School District	27,275,998	27,657,908
Unearned revenue	18,208,912	18,801,918
Deferred revenue	1,713,809	
Taxes collected in advance	31,403,021	29,623,456
<b>Total Liabilities</b>	<b><u>87,524,322</u></b>	<b><u>83,132,109</u></b>
<b><u>Fund Equity</u></b>		
Fund balances		
Reserved for		
Encumbrances	1,081,815	1,342,259
Inventory	895,312	709,034
Advances		1,743,447
Workers' compensation	2,338,749	2,388,525
Land held for resale	3,000,000	2,555,000
Designated for		
Health insurance	517,333	956,761
General liability insurance	931,926	1,079,644
Special revenue	5,680,848	2,052,686
Revenue stabilization	10,098,845	10,098,844
Unreserved		
Undesignated fund balance	772,131	1,122,693
<b>Total Fund Equity</b>	<b><u>25,316,959</u></b>	<b><u>24,048,893</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 112,841,281</u></b>	<b><u>\$ 107,181,002</u></b>

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

**City of Manchester, New Hampshire  
Year Ended June 30, 2006**

	<u>2006</u>	<u>2005</u>
<b><u>Revenues</u></b>		
Taxes	\$ 69,052,574	\$ 65,843,620
Federal and state grants and aid	9,509,644	9,111,635
Nonenterprise charges for sales and services	4,812,300	4,688,142
Licenses and permits	21,609,795	21,964,114
Interest	2,218,008	1,398,584
Other	9,874,688	11,859,982
<b>Total Revenues</b>	<b>117,077,009</b>	<b>114,866,077</b>
<b><u>Expenditures</u></b>		
Current:		
General government	23,060,587	21,652,439
Public safety	44,979,762	41,272,573
Health and sanitation	3,125,580	2,958,017
Highway and streets	22,948,965	22,185,782
Welfare	1,261,528	1,185,782
Education	2,573,610	2,461,374
Parks and recreation	3,292,841	3,435,608
Debt service:		
Principal retirement	9,986,012	9,832,097
Interest	5,480,168	7,721,471
<b>Total Expenditures</b>	<b>116,709,053</b>	<b>112,705,143</b>
<b>Excess of revenues over expenditures</b>	<b>367,956</b>	<b>2,160,934</b>
<b><u>Other Financing Sources (Uses)</u></b>		
Proceeds of refunding bonds		73,516,645
Payment to refunded bond escrow agent		(82,354,058)
Proceeds from premium of refunding bonds		10,059,239
Deferred cost of issuance		(1,087,631)
Proceeds from sale of capital assets	3,916,500	-
Transfers in	1,125,422	2,881,013
Transfers out	(4,141,812)	(6,192,711)
<b>Total Other Financing Sources (Uses)</b>	<b>900,110</b>	<b>(3,177,503)</b>
Net Change in Fund Balance	1,268,066	(1,016,569)
<b>Fund Balance, beginning of year</b>	<b>24,048,893</b>	<b>25,065,462</b>
<b>Fund Balance, end of year</b>	<b><u>\$ 25,316,959</u></b>	<b><u>\$ 24,048,893</u></b>

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

City of Manchester, New Hampshire  
Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>Taxes</u></b>				
Property tax	\$ 67,050,766	\$ 67,059,101	\$ 67,030,357	\$ (28,744)
Boat tax	40,000	40,000	35,223	(4,777)
Cable franchise fee	951,000	951,000	987,449	36,449
Cost on deferred tax	25,000	25,000	27,371	2,371
Cost on tax title	20,000	20,000	16,568	(3,432)
Interest on tax	275,000	275,000	309,529	34,529
Interest on tax lien	315,000	315,000	229,189	(85,811)
Railroad tax	2,000	2,000	7,373	5,373
Tax lien	60,000	60,000	30,470	(29,530)
<b>Total Taxes</b>	<b>68,738,766</b>	<b>68,747,101</b>	<b>68,673,529</b>	<b>(73,572)</b>
<b><u>Federal and State Grants and Aid</u></b>				
CIP/federal capital	227,000	227,000	176,640	(50,360)
FEMA			123,320	123,320
Highway block grant	1,714,865	1,714,865	1,694,974	(19,891)
Home Investment Program	-	-	50,020	50,020
Landfill closure	233,046	233,046	211,674	(21,372)
Lieu of tax - Carpenter Center	51,466	51,466	53,669	2,203
Lieu of tax - MHRA	199,000	199,000	179,246	(19,754)
Lieu of tax - other	518,694	518,694	589,438	70,744
Medicare reimbursement	30,000	30,000	-	(30,000)
Meals & rooms tax	454,927	454,927	454,927	-
Revenue Sharing Distribution	3,955,713	3,955,713	3,955,713	-
State Grants			122,802	122,802
Traffic reimbursement	20,000	20,000	9,159	(10,841)
<b>Total Federal and State Grants and Aid</b>	<b>7,404,711</b>	<b>7,404,711</b>	<b>7,621,582</b>	<b>216,871</b>
<b><u>Nonenterprise Charges for Sales and Services</u></b>				
Cemetery - Care of lot and grave	15,387	15,387	31,538	16,151
Cemetery - Cement container	16,625	16,625	25,854	9,229
Cemetery - Internment	122,725	122,725	120,825	(1,900)
Cemetery - Sale of mausoleum	17,500	17,500	23,035	5,535
City Clerk - Certified record	214,000	214,000	216,713	2,713
City Clerk - Certified record, state share	(141,000)	(141,000)	(140,853)	147
City Clerk - Late fee	2,500	2,500	5,407	2,907
City Clerk - Political filing fee	2,500	2,500	3,162	662
City Clerk - UCC financing statement	30,000	30,000	26,370	(3,630)
City Clerk - Vending machine commission	75	75	61	(14)
Finance - Wage assignment fee	2,000	2,000	1,551	(449)
Fire - Alarm permit	264,000	264,000	275,968	11,968
Fire - Central station monitoring	22,000	22,000	27,133	5,133
Fire - Day care inspection	2,000	2,000	2,350	350
Fire - False alarm	90,000	90,000	107,840	17,840
Fire - Hazardous inspection fee	3,000	3,000	4,870	1,870
Fire - Review of life safety code plan	4,500	4,500	6,125	1,625
Fire - Sprinkler system review	22,000	22,000	17,444	(4,556)

(continued)

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

City of Manchester, New Hampshire  
Year Ended June 30, 2006  
(Continued)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>Nonenterprise Charges for Sales and Services (Continued)</u></b>				
Fire - Standby fee	1,000	1,000	38,054	37,054
Fire - Telephone dialer fee	700	700	750	50
Health - Day care health inspection	500	500	1,305	805
Health - Immunization reimbursement	-	-	9,185	9,185
Highway - Bid fee	1,500	1,500	840	(660)
Highway - Delay rent on landfill	30,000	30,000	29,565	(435)
Highway - Drop-off Center	550,000	550,000	487,042	(62,958)
Highway - Grade certification	4,500	4,500	5,300	800
Highway - Inspection fee	35,000	35,000	24,112	(10,888)
Highway - Maintenance	3,200	3,200	10,265	7,065
Highway - Sewer tap fee	90,000	90,000	79,300	(10,700)
Highway - Hackett Hill sewer recovery	-	-	61,765	61,765
Highway - Wellington sewer recovery	-	-	33,535	33,535
Highway - Youngsville sewer recovery	-	-	2,025	2,025
Human resources - Examination fee	4,000	4,000	9,390	5,390
Information systems - Department supplies	4,468	4,468	2,343	(2,125)
Parks - Concessions, rentals, bids	200	200	9,004	8,804
Parks - Softball fee	-	-	4,270	4,270
Planning - Site plan fee	75,000	75,000	98,555	23,555
Planning - Sub-Division fee	13,000	13,000	16,000	3,000
Planning - Zoning variance	27,000	27,000	38,860	11,860
Police/Fire - Accident/investigation report	67,000	67,000	62,199	(4,801)
Police - Auction	2,000	2,000	3,054	1,054
Police - Booting fee	13,000	13,000	26,150	13,150
Police - Building violation fine	18,000	18,000	14,280	(3,720)
Police - Court parking fine	5,000	5,000	7,388	2,388
Police - District court fine	55,000	55,000	80,029	25,029
Police - Dog license fee	13,000	13,000	17,299	4,299
Police - Expired meter parking ticket	1,170,000	1,170,000	1,215,412	45,412
Police - Extra detail administrative	95,000	95,000	101,699	6,699
Police - Fingerprint	10,000	10,000	9,740	(260)
Police - Photograph sale	2,600	2,600	2,745	145
Police - Listed agent fee	17,500	17,500	13,625	(3,875)
Police - Towing fine	-	-	(522)	(522)
Police - Witness fee	100,100	100,100	84,967	(15,133)
Tax collector - auto registration parking	165,000	205,000	223,460	18,460
Tax collector - Fee duplicate tax receipt	6,000	6,000	4,430	(1,570)
Tax collector - Motor vehicle title fee	58,000	58,000	56,472	(1,528)
Tax collector - Municipal agent fee	200,000	200,000	187,814	(12,186)
Traffic - Parking downtown meters & reserve	1,227,000	1,227,000	928,906	(298,094)
Traffic - Parking meter hoods revenue	30,000	30,000	22,994	(7,006)
Various - Bounced check fee	11,100	11,100	8,540	(2,560)
Various - Research fee	15,100	15,100	17,711	2,611
Various - Photocopy	8,975	8,975	7,050	(1,925)
<b>Total Nonenterprise Charges for Sales and Services</b>	<b><u>4,819,255</u></b>	<b><u>4,859,255</u></b>	<b><u>4,812,300</u></b>	<b><u>(46,955)</u></b>

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

City of Manchester, New Hampshire  
Year Ended June 30, 2006  
(Continued)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>Licenses and Permits</u></b>				
Tax collector - Auto registration	15,650,000	15,650,000	15,377,773	(272,227)
Building - Certificate of compliance	230,000	230,000	223,373	(6,627)
Building - Building permit	1,300,000	1,300,000	1,073,259	(226,741)
Building - Electric permit	230,000	230,000	296,192	66,192
Building - Elevator permit	2,000	2,000	1,960	(40)
Building - Heating permit	135,000	135,000	161,195	26,195
Building - Plumbing permit	90,000	90,000	64,296	(25,704)
Building - Sign permit	25,000	25,000	33,774	8,774
Building - Yard sale permit	5,500	5,500	4,205	(1,295)
City Clerk - Amusement license	14,000	14,000	20,025	6,025
City Clerk - Dog license	52,000	52,000	53,640	1,640
City Clerk - Dog license, state share	(4,700)	(4,700)	(4,911)	(211)
City Clerk - Employment office license	500	500	486	(14)
City Clerk - Marriage license	43,000	43,000	41,581	(1,419)
City Clerk - Marriage license, state share	(39,500)	(39,500)	(35,074)	4,426
City Clerk - Mechanical device license	185,000	185,000	169,275	(15,725)
City Clerk - Peddler license	11,000	11,000	22,180	11,180
City Clerk - Second hand license	2,500	2,500	3,312	812
City Clerk - Sunday permit	80,000	80,000	120,024	40,024
City Clerk - Taxi license	10,000	10,000	9,335	(665)
Fire - Central station annual permit	3,000	3,000	4,000	1,000
Health - Bathing facility permit	8,000	8,000	8,725	725
Health - Food permit	145,000	145,000	147,045	2,045
Health - Septic permit	4,000	4,000	5,215	1,215
Highway - Encumbrance permit	8,500	8,500	6,650	(1,850)
Highway - Excavation permit	130,000	130,000	99,400	(30,600)
Highway - Pipe layer certification	2,000	2,000	2,150	150
Highway - Reclamation trust fund	327,000	327,000	299,480	(27,520)
Highway - Road Resurfacing	658,000	658,000	566,860	(91,140)
Police - Alarm permit	51,300	51,300	58,200	6,900
Police - Blasting permit	700	700	700	-
Police - Gun permit	7,500	7,500	6,325	(1,175)
Police - Place of assembly permit	28,000	28,000	29,600	1,600
Police - Towing license	13,250	13,250	13,545	295
Traffic - Parking fees	3,383,027	3,343,027	2,726,000	(617,027)
<b>Total Licenses and Permits</b>	<b>22,790,577</b>	<b>22,750,577</b>	<b>21,609,795</b>	<b>(1,140,782)</b>
<b><u>Interest</u></b>				
Income from invested funds	2,250,000	2,250,000	2,218,008	(31,992)

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

City of Manchester, New Hampshire  
Year Ended June 30, 2006  
(Continued)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>Other Revenues</u></b>				
Building - Restitution from prior year	4,000	4,000	2,909	(1,091)
Building - Administration	56,152	56,152	53,342	(2,810)
Building - Sale of code	1,550	1,550	440	(1,110)
City Solicitor - Worker's comp. reimb.	309,434	309,434	399,091	89,657
Finance - Airport reimbursement	50,000	50,000	21,059	(28,941)
Finance - Debt Recovery Baseball	169,016	169,016	169,016	-
Finance - Debt Recovery Livingston Park	25,000	25,000	25,000	-
Finance - Lease payments - baseball	750,000	750,000	756,500	6,500
Health - Immunization reimbursement	73,000	73,000	418	(72,582)
Health - Lead Poisoning	30,000	30,000	-	(30,000)
Health - STD reimbursement	25,000	25,000	-	(25,000)
Health - TB reimbursement	40,000	40,000	-	(40,000)
Highway - Fuel reimbursements	13,000	13,000	28,769	15,769
Highway / Traffic - Scrap metal and salvage	16,000	16,000	12,844	(3,156)
MEDO - Wall St. Tower refinance	70,901	70,901	53,176	(17,725)
Police - Cruiser rental	5,000	5,000	17,422	12,422
Police - Extra detail revolving fund	7,000	7,000	12,471	5,471
Tax collector - Excess receipt	-	-	3,615	3,615
Traffic - Repair traffic signals admin.	5,000	5,000	18,485	13,485
Traffic - Repair traffic signals labor	5,000	5,000	4,005	(995)
Various - Data processing	58,767	58,767	45,202	(13,565)
Various - Maps, prints, etc.	9,350	9,350	6,519	(2,831)
Various - Miscellaneous	155,365	155,365	70,066	(85,299)
Various - Reimbursement O/T salary	31,706	31,706	32,545	839
Various - telephone reimb.	200	200	-	(200)
Welfare - Benefit recoveries	75,000	75,000	78,929	3,929
MSD chargebacks	8,718,360	8,718,360	8,062,865	(655,495)
<b>Total Other Revenues</b>	<b>10,703,801</b>	<b>10,703,801</b>	<b>9,874,688</b>	<b>(829,113)</b>
<b>Total Revenues</b>	<b>\$ 116,707,110</b>	<b>\$ 116,715,445</b>	<b>\$ 114,809,902</b>	<b>\$ (1,905,543)</b>
Transfers in	300,100	300,100	767,903	467,803
<b>Total Transfers in</b>	<b>300,100</b>	<b>300,100</b>	<b>767,903</b>	<b>467,803</b>
<b>Total Revenues and Transfers in</b>	<b>\$ 117,007,210</b>	<b>\$ 117,015,545</b>	<b>\$ 115,577,805</b>	<b>\$ (1,437,740)</b>



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General Fund  
Schedule of Expenditures, Encumbrances and  
Other Financing Uses - Budget and Actual 2006 (Budget Basis) with comparative totals for 2005

	Salaries & Wages	Employee Benefits	Purchased Professional Services	Purchased Property Services	Other Purchased Services
<b>General Government</b>					
Aldermen	\$ 70,000	\$ 92,334			
Assessors	501,272	130,188		\$ 2,958	\$13,587
Building	1,051,894	356,889		5,515	87,205
City Clerk	792,034	233,484		18,582	121,708
City Solicitor	775,602	534,634	\$ 7,900		205,083
Civic Contribution					
Conservation	1,130	573	190	673	
Economic Development Office	193,009	48,442		628	14,207
Elderly Services	179,435	76,858		1,543	3,899
Finance	713,413	200,429	172,677	29,140	27,500
Information Systems	1,110,064	390,703	13,151	480,961	74,974
Mayor	202,947	66,323	96		5,212
MCTV	339,000				
Nondepartmental					
Non-city Program					
Human Resources	650,291	293,064	40,243		25,180
Planning	717,346	205,212	1,806	8,034	5,670
Building Maintenance	953,194	339,242	4,341	325,908	4,322,449
Tax Collector	522,488	169,549	11,546	570	31,879
Youth Services	379,852	126,601	1,621	10,784	12,114
<b>Total General Government</b>	<b>9,152,971</b>	<b>3,264,525</b>	<b>253,571</b>	<b>885,296</b>	<b>4,950,667</b>
<b>Public Safety</b>					
Fire	15,429,295	5,164,788	14,830	322,677	117,664
Police	15,201,201	4,978,059	14,896	288,381	166,876
<b>Total Public Safety</b>	<b>30,630,496</b>	<b>10,142,847</b>	<b>29,726</b>	<b>611,058</b>	<b>284,540</b>
<b>Health and Sanitation</b>					
Health	2,215,824	734,219	7,256	8,235	22,427
<b>Total Health and Sanitation</b>	<b>2,215,824</b>	<b>734,219</b>	<b>7,256</b>	<b>8,235</b>	<b>22,427</b>
<b>Highway and Streets</b>					
Highway	8,441,521	3,093,134	4,602	5,181,644	240,266
Traffic	769,894	262,122	22,018	1,116,247	466,961
<b>Total Highway and Streets</b>	<b>9,211,415</b>	<b>3,355,256</b>	<b>26,620</b>	<b>6,297,891</b>	<b>707,227</b>
<b>Welfare</b>					
Welfare	502,570	171,360	180,278	2,574	45,487
<b>Total Welfare</b>	<b>502,570</b>	<b>171,360</b>	<b>180,278</b>	<b>2,574</b>	<b>45,487</b>
<b>Education</b>					
MSD					
Library	1,615,085	535,114		72,993	15,171
<b>Total Education</b>	<b>1,615,085</b>	<b>535,114</b>		<b>72,993</b>	<b>15,171</b>
<b>Parks and Recreation</b>					
Parks & Recreation	1,942,242	554,360	348	121,024	103,991
<b>Total Parks and Recreation</b>	<b>1,942,242</b>	<b>554,360</b>	<b>348</b>	<b>121,024</b>	<b>103,991</b>
<b>Debt Service</b>					
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Issue costs					
<b>Total Debt Service</b>					
<b>Total Expenditures</b>	<b>55,270,603</b>	<b>18,757,681</b>	<b>497,799</b>	<b>7,999,071</b>	<b>6,129,510</b>
<b>Other Financing Uses</b>					
Community improvement program	-	-	-	-	-
<b>Total Other Financing Uses</b>					
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 55,270,603</b>	<b>\$ 18,757,681</b>	<b>\$ 497,799</b>	<b>\$ 7,999,071</b>	<b>\$ 6,129,510</b>

Supplies & Materials	Capital Outlay	Miscellaneous	2006 Total Commitments	2006 Revised Budget	Commitments vs Revised Budget Variance	2006 Original Budget	2005 Total Commitments
\$ 7,319	\$ 1,205	\$ 1,748	\$ 162,334	\$ 167,064	\$ 4,730	\$ 175,016	\$ 152,039
6,694		1,968	658,277	712,175	53,898	729,769	673,516
13,168	2,200	49,091	1,510,165	1,510,165		1,513,815	1,442,666
13,140		101,508	1,230,267	1,341,809	111,542	1,357,159	1,380,415
		158,472	1,637,867	1,444,289	(193,578)	1,238,816	1,538,930
525			158,472	164,340	5,868	165,000	146,183
4,059		1,316	3,091	10,000	6,909	10,000	12,150
41,454		75	261,661	261,662	1	261,449	150,867
12,334	2,687	19,439	303,264	303,264		295,138	295,711
20,219	18,780	253	1,177,619	1,252,799	75,180	1,278,340	1,334,854
923			2,109,105	2,189,239	80,134	2,200,660	2,066,922
		116,000	275,501	287,706	12,205	292,190	275,403
		2,741,522	455,000	455,000		458,665	417,480
		68,817	2,741,522	3,028,501	286,979	3,262,841	1,344,647
9,499		4,494	68,817	68,817		68,817	68,134
		25	1,022,771	1,013,665	(9,106)	973,012	2,086,988
432,541	18,159	709,268	938,093	938,094	1	943,180	870,183
3,863		110	7,105,102	7,136,745	31,643	7,155,301	6,143,574
4,543	5,897	10,905	740,005	749,126	9,121	758,038	698,725
			552,317	552,317		553,705	537,427
<b>570,281</b>	<b>48,928</b>	<b>3,985,011</b>	<b>23,111,250</b>	<b>23,586,777</b>	<b>475,527</b>	<b>23,690,911</b>	<b>21,636,814</b>
533,079	106,941	19,256	21,708,530	21,729,734	21,204	21,515,501	20,124,430
534,179	8,468	75,827	21,267,887	21,324,143	56,256	21,297,533	19,772,847
<b>1,067,258</b>	<b>115,409</b>	<b>95,083</b>	<b>42,976,417</b>	<b>43,053,877</b>	<b>77,460</b>	<b>42,813,034</b>	<b>39,897,277</b>
116,606		18,094	3,122,661	3,344,022	221,361	3,390,123	2,953,622
<b>116,606</b>	<b>-</b>	<b>18,094</b>	<b>3,122,661</b>	<b>3,344,022</b>	<b>221,361</b>	<b>3,390,123</b>	<b>2,953,622</b>
1,658,342	8,283	1,140,078	19,767,870	19,767,871	1	19,718,624	18,960,139
338,860		4,296	2,980,398	2,980,398		3,077,520	3,129,735
<b>1,997,202</b>	<b>8,283</b>	<b>1,144,374</b>	<b>22,748,268</b>	<b>22,748,269</b>	<b>1</b>	<b>22,796,144</b>	<b>22,089,874</b>
2,201		350,853	1,255,323	1,271,386	16,063	1,271,386	1,203,254
<b>2,201</b>		<b>350,853</b>	<b>1,255,323</b>	<b>1,271,386</b>	<b>16,063</b>	<b>1,271,386</b>	<b>1,203,254</b>
333,229		208	2,571,800	2,643,260	71,460	2,701,475	2,458,465
<b>333,229</b>	<b>-</b>	<b>208</b>	<b>2,571,800</b>	<b>2,643,260</b>	<b>71,460</b>	<b>2,701,475</b>	<b>2,458,465</b>
389,589	32,938	137,315	3,281,807	3,378,464	96,657	3,381,847	3,417,724
<b>389,589</b>	<b>32,938</b>	<b>137,315</b>	<b>3,281,807</b>	<b>3,378,464</b>	<b>96,657</b>	<b>3,381,847</b>	<b>3,417,724</b>
-	-	9,986,012	9,986,012	9,986,025	13	9,986,025	9,832,096
-	-	5,480,168	5,480,168	5,481,700	1,532	5,481,700	7,721,471
		<b>15,466,180</b>	<b>15,466,180</b>	<b>15,467,725</b>	<b>1,545</b>	<b>15,467,725</b>	<b>17,553,567</b>
<b>4,476,366</b>	<b>205,558</b>	<b>21,197,118</b>	<b>114,533,706</b>	<b>115,493,780</b>	<b>960,074</b>	<b>115,512,645</b>	<b>111,210,597</b>
-	-	2,271,765	2,271,765	2,271,765		2,244,565	1,911,665
		<b>2,271,765</b>	<b>2,271,765</b>	<b>2,271,765</b>		<b>2,244,565</b>	<b>1,911,665</b>
<b>\$ 4,476,366</b>	<b>\$ 205,558</b>	<b>\$ 23,468,883</b>	<b>\$ 116,805,471</b>	<b>\$ 117,765,545</b>	<b>\$ 960,074</b>	<b>\$ 117,757,210</b>	<b>\$ 113,122,262</b>



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

**Nonmajor Governmental Funds**

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

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

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

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

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

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

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

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

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

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

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

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**Nonmajor Governmental Funds  
Combining Balance Sheet**

	Special Revenue			
	HUD Section 108 Fund	Cash Special Projects Fund	CDBG Fund	Other Grants Fund
<b><u>Assets</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 289,461	\$ 1,798,420		\$ 473,524
Restricted cash and cash equivalents				1,558,443
Restricted investments				
Receivables, net of allowances for collection losses	5,960,539	20,057	\$ 550,301	3,089,906
Due from other funds				8,585
<b>Total Assets</b>	<b><u>\$ 6,250,000</u></b>	<b><u>\$ 1,818,477</u></b>	<b><u>\$ 550,301</u></b>	<b><u>\$ 5,130,458</u></b>
<b><u>Liabilities and Fund Equity</u></b>				
<b>Liabilities</b>				
Accounts and warrants payable	\$ 6,250,000	\$ 249,859	\$ 433,447	\$ 2,059,501
Accrued liabilities		5,750	2,252	304,008
Due to other funds			170,380	
Unearned revenue				1,558,443
<b>Total Liabilities</b>	<b><u>6,250,000</u></b>	<b><u>255,609</u></b>	<b><u>606,079</u></b>	<b><u>3,921,952</u></b>
<b>Fund Equity</b>				
Fund balances				
Reserved for				
Encumbrances		47,007	-	404,484
Cemetery and other trust funds				
Library				
Unreserved				
Undesignated fund balance		1,515,861	(55,778)	804,022
<b>Total Fund Equity (Deficit)</b>		<b><u>1,562,868</u></b>	<b><u>(55,778)</u></b>	<b><u>1,208,506</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 6,250,000</u></b>	<b><u>\$ 1,818,477</u></b>	<b><u>\$ 550,301</u></b>	<b><u>\$ 5,130,458</u></b>

Special Revenue			Permanent Funds		
Civic Center Fund	Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	Total
\$ 1,229,181		\$ 128,147	\$ 349,981	\$ 38,748	\$ 4,307,462
	\$ 184,854			38,330	1,781,627
		1,898,375	14,669,037	2,804,175	19,371,587
	33,416	973	1,616	16,739	9,673,547
					8,585
<b>\$ 1,229,181</b>	<b>\$ 218,270</b>	<b>\$ 2,027,495</b>	<b>\$ 15,020,634</b>	<b>\$ 2,897,992</b>	<b>\$ 35,142,808</b>
			\$ 338		\$ 8,993,145
	\$ 1,539				312,010
					171,919
					1,558,443
	<b>1,539</b>		<b>338</b>		<b>11,035,517</b>
403,962			15,020,296		451,491
				\$ 2,897,992	15,424,258
825,219	216,731	\$ 2,027,495			2,897,992
<b>1,229,181</b>	<b>216,731</b>	<b>2,027,495</b>	<b>15,020,296</b>	<b>2,897,992</b>	<b>24,107,291</b>
<b>\$ 1,229,181</b>	<b>\$ 218,270</b>	<b>\$ 2,027,495</b>	<b>\$ 15,020,634</b>	<b>\$ 2,897,992</b>	<b>\$ 35,142,808</b>

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

	<b>Special Revenue</b>			
	<b>HUD Section 108 Fund</b>	<b>Cash Special Projects Fund</b>	<b>CDBG Fund</b>	<b>Other Grant Fund</b>
<b><u>Revenues</u></b>				
Federal and state grants and aid		\$ -	\$ 3,122,358	\$ 10,880,745
Nonenterprise charges for sales and services				96,552
Interest				847
Contributions				
Net loss on sale of securities				
Other				839,955
<b>Total Revenues</b>			<b>3,122,358</b>	<b>11,818,099</b>
<b><u>Expenditures</u></b>				
Current:				
General government		909,207	2,051,409	1,111,080
Public safety		78,498		2,604,288
Health and sanitation			42,118	1,428,954
Highway and streets		1,228,629	284,806	6,368,653
Welfare		383		159,595
Education				
Parks and recreation		165,551	694,786	1,237,377
Cemetery Trust				
Investment management fee				
<b>Total Expenditures</b>		<b>2,382,268</b>	<b>3,073,119</b>	<b>12,909,947</b>
<b>Excess (deficiency) of revenues over expenditures</b>		<b>(2,382,268)</b>	<b>49,239</b>	<b>(1,091,848)</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in		2,293,309		100,000
Transfers out		(467,803)	(21,544)	
<b>Total Other Financing Sources (Uses)</b>		<b>1,825,506</b>	<b>(21,544)</b>	<b>100,000</b>
Net Change in Fund Balance		(556,762)	27,695	(991,848)
<b>Fund Balance (Deficit), beginning of year</b>	<b>-</b>	<b>2,119,630</b>	<b>(83,473)</b>	<b>2,200,354</b>
<b>Fund Balance (Deficit), end of year</b>	<b>\$ -</b>	<b>\$ 1,562,868</b>	<b>\$ (55,778)</b>	<b>\$ 1,208,506</b>

Special Revenue			Permanent Funds		
Civic Center Fund	Revolving Loan Fund	Expendable Trust	Cemetery Trust	Library Trust	Total
\$ 3,503,306	\$ -	\$ -	\$ -	\$ -	\$ 17,506,409
					96,552
34,199	25,303	100,846	933,888	79,622	1,174,705
			128,445	52,022	180,467
			139,631		139,631
540,431		953,749			2,334,135
<b>4,077,936</b>	<b>25,303</b>	<b>1,054,595</b>	<b>1,201,964</b>	<b>131,644</b>	<b>21,431,899</b>
3,503,306		68,237			7,643,239
					2,682,786
					1,471,072
					7,882,088
					159,978
				102,069	102,069
7,000					2,104,714
			26,100		26,100
			19,897		36,920
<b>3,510,306</b>		<b>68,237</b>	<b>45,997</b>	<b>119,092</b>	<b>22,108,966</b>
<b>567,630</b>	<b>25,303</b>	<b>986,358</b>	<b>1,155,967</b>	<b>12,552</b>	<b>(677,067)</b>
					2,393,309
			(300,100)		(789,447)
			<b>(300,100)</b>		<b>1,603,862</b>
567,630	25,303	986,358	855,867	12,552	926,795
<b>661,551</b>	<b>191,428</b>	<b>1,041,137</b>	<b>14,164,429</b>	<b>2,885,440</b>	<b>23,180,496</b>
<b>\$ 1,229,181</b>	<b>\$ 216,731</b>	<b>\$ 2,027,495</b>	<b>\$ 15,020,296</b>	<b>\$ 2,897,992</b>	<b>\$ 24,107,291</b>



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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, 2006**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Non-Major</b>		<b>Total</b>
	<b>Recreation Fund</b>	<b>Aggregation Fund</b>	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 350	\$ -	\$ 350
Restricted investments	12,672	-	12,672
Receivables, net of allowances for collection losses	207,756	-	207,756
Total current assets:	220,778	-	220,778
Noncurrent assets:			
Capital assets, net, where applicable, of accumulated depreciation	12,032,370	-	12,032,370
Deferred charges	49,557	-	49,557
Total noncurrent assets:	12,081,927	-	12,081,927
<b>Total Assets</b>	<b>\$ 12,302,705</b>	<b>\$ -</b>	<b>\$ 12,302,705</b>
<b>Liabilities</b>			
Current liabilities			
Accounts and warrants payable	\$ 92,844	\$ -	\$ 92,844
Accrued liabilities	80,613	-	80,613
Due to other funds	3,310,408	-	3,310,408
Unearned revenue	25,217	-	25,217
Bonds and notes payable	252,108	-	252,108
Compensated absences	224,354	-	224,354
Other	37,889	-	37,889
Total Current liabilities	4,023,433	-	4,023,433
Noncurrent liabilities			
Bonds payable	1,850,961	-	1,850,961
Total Noncurrent liabilities	1,850,961	-	1,850,961
<b>Total Liabilities</b>	<b>5,874,394</b>	<b>-</b>	<b>5,874,394</b>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	9,929,301		9,929,301
Unreserved	(3,500,990)		(3,500,990)
<b>Total Net Assets</b>	<b>\$ 6,428,311</b>	<b>\$ -</b>	<b>\$ 6,428,311</b>

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

City of Manchester, New Hampshire  
Year Ended June 30, 2006

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Recreation Fund</u>	<u>Aggregation Fund</u>	<u>Total</u>
<b><u>Operating Revenues</u></b>			
Charges for goods and services	\$ 1,974,682		\$ 1,974,682
Other	9,380		9,380
<b>Total Operating Revenues</b>	<b>1,984,062</b>	<b>-</b>	<b>1,984,062</b>
<b><u>Operating Expenses</u></b>			
Personnel services	1,585,221		1,585,221
Plant maintenance	208,535		208,535
Light/heat and power	358,169		358,169
General and administrative	263,903	532	264,435
Depreciation and amortization	730,688		730,688
<b>Total Operating Expenses</b>	<b>3,146,516</b>	<b>532</b>	<b>3,147,048</b>
<b>Operating Loss</b>	<b>(1,162,454)</b>	<b>(532)</b>	<b>(1,162,986)</b>
<b><u>Non-Operating Revenues (Expenses), net</u></b>			
Interest expense	(216,786)	(77,368)	(294,154)
Rent and other income	137,026		137,026
Gain on disposal of fixed assets	(197,120)		(197,120)
Transfer from general fund		1,770,046	1,770,046
<b>Total Non-operating Revenues (Expenses)</b>	<b>(276,880)</b>	<b>1,692,678</b>	<b>1,415,798</b>
Net income (loss) before capital contributions	(1,439,334)	1,692,146	252,812
Capital Contributions	100,753		100,753
<b>Change in Net Assets</b>	<b>(1,338,581)</b>	<b>1,692,146</b>	<b>353,565</b>
<b>Fund Net Assets (Deficit), beginning of year</b>	<b>\$ 7,766,892</b>	<b>\$ (1,692,146)</b>	<b>6,074,746</b>
<b>Fund Net Assets (Deficit), end of year</b>	<b>\$ 6,428,311</b>	<b>\$ -</b>	<b>\$ 6,428,311</b>

Nonmajor Proprietary Funds  
Statement of Cash Flows

City of Manchester, New Hampshire  
Year Ended June 30, 2006

	Business-type Activities-Enterprise Funds		
	Recreation Fund	Aggregation Fund	Total
<b><u>Cash Flows from Operating Activities</u></b>			
Cash received from customers	\$ 2,320,511	\$ 32,048	\$ 2,352,559
Cash payments for goods and services	(1,442,909)	(625)	(1,443,534)
Cash payments to employees for services	(1,561,545)		(1,561,545)
Other operating revenues	137,026		137,026
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(546,917)</b>	<b>31,423</b>	<b>(515,494)</b>
<b><u>Cash Flows from Non-Capital and Related Financing Activities</u></b>			
Short-term cash advance from City	1,455,060	45,945	1,501,005
<b>Net Cash Provided by Non-Capital &amp; Related Financing Activities</b>	<b>1,455,060</b>	<b>45,945</b>	<b>1,501,005</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Proceeds from investments	12,672		12,672
Principal paid on bonds	(264,962)		(264,962)
Interest paid on bonds	(217,827)	(77,368)	(295,195)
Proceeds of capital contributions	100,753		100,753
Acquisition and construction of capital assets	(526,107)		(526,107)
<b>Net Cash Used in Capital &amp; Related Financing Activities</b>	<b>(895,471)</b>	<b>(77,368)</b>	<b>(972,839)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>12,672</b>	<b>-</b>	<b>12,672</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>\$ 350</b>	<b>\$ -</b>	<b>\$ 350</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 13,022</b>	<b>\$ -</b>	<b>\$ 13,022</b>
<b>Reconciliation of operating profit (loss) to net cash Provided by (Used in) operating activities</b>			
Operating profit (loss)	\$ (1,162,454)	\$ (532)	\$ (1,162,986)
Adjustments to reconcile operating profit (loss) to cash provided by (used in) operating activities:			
Depreciation and amortization	730,688	-	730,688
Non-operating revenue	137,026		137,026
<b>Change in Assets and Liabilities</b>			
Decrease in receivables	338,644	32,048	370,692
Decrease in prepaid expenses and other assets	3,062		3,062
Increase (decrease) in accounts payable	(541,359)	(93)	(541,452)
Decrease in accrued liabilities	(74,004)		(74,004)
Increase (decrease) in compensated absences	23,675		23,675
Decrease in unearned revenue	(2,195)		(2,195)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (546,917)</b>	<b>\$ 31,423</b>	<b>\$ (515,494)</b>
 Schedule of Noncash Investing, Capital and Financing Activities			
Disposal of Capital Assets	197,120		197,120
Transfer (to) from general fund	-	1,770,046	1,770,046



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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, 2006**

**Capital Assets**

Land	\$ 18,446,566
Buildings	215,353,735
Improvements other than buildings	21,833,827
Equipment	8,586,953
Work-in-Process	118,490,066
Vehicles	19,753,717
Infrastructure	54,260,617

<b>Total Capital Assets</b>	<b><u>\$ 456,725,481</u></b>
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**Investments in Capital Assets**

Capital project funds	\$ 404,230,654
General fund revenues	28,982,907
Special revenue funds	23,511,920

<b>Total Investments in Capital Assets</b>	<b><u>\$ 456,725,481</u></b>
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	Land	Buildings	Improvements other than buildings	Equipment	Vehicles	Infrastructure	Total
<b><u>General Government</u></b>							
Baseball stadium		\$ 24,658,502					\$ 24,658,502
Building				\$ 5,985	\$ 177,797		183,782
City Clerk				89,650	45,548		135,198
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		3,069,617					3,069,617
Finance	240,833	9,225,131		25,775			9,491,739
Information Systems				1,084,580	14,375		1,098,955
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	226,286		8,802,344
<b>Total General Government</b>	<b>7,793,128</b>	<b>108,454,791</b>	<b>115,084</b>	<b>1,281,019</b>	<b>508,062</b>	<b>-</b>	<b>118,152,084</b>
<b><u>Public Safety</u></b>							
Fire Protection	661,290	9,036,012	55,714	493,752	7,776,336		18,023,104
Police Protection	96,115	3,573,773	52,716	305,324	1,523,746		5,551,674
<b>Total Public Safety</b>	<b>757,405</b>	<b>12,609,785</b>	<b>108,430</b>	<b>799,076</b>	<b>9,300,082</b>	<b>-</b>	<b>23,574,778</b>
<b><u>Health and Sanitation</u></b>							
Cemetery	71,255	298,604		362,027	455,959		1,187,845
Health				164,530	227,559		392,089
<b>Total Health and Sanitation</b>	<b>71,255</b>	<b>298,604</b>	<b>-</b>	<b>526,557</b>	<b>683,518</b>	<b>-</b>	<b>1,579,934</b>
<b><u>Highway and Streets</u></b>							
Highway	108,104	1,270,028	2,900,109	1,522,542	7,895,403	\$52,493,489	66,189,675
Traffic	3,012,727	3,282,594	1,853,279	164,197	281,988		8,594,785
<b>Total Highway and Streets</b>	<b>3,120,831</b>	<b>4,552,622</b>	<b>4,753,388</b>	<b>1,686,739</b>	<b>8,177,391</b>	<b>52,493,489</b>	<b>74,784,460</b>
<b><u>Welfare</u></b>							
Welfare	27,489	109,955					137,444
<b>Total Welfare</b>	<b>27,489</b>	<b>109,955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137,444</b>
<b><u>Education</u></b>							
Library	72,270	1,516,210		73,775			1,662,255
School	1,602,542	82,836,459	1,835,615	67,634			86,342,250
<b>Total Education</b>	<b>1,674,812</b>	<b>84,352,669</b>	<b>1,835,615</b>	<b>141,409</b>	<b>-</b>	<b>-</b>	<b>88,004,505</b>
<b><u>Parks and Recreation</u></b>							
Parks & Recreation	5,001,646	4,975,309	15,021,310	4,152,153	1,084,664	1,767,128	32,002,210
<b>Total Parks and Recreation</b>	<b>5,001,646</b>	<b>4,975,309</b>	<b>15,021,310</b>	<b>4,152,153</b>	<b>1,084,664</b>	<b>1,767,128</b>	<b>32,002,210</b>
<b>Construction in Progress</b>		<b>110,307,306</b>	<b>8,182,760</b>				<b>118,490,066</b>
<b>Total General Fixed Assets Allocated to Functions</b>	<b>\$18,446,566</b>	<b>\$ 325,661,041</b>	<b>\$ 30,016,587</b>	<b>\$ 8,586,953</b>	<b>\$ 19,753,717</b>	<b>\$ 54,260,617</b>	<b>\$ 456,725,481</b>

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

City of Manchester, New Hampshire  
Year Ended June 30, 2006

	Capital Assets Beginning of Year	Additions	Deductions	Transfers	Capital Assets End of Year
<b><u>General Government</u></b>					
Baseball stadium				\$ 24,658,502	\$ 24,658,502
Building	\$ 171,726	\$ 21,044	\$ (8,988)		183,782
City Clerk	225,502		(90,304)		135,198
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			178,621	3,069,617
Finance	4,036,661			5,455,078	9,491,739
Information Systems	1,050,194	48,761			1,098,955
Mayor	20,158				20,158
Personnel	32,252				32,252
Planning	838,999				838,999
Public Buildings	8,786,808	51,357	(35,821)		8,802,344
<b>Total General Government</b>	<b>87,873,834</b>	<b>121,162</b>	<b>(135,113)</b>	<b>30,292,201</b>	<b>118,152,084</b>
<b><u>Public Safety</u></b>					
Fire Protection	17,837,828	164,792	(93,891)	114,375	18,023,104
Police Protection	5,456,085	272,852	(153,364)	(23,899)	5,551,674
<b>Total Public Safety</b>	<b>23,293,913</b>	<b>437,644</b>	<b>(247,255)</b>	<b>90,476</b>	<b>23,574,778</b>
<b><u>Health and Sanitation</u></b>					
Cemetery	1,100,136	127,519	(39,810)		1,187,845
Health	392,089				392,089
<b>Total Health and Sanitation</b>	<b>1,492,225</b>	<b>127,519</b>	<b>(39,810)</b>	<b>-</b>	<b>1,579,934</b>
<b><u>Highway and Streets</u></b>					
Highway	63,638,275	2,788,507	(237,107)		66,189,675
Traffic	15,303,582		(6,708,797)		8,594,785
<b>Total Highway and Streets</b>	<b>78,941,857</b>	<b>2,788,507</b>	<b>(6,945,904)</b>	<b>-</b>	<b>74,784,460</b>
<b><u>Welfare</u></b>					
Welfare	137,444				137,444
<b>Total Welfare</b>	<b>137,444</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137,444</b>
<b><u>Education</u></b>					
Library	1,612,256			49,999	1,662,255
School	86,325,053	67,634	(50,437)		86,342,250
<b>Total Education</b>	<b>87,937,309</b>	<b>67,634</b>	<b>(50,437)</b>	<b>49,999</b>	<b>88,004,505</b>
<b><u>Parks and Recreation</u></b>					
Parks & Recreation	25,979,277	6,045,722	(22,789)		32,002,210
<b>Total Parks and Recreation</b>	<b>25,979,277</b>	<b>6,045,722</b>	<b>(22,789)</b>	<b>-</b>	<b>32,002,210</b>
<b>Construction in Progress</b>	<b>118,198,405</b>	<b>30,724,337</b>		<b>(30,432,676)</b>	<b>118,490,066</b>
<b>Total General Fixed Assets Allocated to Functions</b>	<b>\$ 423,854,264</b>	<b>\$ 40,312,525</b>	<b>\$ (7,441,308)</b>	<b>\$ -</b>	<b>\$ 456,725,481</b>



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# **STATISTICAL SECTION**



**Net Assets By Component**  
**Last Four Fiscal Years**  
*(accrual basis of accounting)*  
**(Unaudited)**

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

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 84,480,112	\$ 94,437,831	\$ 114,061,411	\$ 139,339,868
Restricted	17,545,325	19,161,857	19,438,394	20,257,037
Unrestricted	(30,311,548)	(30,880,302)	(39,978,617)	(46,459,710)
<b>Total governmental activities net assets</b>	<b>\$ 71,713,889</b>	<b>\$ 82,719,386</b>	<b>\$ 93,521,188</b>	<b>\$ 113,137,195</b>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 225,163,369	\$ 243,639,543	\$ 278,806,782	\$ 290,467,921
Restricted	41,757,605	38,493,475	42,328,192	46,926,306
Unrestricted	44,380,257	42,445,613	18,460,983	14,730,581
<b>Total business-type activities net assets</b>	<b>\$ 311,301,231</b>	<b>\$ 324,578,631</b>	<b>\$ 339,595,957</b>	<b>\$ 352,124,808</b>
Primary government:				
Invested in capital assets, net of related debt	\$ 309,643,481	\$ 338,077,374	\$ 392,868,193	\$ 429,807,789
Restricted	59,302,930	57,655,332	61,766,586	67,183,343
Unrestricted	14,068,709	11,565,311	(21,517,634)	(31,729,129)
<b>Total primary government net assets</b>	<b>\$ 383,015,120</b>	<b>\$ 407,298,017</b>	<b>\$ 433,117,145</b>	<b>\$ 465,262,003</b>

GASB Statement No. 34 Implemented in Fiscal Year 2003

**Changes In Net Assets**  
**Last Four Fiscal Years**  
*(accrual basis of accounting)*  
**(Unaudited)**

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

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
General government	\$ 32,560,283	\$ 39,884,738	\$ 39,257,227	\$ 27,046,192
Public safety	37,765,649	38,959,705	44,575,376	49,410,627
Health and sanitation	4,196,162	5,446,491	5,043,862	4,649,675
Highways and streets	28,905,257	23,004,043	21,018,167	28,343,982
Welfare	1,404,958	1,325,442	1,345,172	1,430,019
Education and library	3,816,562	3,035,765	3,466,500	4,456,108
Parks and recreation	4,724,302	5,259,212	5,190,321	5,155,343
Cemetery Trust	36,037	32,627	26,100	27,163
Investment management fee	23,511	29,071	30,823	36,920
Interest			5,359,441	4,399,559
<b>Total governmental activities expenses</b>	<b>113,432,721</b>	<b>116,977,094</b>	<b>125,312,989</b>	<b>124,955,588</b>
Business-type activities:				
Water	9,796,790	12,349,266	13,461,136	14,795,858
EPD	11,308,620	12,222,211	12,403,517	13,120,698
Aviation	50,322,106	45,468,710	57,832,875	56,203,377
Recreation	2,353,924	2,860,922	2,967,744	3,363,302
Aggregation	134,986	173,941	75,465	77,900
<b>Total business-type activities expenses</b>	<b>73,916,426</b>	<b>73,075,050</b>	<b>86,740,737</b>	<b>87,561,135</b>
<b>Total primary government expenses</b>	<b>187,349,147</b>	<b>190,052,144</b>	<b>212,053,726</b>	<b>212,516,723</b>
Program revenue:				
Governmental activities:				
Charges for services:				
General government	10,097,598	9,316,439	14,043,476	12,632,653
Public safety	2,161,469	2,802,949	2,586,789	2,670,102
Health and sanitation	1,375,369	1,533,303	1,584,228	1,730,138
Highways and streets	6,288,694	6,363,098	5,846,363	4,046,571
Welfare	107,019	93,813	94,465	78,928
Education and library		204,659	27,420	(12,894)
Parks and recreation	835,795	2,469,182	1,404,382	614,752
Operating grants and contributions:				
General government	11,429,867	15,902,634	13,272,378	14,546,757
Public safety	1,376,437	1,492,792	1,375,203	2,450,968
Health and sanitation	1,203,218	2,441,513	1,815,446	1,510,875
Highways and streets	6,199,844	3,680,818	3,766,747	7,302,015
Education and library	8,965	13,240	27,777	52,022
Parks and recreation	605,682	595,552	506,398	1,587,946
<b>Total governmental activities program revenue</b>	<b>41,689,957</b>	<b>46,909,992</b>	<b>46,351,072</b>	<b>49,210,833</b>

(Continued)

**Changes In Net Assets (Continued)**  
**Last Four Fiscal Years**  
*(accrual basis of accounting)*  
**(Unaudited)**

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

	Fiscal Year			
	2003	2004	2005	2006
Business-type activities:				
Charges for services:				
Water	9,989,204	12,139,084	13,546,594	15,489,946
EPD	11,332,387	11,393,713	11,148,848	12,154,804
Aviation	42,050,284	45,183,565	51,657,611	51,750,393
Recreation	2,274,829	2,256,001	2,317,267	2,121,088
Aggregation	182,090	55,661	82,938	-
Operating grants and contributions:				
EPD	325,855	959,284	2,377,826	1,935,899
Aviation	6,768,504	3,228,931	3,229,750	2,652,613
Recreation			18,000	-
Capital grants and contributions:				
Water	2,673,613	1,611,168	2,451,261	2,096,454
EPD	997,522	2,019,325	679,713	1,503,330
Aviation	25,527,921	817,782	13,914,058	4,902,721
Recreation		189,019	902,731	100,753
<b>Total business-type activities program revenues</b>	<b>102,122,209</b>	<b>79,853,533</b>	<b>102,326,597</b>	<b>94,708,001</b>
<b>Total primary government program revenues</b>	<b>143,812,166</b>	<b>126,763,525</b>	<b>148,677,669</b>	<b>143,918,834</b>
Net (expense) revenue:				
Governmental activities	(71,742,764)	(70,067,102)	(78,961,917)	(75,744,755)
Business-type activities	28,205,783	6,778,483	15,585,860	7,146,866
<b>Total primary government net expense</b>	<b>(43,536,981)</b>	<b>(63,288,619)</b>	<b>(63,376,057)</b>	<b>(68,597,889)</b>
General revenues and other changes in net assets:				
Governmental activities:				
Property taxes	58,168,059	61,894,928	64,709,146	67,924,107
Auto registration fees	13,873,904	14,399,844	15,194,741	15,377,773
Franchise fees	995,354	1,033,635	1,158,850	987,449
Unrestricted investment earnings	1,087,525	2,606,687	2,890,053	3,719,822
Debt reimbursement from MSD	5,985,063	5,797,821	6,697,790	6,569,723
Transfer from capital projects fund		(5,346,517)		
Transfers in (out)				(1,412,528)
Gain (Loss) on disposal of assets	(147,804)	686,201	(886,861)	2,194,416
<b>Total governmental activities</b>	<b>79,962,101</b>	<b>81,072,599</b>	<b>89,763,719</b>	<b>95,360,762</b>
Business-type activities:				
Unrestricted investment earnings	2,626,689	2,177,409	2,455,431	4,440,863
Transfer from capital projects fund		5,346,517		
Transfers in (out)				1,412,528
Donation of land	(723,590)	(478,250)	(167,778)	
Loss on disposal of assets	(940,727)	(546,759)	(2,856,187)	(471,406)
<b>Total business-type activities</b>	<b>962,372</b>	<b>6,498,917</b>	<b>(568,534)</b>	<b>5,381,985</b>
<b>Total primary government</b>	<b>80,924,473</b>	<b>87,571,516</b>	<b>89,195,185</b>	<b>100,742,747</b>
Changes in net assets:				
Governmental activities	8,219,337	11,005,497	10,801,802	19,616,007
Business-type activities	29,168,155	13,277,400	15,017,326	12,528,851
<b>Total primary government</b>	<b>\$ 37,387,492</b>	<b>\$ 24,282,897</b>	<b>\$ 25,819,128</b>	<b>\$ 32,144,858</b>

**Program Revenues by Function/Program**  
**Last Four Fiscal Years**  
*(accrual basis of accounting)*  
**(Unaudited)**

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

Function / Program	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
General government	\$ 21,527,465	\$ 25,219,073	\$ 27,315,854	\$ 27,179,410
Public safety	3,537,906	4,295,741	3,961,992	5,121,070
Health and sanitation	2,578,587	3,974,816	3,399,674	3,241,013
Highways and streets	12,488,538	10,043,916	9,613,110	11,348,586
Welfare	107,019	93,813	94,465	78,928
Education and library	8,965	217,899	55,197	39,128
Parks and recreation	1,441,477	3,064,734	1,910,780	2,202,698
<b>Total governmental activities</b>	<b>41,689,957</b>	<b>46,909,992</b>	<b>46,351,072</b>	<b>49,210,833</b>
Business-type activities:				
Water	12,662,817	13,750,252	15,997,855	17,586,400
EPD	12,655,764	14,372,322	14,206,387	15,594,033
Aviation	74,346,709	49,230,278	68,801,419	59,305,727
Recreation	2,274,829	2,445,020	3,237,998	2,221,841
Aggregation	182,090	55,661	82,938	-
<b>Total business-type activities</b>	<b>102,122,209</b>	<b>79,853,533</b>	<b>102,326,597</b>	<b>94,708,001</b>
<b>Total government</b>	<b>\$ 143,812,166</b>	<b>\$ 126,763,525</b>	<b>\$ 148,677,669</b>	<b>\$ 143,918,834</b>

GASB Statement No. 34 implemented in fiscal year 2003.



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**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
**(Unaudited)**

	Fiscal Year			
	1997	1998	1999	2000
General Fund:				
Reserved	\$ 4,157,674	\$ 4,104,214	\$ 2,924,922	\$ 3,310,928
Designated	4,531,285	6,048,569	6,976,137	10,309,252
Unreserved	757,750	433,610	466,223	2,221,288
<b>Total General Fund</b>	<u>\$ 9,446,709</u>	<u>\$ 10,586,393</u>	<u>\$ 10,367,282</u>	<u>\$ 15,841,468</u>
All Other Governmental Funds:				
Reserved	\$ 1,385,024	\$ 4,118,631	\$ 144,121	\$ 3,002,877
Unreserved, reported in:				
Special revenue funds	5,353,027	5,886,589	4,449,686	5,148,170
Capital projects funds	497,215	4,657,422	(11,549,935)	6,103,187
Designated				
Permanent funds (1)	8,603,236	14,101,559	14,921,848	15,354,789
<b>Total all other government funds</b>	<u>\$ 15,838,502</u>	<u>\$ 28,764,201</u>	<u>\$ 7,965,720</u>	<u>\$ 29,609,023</u>

(1) Effective Fiscal Year 2002, Nonexpendable Funds became Permanent Funds

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

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 12,226,672	\$ 4,133,044	\$ 6,449,829	\$ 6,437,435	\$ 8,738,265	\$ 7,315,876
3,688,065	12,988,760	15,054,664	17,271,800	14,187,935	17,228,952
3,777,077	4,683,957	1,304,404	1,356,227	1,122,693	772,131
<u>\$ 19,691,814</u>	<u>\$ 21,805,761</u>	<u>\$ 22,808,897</u>	<u>\$ 25,065,462</u>	<u>\$ 24,048,893</u>	<u>\$ 25,316,959</u>
\$ 11,950,554	\$ 2,090,618	\$ 1,864,721	\$ 7,020,587	\$ 7,498,404	\$ 3,300,063
2,970,878	3,116,253	2,483,422	3,516,922	4,835,218	5,057,205
(11,721,942)	1,851,937	(9,674,249)	102,401,303	14,009,088	(8,265,253)
15,196,208	14,517,533	14,581,214	16,446,853	17,167,013	18,322,250
<u>\$ 18,395,698</u>	<u>\$ 21,576,341</u>	<u>\$ 9,255,108</u>	<u>\$ 129,385,665</u>	<u>\$ 43,509,723</u>	<u>\$ 18,414,265</u>

**Changes In Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
**(Unaudited)**

	Fiscal Year			
	1997	1998	1999	2000
Revenues:				
Taxes	\$ 103,951,582	\$ 107,359,690	\$ 117,505,991	\$ 60,190,452
Federal and state grants and aid	24,239,414	34,680,796	29,805,166	18,982,898
Nonenterprise charges for sales and services	12,988,870	14,886,383	15,458,756	3,697,605
Licenses and permits	14,355,845	14,129,835	14,969,847	16,212,440
Interest	2,517,726	2,316,103	2,175,621	3,095,541
Contributions	116,001	177,497	3,204,578	1,956,968
Net Gain (Loss) on sale of securities	7,937	523,560	-	(8,558)
Other	3,513,497	2,070,418	1,580,128	10,287,908
<b>Total revenues</b>	<b>161,690,872</b>	<b>176,144,282</b>	<b>184,700,087</b>	<b>114,415,254</b>
Expenditures:				
General government	16,885,207	19,854,780	29,025,690	27,987,865
Public safety	27,755,769	29,211,320	30,118,247	31,034,706
Health and sanitation	3,001,031	3,096,121	2,605,332	2,898,910
Highway and streets	20,562,732	25,372,331	22,753,307	21,300,011
Welfare	1,055,650	1,699,227	1,084,317	1,280,695
Education	81,410,037	94,652,023	95,720,849	3,655,827
Parks and recreation	2,475,918	2,654,263	3,853,518	3,264,218
Pension Benefit Payments				-
Cemetery Trust	240,259	364,864	28,500	771,000
Investment management fee	16,000	10,156	2,272	15,993
Capital Outlay				16,155,441
Debt service:				
Principal retirement	11,446,129	11,320,483	13,893,514	9,370,788
Interest	5,426,321	4,843,668	5,840,166	3,967,702
Issue Costs				183,795
<b>Total expenditures</b>	<b>170,275,053</b>	<b>193,079,236</b>	<b>204,925,712</b>	<b>121,886,951</b>
<b>Excess of expenditures over revenues</b>	<b>(8,584,181)</b>	<b>(16,934,954)</b>	<b>(20,225,625)</b>	<b>(7,471,697)</b>
Other financing sources (uses):				
Proceeds of refunding bonds				4,286,068
Payment to refunded bond escrow agent				(4,252,111)
Proceeds from premium of refunding bonds				
Deferred cost of issuance				
Proceeds from pension obligation bonds				
Proceeds from sale of capital assets				
Bond proceeds	550,957	25,956,000		35,916,751
Transfers in	2,765,532	1,402,201	1,677,826	6,144,438
Transfers out	(2,765,532)	(1,402,201)	(1,677,826)	(6,144,438)
<b>Total other financing sources</b>	<b>550,957</b>	<b>25,956,000</b>	<b>-</b>	<b>35,950,708</b>
<b>Net changes in fund balance</b>	<b>\$ (8,033,224)</b>	<b>\$ 9,021,046</b>	<b>\$ (20,225,625)</b>	<b>\$ 28,479,011</b>
Debt service as a percentage of noncapital expenditures	9.91%	8.37%	9.63%	11.09%

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 58,628,056	\$ 59,020,928	\$ 59,369,549	\$ 62,989,526	\$ 65,843,620	\$ 69,052,574
15,298,293	21,468,082	20,755,631	23,031,879	20,647,964	27,016,053
4,085,355	4,583,544	4,613,875	4,831,694	4,700,155	4,908,852
18,432,863	19,744,630	20,521,738	21,452,411	21,964,114	21,609,795
2,730,004	2,122,188	1,087,525	2,606,686	2,890,054	3,706,927
2,008,672	135,318	117,529	1,094,669	109,069	434,529
(11,146)	(1,466,788)	75,061	2,307,874	453,314	139,631
10,555,772	10,725,919	9,335,188	10,383,875	13,652,248	12,208,823
111,727,869	116,333,821	115,876,096	128,698,614	130,260,538	139,077,184
35,970,970	38,919,296	30,723,093	75,458,238	109,422,862	54,219,429
33,771,397	37,289,258	38,907,268	40,896,490	42,965,272	47,901,463
3,244,673	3,519,618	3,952,571	4,816,844	4,842,162	4,596,652
23,630,644	26,216,184	29,136,467	26,989,382	28,759,534	32,024,811
1,452,181	2,243,862	1,373,226	1,341,846	1,321,072	1,421,506
3,362,722	3,057,941	2,265,134	2,538,230	3,430,734	2,643,102
5,881,406	6,773,394	4,712,978	8,941,058	8,942,033	7,072,385
-	18,960,260	-	-	-	-
60,384	25,309	34,000	30,889	26,100	26,100
9,989	19,704	23,511	29,071	30,823	36,920
-	-	-	-	-	-
10,287,693	11,030,422	10,890,802	9,630,629	9,832,097	9,986,012
3,586,005	3,565,940	5,181,212	10,083,141	7,721,471	5,480,168
	158,662				
121,258,064	151,779,850	127,200,262	180,755,818	217,294,160	165,408,548
(9,530,195)	(35,446,029)	(11,324,166)	(52,057,204)	(87,033,622)	(26,331,364)
	14,150,020		24,490,273	73,516,645	
	(13,996,706)		(24,276,368)	(82,354,058)	
				10,059,239	
				(1,087,631)	
	18,960,260		-		
	-		3,300,000		3,916,500
	23,055,000		170,930,421	-	
2,882,700	2,390,019	2,587,754	2,832,843	9,940,580	3,518,731
(2,582,600)	(2,390,019)	(2,581,685)	(2,832,843)	(9,933,664)	(4,931,259)
300,100	42,168,574	6,069	174,444,326	141,111	2,503,972
\$ (9,230,095)	\$ 6,722,545	\$ (11,318,097)	\$ 122,387,122	\$ (86,892,511)	\$ (23,827,392)
11.44%	9.72%	12.64%	10.91%	8.08%	9.35%

**Tax Revenues by Source, Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(Unaudited)**

Fiscal Year	Property tax	Boat tax	Cable franchise fee	Cost on deferred tax	Cost on tax title	Interest on tax
1997	\$ 101,971,097	\$ 39,460		\$ 49,348	\$ 47,062	\$ 486,028
1998	105,463,981	48,195	\$ 408,336	42,702	39,688	446,387
1999	115,549,278	48,195	472,471	41,799	33,782	396,821
2000	58,481,561	60,556	552,896	30,313	18,491	331,569
2001	56,334,823	42,713	1,018,892	35,195	33,316	299,559
2002	56,855,455	40,478	1,106,312	3,312	26,044	286,151
2003	57,498,621	44,192	995,354	33,546	24,211	292,380
2004	61,051,554	35,257	1,033,635	29,345	22,917	279,527
2005	63,751,881	38,103	1,158,850	27,340	20,316	304,394
2006	67,172,767	35,223	987,449	27,371	16,568	309,529
Change from first year on record versus 2006	-34.13%	-10.74%	141.82%	-44.53%	-64.80%	-36.31%

Manchester School District was included in the City's statements up through Fiscal Year 1999

City of Manchester, New Hampshire  
Table VI

Interest on tax lien	Railroad tax	Tax lien	Yield / Miscellaneous tax	Central Business District	Total
\$ 848,190	\$ 4,352	\$ 66,654	\$ 17,977	-	\$ 103,530,168
689,685	5,203	33,070	15,268	\$ 167,175	107,359,690
680,596	5,672	53,700	(33)	223,710	117,505,991
432,512	5,182	56,004	66	221,302	60,190,452
577,493	5,693	73,645	3,593	203,134	58,628,056
469,252	5,313	20,379	707	207,495	59,020,898
217,968	4,633	33,777	-	224,867	59,369,549
264,729	3,250	44,464	-	224,848	62,989,526
224,613	3,610	86,845	-	227,668	65,843,620
229,189	7,373	30,470	-	236,637	69,052,576
-72.98%	69.42%	-54.29%	-100.00%	41.55%	-33.30%

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

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

Fiscal Year	Residential Property	Non-Residential Property	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
1996	\$ 2,207,856,400	\$ 1,470,693,500	\$ 3,678,549,900		\$ 29.63	\$ 3,611,129,350	98.17%
1997	2,236,972,700	1,455,775,600	3,692,748,300	0.39%	30.84	3,624,331,550	98.15%
1998	2,259,471,600	1,465,117,900	3,724,589,500	0.86%	31.16	3,664,258,500	98.38%
1999	2,282,638,700	1,521,938,800	3,804,577,500	2.15%	32.55	3,739,882,250	98.30%
2000	2,304,804,600	1,557,536,400	3,862,341,000	1.52%	30.49	3,797,731,850	98.33%
2001	2,336,235,300	1,560,443,200	3,896,678,500	0.89%	30.68	3,831,804,250	98.34%
2002	3,144,786,262	2,123,426,704	5,268,212,966	35.20%	23.82	5,155,060,466	97.85%
2003	3,176,542,062	2,088,003,742	5,264,545,804	-0.07%	25.68	5,131,073,404	97.46%
2004	3,225,785,062	2,095,599,838	5,321,384,900	1.08%	26.40	5,182,805,100	97.40%
2005	3,279,018,462	2,140,996,138	5,420,014,600	2.95%	27.92	5,277,932,600	97.38%
2006	3,335,718,150	2,153,215,350	5,488,933,500	3.15%	28.36	5,342,561,400	97.33%

**Source:** City of Manchester Building Department

**Note:** There is no personal property tax (on cars or jewelry); only real property is taxed. The above information presents the information for each period for which it is levied. A tax levy provides taxes remitted in the following year. The farmland value is based upon productivity instead of actual market value.

**REAL PROPERTY TAX RATES**

<b>Fiscal Year</b>	<b>Rate per thousand (1)</b>				<b>Total</b>
	<b>City</b>	<b>School Local</b>	<b>School State</b>	<b>County</b>	
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
2006	12.91	9.21	4.35	1.89	28.36

**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.

**Principal Property Taxpayers  
Current Year and Nine Years Ago  
(Unaudited)**

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

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Manchester Mall Realty Trust	\$ 98,800,100	1	1.82%	\$ 20,373,000	4	0.56%
Public Service Co. of NH	58,689,200	2	1.08%	54,128,700	1	1.47%
Keyspan Energy Delivery	30,011,700	3	0.55%	30,057,200	2	0.82%
Waterford Place	26,159,300	4	0.48%			
Country Side Village	23,530,200	5	0.43%	14,514,500	6	0.40%
IPC Office Properties, LLC	22,342,000	6	0.41%			
Manchester Place	20,223,200	7	0.37%			
Manchester Hill Vistas, Inc	16,862,600	8	0.31%			
Cotter Company	14,799,900	9	0.27%			
Portnoy, Barry M. Tee	14,665,000	10	0.27%	13,412,400	8	0.37%
NYNEX Properties Company				21,253,600	3	0.58%
New England Mutual Life Insurance Company				19,500,000	5	0.53%
New England Telephone & Telegraph Co.				14,480,100	7	0.39%
Washington Park Associates				13,079,700	9	0.36%
East Side Realty Trust				12,750,000	10	0.35%
<b>Total</b>	<u>\$ 326,083,200</u>		<u>5.99%</u>	<u>\$ 213,549,200</u>		<u>5.83%</u>

**Source:** City of Manchester, Board of Assessor

**Property Tax Levies And Collections  
Last Ten Fiscal Years  
(Unaudited)**

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

Fiscal Year Ended June 30:	Tax Year	Taxes Levied for the Tax Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
1997	1996	\$ 113,630,813	\$ 110,590,166	97.32%	\$ 3,464,940	\$ 114,055,106	100.37%
1998	1997	114,851,627	112,425,511	97.89%	2,869,480	115,294,991	100.39%
1999	1998	120,680,494	117,945,857	97.73%	4,035,991	121,981,848	101.08%
2000	1999	115,618,982	113,614,291	98.27%	2,539,282	116,153,573	100.46%
2001	2000	116,223,505	114,648,459	98.64%	2,355,346	117,003,805	100.67%
2002	2001	121,622,119	120,213,115	98.84%	2,188,790	122,401,905	100.64%
2003	2002	130,564,737	129,134,168	98.90%	1,506,291	130,640,459	100.06%
2004	2003	135,723,211	134,487,059	99.09%	1,446,467	135,933,526	100.15%
2005	2004	146,102,564	144,769,852	99.09%	1,136,723	145,906,575	99.87%
2006	2005	150,136,969	148,899,897	99.18%	1,700,746	150,600,643	100.31%

**Note:**

There is no personal property tax (on cars or jewelry); only real property is taxed.  
The above information presents the information for each period for which it is levied.  
A tax levy provides taxes remitted in the following year.

**Ratios of Net General Bonded Debt Outstanding by Type  
Last Ten Fiscal Years  
(Unaudited)**

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

Fiscal Year	General Obligation Bonds	Governmental Activities	Debt Per Capita (2)	General Obligation Bonds	Business-Type Activities	Percentage of Per Capita Income	Per Capita (2)
		Percentage of Actual Property Value (1)			Total Primary Government		
1997	\$106,506,515	2.94%	\$ 1,037	\$ 38,974,108	\$145,480,623	0.0183%	\$ 1,417
1998	121,252,679	3.31%	1,173	35,726,510	156,979,189	0.0177%	1,519
1999	107,348,779	2.87%	1,020	35,536,295	142,885,074	0.0205%	1,358
2000	127,394,568	3.35%	1,200	37,655,951	165,050,519	0.0189%	1,554
2001	110,870,443	2.89%	1,036	46,575,117	157,445,560	0.0212%	1,471
2002	135,787,560	2.63%	1,256	50,927,008	186,714,568	0.0183%	1,728
2003	118,936,695	2.32%	1,100	44,030,159	162,966,854	0.0215%	1,507
2004	177,585,333	3.43%	1,626	46,301,010	223,886,343	0.0159%	2,050
2005	162,273,490	3.07%	1,478	43,579,428	205,852,918	0.0179%	1,875
2006	148,187,757	2.77%	1,348	35,397,488	183,585,245	0.0218%	1,669

**Note:** Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
*(dollars in thousands)*  
**(Unaudited)**

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

CITY	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$ 329,254	\$ 350,955	\$ 384,098	\$ 430,726	\$ 500,533	\$ 580,323	\$ 686,468	\$ 815,916	\$ 941,161	\$ 1,033,737
Total net debt applicable to limit	63,601	83,194	75,179	99,060	89,165	102,487	85,125	155,233	100,178	91,518
Legal debt margin	\$ 265,653	\$ 267,761	\$ 308,919	\$ 331,666	\$ 411,368	\$ 477,836	\$ 601,343	\$ 660,683	\$ 840,983	\$ 942,219
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	19.32%	23.71%	19.57%	23.00%	17.81%	17.66%	12.40%	19.03%	10.64%	8.85%

**Legal Debt Margin Calculation for Fiscal Year 2006**

Base valuation - real estate	\$ 10,602,428
Debt limit (9.75% of base valuation)	1,033,737
Debt applicable to limit:	
Total bonded debt for general government	114,529
Recreation enterprise debt	2,103
Less debt for urban redevelopment	(1,916)
Less debt for parking facilities	(6,472)
Less debt for pension obligation bonds	(16,726)
Total net debt applicable to limit	91,518
Legal debt margin	\$ 942,219

SCHOOL	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$ 236,387	\$ 251,968	\$ 275,763	\$ 309,239	\$ 359,357	\$ 416,642	\$ 492,849	\$ 585,786	\$ 675,706	\$ 742,170
Total net debt applicable to limit	18,611	30,288	27,517	36,700	34,755	42,554	38,400	43,056	39,134	35,070
Legal debt margin	\$ 217,776	\$ 221,680	\$ 248,246	\$ 272,539	\$ 324,602	\$ 374,088	\$ 454,449	\$ 542,730	\$ 636,572	\$ 707,100
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	7.87%	12.02%	9.98%	11.87%	9.67%	10.21%	7.79%	7.35%	5.79%	4.73%

**Legal Debt Margin Calculation for Fiscal Year 2006**

Base valuation - real estate	\$ 10,602,428
Debt limit (7% of base valuation)	742,170
Debt applicable to limit:	
Total bonded debt for school district	131,625
Less debt for facilities revenue bond	(96,555)
Total net debt applicable to limit	35,070
Legal debt margin	\$ 707,100

Water and Waste Water	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$ 337,696	\$ 359,954	\$ 393,947	\$ 441,770	\$ 513,367	\$ 595,203	\$ 704,070	\$ 836,837	\$ 965,294	\$ 1,060,243
Total net debt applicable to limit	38,853	35,477	32,283	36,215	45,296	49,804	43,084	43,885	41,211	31,883
Legal debt margin	\$ 298,843	\$ 324,477	\$ 361,664	\$ 405,555	\$ 468,071	\$ 545,399	\$ 660,986	\$ 792,952	\$ 924,083	\$ 1,028,360
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	11.51%	9.86%	8.19%	8.20%	8.82%	8.37%	6.12%	5.24%	4.27%	3.01%

**Legal Debt Margin Calculation for Fiscal Year 2006**

Base valuation - real estate	\$ 10,602,428
Debt limit (10% of base valuation)	1,060,243
Debt applicable to limit:	
Total bonded debt for water projects	46,122
Less debt for revenue bonds	(38,345)
Total bonded debt for sewer projects	24,106
Total net debt applicable to limit	31,883
Legal debt margin	\$ 1,028,360

**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>
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
2006	48,357,684	5,514,506	2,880,378	25,777,902

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)	1992 Debt Service Coverage		1998/2000/2001/2002 Debt Service Total (2)	O & M Reserve (4)	
\$ 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
N/A	N/A	N/A	30,974,666	12,000,213	562,000	2.47

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

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

<b>MWW Fiscal year December 31</b>	<b>Gross Revenue</b>	<b>Expenses (1)</b>	<b>Net Revenue Available for Debt Service</b>	<b>REQUIREMENTS</b>	
				<b>Revenue Bonds Total</b>	<b>Section 705 Coverage ratio</b>
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
2005	14,375,241	8,340,821	6,034,420	3,491,659	1.73

Note

(1) Exclusive of depreciation and bond interest.

**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**  
**(Unaudited)**

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

Fiscal Year Ended June 30	Population (1)	Personal Income (2)	Per Capita Income (2)	Median Age	School Enrollment (3)	Unemployment Rate (4)
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	34.9	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	14,345	35,064		17,172	4.10%
2004	109,234	15,343	35,500		17,431	4.60%
2005	109,761	16,053	36,858		17,818	3.50%
2006	109,966		40,004		17,597	3.30%

**Sources:**

- (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) City of Manchester, NH School Department
- (4) State of New Hampshire, Economic and Labor Market Information Bureau

**Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)**

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

Employer	2006			1997		
	Employees (1)	Rank (1)	Percentage of Total City Employment (2)	Employees (3)	Rank (3)	Percentage of Total City Employment (4)
Elliot Hospital	2,821	1	4.22%			
Verizon Communications, formerly NYNEX	1,650	2	2.47%	1,000	4	1.61%
Catholic Medical Center	1,700	3	2.54%			
TD Banknorth, formerly Bank of NH	1,150	4	1.72%	572	9	0.92%
Public Service of New Hampshire	1,250	5	1.87%	1,400	3	2.26%
Citizens Bank	1,225	6	1.83%	1,500	2	2.42%
Filene's Department Stores	847	7	1.27%			
Anthem Blue Cross & Blue Shield, formerly BC/BS NH	753	8	1.13%	628	7	1.01%
Southern NH University	700	9	1.05%			
Osram Sylvania	650	10	0.97%	850	6	1.37%
Optima Health, Inc.				3,062	1	4.94%
Hannaford Brothers				916	5	1.48%
Velcro USA				580	8	0.94%
St. Anselm College				550	10	0.89%

**Sources:**

- (1) 2006 Book of Lists, NH Business Review
- (2) NH Employment Security, Economic and Labor Market Bureau - 12/31/2005 figure used.
- (3) 1997 Book of Lists, NH Business Review
- (4) NH Employment Security, Economic and Labor Market Bureau - 12/31/1997 figure used.

**Full-Time Equivalent City Government Employees By Functions/Programs  
Last Ten Fiscal Years  
(Unaudited)**

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

Functions/Program	Full-Time Equivalent Employees as of June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>General Government:</b>										
Aldermen	12	14	14	14	14	14	14	14	14	14
Assessors	7	7	7	7	7	7	7	9	9	9
Building	18	18	19	19	19	19	19	20	20	20
Building Maintenance	13	13	14	14	14	14	14	18	18	19
City Clerk	13	13	14	14	14	18	18	18	18	18
City Solicitor	10	10	11	11	11	12	12	12	12	13
Economic Development Office	3	3	3	3	3	3	3	3	3	4
Elderly Services	5	5	5	5	5	5	5	4	4	4
Finance	15	15	15	15	15	15	15	13	14	13
Human Resources	7	7	13	15	14	14	12	11	11	11
Information Systems	16	18	18	19	19	19	19	19	19	19
Mayor	4	4	4	4	4	4	4	4	4	4
MCTV	4	4	4	4	6	6	6	6	6	5
Office of Youth Services	6	7	9	8	8	9	9	9	10	10
Planning	11	13	13	13	13	13	13	15	15	14
Tax Collector	11	11	13	13	13	14	14	12	12	11
Traffic	16	17	18	18	17	17	17	15	16	16
<b>Parks and Recreation:</b>										
Cemetery Care	16	16	16	16	16	16	16	16	16	16
Derryfield Golf Course	4	4	4	4	4	4	4	4	4	4
Forestry	2	2	2	2	2	2	2	2	2	2
General & Administrative	9	9	9	10	10	10	10	10	10	10
Gill Stadium	2	2	2	2	2	2	2	2	2	2
McIntyre Ski Area	1	1	1	1	1	1	1	1	1	1
Public Swimming Pools	1	1	1	1	1	1	1	1	1	1
Parks Maintenance	18	18	18	17	18	18	18	18	18	18
Recreation	1	1	1	1	1	1	1	1	1	1
Skating Arenas	7	7	7	7	6	6	6	6	6	6
<b>Police:</b>										
Officers	163	193	193	195	198	204	199	202	200	199
Civilians	58	65	67	69	68	71	65	65	64	66
<b>Fire:</b>										
Firefighters and Officers	237	236	236	235	235	234	250	250	250	250
Civilians	7	8	8	8	8	8	8	8	8	8
<b>Public Works:</b>										
Administration	N/A	N/A	N/A	N/A	14	14	13	13	13	13
Street Maintenance/Const.	N/A	N/A	N/A	N/A	61	62	62	62	62	63
Street Sweeping	N/A	N/A	N/A	N/A	4	4	4	4	4	4
Refuse Collection	N/A	N/A	N/A	N/A	33	33	32	32	32	32
Vehicle Maintenance	N/A	N/A	N/A	N/A	20	20	20	20	20	20
Drain/Sewer Repair/Const.	N/A	N/A	N/A	N/A	22	21	21	21	21	21
<b>Water:</b>										
Administration & Financial	20	20	19	19	19	19	19	19	18	17
Water Distribution	42	41	42	43	43	44	44	45	45	46
Water Supply	24	24	24	24	24	24	24	25	24	25
<b>Sewer:</b>										
Administration & Financial	8	8	8	9	9	9	9	10	10	10
Monitoring	2	2	2	2	2	2	2	2	2	2
Sewer Plant Operation	16	16	16	16	16	16	16	16	16	16
Maintenance	16	16	16	16	16	16	16	16	16	16
<b>Airport - total</b>										
Administration & Financial	17	18	20	23	23	23	25	27	27	29
Airfield Maintenance	21	24	21	23	23	25	26	26	27	26
Terminal Maintenance	9	8	9	9	10	14	15	20	21	24
<b>Other Programs/Functions:</b>										
Aggregation	-	2	2	1	1	1	1	1	1	1
Health	61	62	63	66	64	64	64	69	71	71
Library	34	37	40	40	40	40	40	38	38	38
Welfare	10	10	11	11	11	11	11	11	11	11
<b>Total</b>	<b>977</b>	<b>1,030</b>	<b>1,052</b>	<b>1,066</b>	<b>1,221</b>	<b>1,243</b>	<b>1,248</b>	<b>1,265</b>	<b>1,267</b>	<b>1,273</b>

**N/A = Not Available.**

**Operating Indicators By Function/Program**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Function/Program	Calendar Year			
	1997	1998	1999	2000
Police:				
Physical arrests	6,435	3,805	3,892	4,094
Parking Violations	59,415	63,000	70,000	69,700
Traffic citations	6,992	10,303	12,698	11,784
Fire:				
Number of calls answered	11,957	12,344	12,728	12,815
Inspections	439	463	498	532
Property loss	\$ 1,935,358	\$ 3,433,255	\$ 3,553,520	\$ 2,283,535
Building safety:				
Total building permits	1,990	2,061	2,626	1,551
Total value all permits	\$ 112,319,601	\$ 80,977,014	\$ 90,577,116	\$ 144,233,715
Library, volumes in collection	379,396	332,891	308,036	311,661
Public service:				
Garbage collected (ton)	37,115	38,834	41,363	43,691
Recycle collected (ton)	4,932	5,102	5,028	4,642
Streets paved resurf (miles)	7	11.91	5.61	22.55
Streets Reconstructed (miles)	N/A	0.77	1.81	0.62
Drain Reconstruction (miles)	0	2.81	0.52	4.78
Sewer Reconstruction(miles)	N/A	0.68	2.95	6.66
Airport:				
Enplane	559,741	971,821	1,412,769	1,588,320
Deplane	548,475	966,356	1,396,320	1,580,981
Total Passengers	1,108,216	1,938,177	2,809,089	3,169,301
Cargo (in pounds)	123,000,560	133,927,872	159,825,171	166,936,519
Air Mail (in pounds)	1,647,402	2,083,681	4,962,485	5,120,279
Parks and Recreation:				
Public Skating Attendance	16,446	20,546	12,772	10,916
Aquatics program attendance	N/A	N/A	N/A	N/A
Golf rounds played	N/A	46,909	43,100	33,901
Ski passes sold	N/A	295	229	222
Street trees maintained	40,000	40,000	40,000	40,000

**Note:** The figures in column 2006 are January thru June only.

**N/A = Not Available.**

City of Manchester, New Hampshire  
Table XVIII

Calendar Year					
2001	2002	2003	2004	2005	2006
4,077	5,390	5,389	5,645	5,505	2,747
73,244	86,826	66,757	81,225	78,253	68,392
11,100	11,788	9,654	11,224	10,993	6,330
13,519	13,420	14,595	15,200	16,202	8,694
563	576	578	676	732	1,190
\$ 2,587,531	\$ 7,031,664	\$ 2,694,680	\$ 2,985,889	\$ 3,997,307	\$ 2,011,490
1,680	2,042	2,554	2,794	2,616	1,399
\$ 88,604,851	\$ 134,604,022	\$ 136,690,830	\$ 159,902,113	\$ 155,661,840	\$ 62,430,192
315,676	325,967	264,183	233,331	236,312	246,939
44,208	45,866	46,181	48,323	46,662	N/A
5,352	4,308	4,301	4,278	4,159	N/A
15.64	13.83	15.43	10.99	12.23	N/A
0.61	0.40	1.05	4.48	5.51	N/A
3.18	4.22	1.23	0.53	0.28	N/A
1.59	1.65	0.36	0.89	N/A	N/A
1,631,331	1,690,158	1,802,385	2,004,122	2,168,258	957,374
1,602,224	1,676,676	1,799,276	1,999,185	2,164,449	959,239
3,233,555	3,366,834	3,601,661	4,003,307	4,332,707	1,916,613
166,519,494	181,342,300	161,093,039	162,080,948	155,503,955	77,507,399
952,984	40,959	14,842	5,767	3,798	440
7,737	8,386	7,545	6,745	6,135	7,853
44,910	55,670	37,988	62,143	77,330	76,630
41,977	43,158	38,054	40,679	35,029	N/A
358	292	305	279	196	143
40,000	40,000	40,000	40,000	40,000	40,000

**Capital Asset Statistics By Function/Program**  
**Last Ten Fiscal Years**  
**(Unaudited)**

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

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Police:</b>										
Facilities	5	5	5	5	5	5	5	5	5	5
Marked Patrol Vehicles	37	37	37	37	37	36	36	39	35	35
Unmarked Vehicles	17	17	17	17	17	18	18	17	19	19
Specialty Vehicles	13	13	13	13	13	6	6	8	15	15
Bikes for bike patrols	17	17	17	17	17	18	18	18	21	21
Motorcycles	3	3	3	3	3	3	3	3	4	4
Horses	0	0	2	2	2	2	2	2	2	2
Canine	9	9	9	9	9	9	9	9	8	6
<b>Fire:</b>										
Fire Stations	9	9	9	9	9	9	9	10	10	10
<b>Refuse Collection:</b>										
Collection Trucks	15	15	15	15	15	14	14	14	14	14
<b>Other Public Works:</b>										
Streets (Miles)	378.00	381.50	387.34	387.60	388.21	388.30	289.49	389.78	391.20	393.00
Street Lights	N/A	N/A	N/A	N/A	8,745	8,790	8,792	8,792	8,803	8,788
Traffic Signals	142.9	145.7	146.2	151.0	154.1	157.4	159.6	160.1	160.4	160.4
<b>Parks &amp; Recreation:</b>										
Acreage	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073
Parks	55	55	55	55	55	55	55	55	55	55
Golf Course	1	1	1	1	1	1	1	1	1	1
Baseball/Softball Diamonds	44	44	44	44	44	44	44	44	44	44
Walking Trail(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	1	2
Soccer/Football Fields	16	16	16	16	16	16	17	17	17	17
Indoor Ice Rinks	2	2	2	2	2	2	2	2	2	2
Basketball Courts	28	26	25	24	23	22	22	22	21	21
Tennis Courts	3	4	4	4	4	4	4	4	4	4
Swimming pools	4	4	4	4	4	4	4	4	4	4
Parks with Playground Equipment	4	4	4	4	4	4	4	4	4	4
Public Beaches	28	28	28	28	28	28	28	28	28	28
<b>Library:</b>										
Facilities	2	2	2	2	2	2	2	2	2	2
Volumes	379,396	332,891	308,036	311,661	315,676	325,967	264,183	233,331	236,312	246,939
<b>Water:</b>										
Source of water supply	Lake Massabesic									
Finished water storage capacity (MG)	44.0	44.0	35.8	35.8	35.8	37.8	37.8	37.8	37.8	37.8
Average Daily Consumption (MGD)	15.971	15.938	17.183	16.912	17.363	17.148	16.483	16.644	17.057	17.454
Peak Consumption (MGD)	30.003	26.106	31.230	26.416	28.583	30.852	28.685	26.295	26.739	27.169
Municipal Fire Hydrants	3,056	3,090	3,124	3,164	3,173	3,212	3,240	3,267	3,294	3,304
Water main in system (million feet)	2	2	2	2	2	3	3	3	3	2,583
<b>Wastewater:</b>										
Sanitary Sewers (miles)	330.24	330.92	333.87	340.53	342.12	343.77	344.13	345.02	345.02	345.02
Maximum daily treatment capacity (MGPD)	34	34	34	34	34	34	34	34	34	34
<b>Information Systems Department</b>										
PC's	450	575	600	630	650	771	749	761	864	905
Miles of Fiber Optic Cabling	8.75	11.50	12.50	13.00	13.50	16.00	28.00	28.00	28.00	39.00
<b>Airport:</b>										
Vehicles	N/A	N/A	N/A	N/A	N/A	3	6	9	6	4
Runways	2	2	2	2	2	2	2	2	2	2
Terminals	1	1	1	1	1	1	1	1	1	1
Buildings - square footage	158,000	158,000	228,000	228,000	228,000	228,000	228,000	332,600	332,600	332,600

**N/A = Not Available.**