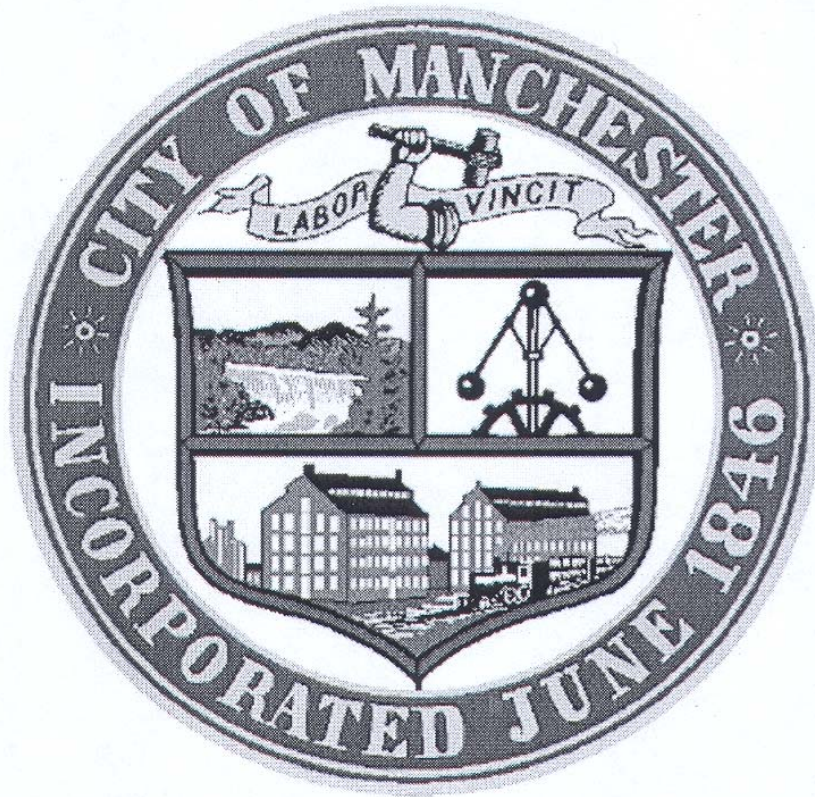


# **CITY OF MANCHESTER, NEW HAMPSHIRE**



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2010**



# **CITY OF MANCHESTER, NEW HAMPSHIRE**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year  
July 1, 2009 to June 30, 2010**

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, 2010**

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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

February 4, 2011

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, 2010 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, 2010. 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 Energy and Planning, the City has a population of 108,625 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 98,300 at November 30, 2010 while the unemployment rate is 5.3% at November 30, 2010.

**Debt-** The general debt limit of the City is 9.75% of base valuation<sup>1</sup>, of which Water and Sewer projects ordered by the State Water Supply and Pollution control commission, self-supporting sewer debt, debt for urban redevelopment and housing purposes, and overlapping debt are excluded from the measure of indebtedness. Other water projects are subject to a separate, special debt limit of 10% of the City's base valuation. Borrowings authorized by special legislative acts rather than the general municipal finance statutes are sometimes excluded from a city or town's statutory debt limit.

As of June 30, 2010 the City has a total outstanding General Obligation debt of \$192,880,760 and authorized and unissued debt of \$28,523,202 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+" "Aa1" and "AA+," respectively. The MSD was assigned the following credit ratings; Fitch, Moody’s and S&P, have assigned the ratings of "AA," "Aa3," and "AA," respectively. The MWW was assigned the following credit ratings; Fitch, Moody’s and S&P, have assigned the ratings of "AA," "Aa3," and "AA," respectively.

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<sup>1</sup> Base valuation for debt limits is provided annually by the State of New Hampshire Department of Revenue Administration as part of the calculations for equalized assessed valuations for each municipality, and amounted to \$834,777,000.

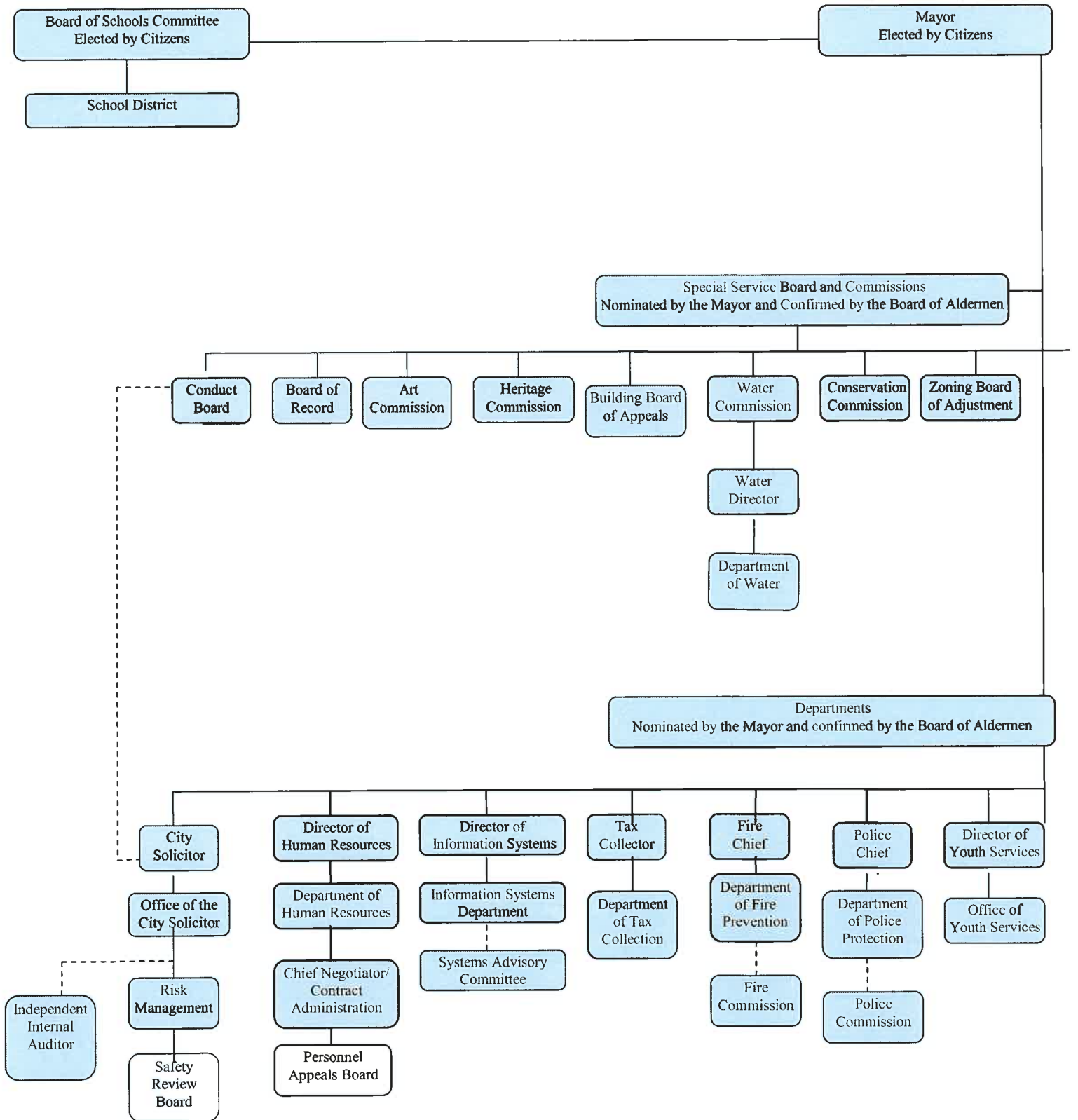
I would like to thank the City's department heads and their hard working staff for their help in the completion of another successful year. I would especially like to thank the employees of the Finance Department for their commitment and dedication.

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.

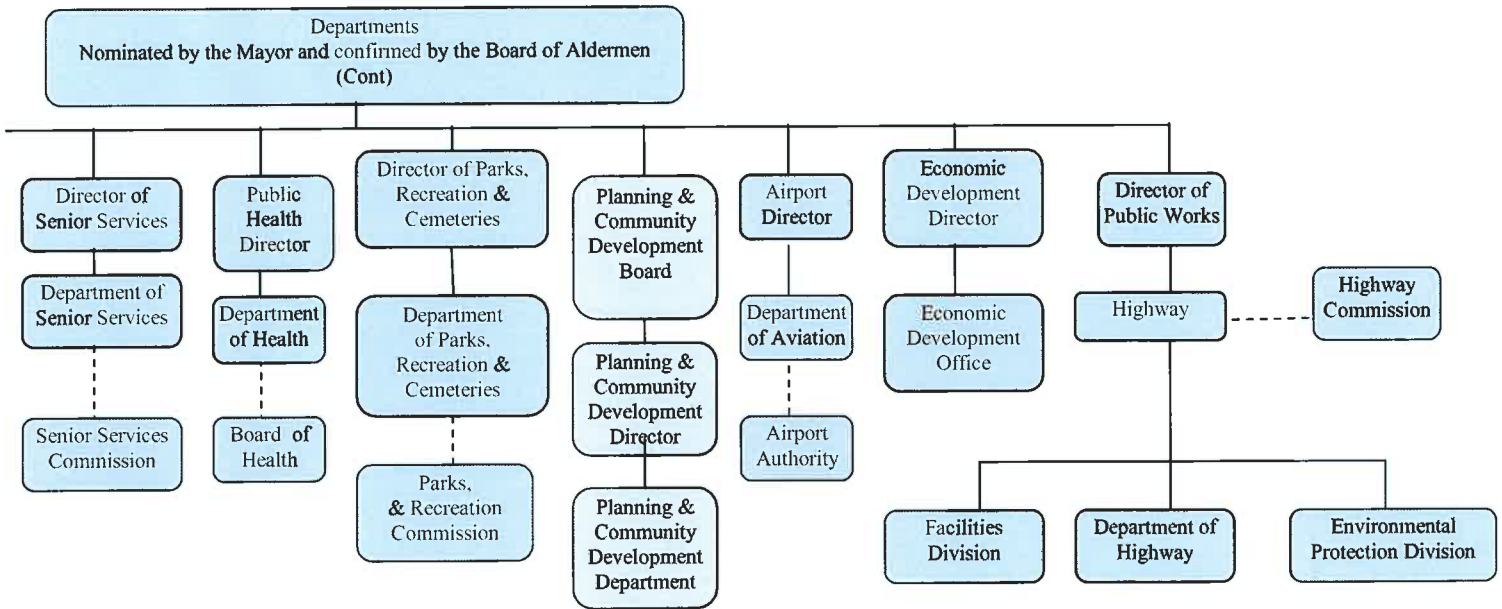
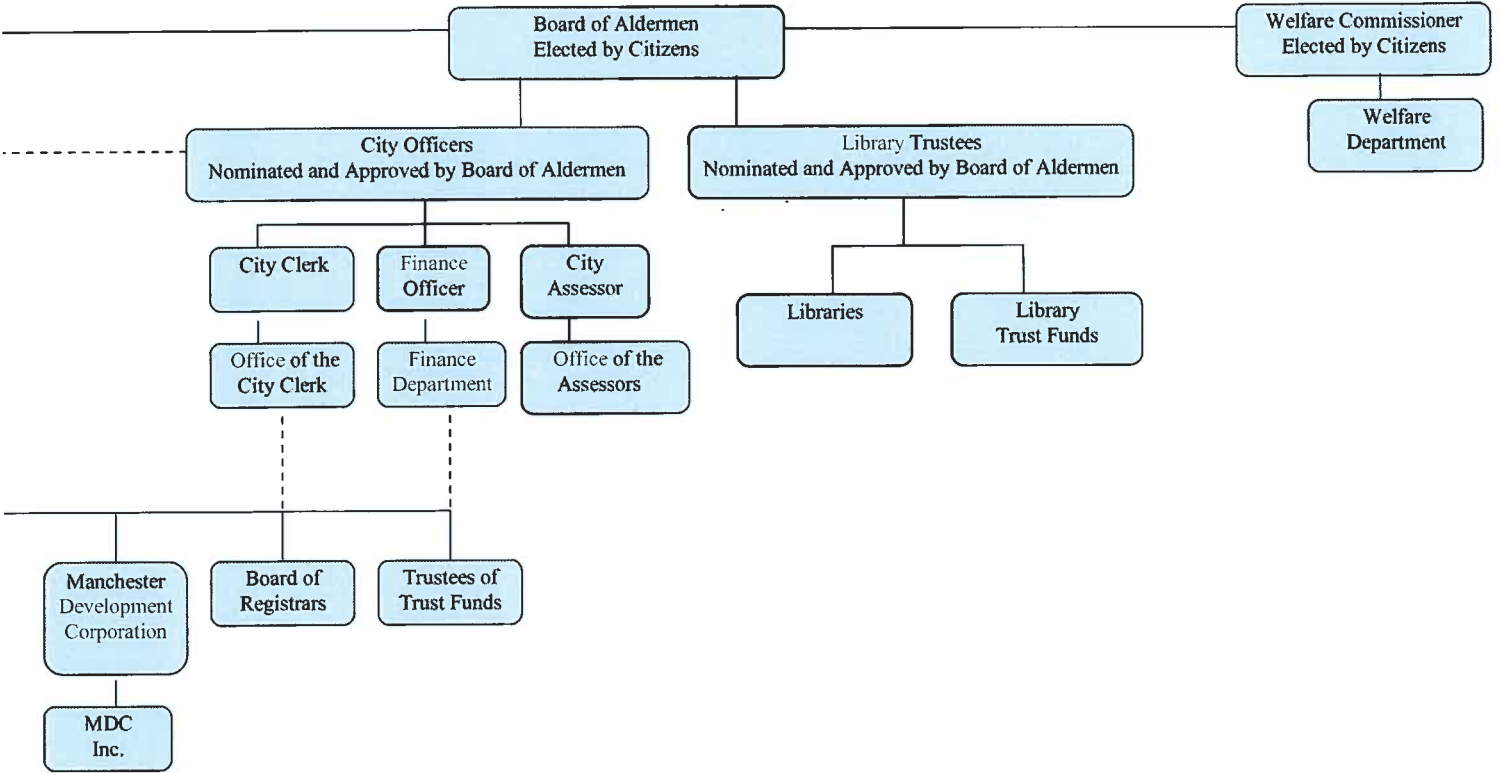
*William E. Sanders*  
*Finance Officer*

# 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, 2010**

**Mayor**

Theodore L. Gatsas

**Aldermen**

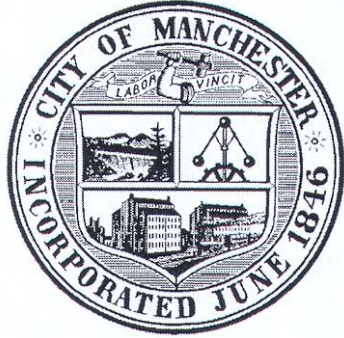
Ward 1	Joyce Craig	Ward 7	William P. Shea
Ward 2	Ron Ludwig	Ward 8	Betsi L. DeVries
Ward 3	Patrick Long	Ward 9	Barbara E. Shaw
Ward 4	Jim Roy	Ward 10	Phil Greazzo
Ward 5	Ed Osborne	Ward 11	Russ Ouellette
Ward 6	Garth Corriveau	Ward 12	Patrick Arnold
At-large	Michael J. Lopez *	At-large	Daniel P. O'Neil

\* 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	unfilled
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 Senior Services	Barbara A. Vigneault
Director of Youth Services	Martin Boldin
Chairman Board of Assessors	David Cornell
Collector of Taxes	unfilled

**Financial Section**



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## 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 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, 2010 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 92% of the assets and 95% 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.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities; the business-type activities; discretely presented component units; each major fund; and the aggregate remaining fund information of the City of Manchester, New Hampshire as of June 30, 2010, 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 and the schedules of funding progress and employer contributions 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 and the other auditors 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 February 4, 2011 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, comparative Cancer Fund statements combining and individual non-major 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, comparative Cancer Fund Statements, combining and individual non-major 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 for the General Fund has been derived from the City's 2009 financial statements and, in our report dated March 8, 2010, we expressed an unqualified opinion on the respective financial statements of the General Fund.

*McGladrey & Pullen, LLP*

New Haven, Connecticut  
February 4, 2011

# **City of Manchester, New Hampshire Management's Discussion and Analysis June 30, 2010**

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, 2010. 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 \$524.9 million. Total net assets for Governmental Activities at fiscal year-end were \$132.4 million and total net assets for Business-Type Activities were \$392.5 million.
- ◆ On a government-wide basis, during the fiscal year, the City's net assets increased by \$8.1 million or 1.5%, from \$516.8 million to \$524.9 million. Net assets increased by \$7.8 million for Governmental Activities and net assets increased by \$.3 million for Business-Type Activities. Government-wide expenses were \$251.0 million, while revenues were \$259.1 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 \$52.1 million, an increase of \$21.0 million from the prior fiscal year. Of the total funds, \$25.4 million is available for spending, 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 \$21.2 million, an increase of \$4.7 million from the prior fiscal year. As of June 30, 2010, the general fund had an unreserved and undesignated deficit of (\$4.7) million which represents 3% of total general fund expenditures and transfers (\$126.2 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 22-24 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 85-86 and in the combining statement of revenues, expenditures and changes in fund balance on pages 87-88.

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 28.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on pages 25-26 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 89-90 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 29-30 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 33-34 and 65-66 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 35-76 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 \$524.9 and \$516.8 million at June 30, 2010 and 2009, respectively.

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

	<b>June 30, 2010</b>			<b>June 30, 2009</b>		
	<b>Govern- mental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>	<b>Govern- mental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
Current and Other Assets	\$ 163,160	\$ 116,058	\$ 279,218	\$ 139,825	\$ 108,447	\$ 248,272
Non-Current	13,194	3,361	16,555	14,517	3,600	18,117
Capital Assets	336,606	612,086	948,692	336,270	624,115	960,385
<b>Total Assets</b>	<b>512,960</b>	<b>731,505</b>	<b>1,244,465</b>	<b>490,612</b>	<b>736,162</b>	<b>1,226,774</b>
Current Liabilities	107,147	18,228	125,375	105,624	21,902	127,526
Long-term liabilities outstanding	273,363	320,802	594,165	260,324	322,103	582,427
<b>Total Liabilities</b>	<b>380,510</b>	<b>339,030</b>	<b>719,540</b>	<b>365,948</b>	<b>344,005</b>	<b>709,953</b>
Net Assets:						
Invested in Capital Assets, net of related debt	134,654	304,238	438,892	144,179	315,979	460,158
Restricted	19,466	59,496	78,962	18,255	59,319	77,574
Unrestricted	(21,670)	28,741	7,071	(37,770)	16,859	(20,911)
<b>Total Net Assets</b>	<b>\$ 132,450</b>	<b>\$ 392,475</b>	<b>\$ 524,925</b>	<b>\$ 124,664</b>	<b>\$ 392,157</b>	<b>\$ 516,821</b>

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

A portion of the City's net assets totaling \$438.9 million reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), net any outstanding debt related to these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The portion of the City's net assets that are restricted, \$78.9 million, represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets of \$7.1 million may not be used to meet the government's ongoing obligations to citizens and creditors, due to the negative balance in Governmental activities. The primary reasons for that negative balance in governmental activities are due to the Old System Pension Obligation Bond with an outstanding balance of \$12.5 million, which was issued to properly fund the unfunded amount, the Landfill Closure Project, which has an outstanding balance of \$9.8 million, other landfill closure and post-closure care costs estimated liability with an outstanding balance of \$4.6 million, Urban Renewal Related Projects with outstanding balances of \$1.0 million, Revaluation debt with an outstanding balance of \$.1 million, long-term debt related to insurance claims with an estimated outstanding balance of \$5.6 million, as well as long-term debt related to compensated absences with an estimated

outstanding balance of \$11.2 million at June 30, 2010. The decrease in invested capital assets net of related debt is due to the recent General Obligation bond sale and the related debt.

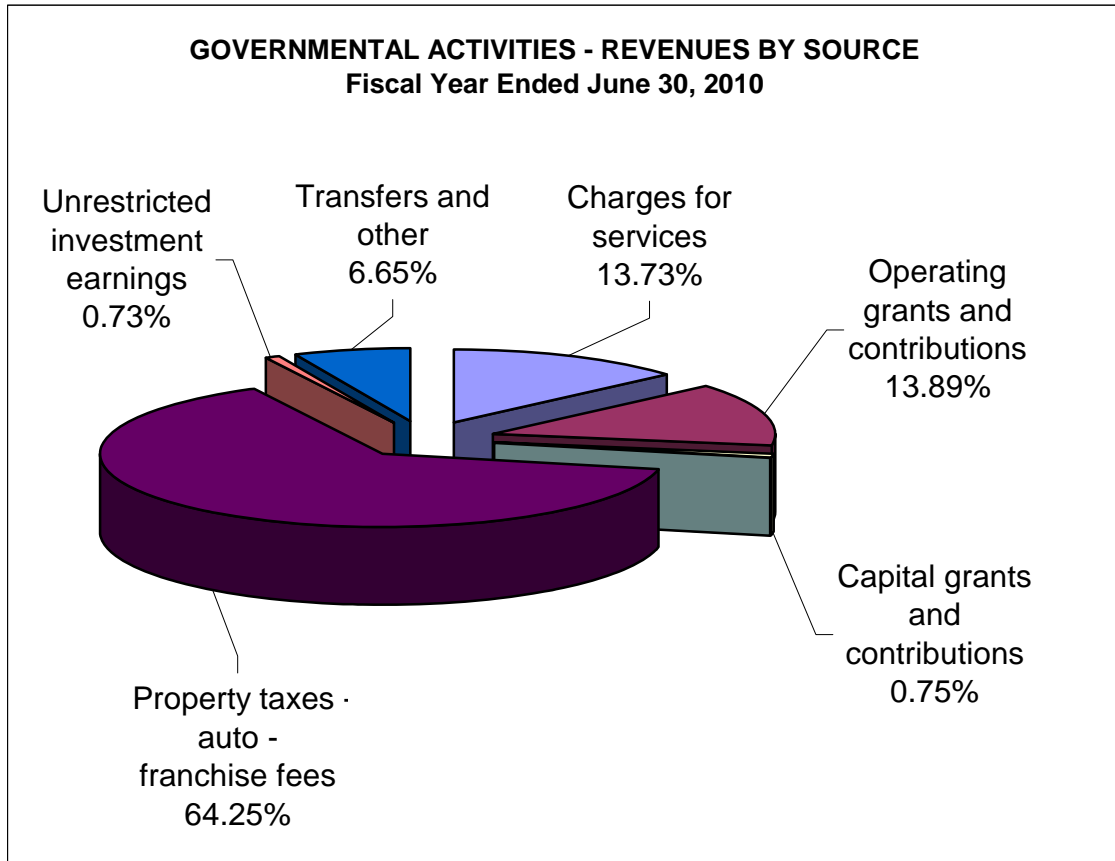
**City of Manchester, New Hampshire**  
**Changes in Net Assets (\$ 000's)**  
**Primary government**

	June 30, 2010			June 30, 2009		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 22,402	\$ 89,718	\$ 112,120	\$ 16,790	\$ 92,500	\$ 109,290
Operating grants and contributions	22,653	1,872	24,525	23,949	4,050	27,999
Capital grants and contributions	1,223	6,969	8,192	2,690	5,336	8,026
General Revenues:						
Property taxes/auto/franchise fees	104,828	-	104,828	92,451	-	92,451
Unrestricted investment earnings	1,187	1,032	2,219	(1,006)	824	(182)
Transfers and other	9,664	(2,460)	7,204	8,767	(1,205)	7,562
<b>Total revenues</b>	<b>161,957</b>	<b>97,131</b>	<b>259,088</b>	<b>143,641</b>	<b>101,505</b>	<b>245,146</b>
<b>Expenses:</b>						
General government	44,072	-	44,072	42,806	-	42,806
Public safety	56,344	-	56,344	53,056	-	53,056
Health and sanitation	5,776	-	5,776	5,051	-	5,051
Highways and streets	28,612	-	28,612	28,332	-	28,332
Welfare	1,478	-	1,478	1,291	-	1,291
Education and library	8,319	-	8,319	8,184	-	8,184
Parks and recreation	5,538	-	5,538	6,229	-	6,229
Cemetery Trust	79	-	79	126	-	126
Investment management fee	58	-	58	56	-	56
Interest expense	3,895	14,651	18,546	4,043	18,330	22,373
Operations	-	82,162	82,162	-	86,200	86,200
<b>Total Expenses</b>	<b>154,171</b>	<b>96,813</b>	<b>250,984</b>	<b>149,174</b>	<b>104,530</b>	<b>253,704</b>
Change in net assets	7,786	318	8,104	(5,533)	(3,025)	(8,558)
<b>Net assets - beginning</b>	<b>124,664</b>	<b>392,157</b>	<b>516,821</b>	<b>130,197</b>	<b>395,182</b>	<b>525,379</b>
<b>Net assets - ending</b>	<b>\$ 132,450</b>	<b>\$ 392,475</b>	<b>\$ 524,925</b>	<b>\$ 124,664</b>	<b>\$ 392,157</b>	<b>\$ 516,821</b>

The City's net assets increased by \$8.1 million during the fiscal year, with net assets of Governmental Activities increasing by \$7.8 million, and net assets of Business-Type Activities increasing by \$.3 million. The general government incurred more expenditures in 2010 than 2009 related to investments in net assets.

## Governmental Activities

More than 64.25% of the governmental funds revenues were derived from property taxes, auto registrations and franchise fees, 14.64% from operating and capital grants and contributions, then followed by 13.73% from charges for services and finally, about 6.65% of the City's revenue in this fiscal year was derived from a combination of investment earnings, gain (loss) of sales of capital assets, and transfers. Total revenues, excluding transfers and other, increased by \$17.4 million. Property taxes, auto registrations and franchise fees increased by \$12.4 million or 13.3% over last year. The chart below identifies revenues by source for governmental activities:



## **Business-Type Activities**

Business-Type activities increased the City's net assets by \$.3 million, which is an increase of \$3.3 million from a decrease of \$3.0 million for last year. See next page for more detail.

- ◆ Water Works net assets decreased by \$.5 million, up \$.5 million from the decrease in net assets of \$1.0 million last year. Capital contributions were \$1.0 million for the current fiscal year as compared to \$.7 million in total non-operating revenues during the fiscal year ended June 30, 2009.
- ◆ EPD net assets increased by \$7.4 million. This is a \$1.4 million increase in net assets over the \$6 million in the FY 2009. The most significant contributing factor to EPD's fund net assets is the increase in operating revenues of \$2.1 million which is a result of a 15% rate increase effective January 1, 2010.
- ◆ Aviation net assets decreased by \$5.7 million. Aviation fund capital contributions amounted to \$4.7 million, an increase from \$3.0 million in the previous year. Manchester-Boston Regional Airport experienced a decrease (15.0%) in passenger enplanements in FY2010, as enplanements decreased by 256,845 from FY 2009.

## **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 \$52.1 million, an increase from \$31.1 million as reported on June 30, 2009. The increase of \$21.0 million in fund balances is mainly due to the bond sale in June 2010 and related proceeds. Approximately 48.6% of this total amount constitutes unreserved fund balance that is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: \$18.2 million to cemetery, library and other trust funds; \$2.0 million to liquidate contracts and purchase orders of the prior period; \$1.3 million to self-insured workers' compensation claims reserve, \$4.6 million for advances and \$.81 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 (\$4.7) million while the total fund balance reached \$21.2 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 11.1% of total general fund expenditures of \$125.0 million, while total fund balance represents 16.9% 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 (15.0%) in passenger enplanements in FY2010, as enplanements decreased by 256,845 from FY2009. 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 decreased from (\$5,566,378) in FY2009 to (\$5,289,822), a decrease of 5% over FY2009. The operating loss decrease was due primarily to decreased operating expenses. Due to active airport management the operating expenses for FY 2010 (net of depreciation expense) decreased by approximately \$2,244,000 or 8%.

Net assets of the proprietary fund consisting of the Water Works were \$75.9 million, as compared to \$76.4 million in the prior year. The unrestricted net asset balance of the Water Works was \$6.1 million. The restricted net assets increased from \$13.0 million to \$13.1 million. The Water Works experienced operating revenues of \$15.8 million from user fees. The total net loss for the Water Works was (\$1.5) million before capital contributions of \$1.0 million. The change in net assets for the fiscal year ended June 30, 2010 was (\$1 million), due mainly to an increase in operating income and capital contributions from the prior year.

Total assets for Environmental Protection Division (EPD) increased from \$159.5 million ending balance at June 30, 2009 to \$165.1 million at June 30, 2010. EPD's cash increased by \$3.4 million due to an increase in user rates of 15% starting January 1, 2010, and a reduction in debt service payments of approximately \$800,000 for the fiscal year.

Capital disbursements have remained relatively flat from FY 2009 at \$6 million to FY 2010 at \$5.7 million. This is due to the completion of Phase I Combined Sewer Overflow (CSO) work and Cohas Brook Interceptor (CBI) Phase II projects. Some start up work has begun for the next phases of the CSO and CBI projects. As projects move forward and construction begins disbursements for capital projects are anticipated to double in FY 2011.

### **General Fund Budgetary Highlights**

The City ended Fiscal Year (FY) 2010 with an increase in the general fund balance sheet over FY 2009. The City's "rainy day" Revenue Stabilization fund increased to \$7.4 million at June 30, 2010. The City's unreserved and undesignated fund balance decreased from (\$4.3) million to a (\$4.7) million deficit, less than the targeted one percent of the FY 2010 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 to \$7.2 million from \$6.7 million. The City's reserves for workers compensation, health insurance, and general liability had an aggregate increase of \$2.5 million or 91.1% from \$2.8 to \$5.3 million. At June 30, 2010, the City reserved \$4.6 million for advances on the Recreation Fund deficit.

During the year, actual revenues and other financing sources on a budgetary basis were \$127.4 million, \$820,436 more than the estimated revenues. Actual tax revenues were slightly less than budgeted by \$39,343. Actual intergovernmental revenue was \$98,985 over budgetary estimates. Investment income was \$32,133 more than the \$655,000 that had been budgeted. An additional positive outcome of \$291,502 resulted from an increase in auto registrations over the revised budgeted amount. Nonenterprise charges for sales and services were \$26,571 more than budgeted. Other revenues were \$209,096 more than budgeted resulting from a \$400,000 one time new contract signing bonus offset by a decrease in reimbursements and school charge backs. Transfers in were \$201,492 more than budgeted estimates, due to an increase in the year-end dividend from the Parking Enterprise to the General Fund.

Actual expenditures on a budgetary basis and other financing uses totaled \$123.0 million, \$3,586,138 less than budgeted. Highlights in expenditures variances include the following: General Government expenditures were \$381,402 more than budgeted primarily due to increases in non-departmental expenses including health insurance and workers compensation. Expenditures in Highway and Streets ended in a positive variance of \$700,218 resulting from decreases in actual salaries and contracts spent. Total debt service was \$1,645,528 less than budgeted resulting from the delay in timing of the 2010 bond sale. Transfers out were \$946,315 less than the budget estimate due to a change in the funding source for a public safety project from cash to bond. The combined net difference of budgeted revenues and expenses on a budgetary basis resulted in a positive variance of \$4,406,574.

## 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, 2010, amounts to \$948.7 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 \$11.7 million or 1.2%.

**City of Manchester, New Hampshire**  
**Capital Assets (net of depreciation) (000's)**  
**June 30, 2010 and 2009**  
**Primary Government**

	2010			2009			Change
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total	
Land	14,338	50,007	64,345	14,338	50,104	64,442	\$ (97)
Buildings and improvements	234,708	484,386	719,094	242,961	499,806	742,767	(23,673)
Infrastructure	60,316	-	60,316	59,129	-	59,129	1,187
Interceptors	-	50,256	50,256	-	51,481	51,481	(1,225)
Equipment and vehicles	13,785	14,970	28,755	9,215	15,172	24,387	4,368
Construction in progress	13,459	12,467	25,926	10,627	7,552	18,179	7,747
<b>Total</b>	<b>\$ 336,606</b>	<b>\$ 612,086</b>	<b>\$ 948,692</b>	<b>\$ 336,270</b>	<b>\$ 624,115</b>	<b>\$ 960,385</b>	<b>\$ (11,693)</b>

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

- ◆ Improvements and renovations to school facilities.
- ◆ Continued rehabilitation of playgrounds and athletic fields.
- ◆ Infrastructure improvements including roads, bridges, and sanitary and sewer projects.
- ◆ Replacement of emergency and rescue equipment and purchase of police vehicles.
- ◆ Acquisition of parcels for ongoing city development projects.
- ◆ Aviation capital improvements and buildings.
- ◆ Water Works 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 56-59 of this report.



**City of Manchester, New Hampshire**  
**Outstanding Debt**  
**General Obligation and Revenue Bonds (000's) in thousands**  
**June 30, 2010 and 2009**

	2010			2009		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
General Obligation Bonds	150,689	42,191	\$ 192,880	136,030	46,667	\$ 182,697
Revenue Bonds, net of premiums and discounts	101,292	265,683	366,975	104,299	267,101	371,400
Totals	\$ 251,981	\$ 307,874	\$ 559,855	\$ 240,329	\$ 313,768	\$ 554,097

**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 \$823.3 million. General obligation debt is backed by the full faith and credit of the City government.

As of December 31, 2010, 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+," "Aa1," and "AA+," respectively.

The general debt limit of the City is 9.75% of base valuation. Base valuation (\$8,561,819,000) 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, 2010, the City recorded long-term debt of \$131.4 million related to Governmental Activities, \$120.6 million related to the MSD and \$307.9 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 61-64 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.



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## **Basic Financial Statements**



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## Statement of Net Assets

City of Manchester New Hampshire  
June 30, 2010

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Manchester School District	Manchester Transit Authority	Manchester Development Corporation
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 83,397,348	\$ 15,525,350	\$ 98,922,698	\$ 9,210,589	\$ 259,725	\$ -
Restricted cash	25,179,885	82,981,275	108,161,160	-	-	2,787,619
Investments	561,830	-	561,830	-	-	-
Restricted Investments	18,503,899	-	18,503,899	-	-	-
Receivables	27,215,899	19,706,259	46,922,158	12,626,450	522,284	1,391,120
Prepaid expenses	56,230	1,173,271	1,229,501	58,440	20,519	-
Internal balances	4,796,545	(4,796,545)	-	-	-	-
Due from other	2,635,500	-	2,635,500	-	-	-
Due from Primary Government	-	-	-	28,224,308	-	-
Inventories	812,819	1,468,854	2,281,673	-	231,075	-
<b>Total current assets</b>	<b>163,159,955</b>	<b>116,058,464</b>	<b>279,218,419</b>	<b>50,119,787</b>	<b>1,033,603</b>	<b>4,178,739</b>
Noncurrent assets:						
Land held for resale	-	-	-	-	-	613,517
Capital assets, net of depreciation	336,606,427	612,085,775	948,692,202	5,765,537	4,765,704	-
Pension asset	11,461,742	-	11,461,742	-	-	-
Deferred charges, net	1,732,174	3,360,489	5,092,663	-	-	-
<b>Total noncurrent assets</b>	<b>349,800,343</b>	<b>615,446,264</b>	<b>965,246,607</b>	<b>5,765,537</b>	<b>4,765,704</b>	<b>613,517</b>
<b>Total Assets</b>	<b>\$ 512,960,298</b>	<b>\$ 731,504,728</b>	<b>\$ 1,244,465,026</b>	<b>\$ 55,885,324</b>	<b>\$ 5,799,307</b>	<b>\$ 4,792,256</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 12,204,379	\$ 5,585,380	\$ 17,789,759	\$ 1,157,787	\$ 128,586	\$ 501,239
Retainage payable	59,189	630,618	689,807	-	-	-
Accrued liabilities	3,042,844	11,348,117	14,390,961	18,700,806	165,040	-
Other liabilities	3,898,894	635,128	4,534,022	-	-	-
Insurance claims payable	732,689	-	732,689	-	-	-
Due to school district	28,224,308	-	28,224,308	-	-	-
Unearned revenue	17,073,072	29,085	17,102,157	30,942,138	18,538	-
Taxes collected in advance	41,911,139	-	41,911,139	-	-	-
<b>Total current liabilities</b>	<b>107,146,514</b>	<b>18,228,328</b>	<b>125,374,842</b>	<b>50,800,731</b>	<b>312,164</b>	<b>501,239</b>
Noncurrent liabilities:						
Due within one year	24,628,610	12,209,877	36,838,487	-	-	-
Due in more than one year	248,735,069	308,591,660	557,326,729	6,972,525	385,188	-
<b>Total noncurrent liabilities</b>	<b>273,363,679</b>	<b>320,801,537</b>	<b>594,165,216</b>	<b>6,972,525</b>	<b>385,188</b>	<b>-</b>
<b>Total Liabilities</b>	<b>380,510,193</b>	<b>339,029,865</b>	<b>719,540,058</b>	<b>57,773,256</b>	<b>697,352</b>	<b>501,239</b>
<b>NET ASSETS</b>						
Investment in capital assets, net of related debt	134,654,018	304,237,386	438,891,404	5,765,537	4,765,704	-
Restricted for:						
Coverage account	-	5,177,445	5,177,445	-	-	-
PFCs	-	5,054,435	5,054,435	-	-	-
MSDC	-	6,710,272	6,710,272	-	-	-
Revenue bond O&M	-	13,406,000	13,406,000	-	-	-
Revenue bond fund	-	7,604,682	7,604,682	-	-	-
Bond funds - capital improvements	-	20,671,486	20,671,486	-	-	-
Workmen's compensation	1,301,705	630,518	1,932,223	-	-	-
Cemetery and other trust funds	15,158,461	-	15,158,461	-	-	-
Library trust funds	3,006,181	-	3,006,181	-	-	-
Equipment replacement	-	242,088	242,088	153,763	-	-
Land held for resale	-	-	-	-	-	613,517
Restricted for debt service	-	-	-	4,127,916	-	-
Unrestricted (Deficit)	(21,670,260)	28,740,551	7,070,291	(11,935,148)	336,251	3,677,500
<b>Total Net Assets (Deficit)</b>	<b>\$ 132,450,105</b>	<b>\$ 392,474,863</b>	<b>\$ 524,924,968</b>	<b>\$ (1,887,932)</b>	<b>\$ 5,101,955</b>	<b>\$ 4,291,017</b>

See a 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	\$ 44,072,312	\$ 15,431,257	\$ 15,433,226	\$ -
Public safety	56,344,474	1,273,527	2,416,018	-
Health and sanitation	5,775,524	2,010,744	1,891,185	-
Highways and streets	28,611,754	1,579,244	2,039,904	908,525
Welfare	1,478,191	31,092	-	-
Education and library	8,318,868	121,260	57,045	-
Parks and recreation	5,538,284	1,955,050	815,756	315,029
Cemetery Trust	79,055	-	-	-
Investment management fee	57,695	-	-	-
Interest	3,895,389	-	-	-
<b>Total governmental activities</b>	<u>154,171,546</u>	<u>22,402,174</u>	<u>22,653,134</u>	<u>1,223,554</u>
Business-type activities				
Water	17,507,643	15,855,099	-	1,029,149
EPD	14,564,969	21,103,987	-	1,192,828
Aviation	59,678,505	46,551,051	1,871,938	4,747,164
Recreation	2,724,185	1,673,650	-	-
Parking	2,337,593	4,534,452	-	-
<b>Total business-type activities</b>	<u>96,812,895</u>	<u>89,718,239</u>	<u>1,871,938</u>	<u>6,969,141</u>
<b>Total primary government:</b>	<u>\$ 250,984,441</u>	<u>\$ 112,120,413</u>	<u>\$ 24,525,072</u>	<u>\$ 8,192,695</u>
Component units				
Manchester School District	\$ 177,453,395	\$ 16,802,349	\$ 30,749,935	\$ 1,998,399
Manchester Transit Authority	7,132,839	3,457,229	2,490,499	736,736
Manchester Development Corporation	26,394	-	-	-
<b>Total component units</b>	<u>\$ 184,612,628</u>	<u>\$ 20,259,578</u>	<u>\$ 33,240,434</u>	<u>\$ 2,735,135</u>
General revenues:				
Property taxes				
Auto registration fees				
Franchise fees				
Unrestricted investment earnings				
Grants and contributions not restricted to specific programs				
Miscellaneous				
Debt reimbursement from MSD				
Gain (loss) on disposal of assets				
Transfers in (out)				
<b>Total general revenues and transfers</b>				
<b>Change in net assets</b>				
Net assets (deficits) - beginning				
Net assets (deficits) - ending				
See accompanying notes.				

**City of Manchester New Hampshire**  
**For the Fiscal Year Ended June 30, 2010**

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	
\$ (13,207,829)	\$ -	\$ (13,207,829)	\$ -	\$ -	\$ -	-
(52,654,929)	-	(52,654,929)	-	-	-	-
(1,873,595)	-	(1,873,595)	-	-	-	-
(24,084,081)	-	(24,084,081)	-	-	-	-
(1,447,099)	-	(1,447,099)	-	-	-	-
(8,140,563)	-	(8,140,563)	-	-	-	-
(2,452,449)	-	(2,452,449)	-	-	-	-
(79,055)	-	(79,055)	-	-	-	-
(57,695)	-	(57,695)	-	-	-	-
(3,895,389)	-	(3,895,389)	-	-	-	-
<u>(107,892,684)</u>	<u>-</u>	<u>(107,892,684)</u>				
-	(623,395)	(623,395)	-	-	-	-
-	7,731,846	7,731,846	-	-	-	-
-	(6,508,352)	(6,508,352)	-	-	-	-
-	(1,050,535)	(1,050,535)	-	-	-	-
-	2,196,859	2,196,859	-	-	-	-
-	1,746,423	1,746,423	-	-	-	-
<u>\$ (107,892,684)</u>	<u>\$ 1,746,423</u>	<u>\$ (106,146,261)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ (127,902,712)	\$ -	\$ -	-
-	-	-	-	(448,375)	-	-
-	-	-	-	-	-	(26,394)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (127,902,712)</u>	<u>\$ (448,375)</u>	<u>\$ (26,394)</u>	<u>-</u>
\$ 89,492,106	\$ -	\$ 89,492,106	\$ 52,082,553	\$ -	\$ -	-
13,644,776	-	13,644,776	-	-	-	-
1,692,256	-	1,692,256	-	-	-	-
1,187,001	1,032,108	2,219,109	129,592	1,115	45,161	-
-	-	-	78,052,993	-	-	-
-	-	-	2,110,277	-	-	-
6,001,664	-	6,001,664	-	-	-	-
1,689,667	(489,522)	1,200,145	-	15,184	-	-
1,971,376	(1,971,376)	-	-	-	(9,383)	-
<u>115,678,846</u>	<u>(1,428,790)</u>	<u>114,250,056</u>	<u>132,375,415</u>	<u>16,299</u>	<u>35,778</u>	<u>-</u>
7,786,162	317,633	8,103,795	4,472,703	(432,076)	9,384	-
124,663,943	392,157,230	516,821,173	(6,360,635)	5,534,031	4,281,633	-
<u>\$ 132,450,105</u>	<u>\$ 392,474,863</u>	<u>\$ 524,924,968</u>	<u>\$ (1,887,932)</u>	<u>\$ 5,101,955</u>	<u>\$ 4,291,017</u>	<u>-</u>

**Balance Sheet**  
**Governmental Funds**

City of Manchester, New Hampshire  
June 30, 2010

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 81,341,927	\$ 302,117	\$ 1,753,304	\$ 83,397,348
Restricted cash and cash equivalents	11,872,882	10,670,627	2,636,376	25,179,885
Restricted investments	-	-	18,503,899	18,503,899
Investments	561,830	-	-	561,830
Receivables, net of allowances for collection losses	18,439,432	-	8,192,000	26,631,432
Prepaid expenses	52,230	-	4,000	56,230
Due from other funds	8,219,663	-	-	8,219,663
Inventories	812,819	-	-	812,819
<b>Total Assets</b>	<b>\$ 121,300,783</b>	<b>\$ 10,972,744</b>	<b>\$ 31,089,579</b>	<b>\$ 163,363,106</b>

**Liabilities and Fund Balance**

<b>Liabilities</b>				
Accounts and warrants payable	\$ 3,186,235	\$ 828,020	\$ 8,220,127	\$ 12,234,382
Retainage payable	44,889	14,300	-	59,189
Accrued liabilities	5,036,545	77,189	95,986	5,209,720
Other liabilities	-	-	842,657	842,657
Insurance claims payable	732,689	-	-	732,689
Due to other funds	-	285,481	502,137	787,618
Due to Manchester School District	29,049,456	-	-	29,049,456
Unearned revenue	16,810,474	-	262,598	17,073,072
Deferred revenue	3,342,515	-	-	3,342,515
Taxes collected in advance	41,911,139	-	-	41,911,139
<b>Total Liabilities</b>	<b>100,113,942</b>	<b>1,204,990</b>	<b>9,923,505</b>	<b>111,242,437</b>

**Fund Balance**

<b>Fund balances</b>				
Reserved for				
Encumbrances	604,278	798,979	504,641	1,907,898
Library	-	-	3,006,181	3,006,181
Cemetery funds	-	-	15,158,461	15,158,461
Inventory	812,819	-	-	812,819
Advance to other funds	4,564,157	-	-	4,564,157
Workers' compensation	1,301,705	-	-	1,301,705
Unreserved, undesignated reported in:				
General fund	13,903,882	-	-	13,903,882
Capital projects	-	8,968,775	-	8,968,775
Special revenue	-	-	2,496,791	2,496,791
<b>Total Fund Balance</b>	<b>21,186,841</b>	<b>9,767,754</b>	<b>21,166,074</b>	<b>52,120,669</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 121,300,783</b>	<b>\$ 10,972,744</b>	<b>\$ 31,089,579</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	336,606,427
Pension asset created in governmental activities is not a financial resource and, therefore, is not reported in the funds.	11,461,742
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	584,467
Deferred Revenue are not available and therefore not recognized in the funds.	3,342,515
Deferred charges, net	1,732,174
Long-term liabilities consisting of bonds payable and accruals are not due and payable in the current period and, therefore, are not reported in the funds	(273,397,889)
See accompanying notes.	<u>\$ 132,450,105</u>



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

**City of Manchester, New Hampshire  
Year Ended June 30, 2010**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 90,436,153	\$ -	\$ -	\$ 90,436,153
Federal and state grants and aid	5,610,614	-	17,485,108	23,095,722
Nonenterprise charges for sales and services	2,165,049	-	-	2,165,049
Licenses and permits	17,617,599	-	-	17,617,599
Interest	687,133	8,334	491,533	1,187,000
Contributions	-	-	135,880	135,880
Net appreciation in fair value of securities	-	-	1,458,322	1,458,322
Other	10,252,658	-	4,820,017	15,072,675
<b>Total Revenues</b>	<b>126,769,206</b>	<b>8,334</b>	<b>24,390,860</b>	<b>151,168,400</b>
<b>Expenditures</b>				
Current:				
General government	25,154,838	52,255	14,009,248	39,216,341
Public safety	52,851,903	19,730	1,923,400	54,795,033
Health and sanitation	3,671,713	-	1,855,507	5,527,220
Highway and streets	22,988,424	-	429,925	23,418,349
Welfare	1,253,393	-	183,195	1,436,588
Education	2,809,571	-	-	2,809,571
Parks and recreation	3,385,544	126,707	427,578	3,939,829
Cemetery Trust	-	-	79,055	79,055
Investment management fee	-	-	57,695	57,695
Capital Outlay	150,599	11,432,420	4,761,363	16,344,382
Debt service:				
Principal retirement	7,972,425	-	-	7,972,425
Interest	4,742,047	-	-	4,742,047
<b>Total Expenditures</b>	<b>124,980,457</b>	<b>11,631,112</b>	<b>23,726,966</b>	<b>160,338,535</b>
<b>Excess (Deficiency) of revenues over expenditures</b>	<b>1,788,749</b>	<b>(11,622,778)</b>	<b>663,894</b>	<b>(9,170,135)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of bonds	-	25,758,915	-	25,758,915
Proceeds from premium of bonds	-	801,754	-	801,754
Proceeds from sale of Capital Assets	1,562,670	-	-	1,562,670
Transfers in	2,619,766	1,438	1,197,375	3,818,579
Transfers out	(1,233,813)	-	(500,100)	(1,733,913)
<b>Total Other Financing Sources</b>	<b>2,948,623</b>	<b>26,562,107</b>	<b>697,275</b>	<b>30,208,005</b>
<b>Net Change in Fund Balances (Deficit)</b>	<b>4,737,372</b>	<b>14,939,329</b>	<b>1,361,169</b>	<b>21,037,870</b>
<b>Fund Balance (Deficit), beginning</b>	<b>16,449,469</b>	<b>(5,171,575)</b>	<b>19,804,905</b>	<b>31,082,799</b>
<b>Fund Balance, ending</b>	<b>\$ 21,186,841</b>	<b>\$ 9,767,754</b>	<b>\$ 21,166,074</b>	<b>\$ 52,120,669</b>

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, 2010**

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

Net change in fund balance \$ 21,037,870

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. 336,560

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 638,371

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. (11,487,834)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (2,738,805)

Change in net assets of governmental activities \$ 7,786,162

See accompanying notes.

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

City of Manchester, New Hampshire  
Year Ended June 30, 2010

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 89,074,734	\$ 90,765,734	\$ 90,726,391	\$ (39,343)
Federal and state grants and aid	3,289,387	3,289,387	3,388,372	98,985
Nonenterprise charges for sales and services	2,161,530	2,126,530	2,153,101	26,571
Licenses and permits	18,065,966	17,350,966	17,642,468	291,502
Interest	755,000	655,000	687,133	32,133
Other	10,871,642	10,030,642	10,239,738	209,096
<b>Total Revenues</b>	<b>124,218,259</b>	<b>124,218,259</b>	<b>124,837,203</b>	<b>618,944</b>
<b>Expenditures</b>				
Current:				
General government	45,909,289	45,754,896	46,136,298	(381,402)
Public safety	37,342,026	37,489,411	37,164,466	324,945
Health and sanitation	2,622,633	2,629,641	2,487,004	142,637
Highway and streets	19,217,551	19,217,551	18,517,333	700,218
Welfare	1,115,068	1,115,068	1,009,624	105,444
Education	2,076,760	2,076,760	2,060,958	15,802
Parks and recreation	2,730,432	2,730,432	2,643,781	86,651
Debt service:				
Principal retirement	8,960,000	8,960,000	7,972,425	987,575
Interest	5,400,000	5,400,000	4,742,047	657,953
<b>Total Expenditures</b>	<b>125,373,759</b>	<b>125,373,759</b>	<b>122,733,936</b>	<b>2,639,823</b>
<b>Excess (Deficiency) of revenues under expenditures</b>	<b>(1,155,500)</b>	<b>(1,155,500)</b>	<b>2,103,267</b>	<b>3,258,767</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,360,100	2,360,100	2,561,592	201,492
Transfers out	(1,204,600)	(1,204,600)	(258,285)	946,315
<b>Total Other Financing Sources (Uses)</b>	<b>1,155,500</b>	<b>1,155,500</b>	<b>2,303,307</b>	<b>1,147,807</b>
<b>Revenues and Other Financing Sources Over Expenses and Other Financing Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,406,574</b>	<b>\$ 4,406,574</b>

See accompanying notes.

Proprietary Funds  
Statement of Net Assets

City of Manchester, New Hampshire  
June 30, 2010

	Business-type Activities-Enterprise Funds				
	Major			Non-Major Funds	Total
	Water Works Fund	EPD Fund	Aviation Fund		
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 3,084,268	\$ 12,439,632	\$ 300	\$ 1,150	\$ 15,525,350
Restricted cash and cash equivalents	13,073,229	402,986	68,388,391	1,116,669	82,981,275
Receivables, net of allowances for collection losses	3,424,108	10,355,365	5,670,404	256,382	19,706,259
Prepaid items	456,968	15,874	698,138	2,291	1,173,271
Inventories	1,022,706	65,247	380,901	-	1,468,854
<b>Total current assets:</b>	<b>21,061,279</b>	<b>23,279,104</b>	<b>75,138,134</b>	<b>1,376,492</b>	<b>120,855,009</b>
Noncurrent assets:					
Capital assets, net, where applicable, of accumulated depreciation	105,664,384	141,833,753	347,261,249	17,326,389	612,085,775
Deferred charges	728,493	-	2,586,573	45,423	3,360,489
<b>Total noncurrent assets:</b>	<b>106,392,877</b>	<b>141,833,753</b>	<b>349,847,822</b>	<b>17,371,812</b>	<b>615,446,264</b>
<b>Total Assets</b>	<b>\$ 127,454,156</b>	<b>\$ 165,112,857</b>	<b>\$ 424,985,956</b>	<b>\$ 18,748,304</b>	<b>\$ 736,301,273</b>
<b>Liabilities</b>					
Current liabilities					
Accounts and warrants payable	\$ 758,080	\$ 1,358,147	\$ 3,243,366	\$ 225,787	\$ 5,585,380
Retainage payable	388,962	166,989	74,667	-	630,618
Accrued liabilities	659,395	1,251,749	6,785,785	157,103	8,854,032
Due to other funds	43,706	58,206	83,335	4,611,298	4,796,545
Unearned revenue	-	-	-	29,085	29,085
Bonds and notes payable	1,070,743	2,714,253	8,035,000	1,013,567	12,833,563
Compensated Absences	1,355,479	328,612	570,289	239,705	2,494,085
Other	188,149	71,632	246,033	129,314	635,128
<b>Total Current liabilities</b>	<b>4,464,514</b>	<b>5,949,588</b>	<b>19,038,475</b>	<b>6,405,859</b>	<b>35,858,436</b>
Noncurrent liabilities					
Bonds payable	44,639,830	20,455,512	219,321,420	10,623,997	295,040,759
Due to State of New Hampshire	2,473,658	10,453,557	-	-	12,927,215
<b>Total Noncurrent liabilities</b>	<b>47,113,488</b>	<b>30,909,069</b>	<b>219,321,420</b>	<b>10,623,997</b>	<b>307,967,974</b>
<b>Total Liabilities</b>	<b>51,578,002</b>	<b>36,858,657</b>	<b>238,359,895</b>	<b>17,029,856</b>	<b>343,826,410</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	56,748,734	108,210,432	132,630,585	6,647,635	304,237,386
Restricted	13,073,230	242,088	46,181,608	-	59,496,926
Unrestricted (Deficit)	6,054,190	19,801,680	7,813,868	(4,929,187)	28,740,551
<b>Total Net Assets</b>	<b>\$ 75,876,154</b>	<b>\$ 128,254,200</b>	<b>\$ 186,626,061</b>	<b>\$ 1,718,448</b>	<b>\$ 392,474,863</b>

See accompanying notes.

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

**City of Manchester, New Hampshire**  
**Year Ended June 30, 2010**

	<b>Business-type Activities-Enterprise Funds</b>				
	<b>Major</b>				<b>Total</b>
	<b>Water Works Fund</b>	<b>EPD Fund</b>	<b>Aviation Fund</b>	<b>Non-major Funds</b>	
<b><u>Operating Revenues</u></b>					
Charges for goods and services	\$ 15,808,577	\$ 18,663,844	\$ 37,006,040	\$ 6,041,737	77,520,198
Other	24,025	2,166,744	1,810,613	217	4,001,599
<b>Total Operating Revenues</b>	<b>15,832,602</b>	<b>20,830,588</b>	<b>38,816,653</b>	<b>6,041,954</b>	<b>81,521,797</b>
<b><u>Operating Expenses</u></b>					
Personnel services	6,008,434	3,649,293	7,476,449	2,398,892	19,533,068
Plant maintenance	1,558,183	1,417,947	1,070,106	146,116	4,192,352
Light/heat and power	1,084,474	1,987,944	2,276,077	296,281	5,644,776
General and administrative	3,176,801	322,466	14,764,752	855,258	19,119,277
Depreciation and amortization	3,435,882	6,182,867	18,519,091	885,611	29,023,451
<b>Total Operating Expenses</b>	<b>15,263,774</b>	<b>13,560,517</b>	<b>44,106,475</b>	<b>4,582,158</b>	<b>77,512,924</b>
<b>Operating Income (Loss)</b>	<b>568,828</b>	<b>7,270,071</b>	<b>(5,289,822)</b>	<b>1,459,796</b>	<b>4,008,873</b>
<b><u>Non-Operating Revenues (Expenses), net</u></b>					
Soundproofing program grant	-	-	1,871,937	-	1,871,937
Soundproofing program expense	-	-	(1,807,258)	-	(1,807,258)
Interest income	192,801	28,878	806,071	4,358	1,032,108
Interest expense	(2,243,869)	(1,004,451)	(10,923,535)	(479,620)	(14,651,475)
Passenger facility charges	-	-	5,911,377	-	5,911,377
Customer facility charges	-	-	1,823,022	-	1,823,022
Rent and other income	22,497	273,398	-	166,148	462,043
Reimbursement of Interest Expenses	-	66,966	-	-	66,966
Bond issuance costs	-	-	(2,841,237)	-	(2,841,237)
Loss on disposal of capital assets	-	(187,318)	(15,888)	(286,316)	(489,522)
<b>Total Non-Operating Expenses</b>	<b>(2,028,571)</b>	<b>(822,527)</b>	<b>(5,175,511)</b>	<b>(595,430)</b>	<b>(8,622,039)</b>
<b>Net income (loss) before capital contributions and transfers</b>	<b>(1,459,743)</b>	<b>6,447,544</b>	<b>(10,465,333)</b>	<b>864,366</b>	<b>(4,613,166)</b>
<b><u>Capital Contributions and Transfers</u></b>					
Capital Contributions	1,029,149	1,125,862	4,747,164	-	6,902,175
Transfer to general fund	(58,174)	-	-	(2,061,492)	(2,119,666)
Transfer from general fund	-	-	-	35,000	35,000
Transfer of Capital Assets	-	(148,703)	-	261,993	113,290
<b>Total Capital Contributions and Transfers</b>	<b>970,975</b>	<b>977,159</b>	<b>4,747,164</b>	<b>(1,764,499)</b>	<b>4,930,799</b>
<b>Change in Net Assets</b>	<b>(488,768)</b>	<b>7,424,703</b>	<b>(5,718,169)</b>	<b>(900,133)</b>	<b>317,633</b>
<b>Fund Net Assets, beginning of year</b>	<b>76,364,922</b>	<b>120,829,497</b>	<b>192,344,230</b>	<b>2,618,581</b>	<b>392,157,230</b>
<b>Fund Net Assets, end of year</b>	<b>\$ 75,876,154</b>	<b>\$ 128,254,200</b>	<b>\$ 186,626,061</b>	<b>\$ 1,718,448</b>	<b>\$ 392,474,863</b>

See accompanying notes.

Proprietary Funds  
Statement of Cash Flows

City of Manchester, New Hampshire  
Year Ended June 30, 2010

	Business-type Activities-Enterprise Funds				
	Major			Non-Major Funds	Total
	Water Works Fund	EPD Fund	Aviation Fund		
<b><u>Cash Flows from Operating Activities</u></b>					
Cash received from customers	\$ 15,197,333	\$ 18,890,990	\$ 38,043,398	\$ 6,019,691	\$ 78,151,412
Cash payments for goods and services	(5,697,709)	(3,510,727)	(19,387,733)	(1,399,963)	(29,996,132)
Cash payments to employees for services	(6,126,283)	(3,544,298)	(7,393,869)	(2,379,446)	(19,443,896)
Other operating revenues	22,497	-	-	166,148	188,645
<b>Net Cash Provided by Operating Activities</b>	<b>3,395,838</b>	<b>11,835,965</b>	<b>11,261,796</b>	<b>2,406,430</b>	<b>28,900,029</b>
<b><u>Cash Flows Provided by Non-Capital and Related Financing Activities</u></b>					
Amounts from federal & state governments for soundproofing	-	-	1,871,937	-	1,871,937
Soundproofing related expenses	-	-	(1,807,258)	-	(1,807,258)
Cash (paid) received from general fund	-	(5,233)	-	1,017,735	1,012,502
Passenger and customer facility charges	-	-	7,139,417	-	7,139,417
Cash Payment to the City	(58,174)	(148,703)	-	(2,061,492)	(2,268,369)
Interest paid on cash advances	-	-	-	(16,201)	(16,201)
Cash Payment from the City	-	-	-	55,539	55,539
<b>Net Cash Provided by (Used in) Non-Capital &amp; Related Financing Activities</b>	<b>(58,174)</b>	<b>(153,936)</b>	<b>7,204,096</b>	<b>(1,004,419)</b>	<b>5,987,567</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>					
Proceeds from State of New Hampshire - ARRA Funds	2,473,658	-	-	-	2,473,658
Payments on bond arbitrage and financing	-	-	(743,799)	-	(743,799)
Proceeds from State of New Hampshire Revolving Fund	-	9,029,277	-	-	9,029,277
Reimbursement of bond interest expenses	-	75,965	-	-	75,965
Deferred charges	(2,571)	-	(759,270)	-	(761,841)
Proceeds from premiums	-	-	1,262,856	105,154	1,368,010
Payments on revolving loan fund	-	(4,449,639)	-	-	(4,449,639)
Principal paid on bonds and notes	(827,718)	(9,029,277)	(7,295,000)	(914,987)	(18,066,982)
Proceeds from refunding bond	-	-	85,535,000	-	85,535,000
Proceeds from bonds	-	-	-	1,541,085	1,541,085
Proceeds from notes	-	2,361,292	-	-	2,361,292
Interest paid on bonds and notes	(2,243,869)	(681,876)	(13,206,380)	(472,458)	(16,604,583)
Contributed capital by federal, state & local governments	1,029,149	1,125,862	4,099,389	-	6,254,400
Acquisition and construction of capital assets	(4,826,943)	(6,710,334)	(5,904,201)	(789,565)	(18,231,043)
Payment to escrow for refunding	-	-	(81,154,947)	-	(81,154,947)
<b>Net Cash Used in Capital &amp; Related Financing Activities</b>	<b>(4,398,294)</b>	<b>(8,278,730)</b>	<b>(18,166,352)</b>	<b>(530,771)</b>	<b>(31,374,147)</b>
<b><u>Cash Flows from Investing Activities</u></b>					
Interest and dividends from investments	192,801	-	806,071	4,358	1,003,230
<b>Net Cash Provided by Investing Activities</b>	<b>192,801</b>	<b>-</b>	<b>806,071</b>	<b>4,358</b>	<b>1,003,230</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(867,829)</b>	<b>3,403,299</b>	<b>1,105,611</b>	<b>875,598</b>	<b>4,516,679</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>17,025,326</b>	<b>9,439,319</b>	<b>67,283,080</b>	<b>242,221</b>	<b>93,989,946</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 16,157,497</b>	<b>\$ 12,842,618</b>	<b>\$ 68,388,691</b>	<b>\$ 1,117,819</b>	<b>\$ 98,506,625</b>

Proprietary Funds  
Statement of Cash Flows

City of Manchester, New Hampshire  
Year Ended June 30, 2010

**Business-type Activities-Enterprise Funds**

	Major				Total
	Water Works Fund	EPD Fund	Aviation Fund	Non-Major Funds	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>					
Operating income (loss)	\$ 568,828	\$ 7,270,071	\$ (5,289,822)	\$ 1,459,796	\$ 4,008,873
Adjustments to reconcile operating income (loss) to cash provided by operating activities:					
Depreciation and amortization	3,435,882	6,182,867	18,519,091	885,611	29,023,451
Non-operating revenue	22,497	-	-	166,148	188,645
<b>Change in Assets and Liabilities</b>					
Increase in receivables	(622,811)	(1,939,598)	(774,280)	(33,850)	(3,370,539)
Decrease (increase) in inventories	7,421	11,641	(70,097)	-	(51,035)
Decrease (increase) in prepaid expenses and other assets	22,990	1,968	51,518	(7,893)	68,583
Increase (decrease) in accounts & retainage payable	77,437	227,672	(536,415)	(58,992)	(290,298)
Increase (decrease) in accrued liabilities	20,512	50,426	(572,516)	(21,980)	(523,558)
Increase (decrease) in compensated absences	(88,000)	30,918	82,580	1,122	26,620
Increase (decrease) in other liabilities	(3,844)	-	1,025	14,937	12,118
Increase in unearned revenue	-	-	-	1,531	1,531
Decrease in interfund liabilities	(45,074)	-	(149,288)	-	(194,362)
<b>Net Cash Provided by Operating Activities</b>	<b>3,395,838</b>	<b>11,835,965</b>	<b>11,261,796</b>	<b>2,406,430</b>	<b>28,900,029</b>
<b>Schedule of Noncash Investing, Capital and Financing Activities</b>					
Disposal of Capital Assets	\$ -	\$ 187,318	\$ -	\$ -	\$ 187,318
Transfer of Capital Assets	\$ -	\$ -	\$ -	\$ 261,993	\$ 261,993
Bond interest rate swap valuation	\$ -	\$ -	\$ 879,390	\$ -	\$ 879,390

**Fiduciary Funds**

City of Manchester, New Hampshire

**Statement of Fiduciary Net Assets - Pension Trust and Agency Funds**

Year Ended June 30, 2010

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 28,485,706	\$ -
Investments	132,615,539	-
Receivables, net of allowances for collection losses	228,601	2,635,500
Other assets	5,700	-
Capital assets, net, where applicable,	10,086	-
<b>Total Assets</b>	<b><u>\$ 161,345,632</u></b>	<b><u>\$ 2,635,500</u></b>
<b>Liabilities</b>		
Accounts and warrants payable	\$ 148,707	\$ -
Accrued liabilities	19,498,899	-
Due to others	-	2,635,500
<b>Total Liabilities</b>	<b><u>19,647,606</u></b>	<b><u>2,635,500</u></b>
<b>Total Net Assets Held in Trust for Pension Benefits</b>	<b><u>\$ 141,698,026</u></b>	<b><u>\$ -</u></b>

See accompanying notes.



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

**City of Manchester New Hampshire**  
**Year Ended June 30, 2010**

	<u>Pension Trust Funds</u>
<b>Additions</b>	
Contributions	
Employer	\$ 8,679,821
Plan members	2,971,234
<b>Total Contributions</b>	<u>11,651,055</u>
 Investment Gain	
Net realized and unrealized appreciation in fair value of investments	21,365,630
Interest	405,772
Dividends	644,079
Less investment expense	(311,515)
<b>Net Investment Income</b>	<u>22,103,966</u>
 <b>Total additions</b>	<u>33,755,021</u>
 <b>Deductions</b>	
Benefits paid directly to participants	10,318,895
Refunds of employee contributions	223,480
Administrative expenses	877,128
<b>Total Deductions</b>	<u>11,419,503</u>
 <b>Net Increase</b>	22,335,518
 <b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of year	119,362,508
End of year	<u>\$ 141,698,026</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 January 21, 2011, 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 27, 2010, and has been issued under separate cover. The MTA is presented as a proprietary fund type.

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

Manchester Development Corporation	Manchester School District	Manchester Transit Authority
One City Hall Plaza	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, 2009, and their report; dated July 15, 2010 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 discretely presented 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, 2010

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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, 2010**

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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, 2010**

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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 except for alternative investments as discussed below. 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.

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.

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

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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 amounted to \$15,600 for the year ended June 30, 2010. There was no capitalized interest for the Aviation fund for the year ended June 30, 2010.

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

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

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

Compensated absences

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

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

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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.

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 due and payable.

**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 at the lower of cost 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

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

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

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

Other long term assets that are not available to pay for current period expenditures and, therefore are deferred in the funds	\$	584,467
Deferred charges:		
Cost of Issuance Fees		1,732,174

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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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 \$272,630,990 difference consisting of long-term debt are as follows:

Bonds payable	\$ 236,524,440
Less: Deferred loss on refunding (to be amortized as interest expense)	(651,189)
Add: Deferred charge for refunding premium (to be amortized over life of debt)	864,907
Deferred premium on revenue bond obligation (to be amortized as interest expense)	6,415,977
Refunding premium on Series 2003B	108,988
Refunding premium on Series 2003	6,836,727
Refunding premium on Series 2004	707,702
Refunding premium on Series 2007	371,796
Refunding premium on Series 2010	801,754
Compensated absences	11,219,374
Insurance claims	4,863,996
Landfill closure and post-closure care	4,566,518
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 272,630,990</u>

The details of the \$766,899 difference consisting of current accruals are as follows:

Accrued interest	\$ 1,622,047
Due to School District	(825,148)
Vouchers payable	(30,000)
Net adjustment to decrease fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 766,899</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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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 \$336,560 difference are as follows:

Capital outlay	\$ 17,087,216
Asset retirements	(118,061)
Depreciation expense	(16,632,595)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 336,560</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 \$11,487,834 difference is as follows:

Long-term liabilities issued or incurred:	
Proceeds from 2010 bonds	\$ (25,758,914)
Less series 2010 premium	(801,754)
Add series 2010 discounts and COI	164,455
Principal repayments:	
General obligation debt-City portion	7,972,425
General obligation debt-MSD portion reimbursed	6,001,664
Add bond discounts, COI and premiums amortization	<u>934,290</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (11,487,834)</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$2,738,805 difference are as follows:

Prepaid Pension Asset	\$ 1,395,471
Deferred Professional Fees	92,181
Long-term liabilities incurred:	
Risk reserve	405,103
Landfill reserve	276,185
Vouchers payable	(30,000)
Compensated absences	604,413
Accrued interest	294,564
Interest receivable from MSD on bonds payable	<u>(299,112)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 2,738,805</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

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adopt the budget appropriation resolutions and is to be completed no later than the second Tuesday in June. The Mayor has line item veto authority.

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

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

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

Pursuant to the state level requirements, the 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.



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- (c) State retirement contributions are paid by the State on behalf of the City and represent differences for both revenues and expenditures.

The following department overspent its budget:

General government                      \$381,402

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	\$ 124,837,203	\$ 122,733,936	\$ 2,561,592	\$ 258,285
Central Business District	258,092	193,653	-	-
Transfer to Special Revenue	-	-	-	974,090
Adjustment to project	-	-	-	1,438
Current year encumbrances	-	(604,278)	-	-
State retirement contributions	2,222,242	2,222,242	-	-
Tax revenues of 2009 recognized in 2010	2,042,891	-	-	-
Tax revenues of 2010 deferred until 2011	(2,591,222)	-	-	-
Sale of capital assets	1,562,670	-	-	-
MEDO - Special projects	-	30,593	-	-
Prior years & balance sheet encumbrances	-	97,752	-	-
Reimbursement for aggregation program - MWW	-	-	58,174	-
Expenditures of prior year encumbrances	-	306,559	-	-
Statement of revenues and expenditures (in conformity with GAAP)	<u>\$ 128,331,876</u>	<u>\$ 124,980,457</u>	<u>\$ 2,619,766</u>	<u>\$ 1,233,813</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, certificates of deposits, and repurchase agreements.

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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:

**MECRS Pension Trust**

Attalus Capital Management (Hedge Fund)	\$	6,567,588
Archstone Capital (Hedge Fund)		6,846,371
Income Research Mgt. (Core Bonds Fund)		14,128,811
Loomis Sayles (Fixed Income Fund)		8,567,991
Mellon Capital EB (Global Tactical Assets)		18,993,885
State Street Short Term Investment Fund		26,759,740
Rothschild		8,770,905
City of London		6,600,840

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, 2010, \$12,685 of the City's bank balance of \$107,610,000 cash and cash equivalent total was uninsured and uncollateralized. The City has steadfastly maintained sufficient collateralization of its funds to prevent losses that might be attributable to failures at individual institutions.

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

CITY OF MANCHESTER, NEW HAMPSHIRE

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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.

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	15.00%	17.85%	Hedge Funds	10.00%	9.64%
Large Cap Equity	20.00%	13.32%	Private Equity	5.00%	0.56%
Mid / Small Equity	10.00%	6.30%	Fixed Income	20.00%	20.25%
International Equity	9.00%	7.79%	Real Assets	5.00%	5.79%
Emerging Markets	4.00%	4.74%	Cash	2.00%	13.76%

Custodial Credit Risk:

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

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Cash and investments of the City consist of the following at June 30, 2010:

<b>Cash and Cash Equivalents</b>		
Deposits with Financial Institutions	\$	121,427,405
Municipal Backed Investment Fund		15,368,279
Repurchase Investments		70,414,246
CR Pension Cash		9,205,567
<b>Total Cash and Cash Equivalents</b>		<u>216,415,497</u>
<b>General Fund Investments</b>		
U.S. Government Agencies		561,830 ***
Total General Fund Investments		<u>561,830</u>
<b>Library Trust Funds:</b>		
U.S. Treasury Notes		315,196 ***
U.S. Government Agencies		379,258 ***
Corporate Bonds		502,271 ***
Municipal Obligations		100,135 ***
Common Stocks		944,786 ***
Equity Mutual Funds		513,541
Fixed Income Mutual Funds		126,878
Total Library Trust Funds		<u>2,882,065</u>
<b>Cemetery Trust Funds:</b>		
U.S. Treasury Notes		5,012,567 ***
Corporate Bonds		740,563 ***
Mutual Funds		9,340,435
Total Cemetery Trust Funds		<u>15,093,565</u>
<b>Expendable Trust Funds:</b>		
U.S. Treasury Notes		460,268 ***
Corporate Bonds		68,001 ***
Total Expendable Trust Funds		<u>528,269</u>
<b>Old System Pension Trust Fund:</b>		
U.S. Treasury Notes		1,455,019 ***
Corporate Bonds		3,866,912 ***
Mortgage Backed		1,034,254 ***
Mutual Funds		6,217,653
Total Old System Pension Trust Fund		<u>12,573,838</u>
<b>City Retirement System Investments, at fair value</b>		
Payables for Investment Purchased - State Street Futures Contract		19,154,068
Equity funds		27,316,011
International equity		10,837,717
Alternative equity		786,209
Hedge funds		13,413,958
Fixed income		28,184,663
Emerging market funds		6,600,840
Real estate		2,400,967
Timber funds		5,654,572
Specialty investments		24,846,763
Total City Retirement System		<u>139,195,768</u>
<b>Total Investments</b>	\$	<u>170,835,335</u>
<b>Total Cash, Cash Equivalents and Investments</b>	\$	<u>387,250,832</u>

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

\*\*\* Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent

but not in the City's name.

CITY OF MANCHESTER, NEW HAMPSHIRE

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

**Statement of Net Assets**

Cash and cash equivalents	\$ 98,922,698
Restricted cash	108,161,160
Investments	561,830
Restricted Investments	18,503,899
	<u>226,149,587</u>

**Pension Trust Funds**

Cash and cash equivalents	28,485,706
Investments	132,615,539
	<u>161,101,245</u>

**Total** \$ 387,250,832

*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	\$ 7,243,050	\$ 26,177	\$ 3,394,267	\$ 3,822,606	\$ -
US Government Agencies	\$ 941,088	612,705	195,219	133,164	-
Corporate Bonds	\$ 5,177,747	476,035	3,280,671	717,037	704,004
Municipal Obligations	\$ 100,135	-	-	100,135	-
Mortgage Backed	\$ 1,034,254	-	-	-	1,034,254
Fixed Income Mutual Fund	\$ 126,878	126,878	-	-	-
Fixed Income Funds	\$ 28,184,663	-	19,616,672	8,567,991	-
Municipal Backed Investment Fund	\$ 15,368,279	15,368,279	-	-	-
Repurchase Investment	\$ 70,414,246	70,414,246	-	-	-
Total	<u>\$ 128,590,340</u>	<u>\$ 87,024,320</u>	<u>\$ 26,486,829</u>	<u>\$ 13,340,933</u>	<u>\$ 1,738,258</u>

**CITY OF MANCHESTER, NEW HAMPSHIRE**

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*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	Municipal Obligations	Repurchase Investment	Fixed Income Mutual fund	Municipal Backed Investment Fund	Fixed Income Funds
AAA	\$ 2,564,545	\$ 803,843	\$ 8,184,138	\$ -	\$ 70,414,246	\$ -	\$ 15,368,279	\$ -
AA	98,288	-	-	51,272	-	-	-	-
AA+	214,096	-	-	-	-	-	-	14,128,811
AA-	227,070	-	-	-	-	-	-	-
A+	580,100	-	-	-	-	-	-	-
A	1,049,368	-	-	-	-	-	-	-
A-	129,179	-	-	-	-	-	-	-
BBB	-	-	-	-	-	-	-	14,055,852
Unrated	315,101	230,411	-	48,863	-	126,878	-	-
	<u>\$ 5,177,747</u>	<u>\$ 1,034,254</u>	<u>\$ 8,184,138</u>	<u>\$ 100,135</u>	<u>\$ 70,414,246</u>	<u>\$ 126,878</u>	<u>\$ 15,368,279</u>	<u>\$ 28,184,663</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**

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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 2010. 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	\$ 14,057,854	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,057,854
Due from State of NH & other local governments	456,261	-	1,590,252	80,640	151,356	-	2,278,509
Prior year tax liens	526,293	-	-	-	-	-	526,293
Tax titles	2,574,167	-	-	-	-	-	2,574,167
Due from federal government	17,308	-	773,110	2,450,072	1,273,296	-	4,513,786
Accounts receivable-trade	2,623,615	2,892,335	7,107,116	3,139,692	345,662	256,382	16,364,802
Notes receivable	-	-	-	-	6,409,191	-	6,409,191
Other	234,829	531,773	884,887	-	12,495	-	1,663,984
<b>Total gross receivables</b>	<b>20,490,327</b>	<b>3,424,108</b>	<b>10,355,365</b>	<b>5,670,404</b>	<b>8,192,000</b>	<b>256,382</b>	<b>48,388,586</b>
Allowance for collection losses	(2,050,895)	-	-	-	-	-	(2,050,895)
<b>Total net receivables</b>	<b>\$ 18,439,432</b>	<b>\$ 3,424,108</b>	<b>\$ 10,355,365</b>	<b>\$ 5,670,404</b>	<b>\$ 8,192,000</b>	<b>\$ 256,382</b>	<b>\$ 46,337,691</b>



CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

Due from/to other funds consist of the following at June 30, 2010:

Receivable Fund	Payable Fund	Amount
General Fund	Agency	\$ 2,635,500
	Capital projects	285,481
	Special Revenue:	
	CDBG	404,543
	Other grants	97,594
	Enterprise Funds:	
	Water	43,706
	Aviation	83,335
	EPD	58,206
	Recreation	4,564,157
	Parking	47,141
		<u>\$ 8,219,663</u>

The balance of \$285,481 due from Capital Projects to the general fund is the result of a short-term advance. The balance of \$4,564,157 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, 2010 were as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 2,619,766	\$ 1,233,813
Capital Projects Fund	1,438	-
Other Funds	1,197,375	500,100
EPD Fund	-	-
Water Fund	-	58,174
Parking Fund	35,000	2,061,492
Sub-totals	<u>\$ 3,853,579</u>	<u>\$ 3,853,579</u>

Transfers from the General Fund 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 \$2,061,492 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 \$1,047,375. 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

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**Note 8. Capital Assets**

Governmental activities

Changes in the governmental capital assets for the year ended June 30, 2010, were as follows:

	Balance June 30, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Capital assets, not being depreciated					
Land	\$ 14,337,955	\$ -	\$ -	\$ -	\$ 14,337,955
Construction-in-Progress	10,627,428	6,140,824	-	(3,309,258)	13,458,994
Total capital assets, not being depreciated	24,965,383	6,140,824	-	(3,309,258)	27,796,949
Capital assets, being depreciated					
Buildings	327,507,800	284,787	-	1,814,029	329,606,616
Improvements other than buildings	25,353,421	38,703	-	332,588	25,724,712
Equipment	10,065,878	2,155,466	(83,938)	94,299	12,231,705
Vehicles	21,751,386	4,931,984	(2,434,139)	-	24,249,231
Infrastructure	89,064,578	3,535,452	-	1,068,342	93,668,372
Total capital assets, being depreciated	473,743,063	10,946,392	(2,518,077)	3,309,258	485,480,636
Less accumulated depreciation					
Buildings	100,404,008	9,778,066	-	-	110,182,074
Improvements other than buildings	9,496,430	945,223	-	-	10,441,653
Equipment	6,515,158	832,445	(36,378)	-	7,311,225
Vehicles	16,087,073	1,661,235	(2,363,638)	-	15,384,670
Infrastructure	29,935,910	3,415,626	-	-	33,351,536
Total accumulated depreciation	162,438,579	16,632,595	(2,400,016)	-	176,671,158
Governmental Activities Capital Assets, Net	\$336,269,867	\$ 454,621	\$ (118,061)	\$ -	\$ 336,606,427

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

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Business-type activities

Changes in the business-type capital assets for the year ended June 30, 2010, were as follows:

	Balance June 30, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Capital assets, not being depreciated					
Land	\$ 50,104,341	\$ 173,200	\$ (277,649)	\$ 7,273	\$ 50,007,165
Construction-in-Progress	7,551,645	17,248,911	-	(12,333,615)	12,466,941
Total capital assets, not being depreciated	57,655,986	17,422,111	(277,649)	(12,326,342)	62,474,106
Capital assets, being depreciated					
Buildings	406,329,481	353,932	(654,296)	7,052,706	413,081,823
Improvements other than buildings	342,016,667	102,883	(167,722)	3,579,905	345,531,733
Interceptors	74,041,653	-	-	276,068	74,317,721
Equipment & vehicles	36,254,040	614,110	(64,420)	1,417,663	38,221,393
Total capital assets, being depreciated	858,641,841	1,070,925	(886,438)	12,326,342	871,152,670
Less accumulated depreciation					
Buildings	140,241,033	10,931,316	(476,417)	-	150,695,932
Improvements other than buildings	108,299,121	15,377,733	(144,310)	-	123,532,544
Interceptors	22,561,215	1,500,352	-	-	24,061,567
Equipment & vehicles	21,081,770	2,221,742	(52,554)	-	23,250,958
Less total accumulated depreciation	292,183,139	30,031,143	(673,281)	-	321,541,001
Business-type Total Capital Assets, Net	\$ 624,114,688	\$ (11,538,107)	\$ (490,806)	\$ -	\$ 612,085,775

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Discretely reported component units

Capital assets activity in the School District at June 30, 2010, consisted of the following:

	Balance June 30, 2009	Increases	Balance June 30, 2010
Capital assets, not being depreciated			
Land	\$ 169,400	-	\$ 169,400
Total capital assets, not being depreciated	<u>169,400</u>	<u>-</u>	<u>169,400</u>
Capital assets, being depreciated			
Portable classrooms	1,047,602	100,000	1,147,602
Improvements	183,568	136,953	320,521
Instruments	248,671	-	248,671
Other machinery & equipment	15,396,654	718,237	16,114,891
Total capital assets, being depreciated	<u>16,876,495</u>	<u>955,190</u>	<u>17,831,685</u>
Total all capital assets	<u>17,045,895</u>	<u>955,190</u>	<u>18,001,085</u>
Less accumulated depreciation			
Portable classrooms	313,644	34,920	348,564
Improvements	24,093	8,035	32,128
Instruments	51,028	13,042	64,070
Other machinery & equipment	10,372,806	1,417,980	11,790,786
Less total accumulated depreciation	<u>10,761,571</u>	<u>1,473,977</u>	<u>12,235,548</u>
Total Capital Assets being depreciated, Net	<u>\$ 6,284,324</u>	<u>\$ (518,787)</u>	<u>\$ 5,765,537</u>

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

Capital asset activity in the MTA at June 30, 2010, consisted of the following:

	Balance			Balance
	June 30, 2009	Additions	Retirements	June 30, 2010
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	8,956,448	863,976	(471,097)	9,349,327
Equipment	1,776,139	314,019	(314,019)	1,776,139
Total capital assets being depreciated	12,540,185	1,177,995	(785,116)	12,933,064
Less accumulated depreciation	8,066,671	1,014,845	(785,047)	8,296,469
Total Capital Assets being depreciated, Net	\$ 4,602,623	\$ 163,150	\$ (69)	\$ 4,765,704

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

**Governmental Activities:**

General	\$ 3,686,834
Public safety	1,391,922
Highways and streets	4,121,622
Health and welfare	136,179
Education and library	5,488,735
Parks	1,807,303
Total depreciation expense – governmental activities	<u>\$ 16,632,595</u>

**Business-type Activities:**

Water Works	\$ 3,405,043
EPD	6,182,867
Aviation	19,557,622
Recreation	462,586
Parking	423,025
Total depreciation expense – business-type activities	<u>\$ 30,031,143</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**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	Taxes Collected in Advance
<b>General Fund:</b>			
Taxes and accrued interest on delinquent property taxes	\$ -	\$ 3,117,515	\$ -
Unearned tax revenue	14,048,122	-	41,911,139
Gatsas (Livingston Park) receivable	-	225,000	-
Impact fees	2,762,352	-	-
<b>Nonmajor funds</b>	<b>262,598</b>	<b>-</b>	<b>-</b>
<b>Total deferred/unearned revenue</b>	<b>\$ 17,073,072</b>	<b>\$ 3,342,515</b>	<b>\$ 41,911,139</b>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**Note 10. Long-Term Debt**

Below is a listing of all the debt outstanding at June 30, 2010:

Issuer	Date of Issue	Interest Rate(s)(%)	Original Amounts	Maturity Dates	Annual Payment	Balance June 30, 2010
GO Series 1990 BB_C	July-90	7.10	700,000	2011	35,000	\$ 35,000
GO Series 1990 BB_F	December-90	6.75	1,300,000	2011	65,000	65,000
GO Series 1993	July-93	5.375	20,290,000	2011	415,000	415,000
SRF 1995	October-94	4.168	20,840,578	2011 - 2015	1,268,953 - 1,494,111	6,896,171
Airport Series 1998 A	March-98	4.375 - 5.25	99,055,000	2011 - 2026	4,275,000 - 6,910,000	61,205,000
Airport Series 2000 B	April-00	5.25	7,430,000	2011	710,000	710,000
GO Series 2001 A	November-01	4.30 - 5.00	23,415,000	2011 - 2014	70,000 - 1,460,000	1,530,000
GO Series 2001 B	November-01	3.85 - 4.50	16,565,000	2011 - 2016	950,000 - 1,615,000	8,290,000
POB Series 2001 C	November-01	5.46 - 6.22	20,810,000	2011 - 2031	320,000 - 850,000	13,545,000
Airport Series 2002 A	June-02	4.30 - 5.125	35,740,000	2011 - 2030	895,000 - 2,380,000	30,630,000
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	2011 - 2028	1,445,000 - 4,565,000	25,050,000
SRF Landfill	July-03	3.728	13,221,166	2011 - 2024	661,058	9,254,818
Water Series 2003	November-03	4.00 - 5.00	38,345,000	2011 - 2035	225,000 - 2,950,000	38,170,000
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	2011 - 2020	1,380,000 - 2,690,000	21,335,000
GO Series 2003 C	December-03	4.125 - 5.75	27,760,000	2011 - 2029	80,000 - 3,470,000	11,390,000
GO Series 2004	September-04	3.125 - 5.25	11,730,000	2011 - 2019	1,010,000 - 2,040,000	10,415,000
School Series 2004	October-04	3.60 - 5.50	61,970,000	2011 - 2028	2,000,000 - 5,745,000	60,785,000
Airport Series 2005 A	July-05	3.00 - 5.00	17,110,000	2011 - 2027	165,000 - 3,135,000	16,285,000
SRF 2007	December-05	3.27	2,970,000	2010 - 2021	166,957 - 245,638	2,312,403
GO Series 2007	February-07	4.00 - 5.00	34,845,000	2011 - 2022	1,525,000 - 3,200,000	29,670,000
SRF 2008 1	July-07	1.09	2,453,435	2011 - 2012	490,687	981,374
SRF 2008 2	July-07	3.488	3,426,462	2011 - 2028	171,323	3,083,815
SRF 2008 3	January-08	3.488	4,412,033	2011 - 2028	220,602	3,970,830
SRF 2008 4	July-08	3.488	4,881,959	2011 - 2027	244,098	4,393,763
SRF 2009	September-08	4.208	4,147,317	2011 - 2028	207,366	3,732,586
Airport Series 2008	June-08	4.38	30,255,000	2011 - 2022	1,720,000 - 2,855,000	27,035,000
Airport Series 2009 A	December-09	4.00 - 5.00	64,830,000	2011 - 2030	555,000 - 10,865,000	64,830,000
Airport Series 2009 B	December-09	5.00	20,705,000	2011 - 2015	1,470,000 - 5,365,000	20,705,000
GO Series 2010 A	June-10	2.00 - 4.00	15,388,591	2011 - 2017	1,010,000 - 2,295,000	14,760,000
GO Series 2010 B	June-10	4.00 - 5.40	12,454,634	2018 - 2030	550,000 - 1,605,000	12,540,000
						<u>545,295,760</u>
					Less amount representing business-type activities	<u>308,771,320</u>
						<u>\$ 236,524,440</u>

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

Primary government

The debt service requirements of the City's outstanding General Obligation (GO) bonds, revenue bonds and notes payable at June 30, 2010 are as follows:

Governmental long-term debt:

Fiscal year	Principal	Interest	Total
2011	15,293,579	11,214,467	\$ 26,508,046
2012	14,951,720	10,599,714	25,551,434
2013	16,325,909	9,935,318	26,261,227
2014	16,502,412	9,242,431	25,744,843
2015	15,977,099	8,590,611	24,567,710
2016-2020	73,792,712	31,747,502	105,540,214
2021-2025	53,602,658	15,539,497	69,142,155
2026-2030	29,777,003	3,508,451	33,285,454
2031	301,348	18,744	320,092
Debt Service Requirement	236,524,440	100,396,735	336,921,175
Add Net Bond Premium	15,456,662	-	15,456,662
Total Governmental Activities	\$ 251,981,102	\$ 100,396,735	\$ 352,377,837

Business-type Activities:

Fiscal year	Principal	Interest	Total
2011	12,833,562	14,692,505	\$ 27,526,067
2012	13,104,136	13,166,597	26,270,733
2013	13,280,365	12,642,100	25,922,465
2014	13,777,463	12,071,915	25,849,378
2015	14,243,971	11,478,056	25,722,027
2016-2020	71,610,853	48,400,527	120,011,380
2021-2025	82,124,156	32,567,638	114,691,794
2026-2030	69,008,162	14,692,088	83,700,250
2030-2035	18,788,652	3,303,997	22,092,649
Debt Service Requirement	308,771,320	163,015,423	471,786,743
Less Net Bond Discount	(316,292)	-	(316,292)
Less Deferred Loss	(580,706)	-	(580,706)
Total Business-type Activities	\$ 307,874,322	\$ 163,015,423	\$ 470,889,745

The above table excludes amounts due to State of New Hampshire.

Interest rates for the City's outstanding GO bonds range from 3.00% to 7.10%. At June 30, 2010, the City's legal debt limit was \$834,777,000. Authorized, unissued financing resolutions as of June 30, 2010 totaled \$28,523,202.

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, 2010**

deceased bonds are not included in the City's financial statements. On June 30, 2010, \$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, 2010 was as follows:

	Balance			Balance	Due within
	June 30, 2009	Increases	Decreases	June 30, 2010	One year
<b>Governmental activities:</b>					
General Obligation Debt - City	\$ 103,492,122	\$ 20,435,560	\$ 7,972,425	\$ 115,955,257	\$ 9,130,915
Revenue Bonds Payable - MSD	88,710,000		2,875,000	85,835,000	3,025,000
General Obligation Bonds Payable - MSD	32,537,492	5,323,354	3,126,663	34,734,183	3,137,664
Premiums (Discounts)	15,589,198	801,754	934,290	15,456,662	933,502
	<u>240,328,812</u>	<u>26,560,668</u>	<u>14,908,378</u>	<u>251,981,102</u>	<u>16,227,081</u>
Compensated absences	10,614,961	1,106,096	501,683	11,219,374	2,804,844
Insurance claims	5,090,458	15,022,504	14,516,277	5,596,685	5,596,685
Landfill post-closure care	4,290,333	276,185	-	4,566,518	-
	<u>\$ 260,324,564</u>	<u>\$ 42,965,453</u>	<u>\$ 29,926,338</u>	<u>\$ 273,363,679</u>	<u>\$ 24,628,610</u>
<b>Business-type activities</b>					
General Obligation Debt	\$ 46,667,578	\$ 1,541,086	\$ 6,017,344	\$ 42,191,320	\$ 4,573,562
Revenue Bonds	269,310,000	4,740,000	7,470,000	266,580,000	8,260,000
Premiums (Discounts)	(2,209,449)	4,963,539	3,651,088	(896,998)	(623,685)
Due to State of New Hampshire	8,092,265	4,834,950	-	12,927,215	-
	<u>\$ 321,860,394</u>	<u>\$ 16,079,575</u>	<u>\$ 17,138,432</u>	<u>\$ 320,801,537</u>	<u>\$ 12,209,877</u>

The EPD Enterprise Fund has six loan agreements with original principal balances amounting to \$40,161,784 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, 2010 is \$23,058,540 for EPD and CSO projects.

The City has pledged future airport revenues, net of specified operating expenses, to repay \$228,410,000 in airport revenue bonds. Pledged revenues total \$40,751,800 and include certain operating and non-operating revenues and account balances under restricted assets. 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 1.81. The total principal and interest remaining to be paid on the bonds is \$350,856,275. Principal and interest paid for the current year was \$18,938,560.

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

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The Bond Resolution further requires the Department of Aviation to collect sufficient fees in each fiscal year so that Net Revenues (as defined) are at least equal to (a) 125% of current bond debt service, or (b) annual debt service, plus the operating reserve requirement, plus all other deposits required for the bond reserve and renewal/ replacement accounts.

On December 8, 2009, the City issued its \$64,830,000 of Refunding Series 2009A Bonds (the “2009A Bonds”) for Manchester-Boston Regional Airport. The 2009A Bonds were issued to refund the \$59,215,000 of 2005B Bonds that were previously issued for the Airport. The 2005B Bonds were issued in 2005 with the interest rate on such bonds fixed for an initial five-year period. That period was to expire on January 15, 2010, at which point the 2005B Bonds would have become variable rate bonds, and a related forward interest rate swap would have gone into effect. It was assumed in 2005 that the City would also obtain a liquidity facility by early 2010 to support the 2005B Bonds when they converted to a variable rate mode. The upheaval in the financial markets in 2008 and 2009 resulted in liquidity facilities and letters of credit becoming considerably more expensive, and that increase in cost materially changed the attractiveness of the original structure of the 2005B Bonds. After analyzing several options related to the future structure of the 2005B Bonds, the City elected to refund the 2005B Bonds with the fixed rate 2009A Bonds in late 2009. The forward interest rate swap related to the 2005B Bonds was terminated at approximately the same time, which resulted in the City paying a swap termination fee of \$4,170,000. The 2005B Bonds were fully redeemed from the proceeds of the 2009A Bonds on January 15, 2010. Amount of economic gain and the savings between old debt payments and the new debt payments has not been determined as the bonds went from a variable rate to a fixed rate.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**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**

	<b>MECRS Pension Trust</b>	<b>Old System Pension Trust</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 28,359,636	\$ 126,070	\$ 28,485,706
Investments	120,041,700	12,573,839	132,615,539
Receivables, net of allowances for collection losses	161,559	67,042	228,601
Other assets	5,700	-	5,700
Property and equipment, net where applicable, of accumulated depreciation	10,086	-	10,086
<b>Total Assets</b>	<b>148,578,681</b>	<b>12,766,951</b>	<b>161,345,632</b>
<b>Liabilities</b>			
Accounts and warrants payable	148,707	-	148,707
Accrued liabilities	19,498,899	-	19,498,899
<b>Total Liabilities</b>	<b>19,647,606</b>	<b>-</b>	<b>19,647,606</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 128,931,075</b>	<b>\$ 12,766,951</b>	<b>\$ 141,698,026</b>

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

## SCHEDULE OF CHANGES OF PLAN NET ASSETS

	MECRS Pension Trust	Old System Pension Trust	Total
<b>Additions</b>			
Contributions			
Employer	\$ 8,679,821	\$ -	\$ 8,679,821
Plan members	2,971,234	-	2,971,234
<b>Total Contributions</b>	<b>11,651,055</b>	<b>-</b>	<b>11,651,055</b>
Investment Gain			
Net realized and unrealized appreciation in fair value of investments	20,182,605	1,183,025	21,365,630
Interest	18,909	386,863	405,772
Dividends	644,079	-	644,079
Less investment expense	(311,515)	-	(311,515)
<b>Net Investment Income</b>	<b>20,534,078</b>	<b>1,569,888</b>	<b>22,103,966</b>
<b>Total Additions</b>	<b>32,185,133</b>	<b>1,569,888</b>	<b>33,755,021</b>
<b>Deductions</b>			
Benefits paid directly to participants	8,620,644	1,698,251	10,318,895
Refunds of employee contributions	223,480	-	223,480
Administrative expenses	813,194	63,934	877,128
<b>Total Deductions</b>	<b>9,657,318</b>	<b>1,762,185</b>	<b>11,419,503</b>
<b>Net (Increase) Decrease</b>	<b>22,527,815</b>	<b>(192,297)</b>	<b>22,335,518</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
Beginning of year	106,403,260	12,959,248	119,362,508
End of year	\$ 128,931,075	\$ 12,766,951	\$ 141,698,026

*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, 2010**

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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, 2010 and 2009) 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, 2009, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	628
Terminated vested members	97
Active members	<u>1,303</u>
Total Participants	<u>2,028</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 December 31	Fiscal Year Ended June 30	Annual Required	Annual Required	Actual Contributions
		Contribution (ARC) as a Percentage of Valuation	Contribution (ARC) as a Percentage of Valuation	
		Payroll-Pension	Payroll-Health	
2008	2010	17.17%	0.93%	N/A
2007	2009	13.84%	0.91%	N/A
2006	2008	13.27%	1.24%	N/A

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**SCHEDULE OF FUNDING PROGRESS - PENSION TRUSTS**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Unfunded Actuarial Accrued Liability (Surplus) (b)	Actuarial Accrued Liability (c)	Funded Ratio (a)/(c)	Annual Covered Payroll	Unfunded Liability to Covered Payroll
12/31/2009	\$134,782,503	\$88,122,131	\$222,904,634	60.5%	\$50,547,690	174.3%

**SCHEDULE OF FUNDING PROGRESS - HEALTH TRUST**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Unfunded Actuarial Accrued Liability (Surplus) (b)	Actuarial Accrued Liability (c)	Funded Ratio (a)/(c)	Annual Covered Payroll	Unfunded Liability to Covered Payroll
12/31/2009	\$3,748,342	\$ 9,342,146	\$ 13,090,488	28.6%	\$ 50,547,690	18.5%

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation Date:	December 31, 2009
Actuarial Cost Method:	Entry Age Normal
Investment Net Rate of Return:	7.5%
Projected Salary Increases:	3.5% - 9.3%
Amortization Method:	Level percent of payroll
Asset Valuation Method:	5 year smoothed market
Inflation Rate:	3.5%
Remaining Amortization Period	30 years

**Healthcare cost trend** – healthcare insurance premiums are associated with the benefit entitlements paid by the Retirement System, only to the extent that if premium costs are exceeded by the benefit entitlement, that the excess entitlement becomes a gain for the Retirement System. The Health Care Benefit paid is a flat rate based upon years of service at retirement. The initial entitlement increases by four percent annually and the accrued liability associated with the health benefit was attributed to pre-existing retiree covered by the benefit for which no contributions had ever been collected.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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*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 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, 2010, the Old System membership consisted of:

Members currently receiving benefits	132
Active Vested Members	<u>13</u>
Total Members	<u>145</u>

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Plan Year ended June 30,	Annual Required Contributions	Percentage contributed
2010	\$ 551,988	0.0%
2009	61,292	0.0%
2008	-	0.0%
2007	48,508	0.0%

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

Annual required contribution	\$ 551,988
Interest on net pension obligation	(964,291)
Adjustment to annual required contribution	1,807,774
Annual pension cost	1,395,471
Less contributions made	-
Decrease in net pension asset	1,395,471
Net pension asset beginning of year	(12,857,213)
Net pension asset end of year	\$ (11,461,742)

Three year trend information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2010	\$1,395,471	0.0 %	\$(11,461,742)
6/30/2009	968,299	0.0 %	(12,857,213)
6/30/2008	834,584	0.0 %	(13,825,512)

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Assets	Actuarial Accrued Liability (AAL) P.U.C.	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2010	\$ 12,766,951	\$ 16,286,171	\$ 3,519,220	78.39 %	\$ 756,205	465.38 %

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.



**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

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Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2010
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, 2010 was \$297,222.

At June 30, 2010, the membership consisted of:

Members currently receiving benefits	26
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***New Hampshire Retirement System***

The City contributes to the NHRS a cost-sharing, multiple-employer defined benefit pension plan administered by the state retirement board. The NHRS provides retirement and disability and death benefits to plan members and beneficiaries. Revised Statutes Annotated 100-A:16 of New Hampshire Law assigns the system the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The NHRS issues a publicly available financial report which can be obtained through the New Hampshire Retirement System at 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 13.66% to 17.28% of covered compensation.

The City's contributions to the system, consisting of firefighters and police officers, for the years ended June 30, 2010, 2009 and 2008 were \$5,185,321, \$4,537,401, and \$4,431,844, respectively, and were equal to the required contributions. For the years ended June 30, 2010, 2009 and 2008, the City has recognized both revenue and expenditures of \$2,222,242, \$2,441,926, and \$2,385,111, respectively, on behalf of contributions made by the State to the NHRS.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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**Note 12. Other Post Employment Benefits**

The Governmental Accounting Standards Board (GASB) recently promulgated its Statement 45, which addressed the reporting and disclosure requirements for other post employment benefits (OPEB). GASB Statement 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, was implemented by the Manchester Transit Authority (MTA) for the year ended June 30, 2010. This pronouncement requires the long-term cost of retirement health care and obligations for other post employment benefits be determined on an actuarial basis and reported similar to pension plans.

The net OPEB obligation recorded by the MTA as of June 30, 2010 was approximately \$228,000 and the unfunded actuarial accrued liability totaled \$3,540,000. The MTA made the Annual Required Contribution of \$93,500 as of June 30, 2010.

**Note 13. 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
2010	\$5,090,458	\$15,022,504	\$14,516,277	\$5,596,685
2009	\$4,823,033	\$14,616,671	\$14,349,246	\$5,090,458

### **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 \$210,000 per year, per claim.

### **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 \$35,000,000.

### **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 \$275,000 per individual and \$925,000 per incident. \$502,300 was recorded in the government wide statements for fiscal year 2010 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. \$4,029,000 was recorded in the government wide statements as the City's estimated liability for all types of claims incurred in 2010 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, 2010, 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

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

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 City submitted its proposed Phase II CSO abatement program to the EPA in March 2010 which recommends \$165 million in environmental infrastructure improvements over 20 years to the City's east side.

**Note 14. 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 \$4,566,518 reported as landfill closure and postclosure care liability at June 30, 2010 represents the cumulative amount reported to date based on use of 100 percent of the estimated capacity of the landfill. The City closed the landfill on June 28, 1996. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**Note 15. Fund Deficits**

As of June 30, 2010, the CDBG Fund, Other Grants fund and the Recreation Fund had fund deficits in the amounts of \$702,802, \$391,290 and \$3,142,154, respectively.

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

**Note 16. Restricted Net Assets**

Below is a listing of restricted net assets at June 30, 2010:

	Governmental Funds	Aviation	EPD	Water Works
Revenue fund	-	\$ 1,382,223	-	-
Bond fund	-	8,981,966	-	-
Customer facility charge reserve account	-	520,000	-	-
Operations and maintenance reserve account	-	9,832,000	-	-
Passenger facility charges	-	5,054,435	-	-
Coverage account	-	3,275,222	-	-
Capital improvement account	-	20,671,485	\$ 242,088	-
Revenue credit account	-	1,909,000	-	-
Workers compensation	\$ 1,301,705	-	-	-
Cemetery and other trust funds	15,158,461	-	-	-
Cash	-	-	-	\$ 13,073,230
Library trust funds	3,006,181	-	-	-
Total Restricted Net Assets	19,466,347	51,626,331	242,088	13,073,230
Less accrued bond interest	-	(5,444,723)	-	-
Total Restricted Net Assets, net of related debt	<u>\$ 19,466,347</u>	<u>\$ 46,181,608</u>	<u>\$ 242,088</u>	<u>\$ 13,073,230</u>

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

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**Note 17. Unreserved, Undesignated Fund Balance**

Below is a detail listing of Unreserved, undesignated fund balance reported in the General Fund at June 30, 2010:

Health Insurance	\$ 3,712,762
Special Revenue	7,241,456
Revenue Stabilization	7,392,651
General liability insurance	254,697
Undesignated	(4,697,684)
Total	<u>\$ 13,903,882</u>

**Note 18. Subsequent Events**

On July 1, 2010, the Manchester School District (MSD) accepted a promissory note from the City in the amount of \$3,200,000, with an interest rate of 1%. The note will be repaid over a period of eight years starting in fiscal year 2012. The note was issued for the purpose of purchasing textbooks and classroom technology. The City will reimburse the MSD for eligible expenditures as they are made.

On December 16, 2010 the City closed on a \$51,235,000 issue of General Obligation Public Improvement Bonds and a \$34,395,000 issue of General Obligation Refunding Bonds. The bonds were issued in four series: \$16,755,000 of 2010C (Tax-Exempt) Bonds, \$4,765,000 of 2010D (Federally Taxable – Issuer Subsidy – Build America Bonds), \$29,715,000 of 2010E (Federally Taxable – Issuer Subsidy – Recovery Zone Economic Development Bonds) and \$34,395,000 of 2010F (Tax-Exempt) Refunding Bonds. The Series 2010C, D & E comprised a new money issuance which will be used to finance various projects within the City, consisting primarily of a new Public Safety Complex, School Facility Improvement/Energy Efficiency/Administrative Offices Projects, Water Distribution System Improvements and the McIntyre Ski Lodge Reconstruction. The Series 2010F were issued to advance refund a portion of the outstanding 2003A (Tax-Exempt) Bonds. The True Interest Cost (TIC) on the new money portion was 2.97%, while the TIC on the refunding piece was 2.99%. This represented a 3.46% percentage savings on the refunded bonds with a cash flow savings totaling \$1,175,631.30 on a present value basis.

**Note 19. Issued But Not Effective Professional Standards**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates in the future that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

- ♦ 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 City's governmental funds.
- ♦ GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011.
- ♦ GASB Statement No. 59, *Financing Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice for periods beginning after June 15, 2011.

**Required Supplementary Information**



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**Required Supplementary Information**  
**City of Manchester Employees' Contributory Retirement System**  
**Pension Trust**

**SCHEDULE OF FUNDING PROGRESS - PENSION TRUSTS**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Unfunded Actuarial Liability (Surplus) (b)	Actuarial Accrued Liability (c)	Funded Ratio (a)/(c)	Annual Covered Payroll	Unfunded Liability to Covered Payroll
12/31/2009	\$134,782,503	\$88,122,131	\$222,904,634	60.5%	\$50,547,690	174.3%
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%
12/31/2005	113,856,253	34,059,414	147,915,666	77.0%	47,233,321	72.1%
12/31/2004	103,826,765	22,520,228	126,346,993	82.2%	45,027,930	50.0%

**SCHEDULE OF FUNDING PROGRESS - HEALTH TRUST**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Unfunded Actuarial Liability (Surplus) (b)	Actuarial Accrued Liability (c)	Funded Ratio (a)/(c)	Annual Covered Payroll	Unfunded Liability to Covered Payroll
12/31/2009	\$3,748,342	\$ 9,342,146	\$ 13,090,488	28.6%	\$ 50,547,690	18.5%
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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Valuation December 31	Fiscal Year Ended June 30	Annual Required Contribution (ARC) as a Percentage of Valuation Payroll-Pension	Annual Required Contribution (ARC) as a Percentage of Valuation Payroll-Health	Actual Contributions
2008	2010	17.17%	0.93%	N/A
2007	2009	13.84%	0.91%	N/A
2006	2008	13.27%	1.24%	N/A

## Required Supplementary Information Old System Pension Trust

### SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Assets	Actuarial Accrued Liability (AAL) P.U.C.	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2010	\$ 12,766,951	\$ 16,286,171	\$ 3,519,220	78.39 %	\$ 756,205	465.38 %
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

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year ended June 30,	Annual Required Contributions	Percentage contributed
2010	\$ 551,988	0.0%
2009	61,292	0.0%
2008	-	0.0%

## Required Supplementary Information Other Post-Employment Benefits

### SCHEDULE OF FUNDING PROGRESS - MTA - OPEB

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (c)	Funded Ratio (a)/(c)	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2010	\$ -	\$ 3,539,602	\$ 3,539,602	0.0%	\$ 1,946,074	55%



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**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, 2010**

	<u>2010</u>	<u>2009</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 81,341,927	\$ 38,345,101
Restricted cash and cash equivalents	11,872,882	10,573,368
Investments	561,830	10,818,350
Receivables, net of allowances for collection losses	18,439,432	34,542,593
Prepaid items	52,230	143,568
Due from other funds	8,219,663	16,327,285
Inventories	812,819	768,930
<b>Total Assets</b>	<b><u>\$ 121,300,783</u></b>	<b><u>\$ 111,519,195</u></b>
<b><u>Liabilities and Fund Equity</u></b>		
<b>Liabilities</b>		
Accounts and warrants payable	\$ 3,186,235	\$ 2,860,929
Retainage payable	44,889	42,897
Accrued liabilities	5,036,545	3,770,280
Insurance claims payable	732,689	631,565
Due to Manchester School District	29,049,456	22,889,543
Unearned revenue	16,810,474	34,358,710
Deferred revenue	3,342,515	2,788,424
Taxes collected in advance	41,911,139	27,727,378
<b>Total Liabilities</b>	<b><u>100,113,942</u></b>	<b><u>95,069,726</u></b>
<b>Fund Equity</b>		
Fund balances		
Reserved for		
Encumbrances	604,278	421,528
Inventory	812,819	768,930
Advance from other funds	4,564,157	3,593,563
Workers' compensation	1,301,705	1,301,705
Designated for		
Health insurance	3,712,762	1,200,000
Special revenue	7,241,456	6,674,469
Revenue stabilization	7,392,651	6,527,137
General liability insurance	254,697	254,697
Unreserved		
Undesignated fund balance	(4,697,684)	(4,292,560)
<b>Total Fund Equity</b>	<b><u>21,186,841</u></b>	<b><u>16,449,469</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 121,300,783</u></b>	<b><u>\$ 111,519,195</u></b>

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

**City of Manchester, New Hampshire  
Year Ended June 30, 2010**

	<b>2010</b>	<b>2009</b>
<b><u>Revenues</u></b>		
Taxes	\$ 90,436,153	\$ 77,904,205
Federal and state grants and aid	5,610,614	8,018,461
Nonenterprise charges for sales and services	2,165,049	2,292,240
Licenses and permits	17,617,599	17,115,452
Interest	687,133	885,461
Wall Street Tower Recovery	-	1,600,978
Other	10,252,658	10,701,616
<b>Total Revenues</b>	<b>126,769,206</b>	<b>118,518,413</b>
<b><u>Expenditures</u></b>		
Current:		
General Government	25,154,838	26,885,522
Public safety	52,851,903	50,292,860
Health and sanitation	3,671,713	3,233,024
Highway and streets	22,988,424	22,943,918
Welfare	1,253,393	1,171,321
Education	2,809,571	2,609,605
Parks and recreation	3,385,544	3,301,223
Capital Outlay	150,599	199,270
Debt service:		
Principal retirement	7,972,425	9,469,389
Interest	4,742,047	5,131,797
<b>Total Expenditures</b>	<b>124,980,457</b>	<b>125,237,929</b>
<b>Excess of revenues over expenditures</b>	<b>1,788,749</b>	<b>(6,719,516)</b>
<b><u>Other Financing Sources (Uses)</u></b>		
Proceeds from sale of capital assets	1,562,670	412,670
Transfers in	2,619,766	2,579,574
Transfers out	(1,233,813)	(1,173,372)
Transfers out to MDC	-	(75,000)
<b>Total Other Financing Sources (Uses)</b>	<b>2,948,623</b>	<b>1,743,872</b>
Net Change in Fund Balance	4,737,372	(4,975,644)
<b>Fund Balance, beginning of year</b>	<b>16,449,469</b>	<b>21,425,113</b>
<b>Fund Balance, end of year</b>	<b>\$ 21,186,841</b>	<b>\$ 16,449,469</b>

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

**City of Manchester, New Hampshire  
Year Ended June 30, 2010**

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Taxes</b>				
Property tax	\$ 86,904,192	\$ 88,595,192	\$ 88,108,659	\$ (486,533)
Miscellaneous taxes	46,000	46,000	51,670	5,670
Interest and penalties	705,000	705,000	1,042,923	337,923
Cable franchise fees	1,419,542	1,419,542	1,523,139	103,597
<b>Total Taxes</b>	<b>89,074,734</b>	<b>90,765,734</b>	<b>90,726,391</b>	<b>(39,343)</b>
<b>Federal and State Grants and Aid</b>				
Federal grants	230,000	230,000	242,606	12,606
Payments in lieu of taxes	672,000	672,000	761,859	89,859
State Grants	2,387,387	2,387,387	2,383,907	(3,480)
<b>Total Federal and State Grants and Aid</b>	<b>3,289,387</b>	<b>3,289,387</b>	<b>3,388,372</b>	<b>98,985</b>
<b><u>Nonenterprise Charges for Sales and Services</u></b>				
General revenues	190,995	185,995	252,285	66,290
Public safety	152,950	142,950	126,388	(16,562)
Highway	505,700	505,700	518,493	12,793
Sanitation	25,000	25,000	12,652	(12,348)
Health	12,000	12,000	13,070	1,070
Cemetery, Parks & Recreation	206,385	206,385	181,286	(25,099)
Zoning board	30,000	30,000	40,470	10,470
Parking violations	11,000	11,000	9,450	(1,550)
Court fines	42,000	42,000	38,200	(3,800)
Fees	890,500	870,500	843,935	(26,565)
Witness fees	95,000	95,000	116,872	21,872
<b>Total Nonenterprise Charges for Sales and Services</b>	<b>2,161,530</b>	<b>2,126,530</b>	<b>2,153,101</b>	<b>26,571</b>

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

**City of Manchester, New Hampshire  
Year Ended June 30, 2010**

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Licenses and Permits</b>				
Auto registrations	14,860,000	14,160,000	14,462,670	302,670
Licenses	425,966	420,966	496,998	76,032
Permits	2,780,000	2,770,000	2,682,800	(87,200)
<b>Total Licenses and Permits</b>	<b>18,065,966</b>	<b>17,350,966</b>	<b>17,642,468</b>	<b>291,502</b>
<b>Interest</b>				
Income from invested funds	<b>755,000</b>	<b>655,000</b>	<b>687,133</b>	<b>32,133</b>
<b>Other Revenues</b>				
Reimbursements	1,188,227	1,013,227	932,534	(80,693)
Rentals & Leases	804,100	804,100	970,459	166,359
School chargebacks	8,870,815	8,204,815	7,904,700	(300,115)
Miscellaneous	8,500	8,500	432,045	423,545
<b>Total Other Revenues</b>	<b>10,871,642</b>	<b>10,030,642</b>	<b>10,239,738</b>	<b>209,096</b>
<b>Total Revenues</b>	<b>\$ 124,218,259</b>	<b>\$ 124,218,259</b>	<b>\$ 124,837,203</b>	<b>\$ 618,944</b>
Transfers in	2,360,100	2,360,100	2,561,592	201,492
<b>Total Transfers in</b>	<b>2,360,100</b>	<b>2,360,100</b>	<b>2,561,592</b>	<b>201,492</b>
<b>Total Revenues and Transfers in</b>	<b>\$ 126,578,359</b>	<b>\$ 126,578,359</b>	<b>\$ 127,398,795</b>	<b>\$ 820,436</b>

**General Fund**  
**Schedule of Expenditures, Encumbrances and**  
**Other Financing Uses - Budget and Actual 2010 (Budget Basis)**

**City of Manchester, New Hampshire**  
**Year Ended June 30, 2010**

	<b>2010 Original Budget</b>	<b>2010 Revised Budget</b>	<b>2010 Total Commitments</b>	<b>Commitments vs Revised Budget Variance</b>
<b>General Government</b>				
Aldermen	\$ 70,000	\$ 70,000	\$ 67,958	\$ 2,042
Assessors	621,645	621,645	533,772	87,873
City Clerk	1,026,720	1,026,720	891,648	135,072
City Solicitor	1,086,131	1,111,131	1,080,159	30,972
Civic Contribution	163,392	163,392	134,361	29,031
Conservation	7,499	7,499	4,775	2,724
Economic Development Office	288,672	288,672	275,436	13,236
Senior Services	251,695	254,053	254,053	-
Finance	927,911	927,911	850,901	77,010
Information Systems	1,475,232	1,475,232	1,474,388	844
Mayor	208,678	211,507	211,507	-
MCTV/MCAM	500,000	748,108	748,177	(69)
Nondepartmental	29,078,816	29,011,455	30,020,733	(1,009,278)
Non-city Program	68,406	68,406	68,405	1
Human Resources	739,300	739,300	641,010	98,290
Planning and Community Development	1,803,021	1,815,821	1,737,823	77,998
Facilities Division	6,448,160	6,031,052	6,009,744	21,308
Tax Collector	575,586	575,586	524,042	51,544
Youth Services	568,425	607,406	607,406	-
<b>Total General Government</b>	<b>45,909,289</b>	<b>45,754,896</b>	<b>46,136,298</b>	<b>(381,402)</b>
<b>Public Safety</b>				
Fire	18,524,852	18,524,852	18,301,140	223,712
Police	18,817,174	18,964,559	18,863,326	101,233
<b>Total Public Safety</b>	<b>37,342,026</b>	<b>37,489,411</b>	<b>37,164,466</b>	<b>324,945</b>
<b>Health and Sanitation</b>				
Health	2,622,633	2,629,641	2,487,004	142,637
<b>Total Health and Sanitation</b>	<b>2,622,633</b>	<b>2,629,641</b>	<b>2,487,004</b>	<b>142,637</b>
<b>Highway and Streets</b>				
Highway	19,217,551	19,217,551	18,517,333	700,218
<b>Total Highway and Streets</b>	<b>19,217,551</b>	<b>19,217,551</b>	<b>18,517,333</b>	<b>700,218</b>
<b>Welfare</b>				
Welfare	1,115,068	1,115,068	1,009,624	105,444
<b>Total Welfare</b>	<b>1,115,068</b>	<b>1,115,068</b>	<b>1,009,624</b>	<b>105,444</b>
<b>Education</b>				
Library	2,076,760	2,076,760	2,060,958	15,802
<b>Total Education</b>	<b>2,076,760</b>	<b>2,076,760</b>	<b>2,060,958</b>	<b>15,802</b>
<b>Parks and Recreation</b>				
Parks & Recreation	2,730,432	2,730,432	2,643,781	86,651
<b>Total Parks and Recreation</b>	<b>2,730,432</b>	<b>2,730,432</b>	<b>2,643,781</b>	<b>86,651</b>
<b>Debt Service</b>				
Principal retirement	8,960,000	8,960,000	7,972,425	987,575
Interest	5,400,000	5,400,000	4,742,047	657,953
<b>Total Debt Service</b>	<b>14,360,000</b>	<b>14,360,000</b>	<b>12,714,472</b>	<b>1,645,528</b>
<b>Total Expenditures</b>	<b>125,373,759</b>	<b>125,373,759</b>	<b>122,733,936</b>	<b>2,639,823</b>
<b>Other Financing Uses</b>				
Community improvement program	1,204,600	1,204,600	258,285	946,315
<b>Total Other Financing Uses</b>	<b>1,204,600</b>	<b>1,204,600</b>	<b>258,285</b>	<b>946,315</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 126,578,359</b>	<b>\$ 126,578,359</b>	<b>\$ 122,992,221</b>	<b>\$ 3,586,138</b>

**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**

	<b>Special Revenue</b>			
	<b>HUD Section 108 Fund</b>	<b>Cash Special Projects Fund</b>	<b>CDBG Fund</b>	<b>Other Grants Fund</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 526,292	\$ 232,719	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	262,598
Restricted investments	-	-	-	-
Receivables, net of allowances for collection losses	5,712,708	1,960	248,773	1,519,582
Prepaid items	-	4,000	-	-
<b>Total Assets</b>	<b>6,239,000</b>	<b>238,679</b>	<b>248,773</b>	<b>1,782,180</b>
<b>Liabilities and Fund Equity</b>				
<b>Liabilities</b>				
Accounts and warrants payable	6,239,000	68,880	539,684	1,372,563
Accrued liabilities	-	1,932	7,348	86,706
Other	-	-	-	354,009
Due to other Funds	-	-	404,543	97,594
Unearned Revenue	-	-	-	262,598
<b>Total Liabilities</b>	<b>6,239,000</b>	<b>70,812</b>	<b>951,575</b>	<b>2,173,470</b>
<b>Fund Equity</b>				
Fund balances				
Reserved for				
Cemetery and Other Trust Funds	-	-	-	-
Library Trust Funds	-	-	-	-
Encumbrances	-	12,519	69,267	187,939
Unreserved				
Undesignated fund balance (Deficit)	-	155,348	(772,069)	(579,229)
<b>Total Fund Equity (Deficit)</b>	<b>-</b>	<b>167,867</b>	<b>(702,802)</b>	<b>(391,290)</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 6,239,000</b>	<b>\$ 238,679</b>	<b>\$ 248,773</b>	<b>\$ 1,782,180</b>

City of Manchester, New Hampshire

June 30, 2010

Special Revenue			Permanent Funds		Total
Civic Center Fund	Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	
\$ -	\$ 3,939	\$ 728,589	\$ 199,924	\$ 61,841	\$ 1,753,304
2,224,275	99,715	-	-	49,788	2,636,376
-	-	663,298	14,958,536	2,882,064	18,503,899
-	696,483	5	1	12,488	8,192,000
-	-	-	-	-	4,000
<b>2,224,275</b>	<b>800,137</b>	<b>1,391,893</b>	<b>15,158,461</b>	<b>3,006,181</b>	<b>31,089,579</b>
-	-	-	-	-	8,220,127
-	-	-	-	-	95,986
-	488,648	-	-	-	842,657
-	-	-	-	-	502,137
-	-	-	-	-	262,598
-	<b>488,648</b>	-	-	-	<b>9,923,505</b>
-	-	-	15,158,461	-	15,158,461
-	-	-	-	3,006,181	3,006,181
234,916	-	-	-	-	504,641
1,989,359	311,489	1,391,893	-	-	2,496,791
<b>2,224,275</b>	<b>311,489</b>	<b>1,391,893</b>	<b>15,158,461</b>	<b>3,006,181</b>	<b>21,166,074</b>
<b>\$ 2,224,275</b>	<b>\$ 800,137</b>	<b>\$ 1,391,893</b>	<b>\$ 15,158,461</b>	<b>\$ 3,006,181</b>	<b>\$ 31,089,579</b>

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

	<b>Special Revenue</b>			
	<b>HUD Section 108 Fund</b>	<b>Cash Special Projects Fund</b>	<b>CDBG Fund</b>	<b>Other Grant Fund</b>
<b>Revenues</b>				
Federal and state grants and aid	\$ -	\$ -	\$ 3,586,828	\$ 9,517,494
Interest	-	-	-	-
Contributions	-	-	-	-
Net appreciation in fair value of securities	-	-	-	-
Other	-	-	-	4,514,471
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>3,586,828</b>	<b>14,031,965</b>
<b>Expenditures</b>				
Current:				
General government	-	200,309	2,784,713	4,430,723
Public safety	-	50,993	-	1,872,407
Health and sanitation	-	-	99,522	1,755,985
Highway and streets	-	5,329	15,888	408,708
Welfare	-	2,295	-	180,900
Parks and recreation	-	114,898	133,640	160,540
Cemetery Trust	-	-	-	-
Investment management fee	-	-	-	-
Capital Outlay	-	642,486	558,573	3,560,304
<b>Total Expenditures</b>	<b>-</b>	<b>1,016,310</b>	<b>3,592,336</b>	<b>12,369,567</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>(1,016,310)</b>	<b>(5,508)</b>	<b>1,662,398</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	1,047,375	-	150,000
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>1,047,375</b>	<b>-</b>	<b>150,000</b>
Net Change in Fund Balance	-	31,065	(5,508)	1,812,398
<b>Fund Balance (Deficit), beginning of year</b>	<b>-</b>	<b>136,802</b>	<b>(697,294)</b>	<b>(2,203,688)</b>
<b>Fund Balance (Deficit), end of year</b>	<b>\$ -</b>	<b>\$ 167,867</b>	<b>\$ (702,802)</b>	<b>\$ (391,290)</b>

City of Manchester, New Hampshire  
Year Ended June 30, 2010

Special Revenue			Permanent Funds		
Civic Center Fund	Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	Total
\$ 4,380,786	\$ -	\$ -	\$ -	\$ -	\$ 17,485,108
5,281	25,717	72,330	297,623	90,582	491,533
-	-	19,564	59,272	57,044	135,880
-	-	5,955	1,331,107	121,260	1,458,322
305,546	-	-	-	-	4,820,017
<b>4,691,613</b>	<b>25,717</b>	<b>97,849</b>	<b>1,688,002</b>	<b>268,886</b>	<b>24,390,860</b>
4,496,608	-	1,988,835	-	108,060	14,009,248
-	-	-	-	-	1,923,400
-	-	-	-	-	1,855,507
-	-	-	-	-	429,925
-	-	-	-	-	183,195
18,500	-	-	-	-	427,578
-	-	-	79,055	-	79,055
-	-	-	39,139	18,556	57,695
-	-	-	-	-	4,761,363
<b>4,515,108</b>	<b>-</b>	<b>1,988,835</b>	<b>118,194</b>	<b>126,616</b>	<b>23,726,966</b>
<b>176,505</b>	<b>25,717</b>	<b>(1,890,986)</b>	<b>1,569,808</b>	<b>142,270</b>	<b>663,894</b>
-	-	-	-	-	1,197,375
-	-	-	(500,100)	-	(500,100)
-	-	-	(500,100)	-	697,275
176,505	25,717	(1,890,986)	1,069,708	142,270	1,361,169
<b>2,047,770</b>	<b>285,772</b>	<b>3,282,879</b>	<b>14,088,753</b>	<b>2,863,911</b>	<b>19,804,905</b>
<b>\$ 2,224,275</b>	<b>\$ 311,489</b>	<b>\$ 1,391,893</b>	<b>\$ 15,158,461</b>	<b>\$ 3,006,181</b>	<b>\$ 21,166,074</b>



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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, 2010

	Business-type Activities-Enterprise Funds		
	Non-Major		Total
	Recreation Fund	Parking Fund	
<b>Assets</b>			
Current assets:			
Cash and Cash Equivalents	\$ 350	\$ 800	\$ 1,150
Restricted cash and cash equivalents	971,083	145,586	1,116,669
Receivables, net of allowances for collection losses	86,407	169,975	256,382
Prepaid items	-	2,291	2,291
<b>Total current assets:</b>	<b>1,057,840</b>	<b>318,652</b>	<b>1,376,492</b>
Noncurrent assets:			
Capital assets, net, where applicable, of accumulated depreciation	7,624,972	9,701,417	17,326,389
Deferred charges	45,423	-	45,423
<b>Total noncurrent assets:</b>	<b>7,670,395</b>	<b>9,701,417</b>	<b>17,371,812</b>
<b>Total Assets</b>	<b>\$ 8,728,235</b>	<b>\$ 10,020,069</b>	<b>\$ 18,748,304</b>
<b>Liabilities</b>			
Current liabilities			
Accounts and warrants payable	\$ 147,258	\$ 78,529	\$ 225,787
Accrued liabilities	113,049	44,054	157,103
Due to other funds	4,564,157	47,141	4,611,298
Unearned revenue	29,085	-	29,085
Bonds and notes payable	493,991	519,576	1,013,567
Compensated absences	191,128	48,577	239,705
Other	39,364	89,950	129,314
<b>Total Current liabilities</b>	<b>5,578,032</b>	<b>827,827</b>	<b>6,405,859</b>
Noncurrent liabilities			
Bonds payable	6,292,357	4,331,640	10,623,997
<b>Total Noncurrent liabilities</b>	<b>6,292,357</b>	<b>4,331,640</b>	<b>10,623,997</b>
<b>Total Liabilities</b>	<b>11,870,389</b>	<b>5,159,467</b>	<b>17,029,856</b>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	1,797,434	4,850,201	6,647,635
Unrestricted	(4,939,588)	10,401	(4,929,187)
<b>Total Net Assets (Deficit)</b>	<b>\$ (3,142,154)</b>	<b>\$ 4,860,602</b>	<b>\$ 1,718,448</b>

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

**City of Manchester, New Hampshire**  
**Year Ended June 30, 2010**

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Recreation</u>	<u>Parking</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
<b><u>Operating Revenues</u></b>			
Charges for goods and services	\$ 1,507,285	\$ 4,534,452	\$ 6,041,737
Other	217	-	217
<b>Total Operating Revenues</b>	<b>1,507,502</b>	<b>4,534,452</b>	<b>6,041,954</b>
<b><u>Operating Expenses</u></b>			
Personnel services	1,445,270	953,622	2,398,892
Plant maintenance	53,555	92,561	146,116
Light/heat and power	252,954	43,327	296,281
General and administrative	255,703	599,555	855,258
Depreciation and amortization	462,586	423,025	885,611
<b>Total Operating Expenses</b>	<b>2,470,068</b>	<b>2,112,090</b>	<b>4,582,158</b>
<b>Operating Income (Loss)</b>	<b>(962,566)</b>	<b>2,422,362</b>	<b>1,459,796</b>
<b><u>Non-Operating Revenues (Expenses), net</u></b>			
Interest income	-	4,358	4,358
Interest expense	(254,117)	(225,503)	(479,620)
Rent and other income	166,148	-	166,148
Loss on disposal of fixed assets	(8,667)	(277,649)	(286,316)
<b>Total Non-operating Revenues (Expenses)</b>	<b>(96,636)</b>	<b>(498,794)</b>	<b>(595,430)</b>
<b>Net income (loss) before capital contributions and transfers</b>	<b>(1,059,202)</b>	<b>1,923,568</b>	<b>864,366</b>
<b><u>Capital Contributions and Transfers</u></b>			
Transfer to general fund	-	(2,061,492)	(2,061,492)
Transfer from general fund	-	35,000	35,000
Transfer of Capital Assets	-	261,993	261,993
<b>Total Capital Contributions and Transfers</b>	<b>-</b>	<b>(1,764,499)</b>	<b>(1,764,499)</b>
<b>Change in Net Assets</b>	<b>(1,059,202)</b>	<b>159,069</b>	<b>(900,133)</b>
<b>Fund Net Assets (Deficit), beginning of year</b>	<b>(2,082,952)</b>	<b>4,701,533</b>	<b>2,618,581</b>
<b>Fund Net Assets (Deficit), end of year</b>	<b>\$ (3,142,154)</b>	<b>\$ 4,860,602</b>	<b>\$ 1,718,448</b>

**Nonmajor Proprietary Funds  
Statement of Cash Flows**

**City of Manchester, New Hampshire  
Year Ended June 30, 2010**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Recreation Fund</b>	<b>Parking Fund</b>	<b>Total</b>
<b><u>Cash Flows from Operating Activities</u></b>			
Cash received from customers	\$ 1,494,812	\$ 4,524,879	\$ 6,019,691
Cash payments for goods and services	(507,526)	(892,437)	(1,399,963)
Cash payments to employees for services	(1,434,213)	(945,233)	(2,379,446)
Other operating revenues	166,148	-	166,148
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(280,779)</b>	<b>2,687,209</b>	<b>2,406,430</b>
<b><u>Cash Flows from Non-Capital and Related Financing Activities</u></b>			
Due to general fund	970,594	47,141	1,017,735
Cash payment to the City	-	(2,061,492)	(2,061,492)
Interest paid on cash advances	(16,201)	-	(16,201)
Cash payment from the City	-	55,539	55,539
<b>Net Cash (Used in) Provided by Non-Capital &amp; Related Financing Activities</b>	<b>954,393</b>	<b>(1,958,812)</b>	<b>(1,004,419)</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Principal paid on bonds	(354,936)	(560,051)	(914,987)
Interest paid on bonds	(244,522)	(227,936)	(472,458)
Proceeds from bonds	1,245,719	295,366	1,541,085
Acquisition and construction of capital assets	(536,443)	(253,122)	(789,565)
Proceeds from premiums	96,149	9,005	105,154
<b>Net Cash Provided by (Used in) Capital &amp; Related Financing Activities</b>	<b>205,967</b>	<b>(736,738)</b>	<b>(530,771)</b>
<b><u>Cash Flows from Investing Activities</u></b>			
Interest and dividends from investments	-	4,358	4,358
<b>Net Cash Provided by Investing Activities</b>	<b>-</b>	<b>4,358</b>	<b>4,358</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>879,581</b>	<b>(3,983)</b>	<b>875,598</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>91,852</b>	<b>150,369</b>	<b>242,221</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 971,433</b>	<b>\$ 146,386</b>	<b>\$ 1,117,819</b>
<b>Reconciliation of operating profit (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ (962,566)	\$ 2,422,362	\$ 1,459,796
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:			
Depreciation and amortization	462,586	423,025	885,611
Non-operating revenue	166,148	-	166,148
<b>Change in Assets and Liabilities</b>			
Increase in receivables	(8,695)	(25,155)	(33,850)
Increase in prepaid expenses and other assets	(5,602)	(2,291)	(7,893)
Increase (decrease) in accounts payable	26,684	(85,676)	(58,992)
Increase (decrease) in accrued liabilities	40,227	(62,207)	(21,980)
Increase in compensated absences	372	750	1,122
Increase (decrease) in other liabilities	(1,464)	16,401	14,937
Increase in unearned revenue	1,531	-	1,531
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>\$ (280,779)</b>	<b>\$ 2,687,209</b>	<b>\$ 2,406,430</b>
<b>Schedule of Noncash Investing, Capital and Financing Activities</b>			
Transfer of Capital Assets	\$ -	\$ 261,993	\$ 261,993

**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, 2010**

**Capital Assets**

Land	\$ 14,337,955
Buildings	329,606,616
Improvements other than buildings	25,724,712
Equipment	12,231,705
Work-in-Process	13,458,994
Vehicles	24,249,231
Infrastructure	<u>93,668,372</u>

**Total Capital Assets** \$ 513,277,585

**Investments in Capital Assets**

Capital project funds	\$ 364,495,296
General fund revenues	34,624,657
Special revenue funds	<u>114,157,632</u>

**Total Investments in Capital Assets** \$ 513,277,585

## Governmental Capital Assets

City of Manchester, New Hampshire

## Schedule of Capital Assets - By Function and Activity

June 30, 2010

	Land	Buildings	Other Than Buildings	Equipment	Vehicles	Infrastructure	Total
<b>General Government</b>							
Baseball stadium	\$ -	\$ 24,658,502	\$ -	\$ -	\$ -	\$ -	\$ 24,658,502
Building	-	-	-	-	196,182	-	196,182
City Clerk	-	-	-	82,461	64,710	-	147,171
Civic Center	2,960,900	62,739,798	-	-	-	-	65,700,698
Economic Development							
Office	2,971,931	-	-	5,294	-	-	2,977,225
Elderly Services	-	3,627,637	-	-	-	-	3,627,637
Finance	240,833	3,770,053	-	18,912	-	-	4,029,798
Information Systems	-	143,709	-	909,754	14,375	-	1,067,838
Mayor	-	-	-	13,989	-	-	13,989
Personnel	-	-	-	8,354	43,956	-	52,310
Planning	44,714	968,974	-	35,511	-	-	1,049,199
Public Buildings	437,250	6,071,659	\$ 115,084	31,345	283,580	-	6,938,918
Tax Collector	-	-	-	136,187	-	-	136,187
<b>Total General Government</b>	<b>6,655,628</b>	<b>101,980,332</b>	<b>115,084</b>	<b>1,241,807</b>	<b>602,803</b>	<b>-</b>	<b>110,595,654</b>
<b>Public Safety</b>							
Fire Protection	661,290	10,823,949	126,285	1,488,346	10,382,338	-	23,482,208
Police Protection	96,115	4,199,763	52,716	315,874	1,743,641	-	6,408,109
<b>Total Public Safety</b>	<b>757,405</b>	<b>15,023,712</b>	<b>179,001</b>	<b>1,804,220</b>	<b>12,125,979</b>	<b>-</b>	<b>29,890,317</b>
<b>Health and Sanitation</b>							
Cemetery	71,255	626,736	348,293	968,632	555,384	-	2,570,300
Health	-	5,301,803	-	164,530	227,559	-	5,693,892
<b>Total Health and Sanitation</b>	<b>71,255</b>	<b>5,928,539</b>	<b>348,293</b>	<b>1,133,162</b>	<b>782,943</b>	<b>-</b>	<b>8,264,192</b>
<b>Highway and Streets</b>							
Highway	108,104	1,478,511	2,950,204	2,880,739	9,473,188	90,579,751	107,470,497
<b>Total Highway and Streets</b>	<b>108,104</b>	<b>1,478,511</b>	<b>2,950,204</b>	<b>2,880,739</b>	<b>9,473,188</b>	<b>90,579,751</b>	<b>107,470,497</b>
<b>Welfare</b>							
Welfare	27,489	109,955	-	-	-	-	137,444
<b>Total Welfare</b>	<b>27,489</b>	<b>109,955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137,444</b>
<b>Education</b>							
Library	72,270	4,647,814	-	73,775	-	-	4,793,859
School	1,602,542	189,137,569	3,416,389	92,261	-	-	194,248,761
<b>Total Education</b>	<b>1,674,812</b>	<b>193,785,383</b>	<b>3,416,389</b>	<b>166,036</b>	<b>-</b>	<b>-</b>	<b>199,042,620</b>
<b>Parks and Recreation</b>							
Parks & Recreation	5,043,262	11,300,184	18,715,741	5,005,741	1,264,318	3,088,621	44,417,867
<b>Total Parks and Recreation</b>	<b>5,043,262</b>	<b>11,300,184</b>	<b>18,715,741</b>	<b>5,005,741</b>	<b>1,264,318</b>	<b>3,088,621</b>	<b>44,417,867</b>
Construction in Progress	-	10,145,488	3,313,506	-	-	-	13,458,994
<b>Total General Fixed Assets</b>							
Allocated to Functions	\$ 14,337,955	\$ 339,752,104	\$ 29,038,218	\$ 12,231,705	\$ 24,249,231	\$ 93,668,372	\$ 513,277,585



**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.

### **Contents**

#### *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. 94

#### *Revenue Capacity*

These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax. 100

#### *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. 108

#### *Demographic and Economic Information*

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place. 113

#### *Operating Information*

These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs. 116

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

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities:</b>								
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	\$ 134,654,018
Restricted	17,545,325	19,161,857	19,438,394	20,257,037	22,389,423	22,171,646	18,254,369	19,466,347
Unrestricted	(30,311,548)	(30,880,302)	(39,978,617)	(46,459,710)	(30,612,818)	(22,179,743)	(37,769,673)	(21,670,260)
<b>Total governmental activities net assets</b>	<b>\$ 71,713,889</b>	<b>\$ 82,719,386</b>	<b>\$ 93,521,188</b>	<b>\$ 113,137,195</b>	<b>\$ 129,139,479</b>	<b>\$ 130,197,224</b>	<b>\$ 124,663,943</b>	<b>\$ 132,450,105</b>
<b>Business-type activities:</b>								
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	\$ 304,237,386
Restricted	41,757,605	38,493,475	42,328,192	46,926,306	46,943,856	56,532,400	59,319,350	59,496,926
Unrestricted	44,380,257	42,445,613	18,460,983	14,730,581	9,153,778	12,377,354	16,858,763	28,740,551
<b>Total business-type activities net assets</b>	<b>\$ 311,301,231</b>	<b>\$ 324,578,631</b>	<b>\$ 339,595,957</b>	<b>\$ 352,124,808</b>	<b>\$ 372,485,348</b>	<b>\$ 395,182,001</b>	<b>\$ 392,157,230</b>	<b>\$ 392,474,863</b>
<b>Primary government:</b>								
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	\$ 438,891,404
Restricted	59,302,930	57,655,332	61,766,586	67,183,343	69,333,279	78,704,046	77,573,719	78,963,273
Unrestricted	14,068,709	11,565,311	(21,517,634)	(31,729,129)	(21,459,040)	(9,802,389)	(20,910,910)	7,070,291
<b>Total primary government net assets</b>	<b>\$ 383,015,120</b>	<b>\$ 407,298,017</b>	<b>\$ 433,117,145</b>	<b>\$ 465,262,003</b>	<b>\$ 501,624,827</b>	<b>\$ 525,379,225</b>	<b>\$ 516,821,173</b>	<b>\$ 524,924,968</b>

GASB Statement No. 34 Implemented in Fiscal Year 2003

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

City of Manchester, New Hampshire  
 Table II

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 44,072,312
Public safety	37,765,649	38,959,705	44,575,376	49,410,627	50,031,363	52,318,965	53,056,030	56,344,474
Health and sanitation	4,196,162	5,446,491	5,043,862	4,649,675	4,349,909	5,046,882	5,050,940	5,775,524
Highways and streets	28,905,257	23,004,043	21,018,167	28,343,982	15,581,877	26,607,881	28,332,502	28,611,754
Welfare	1,404,958	1,325,442	1,345,172	1,430,019	1,445,290	1,313,418	1,290,779	1,478,191
Education and library	3,816,562	3,035,765	3,466,500	4,456,108	7,512,145	7,791,145	8,183,872	8,318,868
Parks and recreation	4,724,302	5,259,212	5,190,321	5,155,343	6,408,656	6,767,095	6,229,200	5,538,284
Cemetery Trust	36,037	32,627	26,100	27,163	21,802	60,000	125,855	79,055
Investment management fee	23,511	29,071	30,823	36,920	38,834	55,177	56,649	57,695
Interest	-	-	5,359,441	4,399,559	4,094,284	4,409,099	4,042,827	3,895,389
<b>Total governmental activities expenses</b>	<b>113,432,721</b>	<b>116,977,094</b>	<b>125,312,989</b>	<b>124,955,588</b>	<b>136,510,461</b>	<b>144,132,695</b>	<b>149,174,572</b>	<b>154,171,546</b>
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	17,507,643
EPD	11,308,620	12,222,211	12,403,517	13,120,698	13,114,933	13,538,731	14,429,389	14,564,969
Aviation	50,322,106	45,468,710	57,832,875	56,203,377	62,213,023	65,814,560	66,214,304	59,678,505
Recreation	2,353,924	2,860,922	2,967,744	3,363,302	3,087,514	2,737,979	3,190,810	2,724,185
Aggregation	134,986	173,941	75,465	77,900	-	-	-	-
Parking	-	-	-	-	2,662,454	3,093,657	2,938,857	2,337,593
<b>Total business-type activities expenses</b>	<b>73,916,426</b>	<b>73,075,050</b>	<b>86,740,737</b>	<b>87,561,135</b>	<b>97,065,051</b>	<b>101,966,728</b>	<b>104,529,647</b>	<b>96,812,895</b>
<b>Total primary government expenses</b>	<b>187,349,147</b>	<b>190,052,144</b>	<b>212,053,726</b>	<b>212,516,723</b>	<b>233,575,512</b>	<b>246,099,423</b>	<b>253,704,219</b>	<b>250,984,441</b>
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	15,431,257
Public safety	2,161,469	2,802,949	2,586,789	2,670,102	1,249,207	1,455,129	1,360,027	1,273,527
Health and sanitation	1,375,369	1,533,303	1,584,228	1,730,138	1,788,574	1,834,023	1,954,809	2,010,744
Highways and streets	6,288,694	6,363,098	5,846,363	4,046,571	1,873,626	1,738,416	1,610,511	1,579,244
Welfare	107,019	93,813	94,465	78,928	74,100	44,825	47,925	31,092
Education and library	-	204,659	27,420	(12,894)	221,469	-	-	121,260
Parks and recreation	835,795	2,469,182	1,404,382	614,752	1,564,145	689,115	547,336	1,955,050
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	15,433,226
Public safety	1,376,437	1,492,792	1,375,203	2,450,968	1,658,805	983,941	738,082	2,416,018
Health and sanitation	1,203,218	2,441,513	1,815,446	1,510,875	1,423,832	1,439,145	1,621,655	1,891,185
Highways and streets	6,199,844	3,680,818	3,766,747	7,302,015	2,154,194	2,055,444	2,264,109	2,039,904
Education and library	8,965	13,240	27,777	52,022	39,017	125,820	154,977	57,045
Parks and recreation	605,682	595,552	506,398	1,587,946	585,536	1,561,614	662,097	815,756
Capital grants and contributions:								
Highways and streets	-	-	-	-	4,436,221	6,201,812	2,690,181	908,525
Parks and recreation	-	-	-	-	-	-	-	315,029
<b>Total governmental activities program revenue</b>	<b>41,689,957</b>	<b>46,909,992</b>	<b>46,351,072</b>	<b>49,210,833</b>	<b>49,751,900</b>	<b>45,944,993</b>	<b>43,429,165</b>	<b>46,278,862</b>

Changes In Net Assets (Continued)

City of Manchester, New Hampshire

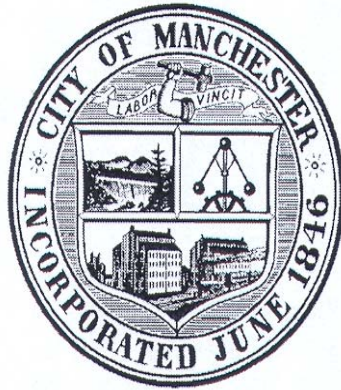
Last Eight Fiscal Years

Table II

(accrual basis of accounting)

(Unaudited)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
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	15,855,099
EPD	11,332,387	11,393,713	11,148,848	12,154,804	13,252,696	16,645,295	18,947,577	21,103,987
Aviation	42,050,284	45,183,565	51,657,611	51,750,393	51,829,778	55,359,856	50,879,087	46,551,051
Recreation	2,274,829	2,256,001	2,317,267	2,121,088	1,856,099	2,102,962	2,117,984	1,673,650
Aggregation	182,090	55,661	82,938	-	-	-	-	-
Parking	-	-	-	-	4,653,498	4,892,834	4,849,094	4,534,452
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	1,871,938
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	1,029,149
EPD	997,522	2,019,325	679,713	1,503,330	294,953	389,462	1,520,198	1,192,828
Aviation	25,527,921	817,782	13,914,058	4,902,721	20,333,025	17,325,965	2,962,441	4,747,164
Recreation	-	189,019	902,731	100,753	-	-	120,200	-
<b>Total business-type activities program revenues</b>	<b>102,122,209</b>	<b>79,853,533</b>	<b>102,326,597</b>	<b>94,708,001</b>	<b>115,259,431</b>	<b>120,449,480</b>	<b>101,885,991</b>	<b>98,559,318</b>
<b>Total primary government program revenues</b>	<b>143,812,166</b>	<b>126,763,525</b>	<b>148,677,669</b>	<b>143,918,834</b>	<b>161,538,293</b>	<b>166,394,473</b>	<b>145,315,156</b>	<b>144,838,180</b>
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)	(107,892,684)
Business-type activities	28,205,783	6,778,483	15,585,860	7,146,866	18,194,380	18,482,752	(2,643,656)	1,746,423
<b>Total primary government net expense</b>	<b>(43,536,981)</b>	<b>(63,288,619)</b>	<b>(63,376,057)</b>	<b>(68,597,889)</b>	<b>(68,564,181)</b>	<b>(79,704,950)</b>	<b>(108,389,063)</b>	<b>(106,146,261)</b>
General revenues and other changes in net assets:								
Governmental activities:								
Property taxes	58,168,059	61,894,928	64,709,146	67,924,107	72,795,861	73,227,606	77,269,610	89,492,106
Auto registration fees	13,873,904	14,399,844	15,194,741	15,377,773	15,286,482	14,936,473	13,958,285	13,644,776
Franchise fees	995,354	1,033,635	1,158,850	987,449	1,069,452	1,127,631	1,224,321	1,692,256
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)	1,187,001
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	6,001,664
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	1,971,376
Wall Street Tower Recovery	-	-	-	-	-	-	1,600,978	-
Gain (Loss) on disposal of assets	(147,804)	686,201	(886,861)	2,194,416	-	63,354	-	1,689,667
<b>Total governmental activities</b>	<b>79,962,101</b>	<b>81,072,599</b>	<b>89,763,719</b>	<b>95,360,762</b>	<b>102,760,845</b>	<b>99,245,447</b>	<b>100,212,126</b>	<b>115,678,846</b>
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	1,032,108
Miscellaneous	-	-	-	-	-	-	89,096	-
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)	(1,971,376)
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	(489,522)
<b>Total business-type activities</b>	<b>962,372</b>	<b>6,498,917</b>	<b>(568,534)</b>	<b>5,381,985</b>	<b>2,166,160</b>	<b>4,213,901</b>	<b>(381,115)</b>	<b>(1,428,790)</b>
<b>Total primary government</b>	<b>80,924,473</b>	<b>87,571,516</b>	<b>89,195,185</b>	<b>100,742,747</b>	<b>104,927,005</b>	<b>103,459,348</b>	<b>99,831,011</b>	<b>114,250,056</b>
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)	7,786,162
Business-type activities	29,168,155	13,277,400	15,017,326	12,528,851	20,360,540	22,696,653	(3,024,771)	317,633
<b>Total primary government</b>	<b>\$ 37,387,492</b>	<b>\$ 24,282,897</b>	<b>\$ 25,819,128</b>	<b>\$ 32,144,858</b>	<b>\$ 36,362,824</b>	<b>\$ 23,754,398</b>	<b>\$ (8,558,052)</b>	<b>\$ 8,103,795</b>



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**Program Revenues by Function/Program**  
**Last Eight 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	2010
<b>Governmental activities:</b>								
General government	\$ 21,527,465	\$ 25,219,073	\$ 27,315,854	\$ 27,179,410	\$ 32,683,174	\$ 27,815,709	\$ 29,777,456	\$ 30,864,483
Public safety	3,537,906	4,295,741	3,961,992	5,121,070	2,908,012	2,439,070	2,098,109	3,689,545
Health and sanitation	2,578,587	3,974,816	3,399,674	3,241,013	3,212,406	3,273,168	3,576,464	3,901,929
Highways and streets	12,488,538	10,043,916	9,613,110	11,348,586	8,464,041	9,995,672	6,564,801	4,527,673
Welfare	107,019	93,813	94,465	78,928	74,100	44,825	47,925	31,092
Education and library	8,965	217,899	55,197	39,128	260,486	125,820	154,977	178,305
Parks and recreation	1,441,477	3,064,734	1,910,780	2,202,698	2,149,681	2,250,729	1,209,433	3,085,835
<b>Total governmental activities</b>	<b>41,689,957</b>	<b>46,909,992</b>	<b>46,351,072</b>	<b>49,210,833</b>	<b>49,751,900</b>	<b>45,944,993</b>	<b>43,429,165</b>	<b>46,278,862</b>
<b>Business-type activities:</b>								
Water	12,662,817	13,750,252	15,997,855	17,586,400	18,668,313	17,904,408	16,439,530	16,884,248
EPD	12,655,764	14,372,322	14,206,387	15,594,033	14,210,792	18,018,660	20,467,775	22,296,815
Aviation	74,346,709	49,230,278	68,801,419	59,305,727	75,870,730	77,530,616	57,891,408	53,170,153
Recreation	2,274,829	2,445,020	3,237,998	2,221,841	1,856,099	2,102,962	2,238,184	1,673,650
Aggregation	182,090	55,661	82,938	-	-	-	-	-
Parking	-	-	-	-	4,653,498	4,892,834	4,849,094	4,534,452
<b>Total business-type activities</b>	<b>102,122,209</b>	<b>79,853,533</b>	<b>102,326,597</b>	<b>94,708,001</b>	<b>115,259,432</b>	<b>120,449,480</b>	<b>101,885,991</b>	<b>98,559,318</b>
<b>Total government</b>	<b>\$ 143,812,166</b>	<b>\$ 126,763,525</b>	<b>\$ 148,677,669</b>	<b>\$ 143,918,834</b>	<b>\$ 165,011,332</b>	<b>\$ 166,394,473</b>	<b>\$ 145,315,156</b>	<b>\$ 144,838,180</b>

GASB Statement No. 34 implemented in fiscal year 2003.

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

	2001	2002	2003	2004
General Fund:				
Reserved	\$ 12,226,672	\$ 4,133,044	\$ 6,449,829	\$ 6,437,435
Designated	3,688,065	12,988,760	15,054,664	17,271,800
Unreserved	3,777,077	4,683,957	1,304,404	1,356,227
<b>Total General Fund</b>	<b>\$ 19,691,814</b>	<b>\$ 21,805,761</b>	<b>\$ 22,808,897</b>	<b>\$ 25,065,462</b>
All Other Governmental Funds:				
Reserved	\$ 11,950,554	\$ 2,090,618	\$ 1,864,721	\$ 7,020,587
Unreserved, reported in:				
Special revenue funds	2,970,878	3,116,253	2,483,422	3,516,922
Capital projects funds	(11,721,942)	1,851,937	(9,674,249)	102,401,303
Designated				
Permanent funds (1)	15,196,208	14,517,533	14,581,214	16,446,853
<b>Total all other government funds</b>	<b>\$ 18,395,698</b>	<b>\$ 21,576,341</b>	<b>\$ 9,255,108</b>	<b>\$ 129,385,665</b>

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



**Manchester, New Hampshire**  
**Table IV**

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 8,738,265	\$ 7,315,876	\$ 7,127,401	\$ 9,293,045	\$ 6,085,726	\$ 7,282,959
14,187,935	17,228,952	18,451,651	12,890,049	14,656,303	18,601,566
1,122,693	772,131	305,582	(757,981)	(4,292,560)	(4,697,684)
<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>	<u>\$ 21,186,841</u>
\$ 7,498,404	\$ 3,023,718	\$ 8,405,102	\$ 1,456,645	\$ 4,775,205	\$ 1,303,620
4,835,218	5,333,550	5,748,166	6,249,863	1,132,950	2,496,791
14,009,088	(8,265,253)	5,820,499	6,103,294	(8,227,489)	8,968,775
17,167,013	18,322,250	20,116,364	19,596,479	16,952,664	18,164,642
<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>	<u>\$ 30,933,828</u>

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

	Fiscal Year			
	2001	2002	2003	2004
<b>Revenues:</b>				
Taxes	\$ 58,628,056	\$ 59,020,928	\$ 59,369,549	\$ 62,989,526
Federal and state grants and aid	15,298,293	21,468,082	20,755,631	23,031,879
Nonenterprise charges for sales and services	4,085,355	4,583,544	4,613,875	4,831,694
Licenses and permits	18,432,863	19,744,630	20,521,738	21,452,411
Interest	2,730,004	2,122,188	1,087,525	2,606,686
Contributions	2,008,672	135,318	117,529	1,094,669
Net Gain (Loss) on sale of securities	(11,146)	(1,466,788)	75,061	2,307,874
Wall Street Tower Recovery	-	-	-	-
Other	10,555,772	10,725,919	9,335,188	10,383,875
<b>Total revenues</b>	<b>111,727,869</b>	<b>116,333,821</b>	<b>115,876,096</b>	<b>128,698,614</b>
<b>Expenditures:</b>				
General government	35,970,970	38,919,296	30,723,093	75,458,238
Public safety	33,771,397	37,289,258	38,907,268	40,896,490
Health and sanitation	3,244,673	3,519,618	3,952,571	4,816,844
Highway and streets	23,630,644	26,216,184	29,136,467	26,989,382
Welfare	1,452,181	2,243,862	1,373,226	1,341,846
Education	3,362,722	3,057,941	2,265,134	2,538,230
Parks and recreation	5,881,406	6,773,394	4,712,978	8,941,058
Pension Benefit Payments	-	18,960,260	-	-
Cemetery Trust	60,384	25,309	34,000	30,889
Investment management fee	9,989	19,704	23,511	29,071
Capital Outlay	-	-	-	-
Debt service:				
Principal retirement	10,287,693	11,030,422	10,890,802	9,630,629
Interest	3,586,005	3,565,940	5,181,212	10,083,141
Issue Costs	-	158,662	-	-
<b>Total expenditures</b>	<b>121,258,064</b>	<b>151,779,850</b>	<b>127,200,262</b>	<b>180,755,818</b>
<b>Excess of expenditures over revenues</b>	<b>(9,530,195)</b>	<b>(35,446,029)</b>	<b>(11,324,166)</b>	<b>(52,057,204)</b>
<b>Other financing sources (uses):</b>				
Proceeds of refunding bonds	-	14,150,020	-	24,490,273
Payment to refunded bond escrow agent	-	(13,996,706)	-	(24,276,368)
Proceeds from premium of refunding bonds	-	-	-	-
Deferred cost of issuance	-	-	-	-
Proceeds from pension obligation bonds	-	18,960,260	-	-
Proceeds from sale of capital assets	-	-	-	3,300,000
Bond proceeds	-	23,055,000	-	170,930,421
Transfers in	2,882,700	2,390,019	2,587,754	2,832,843
Transfers out	(2,582,600)	(2,390,019)	(2,581,685)	(2,832,843)
<b>Total other financing sources</b>	<b>300,100</b>	<b>42,168,574</b>	<b>6,069</b>	<b>174,444,326</b>
<b>Net changes in fund balance</b>	<b>\$ (9,230,095)</b>	<b>\$ 6,722,545</b>	<b>\$ (11,318,097)</b>	<b>\$ 122,387,122</b>
Debt service as a percentage of noncapital expenditures	11.44%	9.72%	12.64%	10.91%

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

Fiscal Year						
	2005	2006	2007	2008	2009	2010
\$	65,843,620	\$ 69,052,574	\$ 73,363,164	\$ 74,336,731	\$ 77,904,205	\$ 90,436,153
	20,647,964	27,016,053	24,927,919	23,305,609	26,231,368	23,095,722
	4,700,155	4,908,852	2,710,485	2,429,468	2,368,050	2,165,049
	21,964,114	21,609,795	19,068,754	18,313,330	17,115,452	17,617,599
	2,890,054	3,706,927	4,295,613	4,445,436	1,814,972	1,187,000
	109,069	434,529	138,372	985,543	402,087	135,880
	453,314	139,631	1,191,353	-	(3,637,617)	1,458,322
	-	-	-	-	1,600,978	-
	13,652,248	12,208,823	12,503,590	11,150,475	11,647,136	15,072,675
	130,260,538	139,077,184	138,199,250	134,966,592	135,446,631	151,168,400
	109,422,862	54,219,429	41,048,166	30,981,002	38,316,759	39,216,341
	42,965,272	47,901,463	49,385,498	51,736,764	51,665,596	54,795,033
	4,842,162	4,596,652	4,447,215	4,908,827	4,887,210	5,527,220
	28,759,534	32,024,811	29,351,050	24,334,488	24,601,891	23,418,349
	1,321,072	1,421,506	1,422,018	1,301,558	1,249,651	1,436,588
	3,430,734	2,643,102	3,804,524	2,508,754	2,609,605	2,809,571
	8,942,033	7,072,385	4,522,372	3,973,816	4,075,944	3,939,829
	-	-	-	-	-	-
	26,100	26,100	55,100	60,000	125,855	79,055
	30,823	36,920	38,834	55,179	56,649	57,695
	-	-	-	13,578,094	18,682,024	16,344,382
	9,832,097	9,986,012	8,209,680	9,218,984	9,469,389	7,972,425
	7,721,471	5,480,168	5,144,530	5,518,191	5,131,797	4,742,047
	-	-	-	-	-	-
	217,294,160	165,408,548	147,428,987	148,175,657	160,872,370	160,338,535
	(87,033,622)	(26,331,364)	(9,229,737)	(13,209,065)	(25,425,739)	(9,170,135)
	73,516,645	-	29,987,518	-	-	25,758,915
	(82,354,058)	-	-	-	-	-
	10,059,239	-	495,728	-	-	801,754
	(1,087,631)	-	-	-	-	-
	-	-	-	-	-	-
	-	3,916,500	-	431,873	412,670	1,562,670
	-	-	-	-	-	-
	9,940,580	3,518,731	4,916,661	4,462,992	3,252,946	3,818,579
	(9,933,664)	(4,931,259)	(3,926,629)	(2,829,171)	(1,988,472)	(1,733,913)
	141,111	2,503,972	31,473,278	2,065,694	1,677,144	30,208,005
\$	(86,892,511)	\$ (23,827,392)	\$ 22,243,541	\$ (11,143,371)	\$ (23,748,595)	\$ 21,037,870
	8.08%	9.35%	9.06%	9.95%	9.08%	7.93%

**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
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
2010	87,560,329	-	1,523,139	44,385	29,022	498,715
Change from first year on record versus 2010	55.43%	-100.00%	49.49%	26.11%	-12.89%	66.48%

City of Manchester, New Hampshire  
Table VI

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Lien	Railroad Tax	Tax Lien	Yield / Miscellaneous tax	Central Business District	Total
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
470,802	3,644	43,193	4,834	258,090	90,436,153
-18.47%	-35.99%	-41.35%	34.54%	27.05%	54.25%

**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
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%
2010	6,480,845,279	3,560,911,021	10,041,756,300	0.17%	17.85	9,752,599,500	97.12%

**Source:** City of Manchester Economic Development Department

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

**REAL PROPERTY TAX RATES**

<b>Fiscal Year</b>	<b>Rate per thousand (1)</b>				
	<b>City</b>	<b>School Local</b>	<b>School State</b>	<b>County</b>	<b>Total</b>
2001	14.74	7.04	6.86	2.04	30.68
2002	11.26	5.25	5.66	1.65	23.82 <sup>(2)</sup>
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 <sup>(2)</sup>
2008	7.84	5.29	2.42	1.02	16.57
2009	8.05	5.98	2.28	1.04	17.35
2010	9.27	5.34	2.22	1.02	17.85

**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	2010			2001		
	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	1	1.80%
Public Service Co. of NH	105,877,300	2	1.08%	61,436,600	2	1.62%
SRP6 NH LLC	46,000,000	3	0.47%	-	-	-
Fairfield Countryside, LLC	38,000,000	4	0.39%	-	-	-
Energy North Natural Gas, Inc.	42,048,800	5	0.43%	32,600,200	3	0.86%
Manchester Hill Vistas, Inc	33,311,800	6	0.34%	21,253,600	4	0.56%
IPC Office Properties, LLC	33,223,200	7	0.34%			
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	0.25%	-	-	-
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%
<b>Total</b>	<u>\$ 539,344,000</u>		<u>5.50%</u>	<u>\$ 265,605,700</u>		<u>6.99%</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
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%
2010	2009	172,560,076	169,338,645	98.13%	2,391,041	171,729,686	99.52%

**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	Percentage of Actual Property	Debt Per	General Obligation	Total Primary	Percentage of Per Capita	Per
	Bonds	Value (1)	Capita (2)	Bonds	Government	Income	Capita (2)
2001	110,870,443	2.89%	1,036	46,575,117	157,445,560	0.0211%	1,471
2002	135,787,560	2.63%	1,256	50,927,008	186,714,568	0.0197%	1,728
2003	118,936,695	2.32%	1,100	44,030,159	162,966,854	0.0225%	1,507
2004	177,585,333	3.43%	1,626	46,301,010	223,886,343	0.0165%	2,050
2005	162,273,490	3.07%	1,478	43,579,428	205,852,918	0.0183%	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	0.0198%	1,858
2008	148,669,615	1.54%	1,369	45,115,198	193,784,813	0.0220%	1,785
2009	136,029,614	1.40%	1,258	46,667,578	182,697,192	0.0245%	1,689
2010	150,689,440	1.55%	1,387	42,191,320	192,880,760	0.0236%	1,776

**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**

<b>CITY</b>	<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>	<u>2010</u>
Debt limit	\$ 500,533	\$ 580,323	\$ 686,468	\$ 815,916	\$ 941,161	\$ 1,033,737	\$ 1,024,367	\$ 1,003,185	\$ 954,056	\$ 834,777
Total net debt applicable to limit	89,165	102,487	85,125	155,233	100,178	91,518	112,405	103,739	94,848	108,476
Legal debt margin	\$ 411,368	\$ 477,836	\$ 601,343	\$ 660,683	\$ 840,983	\$ 942,219	\$ 911,962	\$ 899,446	\$ 859,208	\$ 726,301
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	17.81%	17.66%	12.40%	19.03%	10.64%	8.85%	10.97%	10.34%	9.94%	12.99%

**Legal Debt Margin Calculation for Fiscal Year 2010**

Base equalized valuation - real estate	\$ 8,561,819
Debt limit (9.75% of base valuation)	<u>834,777</u>
Debt applicable to limit:	
Total bonded debt for general government	116,374
Recreation enterprise debt	6,639
Less debt for urban redevelopment	(992)
Less debt for pension obligation bonds	<u>(13,545)</u>
Total net debt applicable to limit	<u>108,476</u>
Legal debt margin	<u>\$ 726,301</u>

<b>SCHOOL</b>	<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>	<u>2010</u>
Debt limit	\$ 359,357	\$ 416,642	\$ 492,849	\$ 585,786	\$ 675,706	\$ 742,170	\$ 735,443	\$ 720,236	\$ 684,963	\$ 599,327
Total net debt applicable to limit	34,755	42,554	38,400	43,056	39,134	35,070	38,873	35,708	32,538	34,734
Legal debt margin	\$ 324,602	\$ 374,088	\$ 454,449	\$ 542,730	\$ 636,572	\$ 707,100	\$ 696,570	\$ 684,528	\$ 652,425	\$ 564,593
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	9.67%	10.21%	7.79%	7.35%	5.79%	4.73%	5.29%	4.96%	4.75%	5.80%

**Legal Debt Margin Calculation for Fiscal Year 2010**

Base valuation - real estate	\$ 8,561,819
Debt limit (7% of base valuation)	<u>599,327</u>
Debt applicable to limit:	
Total bonded debt for school district	120,569
Less debt for facilities revenue bond	<u>(85,835)</u>
Total net debt applicable to limit	<u>34,734</u>
Legal debt margin	<u>\$ 564,593</u>

<b>Water and Waste Water</b>	<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>	<u>2010</u>
Debt limit	\$ 513,367	\$ 595,203	\$ 704,070	\$ 836,837	\$ 965,294	\$ 1,060,243	\$ 1,050,633	\$ 1,028,908	\$ 978,519	\$ 856,182
Total net debt applicable to limit	45,296	49,804	43,084	43,885	41,211	31,883	28,114	32,098	34,660	30,710
Legal debt margin	\$ 468,071	\$ 545,399	\$ 660,986	\$ 792,952	\$ 924,083	\$ 1,028,360	\$ 1,022,519	\$ 996,810	\$ 943,859	\$ 825,472
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	8.82%	8.37%	6.12%	5.24%	4.27%	3.01%	2.68%	3.12%	3.54%	3.59%

**Legal Debt Margin Calculation for Fiscal Year 2010**

Base valuation - real estate	\$ 8,561,819
Debt limit (10% of base valuation)	<u>856,182</u>
Debt applicable to limit:	
Total bonded debt for water projects	45,710
Less debt for revenue bonds	(38,170)
Total bonded debt for sewer projects	<u>23,170</u>
Total net debt applicable to limit	<u>30,710</u>
Legal debt margin	<u>\$ 825,472</u>

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

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<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Revenue Credit From Prior Year <sup>(4)</sup></b>	<b>Coverage Amount From Prior Year <sup>(4)</sup></b>	<b>Expenses <sup>(1)</sup></b>
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 <sup>(3)</sup>	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
2010	40,735,911	2,485,000	3,274,922	25,547,284

**Notes**

- <sup>(1)</sup> Exclusive of depreciation and bond interest.
- <sup>(2)</sup> Principal, interest, and O&M reserve required at year end to fund three months of operations and maintenance expense.
- <sup>(3)</sup> As of fiscal 2003, the 1992 Debt was paid off and there is no 1992 Debt Service coverage required.
- <sup>(4)</sup> Provided by Jacob's Consultancy formerly known as Leigh Fisher Associates, Aviation Consultants
- <sup>(5)</sup> 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 <sup>(2)</sup>	Coverage		1998/2000/2001/2002 Debt Service Total <sup>(2)</sup>	Debt Service O & M Reserve <sup>(4)</sup>	
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 <sup>(5)</sup>	1.83
N/A	N/A	N/A	20,948,550	11,579,913	-	1.81

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

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

MWW Fiscal Year December 31	Gross Revenue	Expenses <sup>(1)</sup>	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	15,118,063	9,830,727	5,287,336	3,504,758	1.51
2009	14,316,685	10,391,946	3,924,739	3,336,488	1.18

Note

<sup>(1)</sup> 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 <sup>(1)</sup>	Per Capita Income <sup>(2)</sup>	School Enrollment <sup>(3)</sup>	Monthly Unemployment Rate <sup>(4)</sup>
2001	107,006	33,294	16,942	3.5%
2002	108,078	36,794	16,994	4.9%
2003	108,150	36,731	17,172	4.9%
2004	109,234	36,842	17,431	4.3%
2005	109,761	37,640	17,818	3.9%
2006	109,966	39,940	17,597	3.9%
2007	109,364	40,284	17,325	4.1%
2008	108,580	42,704	16,476	4.1%
2009	108,154	44,726	16,159	7.5%
2010	108,625	45,432	16,153	6.5%

**Sources:**

- <sup>(1)</sup> NH Office of Energy and Planning, using most recent data available up through 2009.
- <sup>(2)</sup> U.S. Department of Commerce, BEA (Bureau of Economic Analysis), using Manchester-Nashua MSA, based on most recent data available up through 2008.
- <sup>(3)</sup> City of Manchester, NH School Department
- <sup>(4)</sup> 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	2010			2000		
	Employees <sup>(1)</sup>	Rank <sup>(1)</sup>	Percentage of Total average City Employment <sup>(1)</sup>	Employees <sup>(2)</sup>	Rank <sup>(2)</sup>	Percentage of Total average City Employment <sup>(2)</sup>
Elliot Hospital	2,821	1	4.19%	1,600	1	2.40%
Catholic Medical Center	1,700	2	2.52%	1,300	4	1.95%
FairPoint Comms. (formerly Verizon)	1,650	3	2.45%	1,000	5	1.50%
Public Service of New Hampshire	1,250	4	1.86%	1,400	3	2.10%
Citizens Bank	1,225	5	1.82%	1,500	2	2.25%
TD Bank, formerly Bank of NH	1,150	6	1.71%	572	10	0.86%
Anthem Blue Cross & Blue Shield	753	7	1.12%	628	8	0.94%
Southern NH University	700	8	1.04%			
Osram Sylvania	650	9	0.96%	850	7	1.27%
Freudenberg - NOK	560	10	0.83%			
Shop 'N Save				916	6	1.37%
Velcro USA				580	9	0.87%

**Sources:**

<sup>(1)</sup> NH Employment Security, Economic and Labor Market Bureau - 2008 figures used.

<sup>(2)</sup> NH Employment Security, Economic and Labor Market Bureau - 2000 figures used.



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

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

Functions/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Government:</b>										
Aldermen	14	14	14	14	14	14	14	14	14	14
Assessors	7	7	7	9	9	9	9	8	8	8
Building	19	19	19	20	20	20	18	18	19	-
Building Maintenance	14	14	14	18	18	19	19	19	18	18
City Clerk	14	18	18	18	18	18	15	15	15	16
City Solicitor	11	12	12	12	12	13	12	13	13	13
Economic Development Office	3	3	3	3	3	4	4	4	4	4
Elderly Services	5	5	5	4	4	4	4	4	4	4
Finance	15	15	15	13	14	13	12	10	12	12
Human Resources	14	14	12	11	11	11	10	8	8	9
Information Systems	19	19	19	19	19	19	13	15	15	15
Mayor	4	4	4	4	4	4	4	4	4	4
MCTV	6	6	6	6	6	5	5	5	5	5
Office of Youth Services	8	9	9	9	10	10	10	9	10	12
Planning	13	13	13	15	15	14	11	9	10	30
Tax Collector	13	14	14	12	12	11	12	11	12	11
<b>Parks and Recreation:</b>										
Cemetery Care	16	16	16	16	16	16	15	14	12	9
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	9	8	10
Gill Stadium	2	2	2	2	2	2	2	2	2	2
McIntyre Ski Area	1	1	1	1	1	1	1	1	1	-
Public Swimming Pools	1	1	1	1	1	1	1	1	1	1
Parks Maintenance	18	18	18	18	18	18	17	17	16	12
Recreation	1	1	1	1	1	1	1	1	1	1
Skating Arenas	6	6	6	6	6	6	5	6	6	6
<b>Police:</b>										
Officers	198	204	199	202	200	199	206	214	215	217
Civilians	68	71	65	65	64	66	64	63	62	65
<b>Fire:</b>										
Firefighters and Officers	235	234	250	250	250	250	249	247	243	243
Civilians	8	8	8	8	8	8	7	7	7	7
<b>Public Works:</b>										
Administration	14	14	13	13	13	13	14	14	14	14
Street Maintenance/Const.	61	62	62	62	62	63	62	61	63	62
Street Sweeping	4	4	4	4	4	4	4	5	5	5
Refuse Collection	33	33	32	32	32	32	35	32	36	35
Vehicle Maintenance	20	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.	22	21	21	21	21	21	18	20	19	20
Engineering	20	20	20	20	20	20	20	20	18	17
Traffic	17	17	17	15	16	16	11	10	11	11
<b>Parking:</b>										
Administration	-	-	-	-	-	-	3	4	4	4
Meters	-	-	-	-	-	-	2	2	2	2
Myrna Lot	-	-	-	-	-	-	-	1	1	1
Victory Garage	-	-	-	-	-	-	4	5	5	5
PCO's	-	-	-	-	-	-	7	7	7	7
<b>Water:</b>										
Administration & Financial	19	19	19	19	18	17	17	16	15	15
Water Distribution	43	44	44	45	45	46	45	44	42	41
Water Supply	24	24	24	25	24	25	24	24	25	25
<b>Sewer:</b>										
Administration & Financial	9	9	9	10	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	14	15	14	15
Maintenance	16	16	16	16	16	16	15	15	14	15
<b>Airport - total</b>										
Administration & Financial	23	23	25	27	27	29	27	26	26	25
Airfield Maintenance	23	25	26	26	27	26	20	25	25	26
Terminal Maintenance	10	14	15	20	21	24	28	24	25	22
<b>Other Programs/Functions:</b>										
Aggregation	1	1	1	1	1	1	-	-	-	-
Health	64	64	64	69	71	71	61	61	63	60
Library	40	40	40	38	38	38	39	39	39	46
Welfare	11	11	11	11	11	11	11	12	12	13
<b>Total</b>	<b>1,242</b>	<b>1,264</b>	<b>1,269</b>	<b>1,286</b>	<b>1,288</b>	<b>1,294</b>	<b>1,270</b>	<b>1,269</b>	<b>1,269</b>	<b>1,273</b>

N/A = Not Available.

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

Function/Program	2001	2002	2003	2004
<b>Police:</b>				
Physical arrests	4,077	5,390	5,389	5,645
Parking Violations	73,244	86,826	66,757	81,225
Traffic citations	11,100	11,788	9,654	11,224
<b>Fire:</b>				
Number of calls answered	13,519	13,420	14,595	15,200
Inspections	563	576	578	676
Property loss	\$ 2,587,531	\$ 7,031,664	\$ 2,694,680	\$ 2,985,889
<b>Building safety:</b>				
Total building permits	1,680	2,042	2,554	2,794
Total value all permits	\$ 88,604,851	\$ 134,604,022	\$ 136,690,830	\$ 159,902,113
Library, visits	N/A	N/A	N/A	N/A
<b>Public service:</b>				
Garbage collected (ton)	44,208	45,866	46,181	48,323
Recycle collected (ton)	5,352	4,308	4,301	4,278
Streets paved resurf (miles)	15.64	13.83	15.43	10.99
Streets Reconstructed (miles)	0.61	0.40	1.05	4.48
Drain Reconstruction (miles)	3.18	4.22	1.23	0.53
Sewer Reconstruction(miles)	1.59	1.65	0.36	0.89
<b>Airport:</b>				
Enplane	1,631,331	1,690,158	1,802,385	2,004,122
Deplane	1,602,224	1,676,676	1,799,276	1,999,185
Total Passengers	3,233,555	3,366,834	3,601,661	4,003,307
Cargo (in pounds)	166,519,494	181,342,300	161,093,039	162,080,948
Air Mail (in pounds)	952,984	40,959	14,842	5,767
<b>Parks and Recreation:</b>				
Public Skating Attendance	7,737	8,386	7,545	6,745
Aquatics program attendance	44,910	55,670	37,988	62,143
Golf rounds played	41,977	43,158	38,054	40,679
Ski passes sold	358	292	305	279
Street trees maintained	40,000	40,000	40,000	40,000

**Note:** The figures in column 2010 are January thru June only.

**N/A = Not Available.**

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

Calendar Year					
2005	2006	2007	2008	2009	2010
5,505	5,662	5,039	6,244	6,769	3,234
78,253	58,298	57,264	51,612	45,969	19,965
10,993	9,573	9,514	10,815	10,183	4,693
16,202	17,012	17,267	18,012	16,935	8,853
732	2,640	1,525	822	1,079	799
\$ 3,997,307	\$ 2,887,571	\$ 5,610,530	\$ 8,609,879	\$ 3,192,135	\$ 1,215,625
2,616	2,312	2,121	2,030	1,788	1,027
\$ 155,661,840	\$ 154,384,899	\$ 103,458,232	\$ 90,874,321	\$ 137,637,515	\$ 40,198,926
302,764	391,622	435,807	462,456	476,981	249,630
46,662	49,693	46,679	42,551	40,492	19,603
4,159	4,751	4,363	4,364	4,281	2,141
12.23	9.27	5.21	9.70	9.40	3.30
5.51	0.87	6.63	4.40	1.01	0.56
0.28	0.50	2.00	2.30	0.55	0.25
1.00	0.46	1.50	2.00	0.12	-
2,168,258	1,952,277	1,948,313	1,861,695	1,595,477	669,209
2,164,449	1,944,255	1,944,317	1,854,698	1,585,772	671,267
4,332,707	3,896,532	3,892,630	3,716,393	1,605,836	1,340,476
155,503,955	176,382,468	193,487,647	178,155,941	161,670,797	81,286,951
3,798	503	445	208	900	10
6,135	7,381	6,719	7,058	6,675	8,316
77,330	76,630	64,736	61,419	77,786	96,819
35,029	38,294	31,665	32,157	31,836	33,928
196	143	136	165	32	N/A
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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Police:</b>										
Facilities	5	5	5	5	5	5	5	5	5	5
Marked Patrol Vehicles	37	36	36	39	35	35	35	35	35	35
Unmarked Vehicles	17	18	18	17	19	19	19	19	19	19
Specialty Vehicles	13	6	6	8	15	15	15	15	17	17
Bikes for bike patrols	17	18	18	18	21	21	21	21	21	21
Motorcycles	3	3	3	3	4	4	4	4	4	4
Horses	2	2	2	2	2	2	2	2	2	2
Canine	9	9	9	9	8	6	6	6	6	6
<b>Fire:</b>										
Fire Stations	9	9	9	10	10	10	10	10	10	10
<b>Refuse Collection:</b>										
Collection Trucks	15	14	14	14	14	14	14	14	14	14
<b>Other Public Works:</b>										
Streets (Miles)	388.21	388.30	289.49	389.78	391.20	393.00	394.00	395.00	395.00	395.00
Street Lights	8,745	8,790	8,792	8,792	8,803	8,788	8,772	8,849	8,849	8,861
Traffic Signals	154.1	157.4	159.6	160.1	160.4	160.4	152.0	152.0	151.0	151.0
<b>Parks &amp; Recreation:</b>										
Acreage	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073
Parks	55	55	55	55	55	55	55	55	55	55
Golf Course	1	1	1	1	1	1	1	1	1	1
Baseball/Softball Diamonds	44	44	44	44	44	44	44	44	44	44
Walking Trail(s)	N/A	N/A	N/A	1	1	2	2	2	8	8
Soccer/Football Fields	16	16	17	17	17	17	18	18	24	24
Indoor Ice Rinks	2	2	2	2	2	2	2	2	2	2
Basketball Courts	23	22	22	22	21	21	21	21	26	26
Tennis Courts	4	4	4	4	4	4	4	4	8	8
Swimming pools	4	4	4	4	4	4	4	4	4	4
Parks with Playground Equipment	4	4	4	4	4	4	5	5	20	20
Public Beaches	1	1	1	1	1	1	1	1	1	1
<b>Library:</b>										
Facilities	2	2	2	2	2	2	2	2	2	2
Volumes	315,676	325,967	264,183	233,331	236,312	246,939	246,398	246,391	250,156	250,090
<b>Water:</b>										
Source of water supply										
Finished water storage capacity (MG)	35.8	37.8	37.8	37.8	37.8	37.8	37.8	38.8	38.8	38.8
Average Daily Consumption (MGD)	17.363	17.148	16.483	16.644	17.057	17.454	16.931	17.860	16.902	16.048
Peak Consumption (MGD)	28.583	30.852	28.685	26.295	26.739	27.169	27.298	29.093	30.461	24.476
Municipal Fire Hydrants	3,173	3,212	3,240	3,267	3,294	3,304	3,309	3,310	3,309	3,327
Water main in system (million feet)	2	3	3	3	3	3	3	3	3	3
<b>Wastewater:</b>										
Sanitary Sewers (miles)	342.12	343.77	344.13	345.02	345.02	345.02	350.60	352.80	354.40	354.40
Maximum daily treatment capacity (MGPD)	34	34	34	34	34	34	34	34	34	34
<b>Information Systems Department</b>										
PC's	650	771	749	761	864	905	1,034	1,072	1,065	1,066
Miles of Fiber Optic Cabling	13.50	16.00	28.00	28.00	28.00	39.00	48.00	49.00	50.00	51.00
<b>Airport:</b>										
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	332,600	332,600	332,600	332,600	332,600	332,600	332,600

N/A = Not Available.