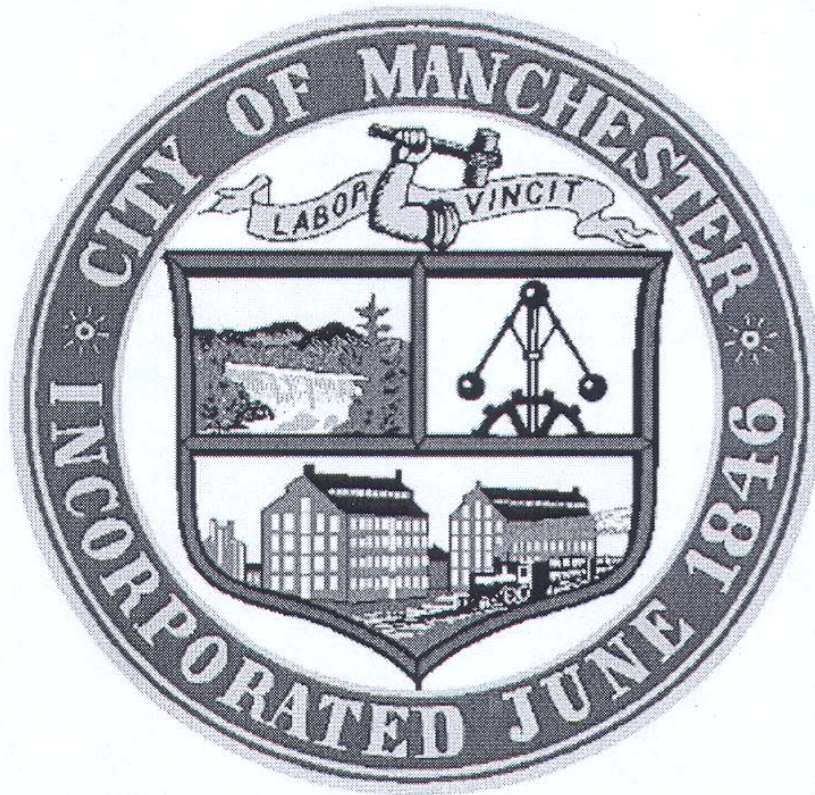


CITY OF MANCHESTER, NEW HAMPSHIRE



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009**

CITY OF MANCHESTER, NEW HAMPSHIRE



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year
July 1, 2008 to June 30, 2009**

Prepared By:
FINANCE DEPARTMENT

William E. Sanders
Finance Officer



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CITY OF MANCHESTER, NEW HAMPSHIRE

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2009

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Introductory Section



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**City of Manchester
Department of Finance**

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

March 8, 2010

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

The Comprehensive Annual Financial Report (CAFR) for the City of Manchester (the City) for the fiscal year ended June 30, 2009 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, 2009. 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 (MSD), the Manchester Development Corporation (MDC), and the Manchester Transit Authority (MTA).

General – Manchester, the largest City north of Boston, is located on the Merrimack River in south central New Hampshire. It is bordered by the towns of Hooksett, Bedford, Londonderry, Goffstown, Auburn, Litchfield, and Merrimack. According to a 2009 report of the New Hampshire Office of State Planning, the City has a population of 108,154 and occupies a land area of 33.0 square miles. The Manchester Metropolitan Area, with a ten mile radius, has a population of over 400,000. The Manchester Metropolitan Area is an area that the City believes to represent a key geographic region for the City's 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 55 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, 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 three years, with the average maturity closer to the thirty-day range. Between 65% - 70% 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 enjoys a diversified economic base. The combination of this diversified base along with the City’s investment in the Manchester-Boston Regional Airport, the Verizon Wireless Arena and various Millyard initiatives should help sustain the City during this challenging economic period. This effort has led to the location of a broad array of businesses and industries within the City, and has provided a base for future economic development. Much of this diversification was accomplished through redevelopment projects, which required public and private cooperation.

The City’s current economy appears generally steady with property tax collections rates remaining consistent with prior year. In addition, 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 period of economic slowdown.

The labor force in the Manchester NH MetroNECTA numbers 99,700 at September 30, 2009 while the unemployment rate is 7.2% at September 30, 2009.

Debt- The general debt limit of the City is 9.75% of base valuation¹, 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, 2009 the City has a total outstanding General Obligation debt of \$182,697,192 and authorized and unissued debt of \$44,257,427 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.

¹ Base valuation for debt limits is provided annually by the State of New Hampshire Department of Revenue Administration as part of the calculations for equalized assessed valuations for each municipality, and amounted to \$954,056,000.

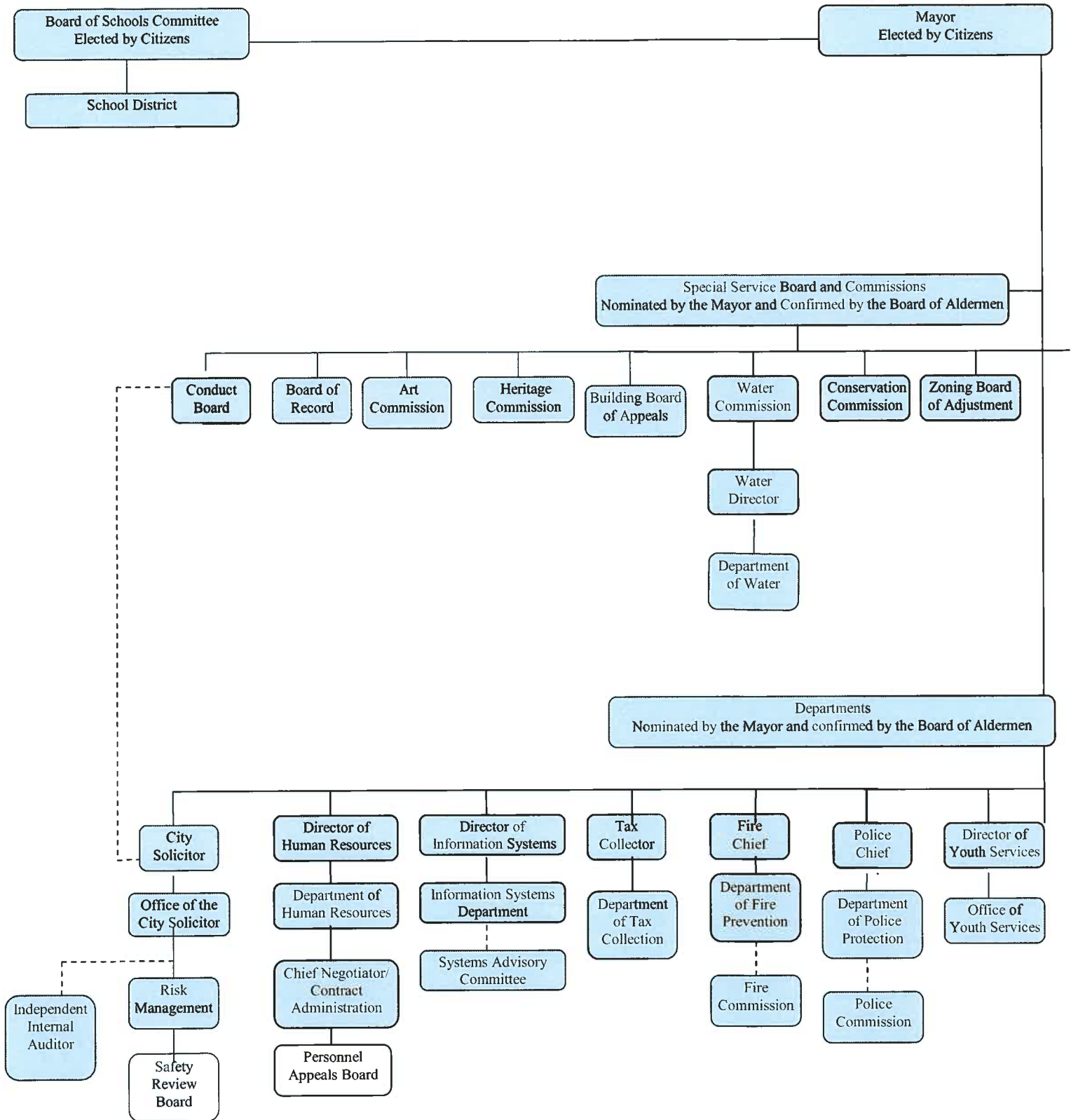
I would like to thank the City's department heads and their hard working staff for their help in the completion of another successful year. I would especially like to thank the employees of the Finance Department for their commitment and dedication.

Respectfully submitted,

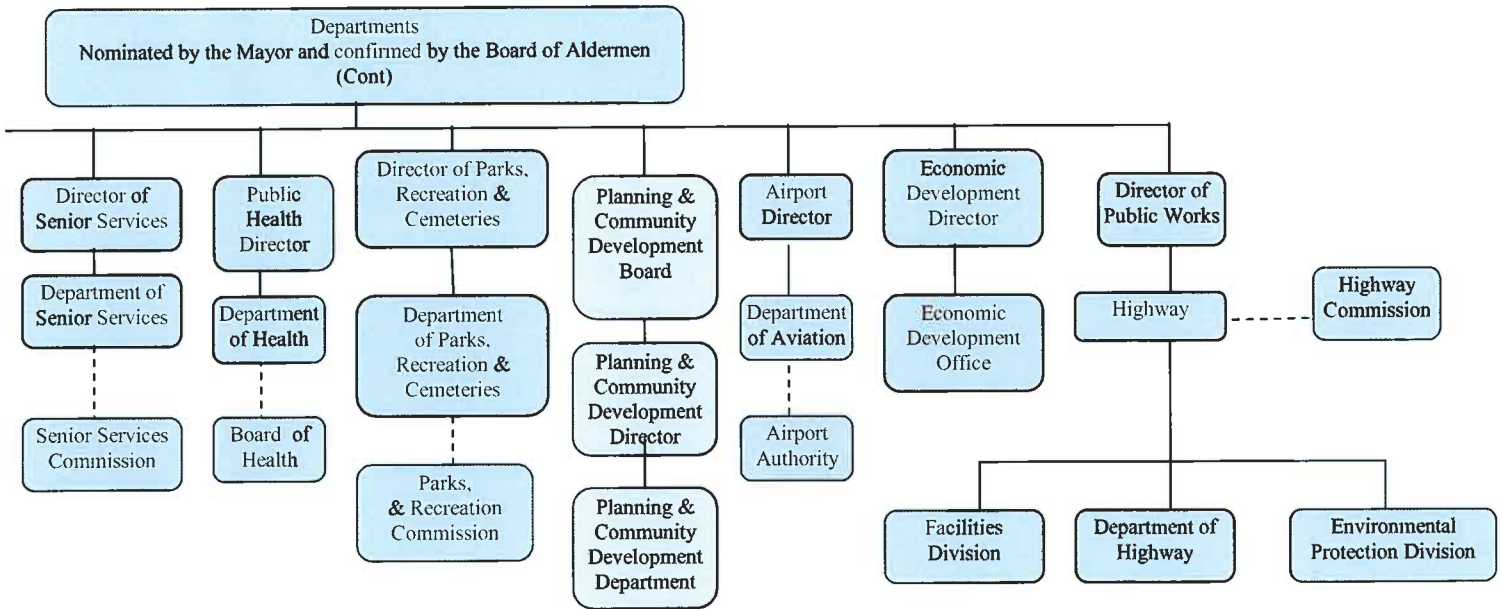
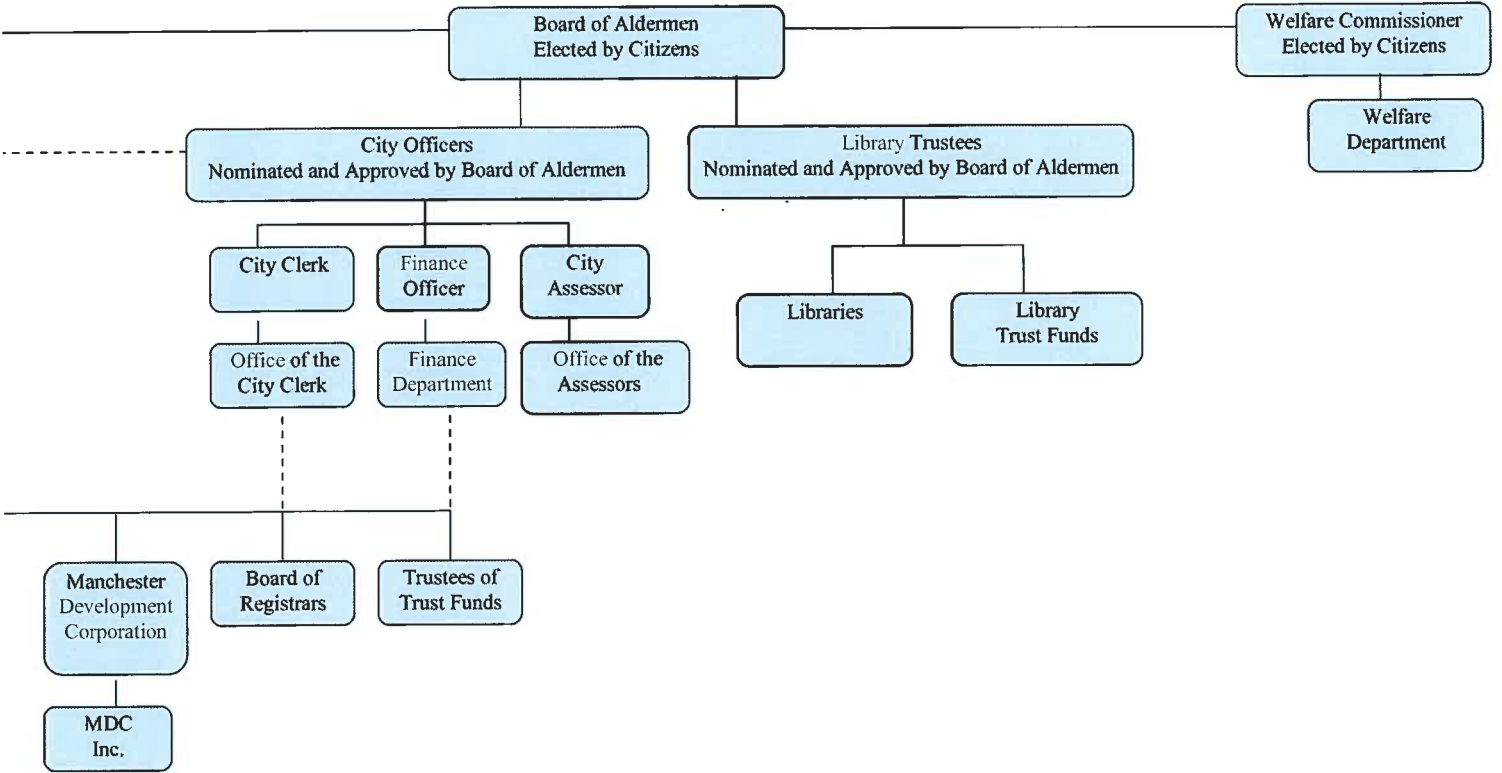
A handwritten signature in black ink, appearing to read "William E. Sanders". The signature is written in a cursive style with a long horizontal stroke at the end.

William E. Sanders
Finance Officer

City of Manchester New Hampshire Organization Chart – page 1 of 2



City of Manchester New Hampshire Organization Chart – page 2 of 2



**List of Principal Officials
in office at the close of fiscal year ended June 30, 2009**

Mayor

Frank C. Guinta

Aldermen

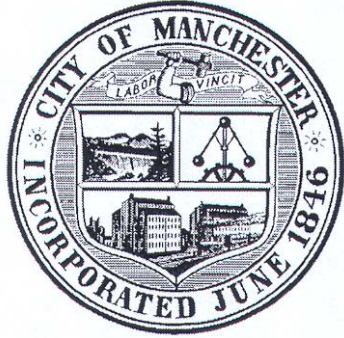
Ward 1	Mark E. Roy	Ward 7	William P. Shea
Ward 2	Theodore L. Gatsas	Ward 8	Betsi L. DeVries
Ward 3	Peter M. Sullivan	Ward 9	Michael D. Garrity
Ward 4	Jim Roy	Ward 10	George W. Smith
Ward 5	Ed Osborne	Ward 11	Russ Ouellette
Ward 6	Real R. Pinard	Ward 12	unfiled
At-large	Michael J. Lopez *	At-large	Daniel P. O'Neil

* Chairman of the Board

City Departments

Finance Officer	William E. Sanders
City Clerk	Matthew Normand
City Solicitor	Thomas R. Clark
Commissioner of Welfare	Paul R. R. Martineau
Chief of Police	David Mara
Fire Chief	James Burkush
Public Health Director	Timothy Soucy, MPH
Director of Public Works	Kevin Sheppard, P.E.
Director of Parks, Recreation & Cemetery	unfiled
Director of Economic Development	Jay Minkarah
Airport Director	Mark Brewer
Director of Water	Thomas M. Bowen, P.E.
Director of Information Systems	Jennie Angell
Director of City Library	Denise Van Zanten
Director of Planning & Community Development	Leon LaFreniere
Superintendent of Schools	Thomas Brennan
Director of Human Resources	Jane Gile
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



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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, 2009 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 99% of the revenues and 93% 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 89% of the assets and 100% of the additions of the pension trust funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to amounts included for the Manchester School District, the Manchester Transit Authority and the City of Manchester Employees' Contributory Retirement System, component units of the City, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the City of Manchester Employees' Contributory Retirement System were not audited in accordance with Government Auditing Standards. 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.

Described in Note 1 to the basic financial statements, the Manchester Transit Authority has elected not to account for its future post-employment benefits as a liability under Government Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions" (GASB 45), which should be adopted to conform with U.S. generally accepted accounting principles; instead, the Authority is accounting for these transactions on a pay-as-you-go basis.

In our opinion, except for the effects of not accounting for other post-employment benefits by the Manchester Transit Authority as described in the preceding paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Manchester Transit Authority a discretely presented component unit of the City of Manchester, New Hampshire as of June 30, 2009, and the respective changes in financial position thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, except for the Manchester Transit Authority's not adopting the provisions of GASB Statement No. 45, based on our audit and the reports of other auditors, the financial statements referred to previously

present fairly, in all material respects, the respective financial position of the governmental activities; the business-type activities; the Manchester School District and the Manchester Development Corporation, discretely presented component units; each major fund; and the aggregate remaining fund information of the City of Manchester, New Hampshire as of June 30, 2009, 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 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 March 8, 2010 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 2008 financial statements and, in our report dated March 19, 2009, we expressed unqualified opinions on the respective financial statements of the business-type activities, each major fund and the aggregate remaining fund information, and a qualified opinion on the financial statements of the governmental activities, and of the Manchester Transit Authority.

McGladrey & Pullen, LLP

New Haven, Connecticut
March 8, 2010

City of Manchester, New Hampshire Management's Discussion and Analysis June 30, 2009

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, 2009. 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 \$516.8 million. Total net assets for Governmental Activities at fiscal year-end were \$124.7 million and total net assets for Business-Type Activities were \$392.1 million.
- ◆ On a government-wide basis, during the fiscal year, the City's net assets decreased by \$8.6 million or 1.6%, from \$525.4 million to \$516.8 million. Net assets decreased by \$5.5 million for Governmental Activities and net assets decreased by \$3.1 million for Business-Type Activities. Government-wide expenses were \$253.7 million, while revenues were \$245.1 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 \$31.1 million, a decrease of \$23.7 million from the prior fiscal year. Of the total funds, \$3.3 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 capital projects funds. Also available for spending are amounts designated for health insurance, general liability insurance, the special revenue account and the revenue stabilization account.
- ◆ At the end of the current fiscal year, the total fund balance for the General Fund was \$16.4 million, a decrease of \$5 million from the prior fiscal year. As of June 30, 2009, the general fund had an unreserved and undesignated deficit of (\$4.3) million which represents 3% of total general fund expenditures and transfers (\$126.5 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 Parking 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 21-23 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 83-84 and in the combining statement of revenues, expenditures and changes in fund balance on pages 85-86.

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 27.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on pages 24-25 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 Parking 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 Parking Fund is provided on pages 87-89 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 28-29 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 32-33 and 66-67 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 34-77 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 \$516.8 and \$525.4 million at June 30, 2009 and 2008, respectively.

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

	June 30, 2009			June 30, 2008		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
Current and Other Assets	\$ 139,825	\$ 108,447	\$ 248,272	\$ 153,212	\$ 101,773	\$ 254,985
Non-Current	14,517	3,600	18,117	18,940	3,788	22,728
Capital Assets	336,270	624,115	960,385	333,537	637,389	970,926
Total Assets	490,612	736,162	1,226,774	505,689	742,950	1,248,639
Current Liabilities	105,624	21,902	127,526	99,986	21,227	121,213
Long-term liabilities outstanding	260,324	322,103	582,427	275,506	326,541	602,047
Total Liabilities	365,948	344,005	709,953	375,492	347,768	723,260
Net Assets:						
Invested in Capital Assets, net of related debt	144,179	315,979	460,158	130,205	326,272	456,477
Restricted	18,255	59,319	77,574	22,172	56,533	78,705
Unrestricted	(37,770)	16,859	(20,911)	(22,180)	12,377	(9,803)
Total Net Assets	\$ 124,664	\$ 392,157	\$ 516,821	\$ 130,197	\$ 395,182	\$ 525,379

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 totaling \$460.2 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, \$77.5 million, represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets (deficit) of (\$20.9) million may not be used to meet the government's ongoing obligations to citizens and creditors, due to the negative balance. The primary reasons for the negative balance in governmental activities are due to the Old System Pension Obligation Bond with an outstanding balance of \$12.8 million, which was issued to properly fund the unfunded amount, the Landfill Closure Project, which has an outstanding balance of \$9.9 million, other landfill closure and post-closure care costs estimated liability with an outstanding balance of \$4.3 million, Urban Renewal Related Projects with outstanding balances of \$1.2 million, Revaluation debt with an outstanding balance of \$.1 million, long-term debt related to insurance claims with an estimated outstanding balance of \$5.1 million, as well as long-term debt related to compensated absences with an estimated

outstanding balance of \$10.6 million at June 30, 2009. 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

	June 30, 2009			June 30, 2008		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Revenues:						
Program Revenues:						
Charges for services	\$ 16,790	\$ 92,500	\$ 109,290	\$ 18,725	\$ 95,318	\$ 114,043
Operating grants and contributions	23,949	4,050	27,999	21,017	5,829	26,846
Capital grants and contributions	2,690	5,336	8,026	6,202	19,303	25,505
General Revenues:						
Property taxes/auto/franchise fees	92,451	-	92,451	89,292	-	89,292
Unrestricted investment earnings	(1,006)	824	(182)	2,466	3,314	5,780
Transfers and other	8,767	(1,205)	7,562	7,489	900	8,389
Total revenues	143,641	101,505	245,146	145,191	124,664	269,855
Expenses:						
General government	42,806	-	42,806	39,763	-	39,763
Public safety	53,056	-	53,056	52,319	-	52,319
Health and sanitation	5,051	-	5,051	5,047	-	5,047
Highways and streets	28,332	-	28,332	26,608	-	26,608
Welfare	1,291	-	1,291	1,313	-	1,313
Education and library	8,184	-	8,184	7,791	-	7,791
Parks and recreation	6,229	-	6,229	6,767	-	6,767
Cemetery Trust	126	-	126	60	-	60
Investment management fee	56	-	56	55	-	55
Interest expense	4,043	18,330	22,373	4,410	16,012	20,422
Operations	-	86,200	86,200	-	85,955	85,955
Total Expenses	149,174	104,530	253,704	144,133	101,967	246,100
Change in net assets	(5,533)	(3,025)	(8,558)	1,058	22,697	23,755
Net assets - beginning	130,197	395,182	525,379	129,139	372,485	501,624
Net assets - ending	\$ 124,664	\$ 392,157	\$ 516,821	\$ 130,197	\$ 395,182	\$ 525,379

The City's net assets decreased by \$8.6 million during the fiscal year, with net assets of Governmental Activities decreasing by \$5.5 million, and net assets of Business-Type Activities decreasing by \$3.1 million. The general government incurred more expenditures in 2009 than 2008 related to investments in net assets.

Governmental Activities

More than 64.36% of the governmental funds revenues were derived from property taxes, auto registrations and franchise fees, 18.54% from operating and capital grants and contributions, then followed by 11.69% from charges for services and finally, about 5.41% 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, decreased by \$2.8 million. Property taxes, auto registrations and franchise fees increased by \$3.2 million or 3.5% over last year.

Business-Type Activities

Business-Type activities decreased the City's net assets by \$3.0 million, which is a decrease of \$25.8 million from an increase of \$22.7 million for last year. See next page for more detail.

- ◆ Water Works net assets decreased by \$1.0 million, down \$5.3 million from the increase in net assets of \$4.3 million last year. Total non-operating expenses were \$1.8 million for the current fiscal year as compared to \$1.0 million in total non-operating revenues during the fiscal year ended June 30, 2008.
- ◆ EPD net assets increased by \$6 million, up \$2 million from the increase in net assets of \$4 million in the previous fiscal year. The most significant change in EPD's fund net assets lies in the increase in operating revenues of \$2.2 million which is mainly due to the increase in user rates of 20% effective January 1, 2009.
- ◆ Aviation net assets decreased by \$7.8 million. Aviation fund capital contributions amounted to \$3.0 million, a decrease from \$17.3 million in the previous year. Manchester-Boston Regional Airport experienced a decrease (13.1%) in passenger enplanements in FY2009, as enplanements decreased by 259,975 from FY 2008.

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 \$31.1 million, a decrease from \$54.8 million as reported on June 30, 2008. The decrease of \$23.7 in fund balances is mainly due to the timing of bond proceeds and capital expenditures. Approximately 10.5% of this total amount constitutes unreserved fund balance that is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: \$16.9 million to cemetery, library and other trust funds; \$5.2 million to liquidate contracts and purchase orders of the prior period; \$1.3 million to self-insured workers' compensation claims reserve, \$3.6 million for advances and \$.77 million for inventory.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved and undesignated fund deficit of the general fund was (\$4.3) million while the total fund balance reached \$16.4 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 8.3% of total general fund expenditures of \$125.2 million, while total fund balance represents 13.1% 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 decrease of (13.1%) in passenger enplanements in FY2009, as enplanements decreased by 259,975 from FY2008. Manchester-Boston Regional Airport is not

alone in this decrease, as many airports in the small and medium hub categories experienced reductions in capacity, either from the airlines substituting regional jets for mainline jets or by the airlines eliminating service all together. Operating loss increased to (\$5,566,378), an increase of 240% over FY2008. In Fiscal Year 2009, operating expenses (net of depreciation) actually decreased by \$2.8 million. The decrease in operating expenses was due to proactive management in reducing expenses. Fiscal Year 2009 also had a significant increase in depreciation, of approximately \$2.5 million, which contributed to the operating loss. Due to a downturn in the economy, the operating loss was also affected by a reduction in parking and landing fee revenues.

Net assets of the proprietary fund consisting of the Water Works were \$76.4 million, as compared to \$77.4 million in the prior year. The unrestricted net asset balance of the Water Works was \$4.2 million. The restricted net assets increased from \$12.6 million to \$13.0 million. The Water Works experienced operating revenues of \$15.6 million from user fees. The total net loss for the Water Works was (\$1.7) million before capital contributions of \$.7 million. The change in net assets for the fiscal year ended June 30, 2009 was (\$1 million), due mainly to a decrease in gain on disposal of capital assets.

Total assets for Environmental Protection Division (EPD) increased from \$151.7 million ending balance at June 30, 2008 to \$159.5 million at June 30, 2009. EPD's cash increased by \$7.8 million due to an increase in user rates of 20% starting January 1, 2009 and a decrease in capital project expenditures as Phase I Combined Sewer Overflow (CSO) and Cohas Brook Interceptor (CBI) Phase II projects came to a completion. Fiscal year 2010 will show an increase in capital costs due to implementation of the next phases of CSO and CBI capital projects.

General Fund Budgetary Highlights

The City ended Fiscal Year (FY) 2009 with a decrease in the general fund balance sheet over FY 2008. The City's "rainy day" Revenue Stabilization fund decreased to \$6.5 million at June 30, 2009. The City's unreserved and undesignated fund balance decreased from (\$.8) million to a (\$4.3) million deficit, less than the targeted one percent of the FY 2009 tax warrants according to City ordinance which would make it \$1.7 million. In order to fund additional amounts into the Tax Rate Stabilization Reserve, the City has to realize an excess amount past the \$1.7 million. The special revenue account which accounts for one-time revenues, (i.e., property sales, etc.) increased by \$5.1 to \$6.7 million from \$1.6 million. The City's reserves for workers compensation, health insurance, and general liability had an aggregate decrease of \$1.9 million or 40.4% from \$4.7 to \$2.8 million. At June 30, 2009, the City reserved \$3.6 million for advances on the Recreation Fund deficit.

During the year, actual revenues and other financing sources on a budgetary basis were \$116 million, \$4.9 million less than the estimated revenues. Actual tax revenues were over budget by \$522,070. Actual intergovernmental revenue was \$1,863,253 under budgetary estimates. Investment income was \$643,539 less than the \$1.5 million that had been budgeted. Additional shortfalls of \$2,305,002 resulted in a decrease of building permits included in licenses and permits. Nonenterprise charges for sales and services were \$162,846 more than budgeted. Other revenues were \$119,530 less than budgeted of which approximately \$99 thousand is due a write-off of uncollectable charges. Transfers in were \$643,259 less than budgeted estimates, consisting of \$543,359 from the Parking Enterprise.

Actual expenditures on a budgetary basis and other financing uses totaled \$121.7 million, \$858,002 more than budgeted. The combined net difference of budgeted revenues and expenses on a budgetary basis resulted in a negative variance of \$5,747,669.

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, 2009, amounts to \$960.4 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 decrease in the City's investment in capital assets for the current fiscal year was \$10.5 million or 1%.

City of Manchester, New Hampshire
Capital Assets (net of depreciation) (000's)
June 30, 2009 and 2008
Primary Government

	2009			2008			Change
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total	
Land	14,338	50,104	64,442	14,338	49,865	64,203	\$ 239
Buildings and improvements	242,961	499,806	742,767	252,394	504,264	756,658	(13,891)
Infrastructure	59,129	-	59,129	55,739	-	55,739	3,390
Interceptors	-	51,481	51,481	-	51,846	51,846	(365)
Equipment and vehicles	9,215	15,172	24,387	9,107	14,755	23,862	525
Construction in progress	10,627	7,552	18,179	1,959	16,659	18,618	(439)
Total	\$ 336,270	\$ 624,115	\$ 960,385	\$ 333,537	\$ 637,389	\$ 970,926	\$ (10,541)

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 buildings and structures.
- ◆ 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, 2009 and 2008

	2009			2008		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
General Obligation Bonds	136,030	46,667	\$ 182,697	148,670	45,115	\$ 193,785
Revenue Bonds, net of premiums and discounts	104,299	267,101	371,400	108,121	273,741	381,862
Totals	\$ 240,329	\$ 313,768	\$ 554,097	\$ 256,791	\$ 318,856	\$ 575,647

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 \$819.6 million. General obligation debt is backed by the full faith and credit of the City government.

The City was assigned the following credit ratings; Fitch Ratings, 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 (\$9,785,190,000) 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, 2009, the City recorded long-term debt of \$119.0 million related to Governmental Activities, \$121.3 million related to the MSD and \$313.8 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 62-65 of this report.

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

City of Manchester New Hampshire
June 30, 2009

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Manchester School District	Manchester Transit Authority	Manchester Development Corporation
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 41,500,247	\$ 12,649,188	\$ 54,149,435	\$ 6,390,814	\$ 672,887	\$ -
Restricted cash	20,265,301	81,340,758	101,606,059	-	-	3,383,975
Investments	10,818,350	-	10,818,350	-	-	-
Restricted Investments	18,196,696	-	18,196,696	-	-	-
Receivables	41,811,236	15,749,737	57,560,973	11,661,290	316,922	840,409
Prepaid expenses	147,568	1,247,454	1,395,022	272,205	130,917	-
Internal balances	3,957,866	(3,957,866)	-	-	-	-
Due from others	2,358,956	-	2,358,956	22,363,778	-	-
Inventories	768,930	1,417,820	2,186,750	-	221,089	-
Total current assets	139,825,150	108,447,091	248,272,241	40,688,087	1,341,815	4,224,384
Noncurrent assets:						
Land held for resale	-	-	-	-	-	62,400
Capital assets, net of depreciation	336,269,867	624,114,688	960,384,555	6,284,324	4,602,623	-
Pension asset	12,857,213	-	12,857,213	-	-	-
Deferred charges, net	1,659,900	3,600,783	5,260,683	-	-	-
Total noncurrent assets	350,786,980	627,715,471	978,502,451	6,284,324	4,602,623	62,400
Total Assets	\$ 490,612,130	\$ 736,162,562	\$ 1,226,774,692	\$ 46,972,411	\$ 5,944,438	\$ 4,286,784
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 14,370,293	\$ 5,389,496	\$ 19,759,789	\$ 1,637,615	\$ 67,024	\$ 5,151
Retainage payable	42,897	1,116,803	1,159,700	-	-	-
Accrued liabilities	4,022,657	15,002,056	19,024,713	20,157,094	184,675	-
Other liabilities	1,727,917	365,889	2,093,806	-	-	-
Insurance claims payable	631,565	-	631,565	-	-	-
Due to school district	22,363,778	-	22,363,778	-	-	-
Unearned revenue	34,737,138	27,554	34,764,692	25,805,793	14,170	-
Taxes collected in advance	27,727,378	-	27,727,378	-	-	-
Total current liabilities	105,623,623	21,901,798	127,525,421	47,600,502	265,869	5,151
Noncurrent liabilities:						
Due within one year	13,974,088	13,487,344	27,461,432	-	-	-
Due in more than one year	226,354,724	300,523,925	526,878,649	5,732,544	144,538	-
Other liabilities due in more than one year	19,995,752	8,092,265	28,088,017	-	-	-
Total noncurrent liabilities	260,324,564	322,103,534	582,428,098	5,732,544	144,538	-
Total Liabilities	365,948,187	344,005,332	709,953,519	53,333,046	410,407	5,151
NET ASSETS						
Investment in capital assets, net of related debt	144,179,247	315,979,117	460,158,364	6,284,324	4,602,623	-
Restricted for:						
Coverage account	-	4,749,774	4,749,774	-	-	-
PFCs	-	5,476,861	5,476,861	-	-	-
MSDC	-	6,384,533	6,384,533	-	-	-
Revenue bond O&M	-	13,982,000	13,982,000	-	-	-
Revenue bond fund	-	7,596,275	7,596,275	-	-	-
Bond funds - capital improvements	-	20,018,724	20,018,724	-	-	-
Workmen's compensation	1,301,705	628,864	1,930,569	-	-	-
Cemetery and other trust funds	14,088,753	-	14,088,753	-	-	-
Library trust funds	2,863,911	-	2,863,911	-	-	-
Designated for:						
Equipment replacement	-	482,319	482,319	125,630	-	-
Land held for resale	-	-	-	-	-	62,400
Restricted for debt service	-	-	-	5,600,052	-	-
Unrestricted (Deficit)	(37,769,673)	16,858,763	(20,910,910)	(18,370,641)	931,408	4,219,233
Total Net Assets (Deficit)	\$ 124,663,943	\$ 392,157,230	\$ 516,821,173	\$ (6,360,635)	\$ 5,534,031	\$ 4,281,633

See accompanying notes.

Statement of Activities

	Expenses	Program Revenues		
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
General government	\$ 42,805,918	\$ 11,269,228	\$ 18,508,228	\$ -
Public safety	53,056,030	1,360,027	738,082	-
Health and sanitation	5,050,940	1,954,809	1,621,655	-
Highways and streets	28,332,502	1,610,511	2,264,109	2,690,181
Welfare	1,290,779	47,925	-	-
Education and library	8,183,872	-	154,977	-
Parks and recreation	6,229,200	547,336	662,097	-
Cemetery Trust	125,855	-	-	-
Investment management fee	56,649	-	-	-
Interest	4,042,827	-	-	-
Total governmental activities	149,174,572	16,789,836	23,949,148	2,690,181
Business-type activities				
Water	17,756,287	15,706,634	-	732,896
EPD	14,429,389	18,947,577	-	1,520,198
Aviation	66,214,304	50,879,087	4,049,880	2,962,441
Recreation	3,190,810	2,117,984	-	120,200
Parking	2,938,857	4,849,094	-	-
Total business-type activities	104,529,647	92,500,376	4,049,880	5,335,735
Total primary government:	\$ 253,704,219	\$ 109,290,212	\$ 27,999,028	\$ 8,025,916
Component units				
Manchester School District	\$ 180,628,014	\$ 17,564,321	\$ 25,766,819	\$ 1,988,015
Manchester Transit Authority	7,240,883	3,690,033	2,617,368	1,041,258
Manchester Development Corporation	15,800	-	-	-
Total component units	\$ 187,884,697	\$ 21,254,354	\$ 28,384,187	\$ 3,029,273
General revenues:				
Property taxes				
Auto registration fees				
Franchise fees				
Unrestricted investment earnings (loss)				
Grants and contributions not restricted to specific programs				
Miscellaneous				
Debt reimbursement from MSD				
Wall Street Tower Recovery				
Gain on disposal of assets				
Transfers				
Transfer to MDC				
Transfers in				
Transfers out				
Total general revenues and transfers				
Change in net assets				
Net assets (deficits) - beginning, as restated for MSD (see Note 18)				
Net assets (deficits) - ending				
See accompanying notes.				

City of Manchester New Hampshire
For the Fiscal Year Ended June 30, 2009

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	
\$ (13,028,462)	\$ -	\$ (13,028,462)	\$ -	\$ -	\$ -	-
(50,957,921)	-	(50,957,921)	-	-	-	-
(1,474,476)	-	(1,474,476)	-	-	-	-
(21,767,701)	-	(21,767,701)	-	-	-	-
(1,242,854)	-	(1,242,854)	-	-	-	-
(8,028,895)	-	(8,028,895)	-	-	-	-
(5,019,767)	-	(5,019,767)	-	-	-	-
(125,855)	-	(125,855)	-	-	-	-
(56,649)	-	(56,649)	-	-	-	-
(4,042,827)	-	(4,042,827)	-	-	-	-
<u>(105,745,407)</u>	<u>-</u>	<u>(105,745,407)</u>				
	(1,316,757)	(1,316,757)	-	-	-	-
	6,038,386	6,038,386	-	-	-	-
	(8,322,896)	(8,322,896)	-	-	-	-
	(952,626)	(952,626)	-	-	-	-
	1,910,237	1,910,237	-	-	-	-
	(2,643,656)	(2,643,656)	-	-	-	-
<u>\$ (105,745,407)</u>	<u>\$ (2,643,656)</u>	<u>\$ (108,389,063)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ (135,308,859)	\$ -	\$ -	-
-	-	-	-	107,776	-	-
-	-	-	-	-	(15,800)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (135,308,859)</u>	<u>\$ 107,776</u>	<u>\$ (15,800)</u>	<u>-</u>
\$ 77,269,610	\$ -	\$ 77,269,610	\$ 58,146,528	\$ -	\$ -	-
13,958,285	-	13,958,285	-	-	-	-
1,224,321	-	1,224,321	-	-	-	-
(1,006,154)	824,396	(181,758)	(439,172)	3,523	59,931	-
-	-	-	71,150,608	-	-	-
-	89,096	89,096	1,022,263	-	-	-
5,900,612	-	5,900,612	-	-	-	-
1,600,978	-	1,600,978	-	-	1,600,978	-
-	44,867	44,867	-	9,330	-	-
(75,000)	-	(75,000)	-	-	-	-
3,252,946	500,000	3,752,946	-	-	-	-
(1,913,472)	(1,839,474)	(3,752,946)	-	-	(50,000)	-
<u>100,212,126</u>	<u>(381,115)</u>	<u>99,831,011</u>	<u>129,880,227</u>	<u>12,853</u>	<u>1,610,909</u>	
(5,533,281)	(3,024,771)	(8,558,052)	(5,428,632)	120,629	1,595,109	
130,197,224	395,182,001	525,379,225	(932,003)	5,413,402	2,686,524	
<u>\$ 124,663,943</u>	<u>\$ 392,157,230</u>	<u>\$ 516,821,173</u>	<u>\$ (6,360,635)</u>	<u>\$ 5,534,031</u>	<u>\$ 4,281,633</u>	

Balance Sheet
Governmental Funds

City of Manchester, New Hampshire
June 30, 2009

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 38,345,101	\$ 469,125	\$ 2,686,021	\$ 41,500,247
Restricted cash and cash equivalents	10,573,368	7,036,178	2,655,755	20,265,301
Restricted investments	-	-	18,196,696	18,196,696
Investments	10,818,350	-	-	10,818,350
Receivables, net of allowances for collection losses	34,542,593	-	6,768,455	41,311,048
Prepaid expenses	143,568	-	4,000	147,568
Due from other funds	16,327,285	-	-	16,327,285
Inventories	768,930	-	-	768,930
Total Assets	\$ 111,519,195	\$ 7,505,303	\$ 30,310,927	\$ 149,335,425
Liabilities and Fund Equity				
Liabilities				
Accounts and warrants payable	\$ 2,860,929	\$ 2,376,619	\$ 9,132,746	\$ 14,370,294
Retainage payable	42,897	-	-	42,897
Accrued liabilities	3,770,280	880,091	276,541	4,926,912
Other liabilities	-	-	127,741	127,741
Insurance claims payable	631,565	-	-	631,565
Due to other funds	-	9,419,897	590,566	10,010,463
Due to Manchester School District	22,889,543	271	-	22,889,814
Unearned revenue	34,358,710	-	378,428	34,737,138
Deferred revenue	2,788,424	-	-	2,788,424
Taxes collected in advance	27,727,378	-	-	27,727,378
Total Liabilities	95,069,726	12,676,878	10,506,022	118,252,626
Fund Balance				
Fund balances (Deficit)				
Reserved for				
Encumbrances	421,528	3,055,914	1,719,291	5,196,733
Library	-	-	2,863,911	2,863,911
Cemetery funds	-	-	14,088,753	14,088,753
Inventory	768,930	-	-	768,930
Advance from other funds	3,593,563	-	-	3,593,563
Workers' compensation	1,301,705	-	-	1,301,705
Designated for				
Health insurance	1,200,000	-	-	1,200,000
General liability insurance	254,697	-	-	254,697
Special revenue	6,674,469	-	-	6,674,469
Revenue stabilization	6,527,137	-	-	6,527,137
Unreserved, reported in:				
General fund	(4,292,560)	-	-	(4,292,560)
Capital projects	-	(8,227,489)	-	(8,227,489)
Special revenue	-	-	1,132,950	1,132,950
Total Fund Equity (Deficit)	16,449,469	(5,171,575)	19,804,905	31,082,799
Total Liabilities and Fund Balances	\$ 111,519,195	\$ 7,505,303	\$ 30,310,927	

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.	336,269,867
Pension asset created in governmental activities is not a financial resource and, therefore, is not reported in the funds.	12,857,213
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	500,188
Deferred Revenue	2,788,424
Long-term liabilities consisting of bonds payable are not due and payable in current period and, therefore, are not reported in the funds.	(259,692,999)
Deferred charges, net	1,659,900
Long-term liabilities consisting of accruals are not due and payable in the current period and, therefore, are not reported in the funds.	(801,449)
See accompanying notes.	<u>\$ 124,663,943</u>

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

**City of Manchester, New Hampshire
Year Ended June 30, 2009**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 77,904,205	\$ -	\$ -	\$ 77,904,205
Federal and state grants and aid	8,018,461	-	18,212,907	26,231,368
Nonenterprise charges for sales and services	2,292,240	-	75,810	2,368,050
Licenses and permits	17,115,452	-	-	17,115,452
Interest	885,461	99,581	829,930	1,814,972
Contributions	-	-	402,087	402,087
Net depreciation in fair value of securities	-	-	(3,637,617)	(3,637,617)
Wall Street Tower Recovery (Note 17)	1,600,978	-	-	1,600,978
Other	10,701,616	-	945,520	11,647,136
Total Revenues	118,518,413	99,581	16,828,637	135,446,631
Expenditures				
Current:				
General government	26,885,522	567,011	10,864,226	38,316,759
Public safety	50,292,860	274,990	1,097,746	51,665,596
Health and sanitation	3,233,024	-	1,654,186	4,887,210
Highway and streets	22,943,918	76,395	1,581,578	24,601,891
Welfare	1,171,321	-	78,330	1,249,651
Education	2,609,605	-	-	2,609,605
Parks and recreation	3,301,223	57,665	717,056	4,075,944
Cemetery Trust	-	-	125,855	125,855
Investment management fee	-	-	56,649	56,649
Capital Outlay	199,270	10,972,629	7,510,125	18,682,024
Debt service:				
Principal retirement	9,469,389	-	-	9,469,389
Interest	5,131,797	-	-	5,131,797
Total Expenditures	125,237,929	11,948,690	23,685,751	160,872,370
Deficiency of revenues over expenditures	(6,719,516)	(11,849,109)	(6,857,114)	(25,425,739)
Other Financing Sources (Uses)				
Proceeds from sale of Capital Assets	412,670	-	-	412,670
Transfers in	2,579,574	-	673,372	3,252,946
Transfers out	(1,173,372)	-	(740,100)	(1,913,472)
Transfers out to MDC	(75,000)	-	-	(75,000)
Total Other Financing Sources (Uses)	1,743,872	-	(66,728)	1,677,144
Net Change in Fund Balances (Deficit)	(4,975,644)	(11,849,109)	(6,923,842)	(23,748,595)
Fund Balance, beginning	21,425,113	6,677,534	26,728,747	54,831,394
Fund Balance (Deficit), ending	\$ 16,449,469	\$ (5,171,575)	\$ 19,804,905	\$ 31,082,799

See accompanying notes.

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement
of Activities**

**City of Manchester, New Hampshire
Year Ended June 30, 2009**

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

Net change in fund balance	\$ (23,748,595)
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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 depreciation exceeded capital outlays in the current period.	2,732,901
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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.	641,289
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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.	16,462,310
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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.	<u>(1,621,186)</u>
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Change in net assets of governmental activities	<u><u>\$ (5,533,281)</u></u>
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See accompanying notes.

General Fund
Statement of Revenues and Expenditures -
Budget and Actual (Budget Basis)

City of Manchester, New Hampshire
Year Ended June 30, 2009

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 76,027,482	\$ 77,745,887	\$ 78,267,957	\$ 522,070
Federal and state grants and aid	7,457,600	7,439,788	5,576,535	(1,863,253)
Nonenterprise charges for sales and services	2,488,090	2,144,602	2,307,448	162,846
Licenses and permits	20,115,900	19,455,231	17,150,229	(2,305,002)
Interest	1,929,000	1,529,000	885,461	(643,539)
Other	10,207,497	9,811,161	9,691,631	(119,530)
Total Revenues	118,225,569	118,125,669	113,879,261	(4,246,408)
Expenditures				
Current:				
General government	40,383,684	40,514,212	41,998,503	(1,484,291)
Public safety	37,450,711	37,475,711	37,197,529	278,182
Health and sanitation	2,499,161	2,499,161	2,273,464	225,697
Highway and streets	19,050,498	19,050,498	19,291,681	(241,183)
Welfare	1,016,293	1,016,293	982,815	33,478
Education	2,018,771	2,018,771	2,015,546	3,225
Parks and recreation	2,655,465	2,695,465	2,703,575	(8,110)
Debt service:				
Principal retirement	9,469,389	9,469,389	9,469,389	-
Interest	5,466,797	5,466,797	5,131,797	335,000
Total Expenditures	120,010,769	120,206,297	121,064,299	(858,002)
Deficiency of revenues under expenditures	(1,785,200)	(2,080,628)	(7,185,038)	(5,104,410)
Other Financing Sources (Uses)				
Transfers in	2,654,100	2,754,000	2,110,741	(643,259)
Transfers out	(868,900)	(673,372)	(673,372)	-
Total Other Financing Sources (Uses)	1,785,200	2,080,628	1,437,369	(643,259)
Revenues and Other Financing Sources Under Expenses and Other Financing Uses	\$ -	\$ -	(5,747,669)	(5,747,669)

See accompanying notes.

Proprietary Funds
Statement of Net Assets

City of Manchester, New Hampshire
June 30, 2009

	Business-type Activities-Enterprise Funds				
	Major			Non-Major Funds	Total
	Water Works Fund	EPD Fund	Aviation Fund		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,065,993	\$ 8,462,344	\$ 300	\$ 120,551	\$ 12,649,188
Restricted cash and cash equivalents	12,959,333	976,975	67,282,780	121,670	81,340,758
Receivables, net of allowances for collection losses	2,801,297	8,424,766	4,301,142	222,532	15,749,737
Prepaid items	479,958	17,841	749,655	-	1,247,454
Due from other funds	-	-	-	20,539	20,539
Inventories	1,030,127	76,888	310,805	-	1,417,820
Total current assets:	21,336,708	17,958,814	72,644,682	485,292	112,425,496
Noncurrent assets:					
Capital assets, net, where applicable, of accumulated depreciation	104,242,483	141,494,387	360,931,058	17,446,760	624,114,688
Deferred charges	756,762	-	2,804,200	39,821	3,600,783
Total noncurrent assets:	104,999,245	141,494,387	363,735,258	17,486,581	627,715,471
Total Assets	\$ 126,335,953	\$ 159,453,201	\$ 436,379,940	\$ 17,971,873	\$ 740,140,967
Liabilities					
Current liabilities					
Accounts and warrants payable	\$ 639,742	\$ 802,810	\$ 3,662,165	\$ 284,779	\$ 5,389,496
Retainage payable	429,863	494,655	192,285	-	1,116,803
Accrued liabilities	638,883	1,188,360	10,487,173	227,214	12,541,630
Due to other funds	88,780	63,439	232,623	3,593,563	3,978,405
Unearned revenue	-	-	-	27,554	27,554
Bonds and notes payable	827,718	4,449,639	7,295,000	914,987	13,487,344
Compensated Absences	1,443,479	297,694	528,497	190,756	2,460,426
Other	191,993	65,078	-	108,818	365,889
Total Current liabilities	4,260,458	7,361,675	22,397,743	5,347,671	39,367,547
Noncurrent liabilities					
Bonds payable	45,710,573	23,169,764	221,400,386	10,000,062	300,280,785
Due to State of New Hampshire	-	8,092,265	-	-	8,092,265
Unearned revenue	-	-	237,581	5,559	243,140
Total Noncurrent liabilities	45,710,573	31,262,029	221,637,967	10,005,621	308,616,190
Total Liabilities	49,971,031	38,623,704	244,035,710	15,353,292	347,983,737
Net Assets					
Invested in capital assets, net of related debt	59,183,883	105,782,719	144,401,543	6,610,972	315,979,117
Restricted	12,959,333	482,319	45,877,698	-	59,319,350
Unrestricted (Deficit)	4,221,706	14,564,459	2,064,989	(3,992,391)	16,858,763
Total Net Assets	\$ 76,364,922	\$ 120,829,497	\$ 192,344,230	\$ 2,618,581	\$ 392,157,230

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, 2009

	Business-type Activities-Enterprise Funds				
	Major				Total
	Water Works Fund	EPD Fund	Aviation Fund	Non-major Funds	
<u>Operating Revenues</u>					
Charges for goods and services	\$ 15,613,619	\$ 16,364,391	\$ 39,748,893	\$ 6,821,883	78,548,786
Other	-	2,352,878	2,244,939	18,122	4,615,939
Total Operating Revenues	15,613,619	18,717,269	41,993,832	6,840,005	83,164,725
<u>Operating Expenses</u>					
Personnel services	6,204,542	3,341,073	7,196,392	2,692,326	19,434,333
Plant maintenance	1,494,545	1,318,359	997,147	333,380	4,143,431
Light/heat and power	1,035,199	2,197,032	2,479,888	382,095	6,094,214
General and administrative	3,352,431	525,661	17,158,000	1,321,169	22,357,261
Depreciation and amortization	3,383,206	5,901,996	19,728,783	867,204	29,881,189
Total Operating Expenses	15,469,923	13,284,121	47,560,210	5,596,174	81,910,428
Operating Income (Loss)	143,696	5,433,148	(5,566,378)	1,243,831	1,254,297
-					
<u>Non-Operating Revenues (Expenses), net</u>					
Soundproofing program grant	-	-	4,049,880	-	4,049,880
Soundproofing program expense	-	-	(3,980,376)	-	(3,980,376)
Interest income	354,928	-	464,823	4,645	824,396
Interest expense	(2,286,364)	(1,145,268)	(14,365,056)	(533,492)	(18,330,180)
Passenger facility charges	-	-	6,707,919	-	6,707,919
Customer facility charges	-	-	2,177,337	-	2,177,337
Rent and other income	93,015	230,308	-	127,073	450,396
Bond issuance costs	-	89,094	(308,662)	-	(219,568)
Gain (Loss) on disposal of capital assets	1,980	1,737	41,150	-	44,867
Total Non-Operating Expenses	(1,836,441)	(824,129)	(5,212,985)	(401,774)	(8,275,329)
Net income (loss) before capital contributions and transfers	(1,692,745)	4,609,019	(10,779,363)	842,057	(7,021,032)
<u>Capital Contributions and Transfers</u>					
Capital Contributions	732,896	1,520,198	2,962,441	120,200	5,335,735
Transfer to general fund	(62,084)	(98,835)	-	(1,678,555)	(1,839,474)
Transfer from general fund	-	-	-	500,000	500,000
Total Capital Contributions and Transfers	670,812	1,421,363	2,962,441	(1,058,355)	3,996,261
Change in Net Assets	(1,021,933)	6,030,382	(7,816,922)	(216,298)	(3,024,771)
Fund Net Assets, beginning of year	77,386,855	114,799,115	200,161,152	2,834,879	395,182,001
Fund Net Assets, end of year	\$ 76,364,922	\$ 120,829,497	\$ 192,344,230	\$ 2,618,581	\$ 392,157,230

See accompanying notes.

Proprietary Funds
Statement of Cash Flows

City of Manchester, New Hampshire
Year Ended June 30, 2009

	Business-type Activities-Enterprise Funds				
	Major				Total
	Water Works Fund	EPD Fund	Aviation Fund	Non-Major Funds	
<u>Cash Flows from Operating Activities</u>					
Cash received from customers	\$ 16,105,625	\$ 18,014,929	\$ 42,192,314	\$ 6,926,352	\$ 83,239,220
Cash payments for goods and services	(6,160,348)	(4,993,766)	(22,403,945)	(1,846,472)	(35,404,531)
Cash payments to employees for services	(5,960,302)	(3,538,402)	(7,091,545)	(2,747,144)	(19,337,393)
Other operating revenues	93,015	-	-	127,073	220,088
Net Cash Provided by Operating Activities	4,077,990	9,482,761	12,696,824	2,459,809	28,717,384
<u>Cash Flows Provided by Non-Capital and Related Financing Activities</u>					
Amounts from federal & state governments for soundproofing	-	-	4,049,880	-	4,049,880
Soundproofing related expenses	-	-	(3,980,376)	-	(3,980,376)
Due to general fund	-	(1,742,980)	-	1,200,803	(542,177)
Passenger and customer facility charges	-	-	8,443,541	-	8,443,541
Cash Payment to the City	(62,084)	(98,835)	-	(1,678,555)	(1,839,474)
Interest paid on cash advances	-	-	-	(6,090)	(6,090)
Cash Payment from the City	-	-	-	500,000	500,000
Net Cash Provided by (Used in) Non-Capital & Related Financing Activities	(62,084)	(1,841,815)	8,513,045	16,158	6,625,304
<u>Cash Flows from Capital and Related Financing Activities</u>					
Payments on bond arbitrage and financing	-	-	(308,662)	-	(308,662)
Proceeds from State of New Hampshire Revolving Fund	-	9,029,277	-	-	9,029,277
Reimbursement of bond interest expenses	-	89,094	-	-	89,094
Deferred charges	(8,602)	-	-	-	(8,602)
Payments on revolving loan fund	-	(5,214,879)	-	-	(5,214,879)
Principal paid on bonds and notes	(1,337,950)	(9,029,277)	(6,985,000)	(932,805)	(18,285,032)
Proceeds from notes	-	9,551,985	-	-	9,551,985
Interest paid on bonds and notes	(2,286,364)	(765,070)	(11,702,071)	(532,538)	(15,286,043)
Contributed capital by federal, state & local governments	732,896	2,151,310	4,670,090	120,200	7,674,496
Acquisition and construction of capital assets	(2,865,313)	(5,688,405)	(6,457,464)	(1,074,469)	(16,085,651)
Proceeds from sale of capital assets	10,582	-	58,149	-	68,731
Net Cash Used in Capital & Related Financing Activities	(5,754,751)	124,035	(20,724,958)	(2,419,612)	(28,775,286)
<u>Cash Flows from Investing Activities</u>					
Interest and dividends from investments	354,928	8,373	464,823	4,645	832,769
Net Cash Provided by Investing Activities	354,928	8,373	464,823	4,645	832,769
Net Increase (Decrease) in Cash and Cash Equivalents	(1,383,917)	7,773,354	949,734	61,000	7,400,171
Cash and Cash Equivalents at Beginning of Year	18,409,243	1,665,965	66,333,346	181,221	86,589,775
Cash and Cash Equivalents at End of Year	\$ 17,025,326	\$ 9,439,319	\$ 67,283,080	\$ 242,221	\$ 93,989,946

Proprietary Funds
Statement of Cash Flows

City of Manchester, New Hampshire
Year Ended June 30, 2009

Business-type Activities-Enterprise Funds

	Major				Total
	Water Works Fund	EPD Fund	Aviation Fund	Non-Major Funds	
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 143,096	\$ 5,433,148	\$ (5,566,378)	\$ 1,243,831	\$ 1,254,297
Adjustments to reconcile operating income (loss) to cash provided by operating activities:					
Depreciation and amortization	3,383,206	5,901,996	19,728,783	867,204	29,881,189
Non-operating revenue	93,015	-	-	127,073	220,088
Change in Assets and Liabilities					
Decrease (increase) in receivables	363,304	(787,942)	196,007	39,157	(189,474)
Increase in inventories	5,716	(15,094)	(41,165)	-	(51,143)
Decrease (increase) in prepaid expenses and other assets	(71,575)	9,842	(199,453)	2,330	(258,856)
Decrease in accounts payable	(84,551)	(602,179)	(1,721,503)	120,364	(2,287,869)
Increase (decrease) in accrued liabilities	(29,821)	(436,447)	444,420	31,419	9,571
Increase in compensated absences	147,802	(19,963)	(20,904)	(18,759)	88,176
Increase in other liabilities	128,702	-	2,475	48,641	179,818
Decrease in unearned revenue	-	-	-	(1,451)	(1,451)
Increase (decrease) in interfund liabilities	(1,504)	-	(125,458)	-	(126,962)
Net Cash Provided by Operating Activities	4,077,990	9,482,761	12,696,824	2,459,809	28,717,384
Schedule of Noncash Investing, Capital and Financing Activities					
Disposal of Capital Assets	\$ (8,602)	\$ 1,737	\$ -	\$ -	\$ (6,865)
Bond interest rate swap valuation	\$ -	\$ -	\$ 2,340,425	\$ -	\$ 2,340,425

Fiduciary Funds

City of Manchester, New Hampshire

Statement of Fiduciary Net Assets - Pension Trust and Agency Funds

Year Ended June 30, 2009

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 5,603,567	\$ -
Investments	114,446,204	-
Receivables, net of allowances for collection losses	85,309	2,358,956
Other assets	6,100	-
Capital assets, net, where applicable,	23,980	-
Total Assets	<u>\$ 120,165,160</u>	<u>\$ 2,358,956</u>
Liabilities		
Accounts and warrants payable	\$ 122,503	\$ -
Accrued liabilities	680,149	-
Due to others	-	2,358,956
Total Liabilities	<u>802,652</u>	<u>2,358,956</u>
Total Net Assets Held in Trust for Pension Benefits	<u>\$ 119,362,508</u>	<u>\$ -</u>

Fiduciary Trusts
Statement of Changes in Fiduciary Net Assets - Pension Trust

City of Manchester New Hampshire
Year Ended June 30, 2009

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 7,351,897
Plan members	2,826,721
Total Contributions	<u>10,178,618</u>
Investment Gain (Loss)	
Net realized and unrealized depreciation in fair value of investments	(47,517,043)
Interest	719,581
Dividends	1,948,747
Less investment expense	(379,318)
Net Investment Loss	<u>(45,228,033)</u>
Total Reductions	<u>(35,049,415)</u>
Deductions	
Benefits paid directly to participants	9,707,520
Refunds of employee contributions	455,086
Administrative expenses	833,642
Total Deductions	<u>10,996,248</u>
Net Decrease	(46,045,663)
Net Assets Held in Trust for Pension Benefits	
Beginning of year	165,408,171
End of year	<u>\$ 119,362,508</u>

See accompanying notes.



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Notes to Financial Statements



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Note 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 audited 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 December 28, 2009, and 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 December 2, 2009, and has been issued under separate cover. The MTA is presented as a proprietary fund type. The auditors issued a qualified opinion as management has elected not to account for its future post employment benefits, as a liability under GASB Statement No. 45.

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

Manchester Development Corporation	Manchester School District	Manchester Transit Authority
One City Hall Plaza	286 Commercial Street	110 Elm Street
Manchester NH 03104	Manchester NH 03101	Manchester NH 03101-2799

Blended Component Unit

City of Manchester Employees' Contributory Retirement System (MECRS) - The MECRS was created by the BMA for the purpose of administering the assets of the employees' contributory retirement system. The MECRS' 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 MECRS members and two MECRS members also elected by the MECRS members. Other independent auditors audited the MECRS, a December 31 year end, for the year ended December 31, 2008, and their report, dated June 19, 2009 has been issued under separate cover. MECRS 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 is 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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, pension and OPEB and claims and judgments, are recorded when due (matured).

Property taxes when levied for, intergovernmental revenues when the eligibility requirements have been met, licenses, charges for services 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.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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.

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 Fund* accounts 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.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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.

Investments

Investments are stated at fair value using quoted market prices. The MECRS values its alternative investments based upon the fair values as determined in good faith by the funds' managers or underlying investments' general partners. These values may not reflect the amount that would be realized upon an immediate sale due to lack of liquidity or other market conditions. Due to the uncertainty of valuation, the investment manager's estimated values may differ from the values that would have been used had a ready market existed for the fund's investments, and the difference could be material.

The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year sold in the current year may have recognized as an increase or decrease in the fair value of investments reported in the prior year. Gains and losses on the sale of investments are computed using the specific identification method of determining cost. The net appreciation (depreciation) in the fair value of investments held by the Retirement System is based on the valuation of investments as of the date of the Statements of Net Assets Available for Benefits.

Risks and uncertainties

The City invests in various securities, including commercial paper and government-sponsored enterprises. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. This and other economic events have had a significant adverse impact on investment portfolios. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position and activities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 \$27,062 and \$763, respectively, for the year ended June 30, 2009.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

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

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

Compensated absences

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

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

Long-term obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, and debt principal payments are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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.

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.

Inventory

Inventory is stated using the moving average method, or market.

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.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

In the fund financial statements, fund balances of governmental funds are classified in three separate categories. The three 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.

Note 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 difference consisting of current assets are as follows:

Accounts receivable:		
Interest on accounts receivable	\$	500,188
Deferred charges:		
Cost of Issuance Fees		1,659,900

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 \$259,692,999 difference consisting of long-term debt are as follows:

Bonds payable	\$ 224,739,614
Less: Deferred loss on refunding (to be amortized as interest expense)	(741,711)
Add: Deferred charge for refunding premium (to be amortized over life of debt)	1,008,414
Deferred premium on revenue bond obligation (to be amortized as interest expense)	6,829,677
Refunding premium on Series 2003B	126,475
Refunding premium on Series 2003	7,216,545
Refunding premium on Series 2004	747,019
Refunding premium on Series 2007	402,779
Compensated absences	10,614,961
Insurance claims	4,458,893
Landfill closure and post-closure care	4,290,333
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 259,692,999</u>

The details of the \$801,449 difference consisting of current accruals are as follows:

Accrued interest	\$ 1,327,485
Due to School District	(526,036)
Net adjustment to decrease fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 801,449</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 \$2,732,901 difference are as follows:

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Capital outlay	\$ 19,310,169
Asset retirements	(564,316)
Depreciation expense	(16,012,952)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 2,732,901</u></u>

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 \$16,462,310 difference is as follows:

Long-term liabilities issued or incurred:

Principal repayments:

General obligation debt-City portion	\$ 9,469,389
General obligation debt-MSD portion reimbursed	5,900,612
Add bond discounts, COI and premiums amortization	<u>1,092,309</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>\$ 16,462,310</u></u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 \$1,621,186 difference are as follows:

Prepaid Pension Asset	\$	968,299
Deferred Professional Fees		92,181
Long-term liabilities incurred:		
Risk reserve		416,743
Landfill reserve		(24,397)
Compensated absences		257,202
Accrued interest		(119,868)
Interest receivable from MSD on bonds payable		<u>31,026</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>1,621,186</u></u>

Note 3. Stewardship, Compliance and Accountability

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 non-appropriated 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.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 budgetary level of control 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.

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 re-appropriated 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.
- (c) State retirement contributions are paid by the State on behalf of the City and represent differences for both revenues and expenditures. The MECRS prepayment is a budgetary prepayment for FY 2009 which was approved by the BMA.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

The following departments overspent their budget:

General government	\$ 1,484,291
Highway and streets	\$ 241,183
Parks and recreation	\$ 8,110

Budget/GAAP reconciliation

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

	Revenues	Expenditures	Transfers In	Transfers Out
Statement of revenues and expenditures - budgetary basis	\$ 113,879,261	\$ 121,064,299	\$ 2,110,741	\$ 673,372
Central Business District	245,590	227,930	-	-
Transfer to Parking enterprise	-	-	-	500,000
Transfer to MDC	-	-	-	75,000
Transfer to Special Revenue	-	-	67,914	-
Wall Street Tower Recovery (see Note 17)	1,600,978	-	-	-
Health Insurance Fund Transfer	960,000	-	240,000	-
Current year encumbrances	-	(421,528)	-	-
State retirement contributions	2,441,927	2,441,927	-	-
Tax revenues of 2008 recognized in 2009	1,433,548	-	-	-
Tax revenues of 2009 deferred until 2010	(2,042,891)	-	-	-
Sale of capital assets	412,670	-	-	-
Reimbursement for aggregation program - EPD	-	-	98,835	-
MECRS prepayment for FY 2009	-	1,465,000	-	-
MEDO - Special projects	-	62,365	-	-
Flood damage Residual Costs	-	187,249	-	-
Reimbursement for aggregation program - MWW	-	-	62,084	-
Expenditures of prior year encumbrances	-	210,687	-	-
Statement of revenues and expenditures (in conformity with GAAP)	<u>\$ 118,931,083</u>	<u>\$ 125,237,929</u>	<u>\$ 2,579,574</u>	<u>\$ 1,248,372</u>

Note 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's guideline 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 MECRS maintains cash balances in excess of the amount insured by FDIC. The MECRS 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 MECRS believes it is not exposed to any significant risk with respect to these accounts. At any given time, only the \$250,000 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. government obligations); 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 MECRS 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 MECRS' name and not in the name of the custodian for benefit of the MECRS.

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.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 MECRS. 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.

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 MECRS' 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 MECRS. In addition, no more than 5% of the outstanding shares of any one corporation can be held by the MECRS. Taken together, these guidelines mitigate the magnitude of risk and loss attributable to a single issuer.

The following represents the fair value of investments held that represent 5% or more of the City's investments:

Library Trust Fund

Vanguard Admiral GNMA FD #536	\$	319,439
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Old System Pension Trust Fund

Federal Home Ln Mtg Corp	\$	358,577
Federal Natl MTG Assn	\$	371,552
U.S. Treasury Note	\$	1,127,540

Cemetery Trust

U.S. Treasury Bond	\$	1,608,764
U.S. Treasury Note	\$	1,116,364
U.S. Treasury Note	\$	1,335,263

Expendable Trust

U.S. Treasury Note	\$	470,375
U.S. Treasury Note	\$	696,117
U.S. Treasury Note	\$	293,595
U.S. Treasury Note	\$	304,774
U.S. Treasury Note	\$	220,129
Bank of America	\$	404,368
Wells Fargo & Co	\$	601,796

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

MECRS Pension Trust

Income Research Mgt. (Core Bonds Fund)	\$ 12,444,907
Attalus Capital Management (Hedge Fund)	5,818,664
Archstone Capital (Hedge Fund)	5,714,555
Loomis Sayles (Fixed Income Fund)	10,625,157
Regions Morgan Keegan (Timberfunds)	7,232,548
Mellon Capital EB (Global Tactical Assets)	16,612,113
Cadence Capital (US Large Cap Growth)	7,760,876
SSGA (US Large Cap Value Fund)	8,535,336
Vanguard Admiral Fund	7,281,823

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, 2009, \$12,535 of the City's bank balance of \$161,359,061 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 MECRS 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.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Investment Policy:

The MECRS' 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%	19.10%	Hedge Funds	10.00%	10.80%
Large Cap Equity	20.00%	15.20%	Private Equity	5.00%	0.80%
Mid / Small Equity	10.00%	6.80%	Fixed Income	18.00%	21.50%
International Equity	9.00%	7.20%	Real Assets	5.00%	10.10%
Emerging Markets	4.00%	3.50%	Cash	2.00%	5.00%

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.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Cash and investments of the City consist of the following at June 30, 2009:

Cash and Cash Equivalents		
Deposits with Financial Institutions	\$	75,265,803
Municipal Backed Investment Fund		15,067,188
Repurchase Investments		65,716,878
CR Pension Cash		5,309,192
Total Cash and Cash Equivalents		<u>\$ 161,359,061</u>
General Fund Investments		
U.S. Government Agencies		561,678 ***
Certificate of Deposit		10,256,672 **
Total General Fund Investments		<u>10,818,350</u>
Library Trust Funds:		
U.S. Treasury Notes		437,793 ***
U.S. Government Agencies		519,876 ***
Corporate Bonds		328,560 ***
Common Stocks		919,080 ***
Equity Mutual Funds		189,405
Fixed Income Mutual Funds		319,439
Total Library Trust Funds		<u>2,714,153</u>
Cemetery Trust Funds:		
U.S. Treasury Notes		5,610,905 ***
Corporate Bonds		816,019 ***
Mutual Funds		7,000,579
Total Cemetery Trust Funds		<u>13,427,503</u>
Expendable Trust Funds:		
U.S. Treasury Notes		1,864,896 ***
Corporate Bonds		190,144 ***
Total Expendable Trust Funds		<u>2,055,040</u>
Old System Pension Trust Fund:		
U.S. Treasury Notes		1,355,202 ***
Corporate Bonds		4,365,148 ***
Mortgage Backed		1,164,408 ***
Mutual Funds		5,699,190
Total Old System Pension Trust Fund		<u>12,583,948</u>
City Retirement System Investments, at fair value		
Equity funds		23,574,343
International equity		7,704,335
Alternative equity		866,314
Hedge funds		11,533,219
Fixed income		23,070,064
Emerging market funds		3,713,500
Real estate		3,654,284
Timber funds		7,232,548
Specialty investments		20,513,649
Total City Retirement System		<u>101,862,256</u>
Total Investments	\$	<u>143,461,250</u>
Total Cash and Investments	\$	<u>304,820,311</u>

** 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, 2009

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

Statement of Net Assets

Cash and cash equivalents	\$ 54,149,435
Restricted cash	101,606,059
Investments	10,818,350
Restricted Investments	18,196,696
	<u>184,770,540</u>

Pension Trust Funds

Cash and cash equivalents	5,603,567
Investments	114,446,204
	<u>120,049,771</u>

Total \$ 304,820,311

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 Notes	\$ 9,268,796	\$ 815,957	\$ 3,473,639	\$ 4,979,200	\$ -
US Government Agencies	1,081,554	713,389	368,165	-	-
Corporate Bonds	5,699,871	640,321	3,794,514	567,662	697,374
Mortgage Backed	1,164,408	-	-	-	1,164,408
Fixed Income Mutual Fund	319,439	319,439	-	-	-
Fixed Income Funds	23,070,064	-	12,444,907	10,625,157	-
Municipal Backed Investment Fund	15,067,188	15,067,188	-	-	-
Repurchase Investment	65,716,878	65,716,878	-	-	-
Total	<u>\$ 121,388,198</u>	<u>\$ 83,273,172</u>	<u>\$ 20,081,225</u>	<u>\$ 16,172,019</u>	<u>\$ 1,861,782</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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	Municipal Backed Investment Fund	Fixed Income Funds
AAA	\$ 3,040,449	\$ 1,164,408	\$ 10,350,350	\$ 65,716,878	\$ -	\$ 15,067,188	\$ -
AA	229,699	-	-	-	-	-	-
AA+	129,984	-	-	-	-	-	12,444,907
AA-	236,454	-	-	-	-	-	-
A+	377,832	-	-	-	-	-	-
A	1,253,108	-	-	-	-	-	-
A-	169,792	-	-	-	-	-	10,625,157
BBB	57,715	-	-	-	-	-	-
BBB-	68,656	-	-	-	-	-	-
Unrated	136,182	-	-	-	319,439	-	-
	<u>\$ 5,699,871</u>	<u>\$ 1,164,408</u>	<u>\$ 10,350,350</u>	<u>\$ 65,716,878</u>	<u>\$ 319,439</u>	<u>\$ 15,067,188</u>	<u>\$ 23,070,064</u>

Note 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,

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 \$2.14 for 2009. This 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 donor district.

Note 6. Receivables

Primary government

	General	Water Works	EPD	Aviation	Nonmajor governmental	Nonmajor business type	Total
Due from Warrants	\$ 31,533,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,533,809
Due from State of NH & other local governments	455,205	-	1,980,111	104,276	93,389	-	2,632,981
Prior year tax liens	495,533	-	-	-	-	-	495,533
Tax titles	2,020,321	-	-	-	-	-	2,020,321
Due from federal government	17,325	-	42,752	1,778,661	159,336	-	1,998,074
Accounts receivable-trade	1,765,497	2,669,967	5,682,896	2,418,205	10,203	222,532	12,769,300
Notes receivable	-	-	-	-	6,490,540	-	6,490,540
Other	440,641	131,330	719,007	-	14,987	-	1,305,965
Total gross receivables	36,728,331	2,801,297	8,424,766	4,301,142	6,768,455	222,532	59,246,523
Allowance for collection losses	(2,185,738)	-	-	-	-	-	(2,185,738)
Total net receivables	\$ 34,542,593	\$ 2,801,297	\$ 8,424,766	\$ 4,301,142	\$ 6,768,455	\$ 222,532	\$ 57,060,785

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 7. Interfund Receivables, Payables and Transfers

Due from/to other funds consist of the following at June 30, 2009:

Receivable Fund	Payable Fund	Amount
General Fund	Agency	\$ 2,358,956
	Capital projects	9,419,897
	Special Revenue:	
	Other grants	590,566
	Enterprise Funds:	
	Water	88,780
	Aviation	232,623
	EPD	63,439
	Recreation	3,593,563
	Parking	General Fund
		<u>\$ 16,327,285</u>

The balance of \$9,419,897 due from Capital Projects to the general fund is the result of a short-term advance. The balance of \$3,593,563 due from the Recreation Fund is a long-term advance as it will not be paid to the General Fund in the short-term. 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, 2009 were as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 2,579,574	\$ 1,173,372
Other Funds	673,372	740,100
EPD Fund	-	98,835
Water Fund	-	62,084
Parking Fund	500,000	1,678,555
Sub-totals	<u>\$ 3,752,946</u>	<u>\$ 3,752,946</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. Major interfund transfers include the following:

Transfer from the Parking Fund to the General Fund in the amount of \$1,678,555 for the annual dividend. Transfer from the General Fund to the Cash Special Projects Fund for special programs administered by city departments in the amount of \$673,372. Transfer from the General Fund to the Parking Fund for the acquisition and installation of pay and display parking meters of \$500,000. Transfer from the Cemetery Trust Fund to the General Fund of \$500,100 for the annual contribution into the general fund operating budget.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 8. Capital Assets

Governmental activities

Changes in the governmental capital assets for the year ended June 30, 2009, were as follows:

	Balance June 30, 2008	Additions	Retirements	Transfers	Balance June 30, 2009
Capital assets, not being depreciated					
Land	\$ 14,337,955	\$ -	\$ -	\$ -	\$ 14,337,955
Construction-in-Progress	1,958,934	10,747,207	-	(2,078,713)	10,627,428
Total capital assets, not being depreciated	16,296,889	10,747,207	-	(2,078,713)	24,965,383
Capital assets, being depreciated					
Buildings	326,409,160	5,596	-	1,093,044	327,507,800
Improvements other than buildings	25,380,582	7,928	(672,368)	637,279	25,353,421
Equipment	9,816,407	690,876	(536,643)	95,238	10,065,878
Vehicles	21,428,363	1,516,097	(1,193,074)	-	21,751,386
Infrastructure	82,468,961	6,342,465	-	253,152	89,064,578
Total capital assets, being depreciated	465,503,473	8,562,962	(2,402,085)	2,078,713	473,743,063
Less accumulated depreciation					
Buildings	90,629,579	9,774,429	-	-	100,404,008
Improvements other than buildings	8,766,191	996,827	(266,588)	-	9,496,430
Equipment	6,237,980	693,094	(415,916)	-	6,515,158
Vehicles	15,899,491	1,342,847	(1,155,265)	-	16,087,073
Infrastructure	26,730,155	3,205,755	-	-	29,935,910
Total accumulated depreciation	148,263,396	16,012,952	(1,837,769)	-	162,438,579
Governmental Activities Capital Assets, Net	\$333,536,966	\$ 3,297,217	\$ (564,316)	\$ -	\$ 336,269,867

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Business-type activities

Changes in the business-type capital assets for the year ended June 30, 2009, were as follows:

	Balance June 30, 2008	Additions	Retirements	Transfers	Balance June 30, 2009
Capital assets, not being depreciated					
Land	\$ 49,864,592	\$ 256,749	\$ (17,000)	\$ -	\$ 50,104,341
Construction-in-Progress	16,658,935	12,853,316	-	(21,960,606)	7,551,645
Total capital assets, not being depreciated	66,523,527	13,110,065	(17,000)	(21,960,606)	57,655,986
Capital assets, being depreciated					
Buildings	402,889,455	512,699	(210,185)	3,137,512	406,329,481
Improvements other than buildings	324,372,730	920,296	-	16,723,641	342,016,667
Interceptors	72,932,021	-	-	1,109,632	74,041,653
Equipment & vehicles	34,463,331	1,542,592	(741,704)	989,821	36,254,040
Total capital assets, being depreciated	834,657,537	2,975,587	(951,889)	21,960,606	858,641,841
Less accumulated depreciation					
Buildings	130,020,860	10,428,488	(208,315)	-	140,241,033
Improvements other than buildings	92,977,239	15,321,882	-	-	108,299,121
Interceptors	21,086,042	1,475,173	-	-	22,561,215
Equipment & vehicles	19,708,300	2,108,441	(734,971)	-	21,081,770
Less total accumulated depreciation	263,792,441	29,333,984	(943,286)	-	292,183,139
Business-type Total Capital Assets, Net	\$ 637,388,623	\$ (13,248,332)	\$ (25,603)	\$ -	\$ 624,114,688

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Discretely reported component units

Capital assets activity in the School District at June 30, 2009, consisted of the following:

	Balance June 30, 2008	Increases	Balance June 30, 2009
Capital assets, not being depreciated			
Land	\$ 169,400	-	\$ 169,400
Total capital assets, not being depreciated	169,400	-	169,400
Capital assets, being depreciated			
Portable classrooms	1,047,602	-	1,047,602
Improvements	172,068	11,500	183,568
Instruments	218,247	30,424	248,671
Other machinery & equipment	14,377,285	1,019,369	15,396,654
Total capital assets, being depreciated	15,815,202	1,061,293	16,876,495
Total all capital assets	15,984,602	1,061,293	17,045,895
Less accumulated depreciation			
Portable classrooms	278,724	34,920	313,644
Improvements	17,208	6,885	24,093
Instruments	41,028	10,000	51,028
Other machinery & equipment	8,895,787	1,477,019	10,372,806
Less total accumulated depreciation	9,232,747	1,528,824	10,761,571
Total Capital Assets being depreciated, Net	\$ 6,751,855	\$ (467,531)	\$ 6,284,324

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Capital asset activity in the MTA at June 30, 2009, consisted of the following:

	Balance			Balance
	June 30, 2008	Additions	Retirements	June 30, 2009
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	8,224,457	1,230,366	(498,375)	8,956,448
Equipment	1,776,139	-	-	1,776,139
Total capital assets being depreciated	11,808,194	1,230,366	(498,375)	12,540,185
Less accumulated depreciation	7,719,580	845,466	(498,375)	8,066,671
Total Capital Assets being depreciated, Net	\$ 4,217,723	\$ 384,900	\$ -	\$ 4,602,623

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

Governmental Activities:		
General		\$ 3,651,312
Public safety		1,148,567
Highways and streets		3,706,556
Health and welfare		145,687
Education and library		5,527,108
Parks		1,833,722
Total depreciation expense – governmental activities		<u>\$ 16,012,952</u>
Business-type Activities:		
Water Works		\$ 3,343,764
EPD		5,901,996
Aviation		19,221,020
Recreation		444,183
Parking		423,021
Total depreciation expense – business-type activities		<u>\$ 29,333,984</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 9. Unearned Revenue/Deferred Revenue

Governmental funds recognize 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 recognize 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:

	Unearned Revenue	Deferred Revenue
	<u> </u>	<u> </u>
General Fund:		
Taxes and accrued interest on delinquent property taxes	\$ -	\$ 2,538,424
Unearned tax revenue	31,083,349	-
Gatsas (Livingston Park) receivable	-	250,000
Impact fees	3,275,361	-
Nonmajor funds	<u>378,428</u>	<u>-</u>
Total deferred/unearned revenue	<u>\$ 34,737,138</u>	<u>\$ 2,788,424</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 10. Long-Term Debt

Below is a listing of all the debt outstanding at June 30, 2009:

Issuer	Date of Issue	Interest Rate(s)(%)	Original Amounts	Maturity Dates	Annual Payment	Balance June 30, 2009
GO Series 1989	December-89	6.875	\$ 1,135,000	2010	\$ 40,000 - 45,000	\$ 40,000
GO Series 1990 BB_C	July-90	7.10	700,000	2010 - 2011	35,000	70,000
GO Series 1990 BB_F	December-90	6.75	1,300,000	2010 - 2011	65,000	130,000
GO Series 1993	July-93	5.25 - 5.375	20,290,000	2010 - 2011	415,000 - 1,230,000	970,000
SRF 1995	October-94	4.168	20,840,578	2010 - 2015	1,169,437 - 1,494,111	8,114,350
Airport Series 1998 A	March-98	4.00 - 5.00	99,055,000	2010 - 2026	695,000 - 6,910,000	79,385,000
SRF 2001	January-00	2.79	7,842,439	2010 - 2010	784,244	784,244
Airport Series 2000 A	April-00	5.00 - 5.375	46,010,000	2011 - 2015	620,000 - 1,640,000	6,690,000
Airport Series 2000 B	April-00	5.125 - 5.25	7,430,000	2010 - 2011	710,000 - 1,260,000	1,970,000
GO Series 2001 A	November-01	4.00 - 5.00	23,415,000	2010 - 2014	70,000 - 1,490,000	2,995,000
GO Series 2001 B	November-01	3.75 - 4.50	16,565,000	2010 - 2016	950,000 - 1,615,000	9,820,000
POB Series 2001 C	November-01	5.36 - 6.22	20,810,000	2010 - 2031	320,000 - 850,000	14,335,000
Airport Series 2002 A	June-02	4.00 - 5.125	35,740,000	2010 - 2030	895,000 - 2,380,000	31,565,000
Airport Series 2002 B	June-02	5.00	7,010,000	2030 - 2032	1,610,000 - 2,765,000	7,010,000
School Series 2003	July-03	3.875 - 5.25	101,410,000	2010 - 2028	1,445,000 - 4,565,000	27,925,000
SRF Landfill	July-03	3.728	13,221,166	2010 - 2024	661,058	9,915,976
Water Series 2003	November-03	4.00 - 5.00	38,345,000	2010 - 2035	175,000 - 2,950,000	38,345,000
GO Series 2003 A	December-03	4.00 - 5.00	34,265,000	2013 - 2029	330,000 - 3,075,000	34,265,000
GO Series 2003 B	December-03	4.00 - 5.00	25,495,000	2010 - 2020	1,230,000 - 2,690,000	22,565,000
GO Series 2003 C	December-03	3.55 - 5.75	27,760,000	2010 - 2029	80,000 - 3,470,000	14,655,000
GO Series 2004	September-04	3.125 - 5.25	11,730,000	2010 - 2019	1,010,000 - 2,040,000	11,540,000
School Series 2004	October-04	3.60 - 5.50	61,970,000	2010 - 2028	2,000,000 - 5,745,000	60,785,000
SRF 2005	August-04	1.153	4,870,047	2010	985,106 - 996,459	996,459
Airport Series 2005 A	July-05	3.00 - 5.00	17,110,000	2010 - 2027	165,000 - 3,135,000	16,450,000
Airport Series 2005 B	July-05	3.05	59,215,000	2011 - 2030	300,000 - 10,545,000	59,215,000
SRF 2007	December-05	3.27	2,970,000	2007 - 2021	166,957 - 245,638	2,484,820
GO Series 2007	February-07	4.00 - 5.00	34,845,000	2007 - 2022	1,525,000 - 3,200,000	31,520,000
SRF 2008 1	July-07	1.09	2,453,435	2010 - 2012	490,687	1,472,061
SRF 2008 2	July-07	3.488	3,426,462	2010 - 2028	171,323	3,255,139
SRF 2008 3	January-08	3.488	4,412,033	2010 - 2028	220,602	4,191,431
SRF 2008 4	July-08	3.488	4,881,959	2010 - 2027	244,098	4,637,861
SRF 2009	September-08	3.57 - 4.208	4,147,317	2010 - 2028	207,366	3,939,851
Airport Series 2008	June-08	4.38	30,255,000	2010 - 2022	1,575,000 - 2,855,000	28,680,000
						540,717,192
						Less amount representing business-type activities
						315,977,578
						\$ 224,739,614

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Primary government

The debt service requirements of the City's outstanding General Obligation (GO) bonds, revenue bonds and notes payable at June 30, 2009 are as follows:

Governmental long-term debt:

Fiscal year	Principal	Interest	Total
2010	13,974,088	10,918,741	\$ 24,892,829
2011	14,374,625	10,312,655	24,687,280
2012	12,810,963	9,677,071	22,488,034
2013	14,142,943	9,055,491	23,198,434
2014	14,266,207	8,406,263	22,672,470
2015-2019	66,898,309	32,328,110	99,226,419
2020-2024	53,101,674	16,796,038	69,897,712
2025-2029	34,535,772	4,855,605	39,391,377
2030-2031	635,033	58,244	693,277
Debt Service Requirement	224,739,614	102,408,218	327,147,832
Add Net Bond Premium	15,589,198	-	15,589,198
Total Governmental Activities	\$ 240,328,812	\$ 102,408,218	\$ 342,737,030

Business-type Activities:

Fiscal year	Principal	Interest	Total
2010	13,487,344	14,692,505	\$ 28,179,849
2011	12,627,517	13,166,597	25,794,114
2012	12,864,891	12,642,100	25,506,991
2013	13,038,331	12,071,915	25,110,246
2014	13,543,667	11,478,056	25,021,723
2015-2019	68,934,021	48,400,527	117,334,548
2020-2024	78,719,058	32,567,638	111,286,696
2025-2029	76,012,782	14,692,088	90,704,870
2030-2034	23,799,967	3,303,997	27,103,964
2035	2,950,000	73,750	3,023,750
Debt Service Requirement	315,977,578	163,089,173	479,066,751
Add Net Bond Premium	1,286,357	-	1,286,357
Less Deferred Loss	(3,495,806)	-	(3,495,806)
Total Business-type Activities	\$ 313,768,129	\$ 163,089,173	\$ 476,857,302

Interest rates for the City's outstanding GO bonds range from 3.125% to 7.10%. At June 30, 2009, the City's legal debt limit was \$954,056,000. Authorized, unissued financing resolutions as of June 30, 2009 totaled \$44,257,427.

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

deceased bonds are not included in the City's financial statements. On June 30, 2009, \$8,100,000 of outstanding GO Bonds and \$63,170,000 of School Revenue Bonds are considered deceased.

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Balance			Balance	Due within
	June 30, 2008	Increases	Decreases	June 30, 2009	One year
Governmental activities:					
General Obligation Debt - City	\$ 112,961,511	\$ -	\$ 9,469,389	103,492,122	\$ 7,972,425
Revenue Bonds Payable - MSD	91,440,000	-	2,730,000	88,710,000	2,875,000
General Obligation Bonds Payable - MSD	35,708,104	-	3,170,612	32,537,492	3,126,663
Premiums (Discounts)	16,681,507	-	1,092,309	15,589,198	1,092,309
	<u>256,791,122</u>	<u>-</u>	<u>16,462,310</u>	<u>240,328,812</u>	<u>15,066,397</u>
Compensated absences	10,357,759	1,173,007	915,805	10,614,961	2,653,740
Insurance claims	4,823,033	14,616,671	14,349,246	5,090,458	5,090,458
Landfill post-closure care	4,314,729	-	24,396	4,290,333	-
	<u>\$ 276,286,643</u>	<u>\$ 15,789,678</u>	<u>\$ 31,751,757</u>	<u>\$ 260,324,564</u>	<u>\$ 22,810,595</u>
Business-type activities					
General Obligation Debt	\$ 45,115,198	\$ 9,029,277	\$ 7,476,897	46,667,578	\$ 6,017,344
Revenue Bonds	276,295,000	-	6,985,000	269,310,000	7,470,000
Premiums (Discounts)	(2,554,037)	-	(344,588)	(2,209,449)	(344,588)
	<u>\$ 318,856,161</u>	<u>\$ 9,029,277</u>	<u>\$ 14,117,309</u>	<u>\$ 313,768,129</u>	<u>\$ 13,142,756</u>

The EPD Enterprise Fund has eight loan agreements with original principal balances amounting to \$52,874,270 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. Total unamortized indebtedness as of June 30, 2009 is \$27,391,497 for EPD and CSO projects.

The City has pledged future airport revenues, net of specified operating expenses, to repay \$231,000,000 in airport revenue bonds. Proceeds from the bonds were used for various airport construction projects. The bonds are payable solely from the airport net revenues and are payable through 2032. The current year coverage ratio is 1.83. The total principal and interest remaining to be paid on the bonds is \$348,193,168. Principal and interest paid for the current year was \$18,060,209.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

The Department of Aviation (the DA) Enterprise Fund previously entered into a twenty-year interest rate swap agreement for its Series 2001 \$38,340,000 variable rate demand general airport revenue bonds. These bonds were hedged by an interest rate exchange arrangement (the “Lehman Swap Agreement”) between the City and Lehman Brothers Special Financing, Inc. (“Lehman”), as swap counterparty. The Series 2001 Bonds were refunded by the Series 2008 Bonds, which were issued on June 27, 2008. The Lehman Swap Agreement remained in effect in connection with the issuance of the Series 2008 Bonds. The Lehman Swap Agreement was terminated on June 24, 2009 pursuant to a Settlement Agreement between the City and Lehman. The DA continues to pay interest to the 2008 bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the DA effectively paid a fixed rate on the debt. The debt service requirements to maturity for these bonds are based on the fixed rate. The DA previously entered into a forward starting interest rate swap agreement for its Series 2005B \$59,215,000 variable rate general airport revenue bonds. As of June 30, 2009, the accrual of the bond interest payable – swap was \$3,290,610.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 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 City of Manchester Employees' Contributory Retirement System or MECRS. 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

	MECRS Pension Trust	Old System Pension Trust	Total
Assets			
Cash and cash equivalents	\$ 5,309,192	\$ 294,375	\$ 5,603,567
Investments	101,862,256	12,583,948	114,446,204
Receivables, net of allowances for collection losses	4,384	80,925	85,309
Other assets	6,100	-	6,100
Property and equipment, net where applicable, of accumulated depreciation	23,980	-	23,980
Total Assets	107,205,912	12,959,248	120,165,160
Liabilities			
Accounts and warrants payable	122,503	-	122,503
Accrued liabilities	680,149	-	680,149
Total Liabilities	802,652	-	802,652
Net Assets Held in Trust for Pension Benefits	\$ 106,403,260	\$ 12,959,248	\$ 119,362,508

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

SCHEDULE OF CHANGES OF PLAN NET ASSETS

	MECRS Pension Trust	Old System Pension Trust	Total
Additions			
Contributions			
Employer	\$ 7,351,897	\$ -	\$ 7,351,897
Plan members	2,826,721	-	2,826,721
Total Contributions	10,178,618	-	10,178,618
Investment Gain (Loss)			
Net realized and unrealized depreciation in fair value of investments	(45,435,040)	(2,082,003)	(47,517,043)
Interest	87,380	632,201	719,581
Dividends	1,948,747	-	1,948,747
Less investment expense	(379,318)	-	(379,318)
Net Investment Loss	(43,778,231)	(1,449,802)	(45,228,033)
Total Reductions	(33,599,613)	(1,449,802)	(35,049,415)
Deductions			
Benefits paid directly to participants	7,976,157	1,731,363	9,707,520
Refunds of employee contributions	455,086	-	455,086
Administrative expenses	762,548	71,094	833,642
Total Deductions	9,193,791	1,802,457	10,996,248
Net Decrease	(42,793,404)	(3,252,259)	(46,045,663)
Net Assets Held in Trust for Pension Benefits			
Beginning of year	149,196,664	16,211,507	165,408,171
End of year	\$ 106,403,260	\$ 12,959,248	\$ 119,362,508

New System

In 1974, the City established a single-employer public employee retirement system (the MECRS) 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 MECRS as a condition of employment. Employees are 100% vested after five years of service. The retirement benefit is calculated at 1-1/2% of final average total compensation during the highest three years of service in the last ten years of service (hereafter average compensation), multiplied by the years of service prior to January 1, 1999 plus 2% after January 1, 1999 of average compensation multiplied by the years of service after January 1, 1999. There is a minimum benefit of 50% of average compensation for employees hired prior to January 1, 1974 who complete 20 years of

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

service and attain age 60 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 MECRS 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 MECRS Board of Trustees (5%, for the periods ended June 30, 2009 and 2008) 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, 2008, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	596
Terminated vested members	95
Active members	<u>1,324</u>
Total Participants	<u>2,015</u>

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	Fiscal	Annual Required Contribution (ARC) as a Percentage of Valuation	Annual Required Contribution (ARC) as a Percentage of Valuation	Actual Contributions
Year Ended December 31	Year Ended June 30	Payroll-Pension	Payroll-Health	
2007	2009	13.84%	0.91%	N/A
2006	2008	13.27%	1.24%	N/A
2005	2007	10.63%	1.41%	N/A

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

SCHEDULE OF FUNDING PROGRESS - PENSION TRUSTS

Unfunded						
Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (Surplus) (b)	Actuarial Accrued Liability (c)	Funded Ratio (a)/(c)	Annual Covered Payroll	Unfunded Liability to Covered Payroll
12/31/2008	\$125,991,904	\$75,447,113	\$201,439,017	62.5%	\$50,740,516	148.7%
12/31/2007 *	139,962,942	59,347,157	199,370,099	70.2%	48,556,218	122.2%
12/31/2006	126,293,879	46,244,869	172,538,747	73.2%	47,537,456	97.3%
12/31/2006	113,856,253	34,059,414	147,915,666	77.0%	47,233,321	72.1%
12/31/2005	103,826,765	22,520,228	126,346,993	82.2%	45,027,930	50.0%
12/31/2004	95,297,689	20,954,959	116,252,648	82.0%	41,998,187	49.9%

SCHEDULE OF FUNDING PROGRESS - HEALTH TRUST

Unfunded						
Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (Surplus) (b)	Actuarial Accrued Liability (c)	Funded Ratio (a)/(c)	Annual Covered Payroll	Unfunded Liability to Covered Payroll
12/31/2008 **	\$2,605,141	\$ 9,820,788	\$ 12,425,929	21.0%	\$ 50,740,516	19.4%
12/31/2007	782,281	10,962,034	11,744,315	6.7%	47,537,456	23.1%

* After phased in COLA increase

** Subsequent to the most recent valuation date, certain economic events have had a significant adverse impact on investment portfolios. As such these market downturns may have a significant effect on the funded ratio and on future required contributions.

Additional information as of the latest actuarial valuation follows:

Valuation Date:	December 31, 2008
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	25years

Medical Sub-Trust Section 401(h) Benefits

Beginning in 2006, following the November 2005 ratification by City referendum of Chapter 41 Laws of 2005, the Retirement System began operating a Retiree Health Insurance Trust pursuant to the provisions of Internal Revenue Code Section 401(h). In March of 2006, the member contribution rate increased by 1.25% to accumulate assets from which to pay benefits and on

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

July 1, 2006, the System began providing health insurance subsidies to both new and existing retirees based upon their creditable service at retirement. The benefit is limited to members who continue to obtain their health insurance through the City's health insurance plan after they retire. The benefit amount for those already retired on March 1, 2006 was equal to 50% of the amount paid to those retiring after that date. As of July 1, 2007, the City's employer contribution rate which helps fund the benefit decreased from 1.41% to 1.24% based upon revised assumptions.

Contributions to the sub-trust are commingled with those of the pension trust and are invested in aggregate. All assets are invested as prescribed in the organization's investment guidelines. Under no circumstances are the contributions made by the employee available for refund and in the event of termination, such contributions forfeit to the Plan. Assets of the sub-trust are available solely for the payment of subsidy benefits to qualified members of the Plan. Should the Plan be discontinued, assets in excess of those required to meet ongoing benefit obligations of the plan would revert to the employer.

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 MECRS. The Old System was replaced by the MECRS 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. Eligible employees who retire from active employment with the City after completing at least 20 years of service may receive a lifetime annuity equal to 50% of final year's pay. At June 30, 2009, the Old System membership consisted of:

Members currently receiving benefits	139
Active Vested Members	<u>14</u>
Total Members	<u>153</u>

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year ended June 30,	Annual Required Contributions	Percentage contributed
2009	\$ 61,292	0.0%
2008	-	0.0%
2007	48,508	0.0%

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

Annual required contribution	\$ 61,292
Interest on net pension obligation	(1,036,913)
Adjustment to annual required contribution	1,943,920
Annual pension cost	<u>968,299</u>
Less contributions made	-
Increase in net pension obligation (asset)	<u>968,299</u>
Net pension obligation (asset) beginning of year	(13,825,512)
Net pension obligation (asset) end of year	<u><u>\$ (12,857,213)</u></u>

Three year trend information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation (Asset)</u>
6/30/2009	\$968,299	0.0 %	\$(12,857,213)
6/30/2008	834,584	0.0 %	(13,825,512)
6/30/2007	818,868	0.0 %	(14,660,096)

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Assets	Accrued Liability (AAL) P.U.C.	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
7/1/2009	\$ 12,959,248	\$ 16,885,092	\$ 3,925,844	76.75 %	\$ 785,075	500.06 %
7/1/2008	16,210,784	16,646,708	435,924	97.38	882,731	49.38
7/1/2007	18,331,806	17,771,369	(560,437)	103.15	907,546	(61.75)
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, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Remaining amortization period	10 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, 2009 was \$354,127.

At June 30, 2009, the membership consisted of:

Members currently receiving benefits	31
--------------------------------------	----

New Hampshire Retirement System

The City contributes to the NHRS a cost-sharing, multiple-employer defined benefit pension plan administered by the state retirement board. The NHRS provides retirement and disability and death benefits to plan members and beneficiaries. Revised Statutes Annotated 100-A:16-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 54 Regional 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 11.84% to 15.92% of covered compensation.

The City's contributions to the system, consisting of firefighters and police officers, for the years ended June 30, 2009, 2008 and 2007 were \$4,537,401, \$4,431,844, and \$3,647,387, respectively, and were equal to the required contributions. For the years ended June 30, 2009, 2008 and 2007, the City has recognized both revenue and expenditures of \$2,441,926, \$2,385,111, and \$1,964,847, respectively, on behalf of contributions made by the State to the NHRS.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 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. 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 has 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
2009	\$4,823,033	\$14,616,671	\$14,349,246	\$5,090,458
2008	\$5,461,366	\$12,237,590	\$12,875,923	\$4,823,033

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.

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

\$150,000 per individual and \$500,000 per incident. \$271,800 was recorded in the government wide statements for fiscal year 2009 as the City's estimated liabilities for unsettled claims.

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. \$3,700,900 was recorded in the government wide statements as the City's estimated liability for all types of claims incurred in 2009 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 in 1998 by the United States Environmental Protection Agency (EPA), requiring the City to evaluate and plan for appropriate treatment of Combined Sewer Overflows (CSOs) 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 CSOs from its publicly-owned treatment works. As of June 30, 2009, there is no pending claim by the EPA or the State.

The EPD completed a Long-Term Control Plan to address CSOs in 1998 and entered into negotiations with the EPA. The total project was estimated to cost \$85 to \$140 million. The City subsequently signed a consent order with the EPA and NHDES to address the first phase of the CSOs on the City's West Side over an 11-year period at an estimated cost of \$59 million. EPD has completed all CSO projects as required by the consent order. To date, all eligible CSO work has been awarded SRF loans and 20% State grants. The City is now preparing a Phase II Long-Term Control Plan to address the CSOs on the City's East Side. The plan will be submitted to the EPA in March 2010. It is estimated the Phase II CSO program will cost \$200 million and last 20 years.

Note 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. The \$4,290,333 reported as landfill closure and postclosure care liability at June 30, 2009 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,

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

1996. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

Note 14. Fund Deficits

As of June 30, 2009, the Capital Projects Fund, CDBG, Other Grants funds and the Recreation Fund had fund deficits in the amounts of \$5,171,575, \$697,294, \$2,203,688 and \$2,082,952, respectively.

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

Note 15. Issued But Not Effective Professional Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2009 that has effective dates that may impact future financial presentations. Management is currently assessing the impact, if any, that the adoption of these standards will have on future financial statements of the City.

- ◆ GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* will be implemented by the City as required by the GASB during the fiscal year ending June 30, 2010. The statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The statement also provides authoritative guidance that specifically addresses the nature of these intangible assets.
- ◆ GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* will be implemented by the City as required by the GASB during the fiscal year ending June 30, 2010. The statement is intended to improve how state and local governments report information about derivative instruments – financial arrangements used by governments to manage specific risks or make investments – in their financial statements.
- ◆ GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* will be implemented by the City as required by the GASB during the fiscal year ending June 30, 2011. This statement establishes accounting and financial reporting standards for all governments that report governmental funds. This statement establishes the criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The implementation of this statement will result in changes to the classification of fund balances in the Town's governmental funds.

Note 16. Subsequent Event

On December 21, 2009 the City closed on an \$85,535,000 issue of General Airport Refunding Bonds for Manchester-Boston Regional Airport. The bonds were issued in two series: \$64,830,000 of 2009A Bonds were issued to refund all of the Airport's previously outstanding 2005B Bonds, and \$20,705,000 of 2009B Bonds were issued to refund a portion of the Airport's previously outstanding 1998A Bonds and all of its 2000A Bonds. The City had been analyzing the possible issuance of bonds for both of these purposes since approximately August of 2009.

The previously outstanding 2005B Bonds were issued as variable rate bonds with an accompanying interest rate swap. In light of the numerous problems that have arisen in the market with variable rate bonds and interest rate swaps since 2005, the City preferred to refund the 2005B Bonds with traditional fixed rate bonds. The issuance of the \$64,830,000 of 2009A Bonds accomplished that purpose, including the termination of the interest rate swap. The 2009A Bonds were issued with a final maturity of 2030 (the same as the 2005B Bonds) at a true interest cost of 5.75% including the cost of terminating the interest rate swap, and 5.03% excluding the cost of terminating the interest rate swap.

The 2009B Bonds were issued in the principal amount of \$20,705,000 to refund a portion of the 1998A Bonds and all of the 2000A Bonds previously issued for the Airport. Significant debt service savings were achieved through each of these refundings. The 2009B Bonds were sold at a true interest cost of 2.98%. The refunding will reduce the Airport's overall debt service by over \$180,000 per year in fiscal years 2011 through 2015, and an additional \$127,000 in fiscal year 2016. These cash flow savings total over \$1 million, and are approximately \$958,000 on a present value basis.

Note 17. Wall Street Tower Recovery

On February 3, 2009, a Purchase Agreement was signed by the Sellers (MDC and the City) and the Buyer (Wall Street Tower Associates) to settle on a final payment of \$3.2 million, \$1.6 million to each Seller. The Purchase Agreement specifies the settlement to have the sellers transfer all notes on the Wall Street Tower property to the Buyer or its designee, free and clear of all liens, claims, rights, options, charges or other encumbrances or restrictions. The two promissory notes carried on the books of MDC as well as the allowance for losses were removed. On April 9, 2009, MDC and the City each received \$1.6 million in final payment from the Buyer. This payment was recognized as revenue in the amount of \$1,600,978 for both MDC and the City.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 18. Prior Period Adjustment

Net assets at July 1, 2008 was restated to give retroactive effect to the following prior period adjustment for MSD:

	<u>Government - Wide Statements</u>
To record MSD share of FICA/retirement taxes not previously recorded	(\$949,455)
Net assets, as previously reported	<u>17,452</u>
Net assets, as restated	<u><u>(\$932,003)</u></u>

**Supplemental and Combining Nonmajor
Fund Statements and Schedules**



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General Fund

General Fund

The general fund is the principal fund of the City and is used to account for all activities of the City, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the City (i.e., general government, public safety, public works, health, social services, recreation, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.



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**General Fund
Comparative Balance Sheets**

**City of Manchester, New Hampshire
June 30, 2009**

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 38,345,101	\$ 70,656,183
Restricted cash and cash equivalents	10,573,368	5,628,201
Investments	10,818,350	559,084
Receivables, net of allowances for collection losses	34,542,593	21,929,416
Prepaid items	143,568	1,491,053
Due from other funds	16,327,285	7,988,185
Inventories	768,930	772,123
Land held for resale	-	3,362,039
Total Assets	\$ 111,519,195	\$ 112,386,284
<u>Liabilities and Fund Equity</u>		
Liabilities		
Accounts and warrants payable	\$ 2,860,929	\$ 3,174,102
Retainage payable	42,897	52,465
Accrued liabilities	3,770,280	3,669,510
Insurance claims payable	631,565	780,883
Due to Manchester School District	22,889,543	27,369,736
Unearned revenue	34,358,710	20,373,265
Deferred revenue	2,788,424	2,184,464
Taxes collected in advance	27,727,378	33,356,746
Total Liabilities	95,069,726	90,961,171
Fund Equity		
Fund balances		
Reserved for		
Encumbrances	421,528	227,010
Inventory	768,930	772,123
Advance from other funds	3,593,563	2,356,706
Workers' compensation	1,301,705	2,575,167
Land held for resale		3,362,039
Designated for		
Health insurance	1,200,000	1,586,798
Special revenue	6,674,469	1,557,822
Revenue stabilization	6,527,137	9,187,774
General liability insurance	254,697	557,655
Unreserved		
Undesignated fund balance	(4,292,560)	(757,981)
Total Fund Equity	16,449,469	21,425,113
Total Liabilities and Fund Equity	\$ 111,519,195	\$ 112,386,284

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

**City of Manchester, New Hampshire
Year Ended June 30, 2009**

	<u>2009</u>	<u>2008</u>
<u>Revenues</u>		
Taxes	\$ 77,904,205	\$ 74,336,731
Federal and state grants and aid	8,018,461	10,302,400
Nonenterprise charges for sales and services	2,292,240	2,308,683
Licenses and permits	17,115,452	18,313,330
Interest	885,461	2,127,255
Wall Street Tower Recovery (Note 17)	1,600,978	-
Other	10,701,616	9,792,101
Total Revenues	118,518,413	117,180,500
<u>Expenditures</u>		
Current:		
General Government	26,885,522	21,784,276
Public safety	50,292,860	50,765,737
Health and sanitation	3,233,024	3,260,400
Highway and streets	22,943,918	23,304,156
Welfare	1,171,321	1,210,875
Education	2,609,605	2,506,273
Parks and recreation	3,301,223	3,355,423
Capital Outlay	199,270	994,712
Debt service:		
Principal retirement	9,469,389	9,218,984
Interest	5,131,797	5,518,191
Total Expenditures	125,237,929	121,919,027
Excess of revenues over expenditures	(6,719,516)	(4,738,527)
<u>Other Financing Sources (Uses)</u>		
Proceeds from sale of capital assets	412,670	431,873
Transfers in	2,579,574	2,267,563
Transfers out	(1,173,372)	(2,420,430)
Transfers out to MDC	(75,000)	-
Total Other Financing Sources (Uses)	1,743,872	279,006
Net Change in Fund Balance	(4,975,644)	(4,459,521)
Fund Balance, beginning of year	21,425,113	25,884,634
Fund Balance, end of year	\$ 16,449,469	\$ 21,425,113

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

**City of Manchester, New Hampshire
Year Ended June 30, 2009**

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Taxes				
Property tax	\$ 74,315,182	\$ 76,033,587	\$ 76,109,774	\$ 76,187
Miscellaneous taxes	47,500	47,500	44,265	(3,235)
Interest and penalties	625,000	625,000	889,598	264,598
Cable franchise fees	1,039,800	1,039,800	1,224,320	184,520
Total Taxes	76,027,482	77,745,887	78,267,957	522,070
Federal and State Grants and Aid				
Federal grants	227,000	210,000	242,055	32,055
Payments in lieu of taxes	885,000	885,000	907,856	22,856
State Grants	6,345,600	6,344,788	4,426,624	(1,918,164)
Total Federal and State Grants and Aid	7,457,600	7,439,788	5,576,535	(1,863,253)
<u>Nonenterprise Charges for Sales and Services</u>				
General revenues	188,045	149,032	233,128	84,096
Public safety	159,800	159,800	142,601	(17,199)
Highway	505,700	503,900	585,467	81,567
Sanitation	25,000	25,000	21,317	(3,683)
Health	-	11,076	15,956	4,880
Cemetery, Parks & Recreation	292,795	218,761	194,805	(23,956)
Zoning board	27,000	27,000	40,308	13,308
Parking violations	11,000	11,000	16,775	5,775
Court fines	75,000	75,000	43,345	(31,655)
Fees	1,108,650	868,933	854,933	(14,000)
Witness fees	95,100	95,100	158,813	63,713
Total Nonenterprise Charges for Sales and Services	2,488,090	2,144,602	2,307,448	162,846

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

**City of Manchester, New Hampshire
Year Ended June 30, 2009**

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Licenses and Permits				
Auto registrations	16,303,000	15,910,700	14,767,538	(1,143,162)
Licenses	391,900	419,981	489,908	69,927
Permits	3,421,000	3,124,550	1,892,783	(1,231,767)
Total Licenses and Permits	20,115,900	19,455,231	17,150,229	(2,305,002)
Interest				
Income from invested funds	1,929,000	1,529,000	885,461	(643,539)
Other Revenues				
Reimbursements	1,294,436	1,018,692	910,563	(108,129)
Rentals & Leases	804,500	804,500	798,938	(5,562)
School chargebacks	8,023,011	7,902,819	7,888,194	(14,625)
Miscellaneous	85,550	85,150	93,936	8,786
Total Other Revenues	10,207,497	9,811,161	9,691,631	(119,530)
Total Revenues	\$ 118,225,569	\$ 118,125,669	\$ 113,879,261	\$ (4,246,408)
Transfers in	2,654,100	2,754,000	2,110,741	(643,259)
Total Transfers in	2,654,100	2,754,000	2,110,741	(643,259)
Total Revenues and Transfers in	\$ 120,879,669	\$ 120,879,669	\$ 115,990,002	\$ (4,889,667)

General Fund
Schedule of Expenditures, Encumbrances and
Other Financing Uses - Budget and Actual 2009 (Budget Basis)

City of Manchester, New Hampshire
Year Ended June 30, 2009

	2009 Original Budget	2009 Revised Budget	2009 Total Commitments	Commitments vs Revised Budget Variance
General Government				
Aldermen	\$ 63,000	\$ 63,000	\$ 63,000	\$ -
Assessors	638,593	638,593	542,766	95,827
Building	1,183,665	1,183,665	1,143,166	40,499
City Clerk	1,066,523	1,066,523	880,456	186,067
City Solicitor	1,049,719	1,049,719	1,032,504	17,215
Civic Contribution	158,000	158,000	167,789	(9,789)
Conservation	7,499	7,499	3,152	4,347
Economic Development Office	249,284	249,284	264,458	(15,174)
Elderly Services	234,647	234,647	246,538	(11,891)
Finance	938,093	938,093	851,075	87,018
Information Systems	1,416,073	1,416,073	1,415,173	900
Mayor	203,678	203,678	206,230	(2,552)
MCTV	400,000	400,000	537,368	(137,368)
Nondepartmental	24,291,066	24,421,594	26,451,978	(2,030,384)
Non-city Program	69,278	69,278	68,899	379
Human Resources	647,450	647,450	641,035	6,415
Planning	695,867	695,867	502,616	193,251
Building Maintenance	5,934,056	5,934,056	5,860,911	73,145
Tax Collector	552,035	552,035	553,975	(1,940)
Youth Services	585,158	585,158	565,414	19,744
Total General Government	40,383,684	40,514,212	41,998,503	(1,484,291)
Public Safety				
Fire	18,472,242	18,472,242	18,042,440	429,802
Police	18,978,469	19,003,469	19,155,089	(151,620)
Total Public Safety	37,450,711	37,475,711	37,197,529	278,182
Health and Sanitation				
Health	2,499,161	2,499,161	2,273,464	225,697
Total Health and Sanitation	2,499,161	2,499,161	2,273,464	225,697
Highway and Streets				
Highway	19,050,498	19,050,498	19,291,681	(241,183)
Total Highway and Streets	19,050,498	19,050,498	19,291,681	(241,183)
Welfare				
Welfare	1,016,293	1,016,293	982,815	33,478
Total Welfare	1,016,293	1,016,293	982,815	33,478
Education				
Library	2,018,771	2,018,771	2,015,546	3,225
Total Education	2,018,771	2,018,771	2,015,546	3,225
Parks and Recreation				
Parks & Recreation	2,655,465	2,695,465	2,703,575	(8,110)
Total Parks and Recreation	2,655,465	2,695,465	2,703,575	(8,110)
Debt Service				
Principal retirement	9,469,389	9,469,389	9,469,389	
Interest	5,466,797	5,466,797	5,131,797	335,000
Total Debt Service	14,936,186	14,936,186	14,601,186	335,000
Total Expenditures	120,010,769	120,206,297	121,064,299	(858,002)
Other Financing Uses				
Community improvement program	868,900	673,372	673,372	-
Total Other Financing Uses	868,900	673,372	673,372	-
Total Expenditures and Other Financing Uses	\$ 120,879,669	\$ 120,879,669	\$ 121,737,671	\$ (858,002)

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for revenues legally restricted for specific expenditures.

HUD Section 108 Fund

To account for Housing and 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

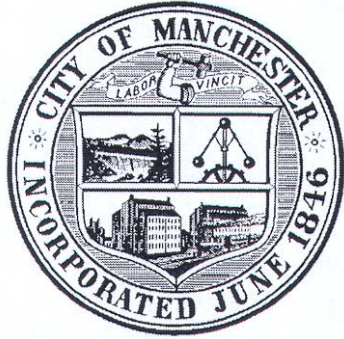
Permanent funds are to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

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
Assets				
Cash and cash equivalents	\$ 449,702	\$ 281,028	\$ 26,758	\$ -
Restricted cash and cash equivalents	-	-	-	378,428
Restricted investments	-	-	-	-
Receivables, net of allowances for collection losses	6,116,298	-	14,182	248,746
Prepaid items		4,000		
Total Assets	6,566,000	285,028	40,940	627,174
Liabilities and Fund Equity				
Liabilities				
Accounts and warrants payable	6,566,000	140,095	732,516	1,692,435
Accrued liabilities	-	8,131	5,718	41,692
Other				127,741
Due to other Funds	-	-	-	590,566
Unearned Revenue	-	-	-	378,428
Total Liabilities	6,566,000	148,226	738,234	2,830,862
Fund Equity				
Fund balances				
Reserved for				
Cemetery and Other Trust Funds	-	-	-	-
Library Trust Funds	-	-	-	-
Encumbrances	-	16,071	211,334	1,146,257
Unreserved				
Undesignated fund balance (Deficit)	-	120,731	(908,628)	(3,349,945)
Total Fund Equity (Deficit)	-	136,802	(697,294)	(2,203,688)
Total Liabilities and Fund Equity	\$ 6,566,000	\$ 285,028	\$ 40,940	\$ 627,174

City of Manchester, New Hampshire

June 30, 2009

Special Revenue			Permanent Funds		Total
Civic Center Fund	Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	
\$ -	\$ 2,390	\$ 1,227,358	\$ 661,040	\$ 37,745	\$ 2,686,021
2,049,470	130,140	-	-	97,717	2,655,755
-	-	2,055,040	13,427,503	2,714,153	18,196,696
-	374,242	481	210	14,296	6,768,455
					4,000
2,049,470	506,772	3,282,879	14,088,753	2,863,911	30,310,927
1,700	-	-	-	-	9,132,746
-	221,000	-	-	-	276,541
-	-	-	-	-	127,741
-	-	-	-	-	590,566
-	-	-	-	-	378,428
1,700	221,000	-	-	-	10,506,022
-	-	-	14,088,753	-	14,088,753
-	-	-	-	2,863,911	2,863,911
345,629	-	-	-	-	1,719,291
1,702,141	285,772	3,282,879	-	-	1,132,950
2,047,770	285,772	3,282,879	14,088,753	2,863,911	19,804,905
\$ 2,049,470	\$ 506,772	\$ 3,282,879	\$ 14,088,753	\$ 2,863,911	\$ 30,310,927

Nonmajor Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances (Deficits)

	Special Revenue			
	Cash			
	HUD Section 108 Fund	Special Projects Fund	CDBG Fund	Other Grant Fund
Revenues				
Federal and state grants and aid	\$ -	\$ -	\$ 2,745,929	\$ 11,067,178
Nonenterprise charges for sales and services	-	-	-	75,810
Interest	-	-	-	33
Contributions	-	-	-	-
Net depreciation in fair value of securities	-	-	-	-
Other	-	-	-	640,528
Total Revenues	-	-	2,745,929	11,783,549
Expenditures				
Current:				
General government	-	327,902	2,140,948	2,530,908
Public safety	-	258,772	57,193	781,781
Health and sanitation	-	-	54,953	1,599,233
Highway and streets	-	55,539	58,803	1,467,236
Welfare	-	5,363	-	72,967
Parks and recreation	-	151,509	178,406	247,933
Cemetery Trust	-	-	-	-
Investment management fee	-	-	-	-
Capital Outlay	-	373,753	420,825	6,715,547
Total Expenditures	-	1,172,838	2,911,128	13,415,605
Excess (deficiency) of revenues over expenditures	-	(1,172,838)	(165,199)	(1,632,056)
Other Financing Sources (Uses)				
Transfers in	-	673,372	-	-
Transfers out	-	-	-	(240,000)
Total Other Financing Sources (Uses)	-	673,372	-	(240,000)
Net Change in Fund Balance	-	(499,466)	(165,199)	(1,872,056)
Fund Balance (Deficit), beginning of year	-	636,268	(532,095)	(331,632)
Fund Balance (Deficit), end of year	\$ -	\$ 136,802	\$ (697,294)	\$ (2,203,688)

City of Manchester, New Hampshire
Year Ended June 30, 2009

Special Revenue			Permanent Funds		
Civic Center Fund	Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	Total
\$ 4,399,800	\$ -	\$ -	\$ -	\$ -	\$ 18,212,907
-	-	-	-	-	75,810
25,831	18,713	143,392	540,639	101,322	829,930
-	-	34,648	212,462	154,977	402,087
-	-	(816,492)	(2,479,301)	(341,824)	(3,637,617)
304,992	-	-	-	-	945,520
4,730,623	18,713	(638,452)	(1,726,200)	(85,525)	16,828,637
4,419,750	-	1,295,234	-	149,484	10,864,226
-	-	-	-	-	1,097,746
-	-	-	-	-	1,654,186
-	-	-	-	-	1,581,578
-	-	-	-	-	78,330
139,208	-	-	-	-	717,056
-	-	-	125,855	-	125,855
-	-	-	38,842	17,807	56,649
-	-	-	-	-	7,510,125
4,558,958	-	1,295,234	164,697	167,291	23,685,751
171,665	18,713	(1,933,686)	(1,890,897)	(252,816)	(6,857,114)
-	-	-	-	-	673,372
-	-	-	(500,100)	-	(740,100)
-	-	-	(500,100)	-	(66,728)
171,665	18,713	(1,933,686)	(2,390,997)	(252,816)	(6,923,842)
1,876,105	267,059	5,216,565	16,479,750	3,116,727	26,728,747
\$ 2,047,770	\$ 285,772	\$ 3,282,879	14,088,753	2,863,911	\$ 19,804,905



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Nonmajor Proprietary Funds

Enterprise Funds

Enterprise Funds are used 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.

Parking Fund

To account for the operations of the City's Parking Management and Operations, established as a division within the Finance Department.



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Nonmajor Proprietary Funds
 Combining Statement of Net Assets

City of Manchester, New Hampshire
 June 30, 2009

	Business-type Activities-Enterprise Funds		
	Non-Major		Total
	Recreation Fund	Parking Fund	
Assets			
Current assets:			
Cash and Cash Equivalents	\$ 350	\$ 120,201	\$ 120,551
Restricted cash and cash equivalents	91,502	30,168	121,670
Receivables, net of allowances for collection losses	77,712	144,820	222,532
Due from other funds		20,539	20,539
Total current assets:	169,564	315,728	485,292
Noncurrent assets:			
Capital assets, net, where applicable, of accumulated depreciation	7,559,782	9,886,978	17,446,760
Deferred charges	39,821	-	39,821
Total noncurrent assets:	7,599,603	9,886,978	17,486,581
Total Assets	\$ 7,769,167	\$ 10,202,706	\$ 17,971,873
Liabilities			
Current liabilities			
Accounts and warrants payable	\$ 120,574	\$ 164,205	\$ 284,779
Accrued liabilities	70,691	156,523	227,214
Due to other funds	3,593,563	-	3,593,563
Unearned revenue	27,554	-	27,554
Bonds and notes payable	354,936	560,051	914,987
Compensated absences	190,756	-	190,756
Other	35,269	73,549	108,818
Total Current liabilities	4,393,343	954,328	5,347,671
Noncurrent liabilities			
Bonds payable	5,453,217	4,546,845	10,000,062
Deferred Revenue	5,559	-	5,559
Total Noncurrent liabilities	5,458,776	4,546,845	10,005,621
Total Liabilities	9,852,119	5,501,173	15,353,292
Net Assets			
Invested in Capital Assets, net of related debt	1,830,890	4,780,082	6,610,972
Unrestricted	(3,913,842)	(78,549)	(3,992,391)
Total Net Assets (Deficit)	\$ (2,082,952)	\$ 4,701,533	\$ 2,618,581

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

City of Manchester, New Hampshire
Year Ended June 30, 2009

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Recreation</u> <u>Fund</u>	<u>Parking</u> <u>Fund</u>	<u>Total</u>
<u>Operating Revenues</u>			
Charges for goods and services	\$ 1,973,026	\$ 4,848,857	\$ 6,821,883
Other	17,885	237	18,122
Total Operating Revenues	1,990,911	4,849,094	6,840,005
<u>Operating Expenses</u>			
Personnel services	1,594,154	1,098,172	2,692,326
Plant maintenance	196,787	136,593	333,380
Light/heat and power	341,953	40,142	382,095
General and administrative	325,888	995,281	1,321,169
Depreciation and amortization	444,183	423,021	867,204
Total Operating Expenses	2,902,965	2,693,209	5,596,174
Operating Income (Loss)	(912,054)	2,155,885	1,243,831
<u>Non-Operating Revenues (Expenses), net</u>			
Interest income	-	4,645	4,645
Interest expense	(287,845)	(245,647)	(533,492)
Rent and other income	127,073	-	127,073
Total Non-operating Revenues (Expenses)	(160,772)	(241,002)	(401,774)
Net income (loss) before capital contributions and transfers	(1,072,826)	1,914,883	842,057
<u>Capital Contributions and Transfers</u>			
Capital Contributions	120,200	-	120,200
Transfer to general fund	-	(1,678,555)	(1,678,555)
Transfer from general fund	-	500,000	500,000
Total Capital Contributions and Transfers	120,200	(1,178,555)	(1,058,355)
Change in Net Assets	(952,626)	736,328	(216,298)
Fund Net Assets (Deficit), beginning of year	(1,130,326)	3,965,205	2,834,879
Fund Net Assets (Deficit), end of year	\$ (2,082,952)	\$ 4,701,533	\$ 2,618,581

**Nonmajor Proprietary Funds
Statement of Cash Flows**

**City of Manchester, New Hampshire
Year Ended June 30, 2009**

	Business-type Activities-Enterprise Funds		
	Recreation Fund	Parking Fund	Total
<u>Cash Flows from Operating Activities</u>			
Cash received from customers	\$ 2,011,826	\$ 4,914,526	\$ 6,926,352
Cash payments for goods and services	(808,178)	(1,038,294)	(1,846,472)
Cash payments to employees for services	(1,634,040)	(1,113,104)	(2,747,144)
Other operating revenues	127,073	-	127,073
Net Cash (Used in) Provided by Operating Activities	(303,319)	2,763,128	2,459,809
<u>Cash Flows from Non-Capital and Related Financing Activities</u>			
Due to general fund	1,236,857	(36,054)	1,200,803
Cash payment to the City	-	(1,678,555)	(1,678,555)
Interest paid on cash advances	(6,090)	-	(6,090)
Cash payment from the City	-	500,000	500,000
Net Cash (Used in) Provided by Non-Capital & Related Financing Activities	1,230,767	(1,214,609)	16,158
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal paid on bonds	(396,233)	(536,572)	(932,805)
Interest paid on bonds	(283,445)	(249,093)	(532,538)
Proceeds from capital contributions	120,200	-	120,200
Acquisition and construction of capital assets	(426,846)	(647,623)	(1,074,469)
Net Cash Used in Capital & Related Financing Activities	(986,324)	(1,433,288)	(2,419,612)
<u>Cash Flows from Investing Activities</u>			
Interest and dividends from investments	-	4,645	4,645
Net Cash Provided by Investing Activities	-	4,645	4,645
Net Increase (Decrease) in Cash and Cash Equivalents	(58,876)	119,876	61,000
Cash and Cash Equivalents at Beginning of Year	150,728	30,493	181,221
Cash and Cash Equivalents at End of Year	\$ 91,852	\$ 150,369	\$ 242,221
Reconciliation of operating profit (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (912,054)	\$ 2,155,885	\$ 1,243,831
Adjustments to reconcile operating profit (loss) to cash provided by operating activities:			
Depreciation and amortization	444,183	423,021	867,204
Non-operating revenue	127,073	-	127,073
Change in Assets and Liabilities			
Increase in receivables	81	39,076	39,157
Decrease in prepaid expenses and other assets	2,330	-	2,330
Decrease in accounts payable	48,552	71,812	120,364
Increase (decrease) in accrued liabilities	(15,559)	46,978	31,419
Decrease in compensated absences	(18,759)	-	(18,759)
Increase in other liabilities	22,285	26,356	48,641
Decrease in unearned revenue	(1,451)	-	(1,451)
Net Cash (Used in) Provided by Operating Activities	\$ (303,319)	\$ 2,763,128	\$ 2,459,809

Governmental Capital Assets

Governmental Capital Assets

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

Governmental Capital Assets
Schedule of Capital Assets - By Source

City of Manchester, New Hampshire
June 30, 2009

Capital Assets

Land	\$ 14,337,955
Buildings	327,507,800
Improvements other than buildings	25,353,421
Equipment	10,065,878
Work-in-Process	10,627,428
Vehicles	21,751,386
Infrastructure	89,064,578

Total Capital Assets **\$ 498,708,446**

Investments in Capital Assets

Capital project funds	\$ 423,905,795
General fund revenues	33,382,504
Special revenue funds	41,420,147

Total Investments in Capital Assets **\$ 498,708,446**

Governmental Capital Assets

City of Manchester, New Hampshire

Schedule of Capital Assets - By Function and Activity

June 30, 2009

	Land	Buildings	Other Than Buildings	Equipment	Vehicles	Infrastructure	Total
General Government							
Baseball stadium	\$ -	\$ 24,658,502	\$ -	\$ -	\$ -	\$ -	\$ 24,658,502
Building	-	-	-	-	197,445	-	197,445
City Clerk	-	-	-	82,461	45,548	-	128,009
Civic Center	2,960,900	62,739,798	-	-	-	-	65,700,698
Economic Development							
Office	2,971,931	-	-	5,294	-	-	2,977,225
Elderly Services	-	3,597,451	-	-	-	-	3,597,451
Finance	240,833	3,770,053	-	25,262	-	-	4,036,148
Information Systems	-	143,709	-	909,754	14,375	-	1,067,838
Mayor	-	-	-	13,989	-	-	13,989
Personnel	-	-	-	8,354	23,898	-	32,252
Planning	44,714	768,974	-	35,511	-	-	849,199
Public Buildings	437,250	6,071,659	\$ 115,084	31,345	329,385	-	6,984,723
Tax Collector	-	-	-	129,727	-	-	129,727
Total General Government	6,655,628	101,750,146	115,084	1,241,697	610,651	-	110,373,206
Public Safety							
Fire Protection	661,290	10,817,968	126,285	681,346	8,383,985	-	20,670,874
Police Protection	96,115	4,199,763	52,716	309,079	1,676,705	-	6,334,378
Total Public Safety	757,405	15,017,731	179,001	990,425	10,060,690	-	27,005,252
Health and Sanitation							
Cemetery	71,255	321,414	348,293	943,260	555,384	-	2,239,606
Health	-	5,301,803	-	164,530	227,559	-	5,693,892
Total Health and Sanitation	71,255	5,623,217	348,293	1,107,790	782,943	-	7,933,498
Highway and Streets							
Highway	108,104	1,469,913	2,923,604	1,823,955	9,010,170	87,044,298	102,380,044
Total Highway and Streets	108,104	1,469,913	2,923,604	1,823,955	9,010,170	87,044,298	102,380,044
Welfare							
Welfare	27,489	109,955	-	-	-	-	137,444
Total Welfare	27,489	109,955	-	-	-	-	137,444
Education							
Library	72,270	4,603,123	-	73,775	-	-	4,749,168
School	1,602,542	187,709,719	3,416,389	92,261	-	-	192,820,911
Total Education	1,674,812	192,312,842	3,416,389	166,036	-	-	197,570,079
Parks and Recreation							
Parks & Recreation	5,043,262	11,223,996	18,371,050	4,735,975	1,286,932	2,020,280	42,681,495
Total Parks and Recreation	5,043,262	11,223,996	18,371,050	4,735,975	1,286,932	2,020,280	42,681,495
Construction in Progress	-	7,641,332	2,986,096	-	-	-	10,627,428
Total General Fixed Assets							
Allocated to Functions	\$ 14,337,955	\$ 335,149,132	\$ 28,339,517	\$ 10,065,878	\$ 21,751,386	\$ 89,064,578	\$ 498,708,446

Statistical Section

Statistical Section

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

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Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. 92

Revenue Capacity

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Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. 106

Demographic and Economic Information

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Operating Information

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

City of Manchester, New Hampshire
Table I

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities:							
Invested in capital assets, net of related debt	\$ 84,480,112	\$ 94,437,831	\$ 114,061,411	\$ 139,339,868	\$ 137,362,874	\$ 130,205,321	\$ 144,179,247
Restricted	17,545,325	19,161,857	19,438,394	20,257,037	22,389,423	22,171,646	18,254,369
Unrestricted	(30,311,548)	(30,880,302)	(39,978,617)	(46,459,710)	(30,612,818)	(22,179,743)	(37,769,673)
Total governmental activities net assets	\$ 71,713,889	\$ 82,719,386	\$ 93,521,188	\$ 113,137,195	\$ 129,139,479	\$ 130,197,224	\$ 124,663,943
Business-type activities:							
Invested in capital assets, net of related debt	\$ 225,163,369	\$ 243,639,543	\$ 278,806,782	\$ 290,467,921	\$ 316,387,714	\$ 326,272,247	\$ 315,979,117
Restricted	41,757,605	38,493,475	42,328,192	46,926,306	46,943,856	56,532,400	59,319,350
Unrestricted	44,380,257	42,445,613	18,460,983	14,730,581	9,153,778	12,377,354	16,858,763
Total business-type activities net assets	\$ 311,301,231	\$ 324,578,631	\$ 339,595,957	\$ 352,124,808	\$ 372,485,348	\$ 395,182,001	\$ 392,157,230
Primary government:							
Invested in capital assets, net of related debt	\$ 309,643,481	\$ 338,077,374	\$ 392,868,193	\$ 429,807,789	\$ 453,750,588	\$ 456,477,568	\$ 460,158,364
Restricted	59,302,930	57,655,332	61,766,586	67,183,343	69,333,279	78,704,046	77,573,719
Unrestricted	14,068,709	11,565,311	(21,517,634)	(31,729,129)	(21,459,040)	(9,802,389)	(20,910,910)
Total primary government net assets	\$ 383,015,120	\$ 407,298,017	\$ 433,117,145	\$ 465,262,003	\$ 501,624,827	\$ 525,379,225	\$ 516,821,173

GASB Statement No. 34 Implemented in Fiscal Year 2003

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

City of Manchester, New Hampshire
Table II

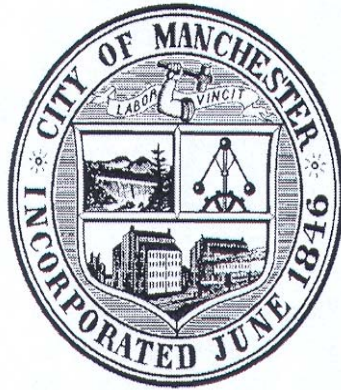
	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Expenses:							
Governmental activities:							
General government	\$ 32,560,283	\$ 39,884,738	\$ 39,257,227	\$ 27,046,192	\$ 47,026,301	\$ 39,763,033	\$ 42,805,918
Public safety	37,765,649	38,959,705	44,575,376	49,410,627	50,031,363	52,318,965	53,056,030
Health and sanitation	4,196,162	5,446,491	5,043,862	4,649,675	4,349,909	5,046,882	5,050,940
Highways and streets	28,905,257	23,004,043	21,018,167	28,343,982	15,581,877	26,607,881	28,332,502
Welfare	1,404,958	1,325,442	1,345,172	1,430,019	1,445,290	1,313,418	1,290,779
Education and library	3,816,562	3,035,765	3,466,500	4,456,108	7,512,145	7,791,145	8,183,872
Parks and recreation	4,724,302	5,259,212	5,190,321	5,155,343	6,408,656	6,767,095	6,229,200
Cemetery Trust	36,037	32,627	26,100	27,163	21,802	60,000	125,855
Investment management fee	23,511	29,071	30,823	36,920	38,834	55,177	56,649
Interest	-	-	5,359,441	4,399,559	4,094,284	4,409,099	4,042,827
Total governmental activities expenses	113,432,721	116,977,094	125,312,989	124,955,588	136,510,461	144,132,695	149,174,572
Business-type activities:							
Water	9,796,790	12,349,266	13,461,136	14,795,858	15,987,127	16,781,801	17,756,287
EPD	11,308,620	12,222,211	12,403,517	13,120,698	13,114,933	13,538,731	14,429,389
Aviation	50,322,106	45,468,710	57,832,875	56,203,377	62,213,023	65,814,560	66,214,304
Recreation	2,353,924	2,860,922	2,967,744	3,363,302	3,087,514	2,737,979	3,190,810
Aggregation	134,986	173,941	75,465	77,900	-	-	-
Parking	-	-	-	-	2,662,454	3,093,657	2,938,857
Total business-type activities expenses	73,916,426	73,075,050	86,740,737	87,561,135	97,065,051	101,966,728	104,529,647
Total primary government expenses	187,349,147	190,052,144	212,053,726	212,516,723	233,575,512	246,099,423	253,704,219
Program revenue:							
Governmental activities:							
Charges for services:							
General government	10,097,598	9,316,439	14,043,476	12,632,653	17,997,667	12,964,400	11,269,228
Public safety	2,161,469	2,802,949	2,586,789	2,670,102	1,249,207	1,455,129	1,360,027
Health and sanitation	1,375,369	1,533,303	1,584,228	1,730,138	1,788,574	1,834,023	1,954,809
Highways and streets	6,288,694	6,363,098	5,846,363	4,046,571	1,873,626	1,738,416	1,610,511
Welfare	107,019	93,813	94,465	78,928	74,100	44,825	47,925
Education and library	-	204,659	27,420	(12,894)	221,469	-	-
Parks and recreation	835,795	2,469,182	1,404,382	614,752	1,564,145	689,115	547,336
Operating grants and contributions:							
General government	11,429,867	15,902,634	13,272,378	14,546,757	14,685,507	14,851,309	18,508,228
Public safety	1,376,437	1,492,792	1,375,203	2,450,968	1,658,805	983,941	738,082
Health and sanitation	1,203,218	2,441,513	1,815,446	1,510,875	1,423,832	1,439,145	1,621,655
Highways and streets	6,199,844	3,680,818	3,766,747	7,302,015	2,154,194	2,055,444	2,264,109
Education and library	8,965	13,240	27,777	52,022	39,017	125,820	154,977
Parks and recreation	605,682	595,552	506,398	1,587,946	585,536	1,561,614	662,097
Capital grants and contributions:							
Highways and streets	-	-	-	-	4,436,221	6,201,812	2,690,181
Total governmental activities program revenue	41,689,957	46,909,992	46,351,072	49,210,833	49,751,900	45,944,993	43,429,165

(Continued)

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

City of Manchester, New Hampshire
Table II

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Business-type activities:							
Charges for services:							
Water	9,989,204	12,139,084	13,546,594	15,489,946	16,044,783	16,316,339	15,706,634
EPD	11,332,387	11,393,713	11,148,848	12,154,804	13,252,696	16,645,295	18,947,577
Aviation	42,050,284	45,183,565	51,657,611	51,750,393	51,829,778	55,359,856	50,879,087
Recreation	2,274,829	2,256,001	2,317,267	2,121,088	1,856,099	2,102,962	2,117,984
Aggregation	182,090	55,661	82,938	-	-	-	-
Parking	-	-	-	-	4,653,498	4,892,834	4,849,094
Operating grants and contributions:							
EPD	325,855	959,284	2,377,826	1,935,899	663,143	983,903	-
Aviation	6,768,504	3,228,931	3,229,750	2,652,613	3,707,927	4,844,795	4,049,880
Recreation	-	-	18,000	-	-	-	-
Capital grants and contributions:							
Water	2,673,613	1,611,168	2,451,261	2,096,454	2,623,529	1,588,069	732,896
EPD	997,522	2,019,325	679,713	1,503,330	294,953	389,462	1,520,198
Aviation	25,527,921	817,782	13,914,058	4,902,721	20,333,025	17,325,965	2,962,441
Recreation	-	189,019	902,731	100,753	-	-	120,200
Total business-type activities program revenues	102,122,209	79,853,533	102,326,597	94,708,001	115,259,431	120,449,480	101,885,991
Total primary government program revenues	143,812,166	126,763,525	148,677,669	143,918,834	158,688,596	166,394,473	145,315,156
Net (expense) revenue:							
Governmental activities	(71,742,764)	(70,067,102)	(78,961,917)	(75,744,755)	(86,758,561)	(98,187,702)	(105,745,407)
Business-type activities	28,205,783	6,778,483	15,585,860	7,146,866	18,194,380	18,482,752	(2,643,656)
Total primary government net expense	(43,536,981)	(63,288,619)	(63,376,057)	(68,597,889)	(68,564,181)	(79,704,950)	(108,389,063)
General revenues and other changes in net assets:							
Governmental activities:							
Property taxes	58,168,059	61,894,928	64,709,146	67,924,107	72,795,861	73,227,606	77,269,610
Auto registration fees	13,873,904	14,399,844	15,194,741	15,377,773	15,286,482	14,936,473	13,958,285
Franchise fees	995,354	1,033,635	1,158,850	987,449	1,069,452	1,127,631	1,224,321
Unrestricted investment earnings programs	1,087,525	2,606,687	2,890,053	3,719,822	4,295,614	2,465,960	(1,006,154)
Miscellaneous	-	-	-	-	4,863,635	-	-
Debt reimbursement from MSD	5,985,063	5,797,821	6,697,790	6,569,723	-	5,759,531	5,900,612
Transfer from capital projects fund	-	(5,346,517)	-	-	-	-	-
Transfer of debt	-	-	-	-	6,804,300	-	-
Transfer of capital assets	-	-	-	-	(3,344,530)	31,071	(75,000)
Transfers in (out)	-	-	-	(1,412,528)	990,031	1,633,821	1,339,474
Wall Street Tower Recovery	-	-	-	-	-	-	1,600,978
Gain (Loss) on disposal of assets	(147,804)	686,201	(886,861)	2,194,416	-	63,354	-
Total governmental activities	79,962,101	81,072,599	89,763,719	95,360,762	102,760,845	99,245,447	100,212,126
Business-type activities:							
Unrestricted investment earnings programs	2,626,689	2,177,409	2,455,431	4,440,863	3,435,663	3,313,981	824,396
Miscellaneous	-	-	-	-	-	-	89,096
Debt reimbursement from MSD	-	-	-	-	-	-	-
Transfer from capital projects fund	-	5,346,517	-	-	-	-	-
Transfer of capital assets	-	-	-	-	3,344,530	(31,071)	-
Transfer of debt	-	-	-	-	(6,804,300)	-	-
Transfers in (out)	-	-	-	1,412,528	(990,031)	(1,633,821)	(1,339,474)
Donation of land	(723,590)	(478,250)	(167,778)	-	-	-	-
Gain (loss) on disposal of assets	(940,727)	(546,759)	(2,856,187)	(471,406)	3,180,298	2,564,812	44,867
Total business-type activities	962,372	6,498,917	(568,534)	5,381,985	2,166,160	4,213,901	(381,115)
Total primary government	80,924,473	87,571,516	89,195,185	100,742,747	104,927,005	103,459,348	99,831,011
Changes in net assets:							
Governmental activities	8,219,337	11,005,497	10,801,802	19,616,007	16,002,284	1,057,745	(5,533,281)
Business-type activities	29,168,155	13,277,400	15,017,326	12,528,851	20,360,540	22,696,653	(3,024,771)
Total primary government	\$ 37,387,492	\$ 24,282,897	\$ 25,819,128	\$ 32,144,858	\$ 36,362,824	\$ 23,754,398	\$ (8,558,052)



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

City of Manchester, New Hampshire
Table III

Function / Program	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities:							
General government	\$ 21,527,465	\$ 25,219,073	\$ 27,315,854	\$ 27,179,410	\$ 32,683,174	\$ 27,815,709	\$ 29,777,456
Public safety	3,537,906	4,295,741	3,961,992	5,121,070	2,908,012	2,439,070	2,098,109
Health and sanitation	2,578,587	3,974,816	3,399,674	3,241,013	3,212,406	3,273,168	3,576,464
Highways and streets	12,488,538	10,043,916	9,613,110	11,348,586	8,464,041	9,995,672	6,564,801
Welfare	107,019	93,813	94,465	78,928	74,100	44,825	47,925
Education and library	8,965	217,899	55,197	39,128	260,486	125,820	154,977
Parks and recreation	1,441,477	3,064,734	1,910,780	2,202,698	2,149,681	2,250,729	1,209,433
Total governmental activities	41,689,957	46,909,992	46,351,072	49,210,833	49,751,900	45,944,993	43,429,165
Business-type activities:							
Water	12,662,817	13,750,252	15,997,855	17,586,400	18,668,313	17,904,408	16,439,530
EPD	12,655,764	14,372,322	14,206,387	15,594,033	14,210,792	18,018,660	20,467,775
Aviation	74,346,709	49,230,278	68,801,419	59,305,727	75,870,730	77,530,616	57,891,408
Recreation	2,274,829	2,445,020	3,237,998	2,221,841	1,856,099	2,102,962	2,238,184
Aggregation	182,090	55,661	82,938	-	-	-	-
Parking	-	-	-	-	4,653,498	4,892,834	4,849,094
Total business-type activities	102,122,209	79,853,533	102,326,597	94,708,001	115,259,432	120,449,480	101,885,991
Total government	\$ 143,812,166	\$ 126,763,525	\$ 148,677,669	\$ 143,918,834	\$ 165,011,332	\$ 166,394,473	\$ 145,315,156

GASB Statement No. 34 implemented in fiscal year 2003.

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

	2000	2001	2002	2003
General Fund:				
Reserved	\$ 3,310,928	\$ 12,226,672	\$ 4,133,044	\$ 6,449,829
Designated	10,309,252	3,688,065	12,988,760	15,054,664
Unreserved	2,221,288	3,777,077	4,683,957	1,304,404
Total General Fund	\$ 15,841,468	\$ 19,691,814	\$ 21,805,761	\$ 22,808,897
All Other Governmental Funds:				
Reserved	\$ 3,002,877	\$ 11,950,554	\$ 2,090,618	\$ 1,864,721
Unreserved, reported in:				
Special revenue funds	5,148,170	2,970,878	3,116,253	2,483,422
Capital projects funds	6,103,187	(11,721,942)	1,851,937	(9,674,249)
Designated				
Permanent funds (1)	15,354,789	15,196,208	14,517,533	14,581,214
Total all other government funds	\$ 29,609,023	\$ 18,395,698	\$ 21,576,341	\$ 9,255,108

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

Manchester, New Hampshire
Table IV

Fiscal Year					
2004	2005	2006	2007	2008	2009
\$ 6,437,435	\$ 8,738,265	\$ 7,315,876	\$ 7,127,401	\$ 9,293,045	\$ 6,085,726
17,271,800	14,187,935	17,228,952	18,451,651	12,890,049	14,656,303
1,356,227	1,122,693	772,131	305,582	(757,981)	(4,292,560)
<u>\$ 25,065,462</u>	<u>\$ 24,048,893</u>	<u>\$ 25,316,959</u>	<u>\$ 25,884,634</u>	<u>\$ 21,425,113</u>	<u>\$ 16,449,469</u>
\$ 7,020,587	\$ 7,498,404	\$ 3,023,718	\$ 8,405,102	\$ 1,456,645	\$ 4,775,205
3,516,922	4,835,218	5,333,550	5,748,166	6,249,863	1,132,950
102,401,303	14,009,088	(8,265,253)	5,820,499	6,103,294	(8,227,489)
<u>16,446,853</u>	<u>17,167,013</u>	<u>18,322,250</u>	<u>20,116,364</u>	<u>19,596,479</u>	<u>16,952,664</u>
<u>\$ 129,385,665</u>	<u>\$ 43,509,723</u>	<u>\$ 18,414,265</u>	<u>\$ 40,090,131</u>	<u>\$ 33,406,281</u>	<u>\$ 14,633,330</u>

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

	Fiscal Year			
	2000	2001	2002	2003
Revenues:				
Taxes	\$ 60,190,452	\$ 58,628,056	\$ 59,020,928	\$ 59,369,549
Federal and state grants and aid	18,982,898	15,298,293	21,468,082	20,755,631
Nonenterprise charges for sales and services	3,697,605	4,085,355	4,583,544	4,613,875
Licenses and permits	16,212,440	18,432,863	19,744,630	20,521,738
Interest	3,095,541	2,730,004	2,122,188	1,087,525
Contributions	1,956,968	2,008,672	135,318	117,529
Net Gain (Loss) on sale of securities	(8,558)	(11,146)	(1,466,788)	75,061
Wall Street Tower Recovery	-	-	-	-
Other	10,287,908	10,555,772	10,725,919	9,335,188
Total revenues	114,415,254	111,727,869	116,333,821	115,876,096
Expenditures:				
General government	27,987,865	35,970,970	38,919,296	30,723,093
Public safety	31,034,706	33,771,397	37,289,258	38,907,268
Health and sanitation	2,898,910	3,244,673	3,519,618	3,952,571
Highway and streets	21,300,011	23,630,644	26,216,184	29,136,467
Welfare	1,280,695	1,452,181	2,243,862	1,373,226
Education	3,655,827	3,362,722	3,057,941	2,265,134
Parks and recreation	3,264,218	5,881,406	6,773,394	4,712,978
Pension Benefit Payments	-	-	18,960,260	-
Cemetery Trust	771,000	60,384	25,309	34,000
Investment management fee	15,993	9,989	19,704	23,511
Capital Outlay	16,155,441	-	-	-
Debt service:				
Principal retirement	9,370,788	10,287,693	11,030,422	10,890,802
Interest	3,967,702	3,586,005	3,565,940	5,181,212
Issue Costs	183,795	-	158,662	-
Total expenditures	121,886,951	121,258,064	151,779,850	127,200,262
Excess of expenditures over revenues	(7,471,697)	(9,530,195)	(35,446,029)	(11,324,166)
Other financing sources (uses):				
Proceeds of refunding bonds	4,286,068	-	14,150,020	-
Payment to refunded bond escrow agent	(4,252,111)	-	(13,996,706)	-
Proceeds from premium of refunding bonds	-	-	-	-
Deferred cost of issuance	-	-	-	-
Proceeds from pension obligation bonds	-	-	18,960,260	-
Proceeds from sale of capital assets	-	-	-	-
Bond proceeds	35,916,751	-	23,055,000	-
Transfers in	6,144,438	2,882,700	2,390,019	2,587,754
Transfers out	(6,144,438)	(2,582,600)	(2,390,019)	(2,581,685)
Total other financing sources	35,950,708	300,100	42,168,574	6,069
Net changes in fund balance	\$ 28,479,011	\$ (9,230,095)	\$ 6,722,545	\$ (11,318,097)
Debt service as a percentage of noncapital expenditures	11.09%	11.44%	9.72%	12.64%

City of Manchester, New Hampshire
Table V

		Fiscal Year									
		2004	2005	2006	2007	2008	2009				
\$	62,989,526	\$	65,843,620	\$	69,052,574	\$	73,363,164	\$	74,336,731	\$	77,904,205
	23,031,879		20,647,964		27,016,053		24,927,919		23,305,609		26,231,368
	4,831,694		4,700,155		4,908,852		2,710,485		2,429,468		2,368,050
	21,452,411		21,964,114		21,609,795		19,068,754		18,313,330		17,115,452
	2,606,686		2,890,054		3,706,927		4,295,613		4,445,436		1,814,972
	1,094,669		109,069		434,529		138,372		985,543		402,087
	2,307,874		453,314		139,631		1,191,353		-		(3,637,617)
	-		-		-		-		-		1,600,978
	10,383,875		13,652,248		12,208,823		12,503,590		11,150,475		11,647,136
	128,698,614		130,260,538		139,077,184		138,199,250		134,966,592		135,446,631
	75,458,238		109,422,862		54,219,429		41,048,166		30,981,002		38,316,759
	40,896,490		42,965,272		47,901,463		49,385,498		51,736,764		51,665,596
	4,816,844		4,842,162		4,596,652		4,447,215		4,908,827		4,887,210
	26,989,382		28,759,534		32,024,811		29,351,050		24,334,488		24,601,891
	1,341,846		1,321,072		1,421,506		1,422,018		1,301,558		1,249,651
	2,538,230		3,430,734		2,643,102		3,804,524		2,508,754		2,609,605
	8,941,058		8,942,033		7,072,385		4,522,372		3,973,816		4,075,944
	-		-		-		-		-		-
	30,889		26,100		26,100		55,100		60,000		125,855
	29,071		30,823		36,920		38,834		55,179		56,649
	-		-		-		-		13,578,094		18,682,024
	9,630,629		9,832,097		9,986,012		8,209,680		9,218,984		9,469,389
	10,083,141		7,721,471		5,480,168		5,144,530		5,518,191		5,131,797
	-		-		-		-		-		-
	180,755,818		217,294,160		165,408,548		147,428,987		148,175,657		160,872,370
	(52,057,204)		(87,033,622)		(26,331,364)		(9,229,737)		(13,209,065)		(25,425,739)
	24,490,273		73,516,645		-		29,987,518		-		-
	(24,276,368)		(82,354,058)		-		-		-		-
	-		10,059,239		-		495,728		-		-
	-		(1,087,631)		-		-		-		-
	-		-		-		-		-		-
	3,300,000		-		3,916,500		-		431,873		412,670
	170,930,421		-		-		-		-		-
	2,832,843		9,940,580		3,518,731		4,916,661		4,462,992		3,252,946
	(2,832,843)		(9,933,664)		(4,931,259)		(3,926,629)		(2,829,171)		(1,988,472)
	174,444,326		141,111		2,503,972		31,473,278		2,065,694		1,677,144
\$	122,387,122	\$	(86,892,511)	\$	(23,827,392)	\$	22,243,541	\$	(11,143,371)	\$	(23,748,595)
	10.91%		8.08%		9.35%		9.06%		9.95%		9.08%

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

Fiscal Year	Property Tax	Boat Tax	Fee	Deferred Tax	Cost on Tax Title	Interest on Tax
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
2007	71,327,274	34,656	1,069,452	32,562	16,453	433,535
2008	71,914,352	-	1,127,633	40,981	30,692	453,840
2009	75,500,428	-	1,224,321	41,577	24,019	491,936
Change from first year on record versus 2009	29.10%	-100.00%	121.44%	37.16%	29.90%	48.37%

City of Manchester, New Hampshire
Table VI

Lien	Railroad Tax	Tax Lien	Miscellaneous tax	District	Total
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
192,213	6,666	6,213	-	244,140	73,363,164
390,181	-	131,358	3,694	244,000	74,336,731
332,065	715	41,430	2,123	245,591	77,904,205
-23.22%	-86.20%	-26.02%	3116.67%	10.98%	29.43%

**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
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	1.85%	27.92	5,277,932,600	97.38%
2006	3,335,718,150	2,153,215,350	5,488,933,500	1.27%	28.36	5,342,561,400	97.33%
2007	6,310,723,491	3,563,065,605	9,873,789,096	79.89%	16.85	9,589,899,446	97.12%
2008	6,423,511,790	3,516,127,810	9,939,639,600	0.67%	16.57	9,631,808,500	96.90%
2009	6,448,737,925	3,576,246,275	10,024,984,200	0.86%	17.35	9,718,783,150	96.95%

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

Fiscal Year	Rate per thousand (1)				Total
	City	School Local	School State	County	
2000	15.53	6.10	6.94	1.92	30.49 ⁽¹⁾
2001	14.74	7.04	6.86	2.04	30.68
2002	11.26	5.25	5.66	1.65	23.82 ⁽²⁾
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
2007	7.96	5.36	2.48	1.05	16.85 ⁽²⁾
2008	7.84	5.29	2.42	1.02	16.57
2009	8.05	5.98	2.28	1.04	17.35

Notes

⁽¹⁾ Beginning in 2000, Rate includes Statewide tax for education.

⁽²⁾ 2002 and 2007 tax rates reflect 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	2009			2000		
	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	\$ 155,000,000	1	1.58%	\$ 68,500,000	2	1.80%
Public Service Co. of NH	105,397,100	2	1.08%	84,000,000	1	2.21%
SRP6 NH LLC	46,000,000	3	0.47%	-	-	-
Fairfield Countryside, LLC	38,000,000	4	0.39%	-	-	-
Manchester Hill Vistas, Inc	33,311,800	5	0.34%	-	-	-
IPC Office Properties, LLC	33,223,200	6	0.34%	21,253,600	4	0.56%
Energy North Natural Gas, Inc.	37,331,400	7	0.38%	34,418,500	3	0.91%
1200 Elm Street, LLC	31,434,200	8	0.32%	-	-	-
Brady Sullivan Plaza, LLC	29,448,700	9	0.30%	-	-	-
Farley White Manchester, LLC	25,000,000	10	0.26%	-	-	-
New England Mutual Life Insurance Company	-	-	-	16,000,000	5	0.42%
Cotter Company	-	-	-	14,485,000	6	0.38%
NH Vermont Blue Cross Blue Shield	-	-	-	13,412,400	7	0.35%
May Center Associates, Corp.	-	-	-	13,063,700	8	0.34%
The Hitchcock Clinic	-	-	-	12,854,200	9	0.34%
East Side Realty Trust	-	-	-	12,000,000	10	0.32%
Total	<u>\$ 534,146,400</u>		<u>5.46%</u>	<u>\$ 289,987,400</u>		<u>7.63%</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
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%
2007	2006	160,204,056	158,203,828	98.75%	741,173	158,945,001	99.21%
2008	2007	157,734,927	155,578,438	98.63%	2,674,305	158,252,743	100.33%
2009	2008	166,837,817	163,671,486	98.10%	1,778,931	165,450,417	99.17%

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	Governmental Activities			Business-Type Activities			
	General Obligation Bonds	Percentage of Actual Property Value (1)	Debt Per Capita (2)	General Obligation Bonds	Total Primary Government	Percentage of Per Capita Income	Per Capita (2)
	2000	127,394,568	3.35%	1,200	37,655,951	165,050,519	0.0189%
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
2007	161,053,131	1.68%	1,473	42,166,979	203,220,110	0.0206%	1,858
2008	148,669,615	1.54%	1,369	45,115,198	193,784,813	0.0225%	1,785
2009	136,029,614	1.40%	1,258	46,667,578	182,697,192	0.0239%	1,689

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	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 430,726	\$ 500,533	\$ 580,323	\$ 686,468	\$ 815,916	\$ 941,161	\$ 1,033,737	\$ 1,024,367	\$ 1,003,185	\$ 954,056
Total net debt applicable to limit	99,060	89,165	102,487	85,125	155,233	100,178	91,518	112,405	103,739	94,848
Legal debt margin	\$ 331,666	\$ 411,368	\$ 477,836	\$ 601,343	\$ 660,683	\$ 840,983	\$ 942,219	\$ 911,962	\$ 899,446	\$ 859,208
Total net debt applicable to the limit as a percentage of debt limit	23.00%	17.81%	17.66%	12.40%	19.03%	10.64%	8.85%	10.97%	10.34%	9.94%

Legal Debt Margin Calculation for Fiscal Year 2009

Base valuation - real estate	\$ 9,785,190
Debt limit (9.75% of base valuation)	954,056
Debt applicable to limit:	
Total bonded debt for general government	104,645
Recreation enterprise debt	5,748
Less debt for urban redevelopment	(1,210)
Less debt for pension obligation bonds	(14,335)
Total net debt applicable to limit	94,848
Legal debt margin	\$ 859,208

SCHOOL	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 309,239	\$ 359,357	\$ 416,642	\$ 492,849	\$ 585,786	\$ 675,706	\$ 742,170	\$ 735,443	\$ 720,236	\$ 684,963
Total net debt applicable to limit	36,700	34,755	42,554	38,400	43,056	39,134	35,070	38,873	35,708	32,538
Legal debt margin	\$ 272,539	\$ 324,602	\$ 374,088	\$ 454,449	\$ 542,730	\$ 636,572	\$ 707,100	\$ 696,570	\$ 684,528	\$ 652,425
Total net debt applicable to the limit as a percentage of debt limit	11.87%	9.67%	10.21%	7.79%	7.35%	5.79%	4.73%	5.29%	4.96%	4.75%

Legal Debt Margin Calculation for Fiscal Year 2009

Base valuation - real estate	\$ 9,785,190
Debt limit (7% of base valuation)	684,963
Debt applicable to limit:	
Total bonded debt for school district	121,248
Less debt for facilities revenue bond	(88,710)
Total net debt applicable to limit	32,538
Legal debt margin	\$ 652,425

Water and Waste Water	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 441,770	\$ 513,367	\$ 595,203	\$ 704,070	\$ 836,837	\$ 965,294	\$ 1,060,243	\$ 1,050,633	\$ 1,028,908	\$ 978,519
Total net debt applicable to limit	36,215	45,296	49,804	43,084	43,885	41,211	31,883	28,114	32,098	34,660
Legal debt margin	\$ 405,555	\$ 468,071	\$ 545,399	\$ 660,986	\$ 792,952	\$ 924,083	\$ 1,028,360	\$ 1,022,519	\$ 996,810	\$ 943,859
Total net debt applicable to the limit as a percentage of debt limit	8.20%	8.82%	8.37%	6.12%	5.24%	4.27%	3.01%	2.68%	3.12%	3.54%

Legal Debt Margin Calculation for Fiscal Year 2009

Base valuation - real estate	\$ 9,785,190
Debt limit (10% of base valuation)	978,519
Debt applicable to limit:	
Total bonded debt for water projects	45,386
Less debt for revenue bonds	(38,345)
Total bonded debt for sewer projects	27,619
Total net debt applicable to limit	34,660
Legal debt margin	\$ 943,859

Aviation Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Revenue Credit From Prior Year ⁽⁴⁾	Coverage Amount From Prior Year ⁽⁴⁾	Expenses ⁽¹⁾
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
2007	48,682,443	6,012,000	3,000,053	28,480,391
2008	49,542,718	5,076,000	3,172,740	30,528,646
2009	44,691,408	3,987,000	3,037,745	27,790,716

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 Jacob's Consultancy formerly known as Leigh Fisher Associates, Aviation Consultants
- ⁽⁵⁾ As of fiscal 2009, the O & M Reserve and bond issuance costs of \$308,662 were not included in the coverage ratio calculation.

Net Revenue Available for 1992 Debt Service	REQUIREMENTS		Net Revenue Available for 1998/2000/2001/2002 Debt Service	REQUIREMENTS		Coverage ratio
	1992 Debt Service Total ⁽²⁾	Coverage		1998/2000/2001/2002 Debt Service Total ⁽²⁾	Debt Service O & M Reserve ⁽⁴⁾	
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
N/A	N/A	N/A	29,214,105	12,690,960	410,000	2.23
N/A	N/A	N/A	27,262,812	12,878,070	1,521,600	1.89
N/A	N/A	N/A	23,925,437	13,408,348	609,400 ⁽⁵⁾	1.83

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

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

MWW Fiscal Year December 31	Gross Revenue	Expenses ⁽¹⁾	Net Revenue Available for Debt Service	REQUIREMENTS	
				Revenue Bonds Section 705	
				Total	Coverage Ratio
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
2006	15,526,230	9,438,425	6,087,805	3,564,464	1.71
2007	19,696,493	9,572,908	10,123,585	3,696,275	2.74
2008	14,956,620	9,830,727	5,125,893	3,504,758	1.46

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⁾
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	16,875	40,004		17,597	3.50%
2007	109,364		41,895		17,325	3.30%
2008	108,580		43,518		16,476	4.00%
2009	108,154		43,625		16,159	7.1%

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	2009			2000		
	Employees ⁽¹⁾	Rank ⁽¹⁾	Percentage of Total City Employment ⁽²⁾	Employees ⁽³⁾	Rank ⁽³⁾	Percentage of Total City Employment ⁽⁴⁾
Hannaford Brothers	4,474	1	4.49%	3,876	1	3.71%
Elliot Hospital	3,060	2	3.07%	1,800	3	1.72%
Home Depot	2,560	3	2.57%			
Catholic Medical Center	1,700	4	1.71%	1,300	4	1.25%
Southern NH University	1,400	5	1.40%			
Public Service of New Hampshire	1,320	6	1.32%	1,241	6	1.19%
FairPoint Communications	1,175	7	1.18%			
TD Bank, formerly Bank of NH	1,150	8	1.15%	1,255	5	1.20%
Citizens Bank	1,100	9	1.10%	1,100	7	1.05%
Anthem Blue Cross & Blue Shield, formerly BC/BS NH	700	10	0.70%	900	9	0.86%
Bell Atlantic				2,100	2	2.01%
K-Mart				1,000	8	0.96%
Filene's				700	10	0.67%

Sources:

⁽¹⁾ 2009 Book of Lists, NH Business Review

⁽²⁾ NH Employment Security, Economic and Labor Market Bureau - 9/2009 figure used.

⁽³⁾ 2000 Book of Lists, NH Business Review

⁽⁴⁾ NH Employment Security, Economic and Labor Market Bureau - 12/2000 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	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government:										
Aldermen	14	14	14	14	14	14	14	14	14	14
Assessors	7	7	7	7	9	9	9	9	8	8
Building	19	19	19	19	20	20	20	18	18	19
Building Maintenance	14	14	14	14	18	18	19	19	19	18
City Clerk	14	14	18	18	18	18	18	15	15	15
City Solicitor	11	11	12	12	12	12	13	12	13	13
Economic Development Office	3	3	3	3	3	3	4	4	4	4
Elderly Services	5	5	5	5	4	4	4	4	4	4
Finance	15	15	15	15	13	14	13	12	10	12
Human Resources	15	14	14	12	11	11	11	10	8	8
Information Systems	19	19	19	19	19	19	19	13	15	15
Mayor	4	4	4	4	4	4	4	4	4	4
MCTV	4	6	6	6	6	6	5	5	5	5
Office of Youth Services	8	8	9	9	9	10	10	10	9	10
Planning	13	13	13	13	15	15	14	11	9	10
Tax Collector	13	13	14	14	12	12	11	12	11	12
Parks and Recreation:										
Cemetery Care	16	16	16	16	16	16	16	15	14	12
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	10	10	10	10	10	10	10	10	9	8
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	17	18	18	18	18	18	18	17	17	16
Recreation	1	1	1	1	1	1	1	1	1	1
Skating Arenas	7	6	6	6	6	6	6	5	6	6
Police:										
Officers	195	198	204	199	202	200	199	206	214	215
Civilians	69	68	71	65	65	64	66	64	63	62
Fire:										
Firefighters and Officers	235	235	234	250	250	250	250	249	247	243
Civilians	8	8	8	8	8	8	8	7	7	7
Public Works:										
Administration	N/A	14	14	13	13	13	13	14	14	14
Street Maintenance/Const.	N/A	61	62	62	62	62	63	62	61	63
Street Sweeping	N/A	4	4	4	4	4	4	4	5	5
Refuse Collection	N/A	33	33	32	32	32	32	35	32	36
Vehicle Maintenance	N/A	20	20	20	20	20	20	20	20	20
Boiler Plant	1	1	1	1	1	1	1	1	1	1
Drain/Sewer Repair/Const.	N/A	22	21	21	21	21	21	18	20	19
Engineering	N/A	20	20	20	20	20	20	20	20	18
Traffic	18	17	17	17	15	16	16	11	10	11
Parking:										
Administration	-	-	-	-	-	-	-	3	4	4
Meters	-	-	-	-	-	-	-	2	2	2
Myrna Lot	-	-	-	-	-	-	-	-	1	1
Victory Garage	-	-	-	-	-	-	-	4	5	5
PCO's	-	-	-	-	-	-	-	7	7	7
Water:										
Administration & Financial	19	19	19	19	19	18	17	17	16	15
Water Distribution	43	43	44	44	45	45	46	45	44	42
Water Supply	24	24	24	24	25	24	25	24	24	25
Sewer:										
Administration & Financial	9	9	9	9	10	10	10	10	10	10
Monitoring	2	2	2	2	2	2	2	2	2	2
Sewer Plant Operation	16	16	16	16	16	16	16	14	15	14
Maintenance	16	16	16	16	16	16	16	15	15	14
Airport - total										
Administration & Financial	23	23	23	25	27	27	29	27	26	26
Airfield Maintenance	23	23	25	26	26	27	26	20	25	25
Terminal Maintenance	9	10	14	15	20	21	24	28	24	25
Other Programs/Functions:										
Aggregation	1	1	1	1	1	1	1	-	-	-
Health	66	64	64	64	69	71	71	61	61	63
Library	40	40	40	40	38	38	38	39	39	39
Welfare	11	11	11	11	11	11	11	11	12	12
Total	1,067	1,242	1,264	1,269	1,286	1,288	1,294	1,270	1,269	1,269

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

Function/Program	2000	2001	2002	2003
Police:				
Physical arrests	4,094	4,077	5,390	5,389
Parking Violations	69,700	73,244	86,826	66,757
Traffic citations	11,784	11,100	11,788	9,654
Fire:				
Number of calls answered	12,815	13,519	13,420	14,595
Inspections	532	563	576	578
Property loss	\$ 2,283,535	\$ 2,587,531	\$ 7,031,664	\$ 2,694,680
Building safety:				
Total building permits	1,551	1,680	2,042	2,554
Total value all permits	\$ 144,233,715	\$ 88,604,851	\$ 134,604,022	\$ 136,690,830
Library, visits	N/A	N/A	N/A	N/A
Public service:				
Garbage collected (ton)	43,691	44,208	45,866	46,181
Recycle collected (ton)	4,642	5,352	4,308	4,301
Streets paved resurf (miles)	22.55	15.64	13.83	15.43
Streets Reconstructed (miles)	0.62	0.61	0.40	1.05
Drain Reconstruction (miles)	4.78	3.18	4.22	1.23
Sewer Reconstruction(miles)	6.66	1.59	1.65	0.36
Airport:				
Enplane	1,588,320	1,631,331	1,690,158	1,802,385
Deplane	1,580,981	1,602,224	1,676,676	1,799,276
Total Passengers	3,169,301	3,233,555	3,366,834	3,601,661
Cargo (in pounds)	166,936,519	166,519,494	181,342,300	161,093,039
Air Mail (in pounds)	5,120,279	952,984	40,959	14,842
Parks and Recreation:				
Public Skating Attendance	10,916	7,737	8,386	7,545
Aquatics program attendance	N/A	44,910	55,670	37,988
Golf rounds played	33,901	41,977	43,158	38,054
Ski passes sold	222	358	292	305
Street trees maintained	40,000	40,000	40,000	40,000

Note: The figures in column 2009 are January thru June only.

N/A = Not Available.

City of Manchester, New Hampshire
Table XVIII

Calendar Year					
2004	2005	2006	2007	2008	2009
5,645	5,505	5,662	5,039	6,244	3,320
81,225	78,253	58,298	57,264	51,612	26,012
11,224	10,993	9,573	9,514	10,815	5,328
15,200	16,202	17,012	17,267	18,012	8,460
676	732	2,640	1,525	822	468
\$ 2,985,889	\$ 3,997,307	\$ 2,887,571	\$ 5,610,530	\$ 8,609,879	\$ 2,505,235
2,794	2,616	2,312	2,121	2,030	809
\$ 159,902,113	\$ 155,661,840	\$ 154,384,899	\$ 103,458,232	\$ 90,874,321	\$ 33,623,709
N/A	302,764	391,622	435,807	462,456	243,248
48,323	46,662	49,693	46,679	42,551	19,609
4,278	4,159	4,751	4,363	4,364	2,087
10.99	12.23	9.27	5.21	9.70	6.10
4.48	5.51	0.87	6.63	4.40	0.44
0.53	0.28	0.50	2.00	2.30	-
0.89	1.00	0.46	1.50	2.00	0.12
2,004,122	2,168,258	1,952,277	1,948,313	1,861,695	802,285
1,999,185	2,164,449	1,944,255	1,944,317	1,854,698	803,551
4,003,307	4,332,707	3,896,532	3,892,630	3,716,393	1,605,836
162,080,948	155,503,955	176,382,468	193,487,647	178,155,941	76,378,895
5,767	3,798	503	445	208	519
6,745	6,135	7,381	6,719	7,058	3,952
62,143	77,330	76,630	64,736	61,419	1,170
40,679	35,029	38,294	31,665	32,157	16,533
279	196	143	136	165	32
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	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police:										
Facilities	5	5	5	5	5	5	5	5	5	5
Marked Patol Vehicles	37	37	36	36	39	35	35	35	35	35
Unmarked Vehicles	17	17	18	18	17	19	19	19	19	19
Specialty Vehicles	13	13	6	6	8	15	15	15	15	17
Bikes for bike patrols	17	17	18	18	18	21	21	21	21	21
Motorcycles	3	3	3	3	3	4	4	4	4	4
Horses	2	2	2	2	2	2	2	2	2	2
Canine	9	9	9	9	9	8	6	6	6	6
Fire:										
Fire Stations	9	9	9	9	10	10	10	10	10	10
Refuse Collection:										
Collection Trucks	15	15	14	14	14	14	14	14	14	14
Other Public Works:										
Streets (Miles)	387.60	388.21	388.30	289.49	389.78	391.20	393.00	394.00	395.00	395.00
Street Lights	N/A	8,745	8,790	8,792	8,792	8,803	8,788	8,772	8,849	8,849
Traffic Signals	151.0	154.1	157.4	159.6	160.1	160.4	160.4	152.0	152.0	151.0
Parks & Recreation:										
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	1	1	2	2	2	8
Soccer/Football Fields	16	16	16	17	17	17	17	18	18	24
Indoor Ice Rinks	2	2	2	2	2	2	2	2	2	2
Basketball Courts	24	23	22	22	22	21	21	21	21	26
Tennis Courts	4	4	4	4	4	4	4	4	4	8
Swimming pools	4	4	4	4	4	4	4	4	4	4
Parks with Playground Equipment	4	4	4	4	4	4	4	5	5	20
Public Beaches	1	1	1	1	1	1	1	1	1	1
Library:										
Facilities	2	2	2	2	2	2	2	2	2	2
Volumes	311,661	315,676	325,967	264,183	233,331	236,312	246,939	246,398	246,391	250,156
Water:										
Source of water supply										
Finished water storage capacity (MG)	35.8	35.8	37.8	37.8	37.8	37.8	37.8	37.8	38.8	38.8
Average Daily Consumption (MGD)	16.912	17.363	17.148	16.483	16.644	17.057	17.454	16.931	17.860	16.902
Peak Consumption (MGD)	26.416	28.583	30.852	28.685	26.295	26.739	27.169	27.298	29.093	30.461
Municipal Fire Hydrants	3,164	3,173	3,212	3,240	3,267	3,294	3,304	3,309	3,310	3,309
Water main in system (million feet)	2	2	3	3	3	3	3	3	3	3
Wastewater:										
Sanitary Sewers (miles)	340.53	342.12	343.77	344.13	345.02	345.02	345.02	350.60	352.80	354.40
Maximum daily treatment capacity (MGPD)	34	34	34	34	34	34	34	34	34	34
Information Systems Department										
PC's	630	650	771	749	761	864	905	1,034	1,072	1,065
Miles of Fiber Optic Cabling	13.00	13.50	16.00	28.00	28.00	28.00	39.00	48.00	49.00	50.00
Airport:										
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	228,000	228,000	228,000	228,000	332,600	332,600	332,600	332,600	332,600	332,600

N/A = Not Available.