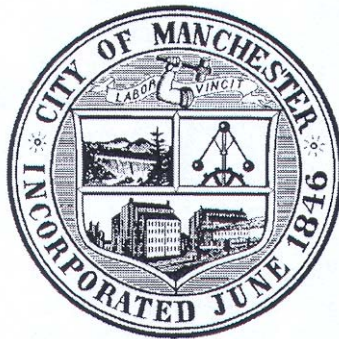


CITY OF MANCHESTER, NEW HAMPSHIRE



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012**

CITY OF MANCHESTER, NEW HAMPSHIRE

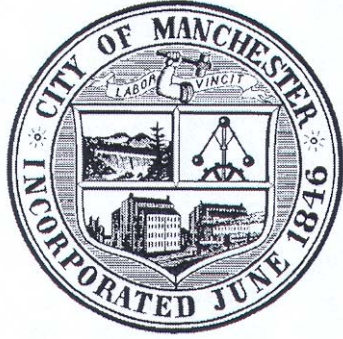


COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year
July 1, 2011 to June 30, 2012**

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, 2012

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CITY OF MANCHESTER, NEW HAMPSHIRE

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2012**

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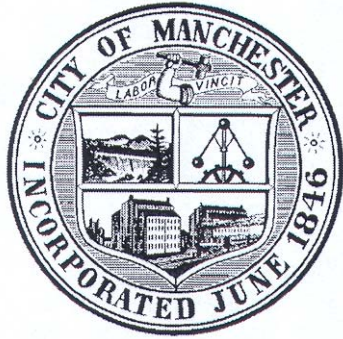
CITY OF MANCHESTER, NEW HAMPSHIRE

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2012**

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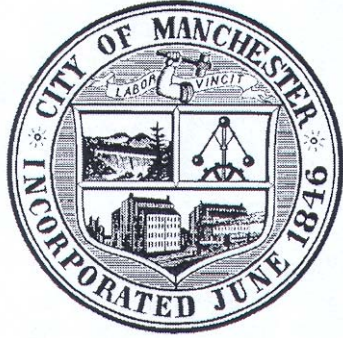
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Introductory Section



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**City of Manchester
Department of Finance**

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

March 27, 2013

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, 2012 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, required supplementary information, 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 LLP, Certified Public Accountants, to conduct the City's audit for the fiscal year ended June 30, 2012. 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 four discretely presented component units – the Manchester School District (MSD), the Manchester Development Corporation (MDC), the Manchester Public Television Service, Inc. (MPTS) 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 2011 report of the New Hampshire Office of Energy and Planning, the City has a population of 109,687 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 97,700 at November 30, 2012 while the unemployment rate is 5.4% at November 30, 2012.

Debt- The general debt limit of the City is 9.75% of base valuation¹, of which Water and Sewer projects ordered by the State Water Supply and Pollution control commission, self-supporting sewer debt, debt for urban redevelopment and housing purposes, and overlapping debt are excluded from the measure of indebtedness. Other water projects are subject to a separate, special debt limit of 10% of the City's base valuation. Borrowings authorized by special legislative acts rather than the general municipal finance statutes are sometimes excluded from a city or town's statutory debt limit.

As of June 30, 2012 the City has a total outstanding General Obligation debt of \$263,328,014 for various improvements, infrastructure improvements, and economic development projects. There are no authorized, unissued debt obligations as of June 30, 2012.

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," "Aa2," and "AA," respectively.

¹ Base valuation for debt limits is provided annually by the State of New Hampshire Department of Revenue Administration as part of the calculations for equalized assessed valuations for each municipality, and amounted to \$818,504,000.

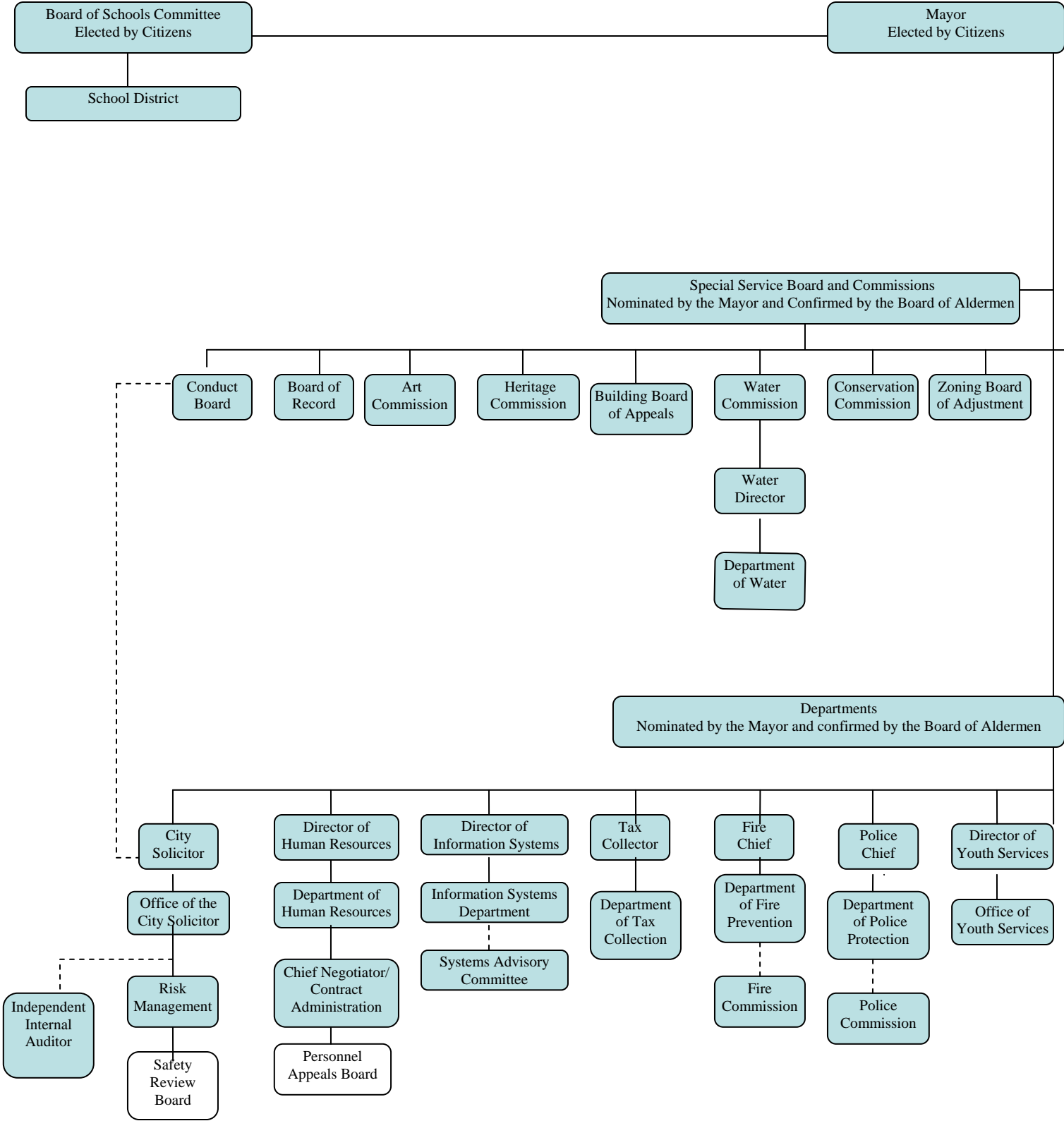
I would like to thank the City's department heads and their hard working staff for their help in the completion of another successful year. I would especially like to thank the employees of the Finance Department for their commitment and dedication.

Respectfully submitted,

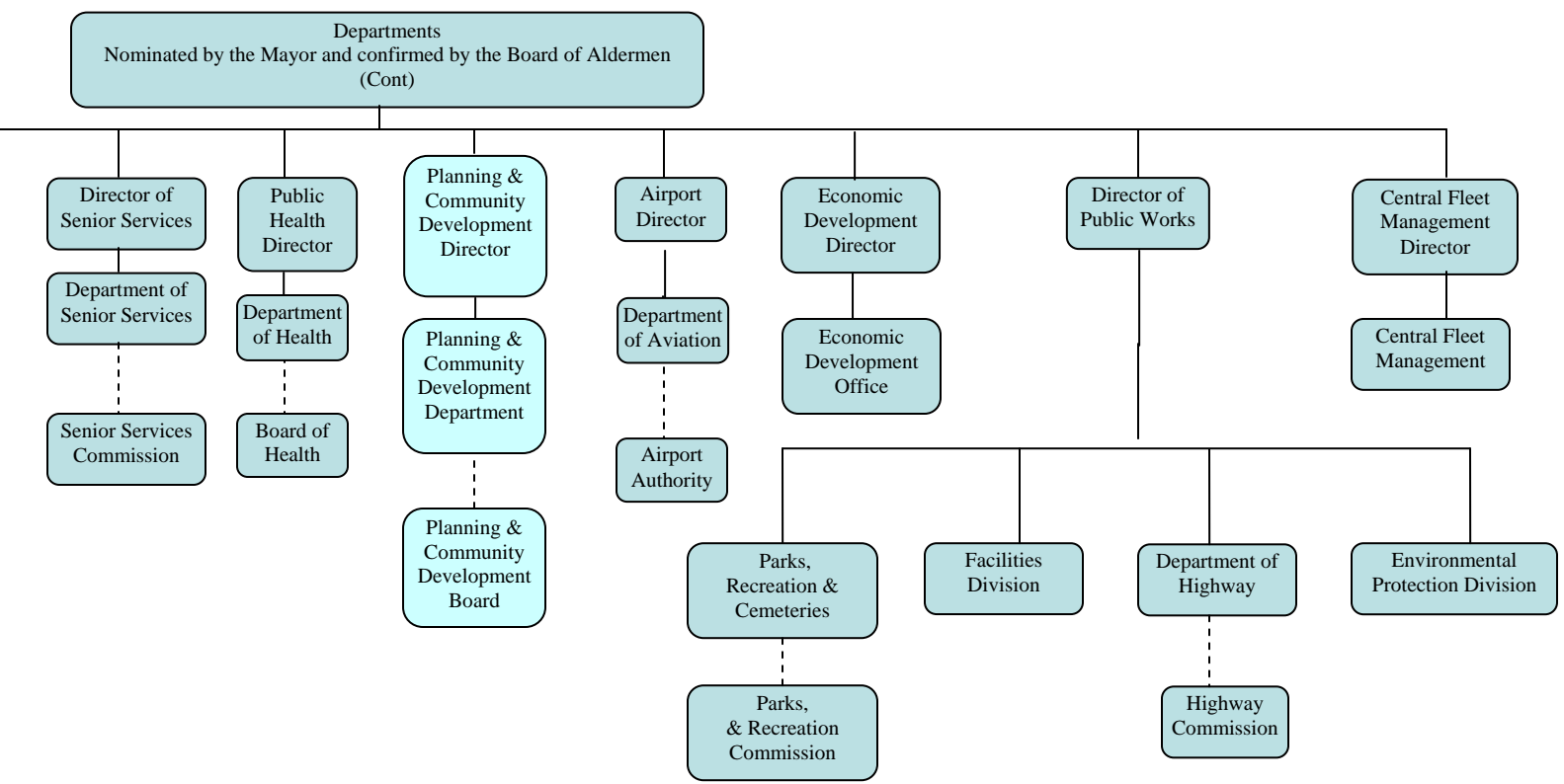
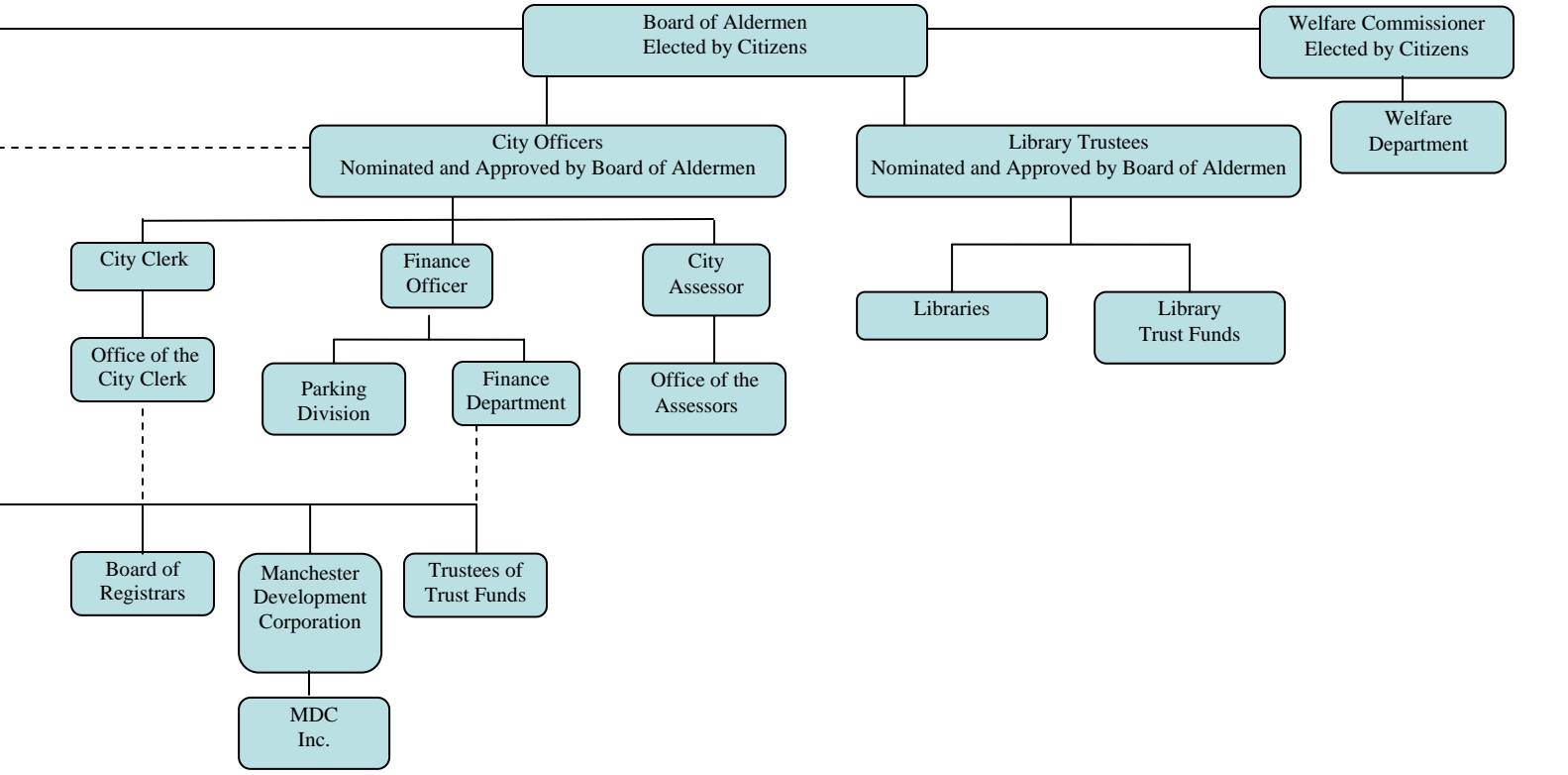
A handwritten signature in black ink that reads "William E. Sanders". The signature is written in a cursive style with a long horizontal line extending to the right.

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, 2012**

Mayor

Theodore L. Gatsas

Aldermen

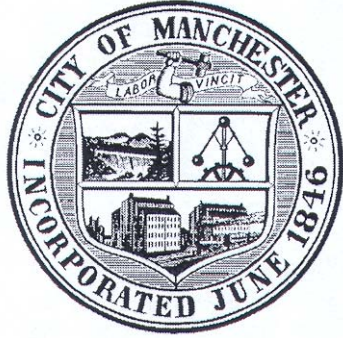
Ward 1	Joyce Craig	Ward 7	William P. Shea
Ward 2	Ron Ludwig	Ward 8	Thomas Katsiantonis
Ward 3	Patrick Long	Ward 9	Barbara E. Shaw
Ward 4	Jim Roy	Ward 10	Phil J. Greazzo
Ward 5	Ed Osborne	Ward 11	Russell P. Ouellette
Ward 6	Garth Corriveau	Ward 12	Patrick J. Arnold
At-large	Joseph Kelly Levasseur	At-large	Daniel P. O'Neil *

* Chairman of the Board

City Departments

Finance Officer	William E. Sanders
City Clerk	Matthew P. Normand
City Solicitor	Thomas R. Clark
Commissioner of Welfare	Paul R. R. Martineau
Chief of Police	David J. Mara
Fire Chief	James A. Burkush
Public Health Director	Timothy M. Soucy, M.P.H., R.E.H.S.
Director of Public Works	Kevin Sheppard, P.E.
Chief of Parks, Recreation & Cemetery	Peter Capano
Director of Economic Development	Jay Minkarah
Director of Fleet Management	Wesley Anderson, P.E.
Airport Director	Mark Brewer, A.A.E.
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, ED.D.
Director of Human Resources	Jane Gile
Director of Senior Services	Barbara A. Vigneault
Director of Youth Services	Martin Boldin
Chairman Board of Assessors	Robert Gagne
Collector of Taxes	Patricia M. Harte

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manchester, New Hampshire ("the City") as of and for the year ended June 30, 2012, 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 of Manchester, New Hampshire'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 99.7% of the revenues and 93.0% 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 72.9% of the assets and 32.7% of the revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports have been furnished to us, insofar as it relates to amounts included for the Manchester School District, the Manchester Transit Authority discretely presented component units and the City of Manchester Employees' Contributory Retirement System, a blended component unit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manchester, New Hampshire, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manchester, New Hampshire's basic financial statements. The introductory section, supplemental and combining and individual fund financial statements and other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplemental and combining and individual fund financial statements and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental and combining and individual fund financial statements and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Manchester, New Hampshire as of and for the year ended June 30, 2011 (not presented herein), and have issued our report thereon dated March 27, 2012, which contained unqualified opinions on the respective financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. The accompanying General Fund Balance Sheet and Statements of Revenues, Expenses and Changes in Fund Balance as of and for the year ended June 30, 2011 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The accompanying General Fund Balance Sheet and Statements of Revenue, Expenses and Changes in Fund Balance has been subjected to the auditing procedures applied in the audit of the 2011 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund Balance Sheet and Statements of Revenue, Expenses and Changes in Fund Balance are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2011.

McGladrey LLP

New Haven, Connecticut
March 27, 2013

City of Manchester, New Hampshire
Management's Discussion and Analysis
June 30, 2012

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, 2012. 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 \$548.5 million. Total net assets for Governmental Activities at fiscal year-end were \$142.1 million and total net assets for Business-Type Activities were \$406.4 million.
- ◆ On a government-wide basis, during the fiscal year, the City's net assets increased by \$11.0 million or 2.0%, from \$537.5 million to \$548.5 million. Net assets increased by \$7.4 million for Governmental Activities and net assets increased by \$3.6 million for Business-Type Activities. Government-wide expenses were \$255.1 million, while revenues were \$266.1 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 \$69.7 million, a decrease of \$25.3 million from the prior fiscal year. The decrease was mainly due to the receipt of proceeds from an issuance of General Obligation Public Improvement Bonds on December 16, 2010. See Note 10 of this report for further detail.
- ◆ At the end of the current fiscal year, the total fund balance for the General Fund was \$23.9 million, an increase of \$.9 million from the prior fiscal year. As of June 30, 2012, the general fund had an unassigned fund balance of \$7.5 million which represents 4.8% of total FY 12 General Fund expenditures and transfers (\$155.7 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 four legally separate component units, the Manchester School District (MSD), the Manchester Transit Authority (MTA), and the Manchester Public Television Service, Inc. (MPTS) 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 ten 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, Community Development Block Grant Fund, Other Grants Fund, Civic Center Fund, Revolving Loan Fund, and the Expendable Trust 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 99-100 and in the combining statement of revenues, expenditures and changes in fund balance on pages 101-102.

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 103-104 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 68-69 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 35-88 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 \$548.5 and \$537.5 million at June 30, 2012 and 2011, respectively.

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

	June 30, 2012			June 30, 2011		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Current and Other Assets	\$ 184,532	\$ 119,634	\$ 304,166	\$ 164,551	\$ 125,726	\$ 290,277
Non-Current	15,525	2,482	18,007	55,851	2,871	58,722
Capital Assets	358,262	601,506	959,768	342,335	608,111	950,446
Total Assets	558,319	723,622	1,281,941	562,737	736,708	1,299,445
Current Liabilities	115,694	18,649	134,343	109,881	15,501	125,382
Long-term liabilities outstanding	300,478	298,617	599,095	318,126	318,441	636,567
Total Liabilities	416,172	317,266	733,438	428,007	333,942	761,949
Net Assets:						
Invested in Capital						
Assets, net of related debt	141,590	318,573	460,163	140,218	306,967	447,185
Restricted	23,071	55,256	78,327	18,991	63,087	82,078
Unrestricted	(22,514)	32,527	10,013	(24,479)	32,712	8,233
Total Net Assets	\$ 142,147	\$ 406,356	\$ 548,503	\$ 134,730	\$ 402,766	\$ 537,496

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

A portion of the City's net assets totaling \$460.2 million reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), net any outstanding debt related to these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The portion of the City's net assets that are restricted, \$78.3 million, represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets of \$10.0 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 \$11.1 million, which was issued to properly fund the unfunded amount, the Landfill Closure Project, which has an outstanding balance of \$8.2 million, other landfill closure and post-closure care costs estimated liability with an outstanding balance of \$3.9 million, Urban Renewal Related Projects with outstanding balances of \$.6 million, long-term debt related to insurance claims with an estimated outstanding balance of \$5.9 million, as well as long-term debt related to compensated absences with an estimated outstanding balance of \$12.2 million at June 30, 2012.

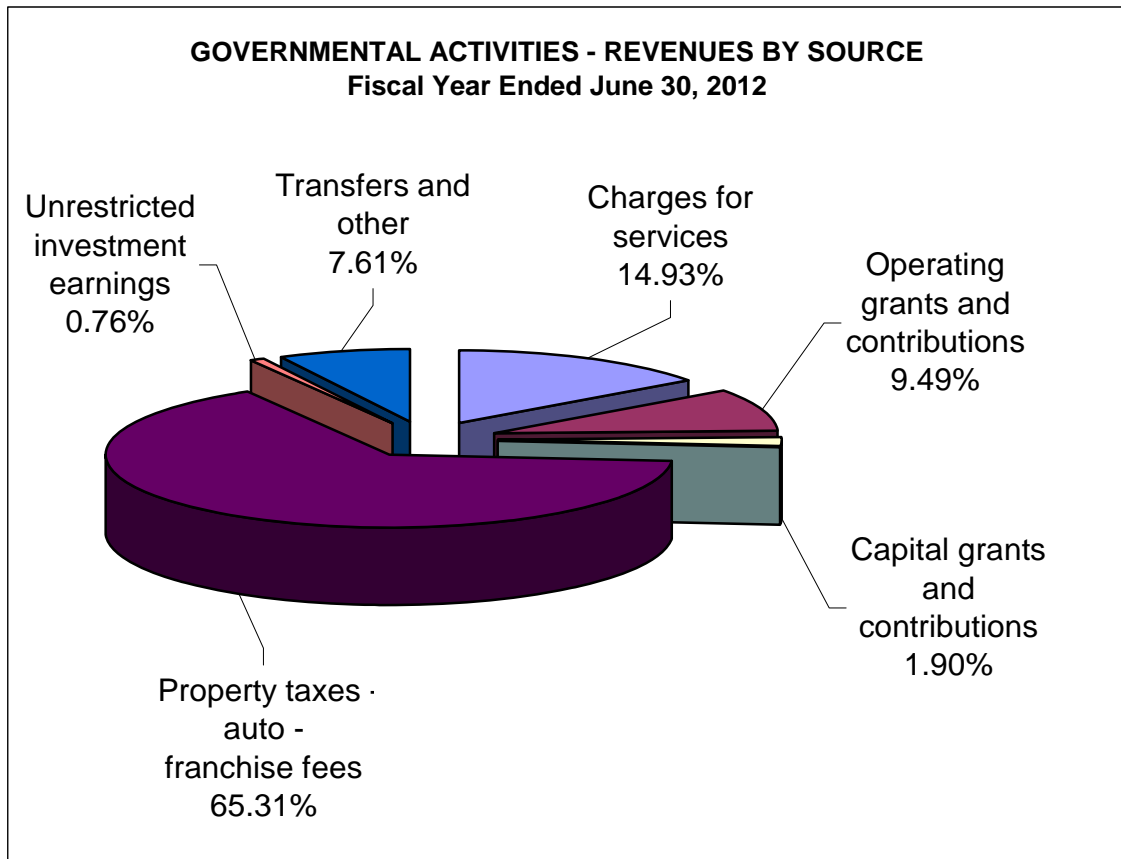
City of Manchester, New Hampshire
Changes in Net Assets (\$ 000's)
Primary government

	June 30, 2012			June 30, 2011		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Revenues:						
Program Revenues:						
Charges for services	\$ 25,191	\$ 86,589	\$ 111,780	\$ 29,953	\$ 90,996	\$ 120,949
Operating grants and contributions	16,010	35	16,045	18,506	144	18,650
Capital grants and contributions	3,208	11,903	15,111	4,507	13,043	17,550
General Revenues:						
Property taxes/auto/franchise fees	110,208	-	110,208	106,166	-	106,166
Unrestricted investment earnings	1,286	798	2,084	1,203	872	2,075
Transfers and other	12,834	(1,959)	10,875	8,272	(1,686)	6,586
Total revenues	168,737	97,366	266,103	168,607	103,369	271,976
Expenses:						
General government	44,279	-	44,279	43,126	-	43,126
Public safety	60,455	-	60,455	61,213	-	61,213
Health and sanitation	6,032	-	6,032	5,868	-	5,868
Highways and streets	27,764	-	27,764	29,261	-	29,261
Welfare	1,325	-	1,325	1,343	-	1,343
Education and library	8,965	-	8,965	8,680	-	8,680
Parks and recreation	6,575	-	6,575	5,738	-	5,738
Cemetery Trust	46	-	46	36	-	36
Investment management fee	54	-	54	55	-	55
Interest expense	5,825	12,955	18,780	5,466	12,623	18,089
Operations	-	80,821	80,821	-	80,455	80,455
Total Expenses	161,320	93,776	255,096	160,786	93,078	253,864
Change in net assets	7,417	3,590	11,007	7,821	10,291	18,112
Net assets - beginning	134,730	402,766	537,496	126,909	392,475	519,384
Net assets - ending	\$ 142,147	\$ 406,356	\$ 548,503	\$ 134,730	\$ 402,766	\$ 537,496

The City's net assets increased by \$11.0 million during the fiscal year, with net assets of Governmental Activities increasing by \$7.4 million, and net assets of Business-Type Activities increasing by \$3.6 million. Highlights in the changes in net assets in governmental activities from 2011 to 2012 include the following: Total transfers and other increased by \$4.6 million primarily due to \$4,660,770 resulting from the write-off of refunded balances. See Note 10 for further detail. This increase was offset by lower revenues: \$3.8 million in unrealized gains on securities, \$2.0 million loss in State funding for the NH Retirement System, \$1.1 million decrease in CDBG and state grant revenues, \$1.9 million in MSD trust contributions and \$1.3 decrease in HUD revenues. Property taxes/auto/franchise fees increased \$4.0 million from 2011 to 2012. The general government incurred more expenditures in 2012 related to higher costs in community improvement programs. Overall, public safety expenditures decreased from 2011 to 2012 by \$.8 million mostly due to a fire department decrease in operation expenses.

Governmental Activities

More than 65.31% of the governmental funds revenues were derived from property taxes, auto registrations and franchise fees, 11.39% from operating and capital grants and contributions, then followed by 14.93% from charges for services and finally, about 8.37% of the City's revenue in this fiscal year was derived from a combination of investment earnings, gain (loss) of sales of capital assets, transfers, and other revenues. Total revenues, excluding transfers and other, decreased by \$4.4 million. Property taxes, auto registrations and franchise fees increased by \$4.0 million or 3.8% 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 \$3.6 million, which is a decrease of \$6.7 million from an increase of \$10.0 million for last year. See next page for more detail.

- ◆ Water Works total net assets increased by \$.3 million and \$2.4 million in 2012 and 2011, respectively with assets invested in capital assets, net of related debt increasing 7.81%. Restricted assets decreased 26.94% due primarily to the refunding of the Series 2003 Revenue Bonds of which the Debt Service Reserve Fund of \$3.098 million was included. Unrestricted Net Assets decreased 20.91% due primarily to the reduction in current assets used in operations.
- ◆ EPD net assets increased by \$8.3 million in FY 2012 compared to an increase of \$7.3 million in FY 2011. A significant jump in the 2012 increase was the result of \$2.8 million debt forgiveness under capital improvements funded by the American Recovery and Reinvestment Act (ARRA). The increase was offset by a decrease of \$1.1 million in operating revenues and a \$.7 million increase in direct operating expenses.
- ◆ Aviation net assets decreased by \$4.4 million. Aviation fund capital contributions amounted to \$6.6 million, a decrease from \$8.8 million in the previous year. Manchester-Boston Regional Airport experienced a decrease of (6.6%) in passenger enplanements in FY 2012, as enplanements decreased by 91,990 from FY 2011.

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 \$69.7 million, a decrease from \$95.0 million as reported on June 30, 2011. The decrease of \$25.3 million in fund balances is mainly due to the bond sale in December 2010 and related proceeds. Approximately 9.7% of this total amount constitutes unassigned fund balance. The remainder of the fund balance is considered either nonspendable, restricted, committed, or assigned as defined by the new GASB 54 fund balance definitions. These new fund balance definitions can be found in note 1 in the notes to the financial statements.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$7.5 million while the total fund balance reached \$23.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and operating transfers out. Unassigned fund balance represents 5.6% of total general fund expenditures of \$134.6 million, while total fund balance represents 17.8% 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 (6.6%) in passenger enplanements in FY 2012, as enplanements decreased by 91,990 from FY 2011. Manchester-Boston Regional Airport is not alone in this decrease, as many airports in the small and medium hub categories experienced reductions in capacity, either from the airlines substituting regional jets for mainline jets or by the airlines eliminating service all together. Operating loss increased from (\$5,992,723) in FY 2011 to (\$7,207,874), an increase of 20% over FY 2011. The operating loss increase was due primarily to increased depreciation expense and increased revenues. Due to active airport management the operating expenses for FY 2012 (net of depreciation expense) decreased by approximately \$592,947 or 2%.

The Waterworks revenue earned from users of the system was \$16,187,322 and \$16,987,128 for the fiscal years 2012 and 2011, respectively, a 4.7% decrease. The decrease in revenue was due primarily to a decrease in water usage. Capital contributions and transfers were \$1,459,935 and \$3,449,906, respectively, a decrease of 57.68%. The decrease was due primarily to a \$1.8 million contribution from the Town of Goffstown for the American Recovery and Reinvestment Act of 2009 (ARRA) Lynchville Park/Danis Park project received in 2011. Interest earnings from investments were \$111,521 and \$174,330, respectively for 2012 and 2011, down 36.03%. Other revenues from sale of capital assets for the fiscal years 2012 and 2011 were \$4,835 and \$290,148, respectively, a decrease of 98.33% and due primarily to a \$285,000 gain from the sale of a parcel of land in 2011.

Total assets for Environmental Protection Division (EPD) increased from \$179.4 million at June 30, 2011 to \$184.8 million at June 30, 2012, an increase of \$5.4 million. The unrestricted net asset balance for EPD increased by \$1.6 million in fiscal year 2012 which was offset by an increase in long-term debt owed to the State of New Hampshire under the State Revolving Loan Fund of \$1.8 million.

Operating revenues from sewer usage charges decreased 6% from 6-30-11 to 6-30-12 for a total reduction of \$1.1 million. The change in sewer usage charges was due primarily to the 7% rate decrease on April 1, 2011. Operating expenses (net of depreciation expense) increased \$.7 million from fiscal year 2011 to 2012 in large part due to cost increases in electricity, fuel oil, and ash disposal.

General Fund Budgetary Highlights

During the year, actual revenues and other financing sources on a budgetary basis were \$135.7 million, \$1,463,735 more than the estimated revenues. Actual tax revenues were more than budgeted by \$214,948. Actual intergovernmental revenue was \$12,095 over budgetary estimates. Investment income was \$37,752 less than the \$705,000 that had been budgeted. An additional positive outcome of \$1,166,069 resulted from an overall increase in auto registrations, licenses, and permits over the revised budgeted amount. Nonenterprise charges for sales and services were \$64,043 more than budgeted. Other revenues were \$260,532 more than budgeted. Transfers in were \$216,200 less than budgeted estimates.

Actual expenditures on a budgetary basis and other financing uses totaled \$133.8 million, \$412,745 less than budgeted. Highlights in expenditures variances include the following: General Government expenditures were \$1,014,478 more than budgeted primarily due to a MECRS prepayment of \$1,000,000 for FY 2013 which was approved by the BMA. Expenditures in Highway and Streets ended in a positive variance of \$977,502 resulting from significant savings in snow removal costs being realized due to an exceptionally mild winter. Other departments resulted in positive variances due to attrition and savings in effective budget maintenance. The combined net difference of budgeted revenues and expenses on a budgetary basis resulted in a positive variance of \$1,876,480.

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, 2012, amounts to \$959.8 million, net of accumulated depreciation. This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, sewers and bridges. The total increase in the City's investment in capital assets for the current fiscal year was \$9.3 million or .9%.

City of Manchester, New Hampshire
Capital Assets (net of depreciation) (000's)
June 30, 2012 and 2011
Primary Government

	2012			2011			Change
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total	
Land	\$ 14,386	\$ 50,118	\$ 64,504	\$ 14,386	\$ 50,118	\$ 64,504	\$ -
Easements	52	-	52	-	-	-	52
Buildings and improvements	233,011	451,320	684,331	241,872	470,664	712,536	(28,205)
Infrastructure	60,524	-	60,524	62,910	-	62,910	(2,386)
Interceptors	-	54,768	54,768	-	55,817	55,817	(1,049)
Equipment, vehicles & intangibles	15,237	16,523	31,760	15,008	17,701	32,709	(949)
Construction in progress	35,053	28,777	63,830	8,159	13,811	21,970	41,860
Total	\$ 358,263	\$ 601,506	\$ 959,769	\$ 342,335	\$ 608,111	\$ 950,446	\$ 9,323

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.
- ◆ New Municipal Complex project.
- ◆ 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 58-61 of this report.

City of Manchester, New Hampshire
Outstanding Debt
General Obligation and Revenue Bonds (000's) in thousands
June 30, 2012 and 2011

	2012			2011		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
General Obligation Bonds	\$ 187,401	\$ 88,537	\$ 275,938	\$ 205,802	\$ 49,922	\$ 255,724
Revenue Bonds, net of premiums and discounts	80,755	204,305	285,060	82,810	257,295	340,105
Totals	\$ 268,156	\$ 292,842	\$ 560,998	\$ 288,612	\$ 307,217	\$ 595,829

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 \$795.5 million. General obligation debt is backed by the full faith and credit of the City government.

As of December 31, 2012, 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 (\$8,394,916,000) 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, 2012, the City recorded long-term debt of \$268.2 million related to Governmental Activities, \$115.5 million related to the MSD and \$292.8 million related to Business-Type Activities, well below its statutory debt limit. Information on the City's long-term debt can be found in Note 10 on pages 63-67 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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Statement of Net Assets

City of Manchester New Hampshire
June 30, 2012

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Manchester School District	Manchester Transit Authority	Manchester Public Television Service, Inc.	Manchester Development Corporation
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 89,632,953	\$ 25,004,137	\$ 114,637,090	\$ 217,203	\$ 296,892	\$ 10,153	\$ -
Restricted cash	28,092,809	77,442,185	105,534,994	-	-	-	2,399,645
Investments	561,667	-	561,667	-	-	-	-
Receivables, net of allowance for collection losses	33,530,571	19,785,783	53,316,354	16,203,672	680,558	-	1,220,373
Prepaid expenses	1,380,687	1,204,601	2,585,288	28,292	60,178	7,882	292
Internal balances	5,382,827	(5,382,827)	-	-	-	-	-
Due from other Governments	2,586,082	-	2,586,082	-	-	-	-
Due from Primary Government	-	-	-	26,255,912	-	-	-
Inventories	966,770	1,580,122	2,546,892	40,356	273,215	-	-
Total current assets	162,134,366	119,634,001	281,768,367	42,745,435	1,310,843	18,035	3,620,310
Noncurrent assets:							
Land held for resale	-	-	-	-	-	-	61,596
Capital assets, net of depreciation	358,262,646	601,505,597	959,768,243	4,894,182	3,496,961	97,709	-
Pension asset	9,227,234	-	9,227,234	-	-	-	-
Deferred charges, net	1,962,701	2,482,669	4,445,370	-	-	-	-
Restricted Cash	4,334,639	-	4,334,639	-	-	-	-
Restricted Investments	22,398,064	-	22,398,064	-	-	-	-
Total noncurrent assets	396,185,284	603,988,266	1,000,173,550	4,894,182	3,496,961	97,709	61,596
Total Assets	\$ 558,319,650	\$ 723,622,267	\$ 1,281,941,917	\$ 47,639,617	\$ 4,807,804	\$ 115,744	\$ 4,236,276
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 16,738,095	\$ 5,412,334	\$ 22,150,429	\$ 1,000,422	\$ 65,231	\$ 16,467	\$ 1,189
Retainage payable	44,508	937,610	982,118	-	-	-	-
Accrued liabilities	3,991,588	12,093,337	16,084,925	17,146,057	196,837	27,604	500
Other liabilities	4,153,484	169,427	4,322,911	-	-	-	-
Insurance claims payable	924,948	-	924,948	-	-	-	-
Due to school district	26,255,912	-	26,255,912	-	-	-	-
Unearned revenue	23,389,289	36,415	23,425,704	28,919,964	5,630	-	-
Taxes collected in advance	40,196,224	-	40,196,224	-	-	-	-
Total current liabilities	115,694,048	18,649,123	134,343,171	47,066,443	267,698	44,071	1,689
Noncurrent liabilities:							
Due within one year	29,374,588	15,094,494	44,469,082	2,232,923	-	-	-
OPEB obligation	9,178,015	-	9,178,015	12,040,268	659,506	-	-
Due in more than one year	261,926,005	283,522,685	545,448,690	10,319,588	136,657	-	-
Total noncurrent liabilities	300,478,608	298,617,179	599,095,787	24,592,779	796,163	-	-
Total Liabilities	416,172,656	317,266,302	733,438,958	71,659,222	1,063,861	44,071	1,689
NET ASSETS (DEFICIT)							
Investment in capital assets, net of related debt	141,589,820	318,572,917	460,162,737	4,894,182	3,496,961	97,709	-
Restricted for:							
Coverage account	-	7,272,037	7,272,037	-	-	-	-
PFCs	-	4,003,824	4,003,824	-	-	-	-
MSDC	-	6,826,720	6,826,720	-	-	-	-
Revenue bond O&M	-	10,812,000	10,812,000	-	-	-	-
Revenue bond fund	-	816,694	816,694	-	-	-	-
Bond funds - capital improvements	-	21,965,295	21,965,295	-	-	-	-
Workmen's compensation	1,954,897	3,198,443	5,153,340	-	-	-	-
Cemetery and other trust funds	17,718,236	-	17,718,236	-	-	-	-
Library trust funds	3,398,012	-	3,398,012	-	-	-	-
Equipment replacement	-	360,567	360,567	-	-	-	-
Land held for resale	-	-	-	-	-	-	61,596
Restricted for debt & food service	-	-	-	1,567,787	-	-	-
Unrestricted (Deficit)	(22,513,971)	32,527,468	10,013,497	(30,481,574)	246,982	(26,036)	3,618,621
Total Net Assets (Deficit)	\$ 142,146,994	\$ 406,355,965	\$ 548,502,959	\$ (24,019,605)	\$ 3,743,943	\$ 71,673	\$ 4,234,587

See accompanying notes.

Statement of Activities

	Expenses	Program Revenues		
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
General government	\$ 44,278,816	\$ 18,121,623	\$ 8,581,356	\$ 400,000
Public safety	60,454,957	1,818,606	2,668,080	37,705
Health and sanitation	6,031,708	2,286,383	1,637,322	-
Highways and streets	27,764,814	2,347,920	2,898,538	2,769,813
Welfare	1,325,476	31,293	-	-
Education and library	8,964,830	(68,672)	45,166	-
Parks and recreation	6,574,730	653,918	179,133	-
Cemetery Trust	46,182	-	-	-
Investment management fee	54,125	-	-	-
Interest	5,824,536	-	-	-
Total governmental activities	<u>161,320,174</u>	<u>25,191,071</u>	<u>16,009,595</u>	<u>3,207,518</u>
Business-type activities				
Water	17,512,501	16,187,322	-	1,459,935
EPD	15,419,089	19,917,784	34,865	3,794,290
Aviation	56,169,425	44,508,490	-	6,648,304
Recreation	2,219,200	1,567,601	-	-
Parking	2,455,616	4,407,972	-	-
Total business-type activities	<u>93,775,831</u>	<u>86,589,169</u>	<u>34,865</u>	<u>11,902,529</u>
Total primary government:	<u>\$ 255,096,005</u>	<u>\$ 111,780,240</u>	<u>\$ 16,044,460</u>	<u>\$ 15,110,047</u>
Component units				
Manchester School District	\$ 188,099,046	\$ 16,352,457	\$ 26,365,231	\$ 1,918,121
Manchester Transit Authority	7,569,236	3,751,252	2,951,136	574,843
Manchester Public Television Service, Inc.	561,033	-	453,000	-
Manchester Development Corporation	134,530	-	-	-
Total component units	<u>\$ 196,363,845</u>	<u>\$ 20,103,709</u>	<u>\$ 29,769,367</u>	<u>\$ 2,492,964</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				
Investment income				
Gain (loss) on disposal of assets				
Transfers in (out)				
Total general revenues and transfers				
Change in net assets				
Net assets (deficits) - beginning				
Net assets (deficits) - ending				
See accompanying notes.				

City of Manchester New Hampshire
For the Fiscal Year Ended June 30, 2012

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 Public Television Service, Inc.	Manchester Development Corporation	
\$ (17,175,837)	\$ -	\$ (17,175,837)	\$ -	\$ -	\$ -	\$ -	\$ -
(55,930,566)	-	(55,930,566)	-	-	-	-	-
(2,108,003)	-	(2,108,003)	-	-	-	-	-
(19,748,543)	-	(19,748,543)	-	-	-	-	-
(1,294,183)	-	(1,294,183)	-	-	-	-	-
(8,988,336)	-	(8,988,336)	-	-	-	-	-
(5,741,679)	-	(5,741,679)	-	-	-	-	-
(46,182)	-	(46,182)	-	-	-	-	-
(54,125)	-	(54,125)	-	-	-	-	-
(5,824,536)	-	(5,824,536)	-	-	-	-	-
<u>(116,911,990)</u>	<u>-</u>	<u>(116,911,990)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	134,756	134,756	-	-	-	-	-
-	8,327,850	8,327,850	-	-	-	-	-
-	(5,012,631)	(5,012,631)	-	-	-	-	-
-	(651,599)	(651,599)	-	-	-	-	-
-	1,952,356	1,952,356	-	-	-	-	-
-	4,750,732	4,750,732	-	-	-	-	-
<u>\$ (116,911,990)</u>	<u>\$ 4,750,732</u>	<u>\$ (112,161,258)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (143,463,237)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	(292,005)	-	-	-
-	-	-	-	-	(108,033)	-	-
-	-	-	-	-	-	-	(134,530)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (143,463,237)</u>	<u>\$ (292,005)</u>	<u>\$ (108,033)</u>	<u>\$ -</u>	<u>\$ (134,530)</u>
\$ 94,089,096	\$ -	\$ 94,089,096	\$ 55,088,892	\$ -	\$ -	\$ -	\$ -
14,328,534	-	14,328,534	-	-	-	-	-
1,791,461	-	1,791,461	-	-	-	-	-
1,285,836	797,856	2,083,692	216,242	270	132	61,786	
-	-	-	76,400,790	-	-	-	-
-	-	-	1,648,949	-	2,978	-	-
6,208,443	-	6,208,443	-	-	-	-	-
4,660,770	-	4,660,770	-	-	-	-	-
(1,306)	7,354	6,048	-	-	-	-	-
1,966,382	(1,966,382)	-	-	-	-	-	-
<u>124,329,216</u>	<u>(1,161,172)</u>	<u>123,168,044</u>	<u>133,354,873</u>	<u>270</u>	<u>3,110</u>	<u>61,786</u>	
7,417,226	3,589,560	11,006,786	(10,108,364)	(291,735)	(104,923)	(72,744)	
134,729,768	402,766,405	537,496,173	(13,911,241)	4,035,678	176,596	4,307,331	
<u>\$ 142,146,994</u>	<u>\$ 406,355,965</u>	<u>\$ 548,502,959</u>	<u>\$ (24,019,605)</u>	<u>\$ 3,743,943</u>	<u>\$ 71,673</u>	<u>\$ 4,234,587</u>	

Balance Sheet
Governmental Funds

City of Manchester, New Hampshire
June 30, 2012

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 79,306,232	\$ 163,284	\$ 10,163,437	\$ 89,632,953
Restricted cash and cash equivalents	7,895,049	22,266,940	2,265,458	32,427,447
Restricted investments	-	-	22,398,064	22,398,064
Investments	561,667	-	-	561,667
Receivables, net of allowances for collection losses	27,545,028	-	5,308,330	32,853,358
Prepaid expenses	1,380,686	-	-	1,380,686
Due from other funds	10,247,897	-	-	10,247,897
Inventories	966,770	-	-	966,770
Total Assets	\$ 127,903,329	\$ 22,430,224	\$ 40,135,289	\$ 190,468,842
Liabilities and Fund Balance				
Liabilities				
Accounts and warrants payable	\$ 3,284,979	\$ 6,402,563	\$ 7,050,552	\$ 16,738,094
Retainage payable	30,208	14,300	-	44,508
Accrued liabilities	2,603,678	-	55,470	2,659,148
Other liabilities	3,329,590	-	823,893	4,153,483
Insurance claims payable	924,948	-	-	924,948
Due to other funds	-	2,115,998	162,990	2,278,988
Due to Manchester School District	26,824,759	-	-	26,824,759
Unearned revenue	23,196,156	-	193,133	23,389,289
Deferred revenue	3,572,951	-	-	3,572,951
Taxes collected in advance	40,196,224	-	-	40,196,224
Total Liabilities	103,963,493	8,532,861	8,286,038	120,782,392
Fund Balances (deficits)				
Nonspendable	10,955,951	-	17,871,615	28,827,566
Restricted	1,954,897	4,334,639	5,251,329	11,540,865
Committed	2,796,925	-	9,493,873	12,290,798
Assigned	719,593	9,562,724	-	10,282,317
Unassigned	7,512,470	-	(767,566)	6,744,904
Total Fund Balances	23,939,836	13,897,363	31,849,251	69,686,450
Total Liabilities and Fund Balances	\$ 127,903,329	\$ 22,430,224	\$ 40,135,289	

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.	358,262,646
Pension asset created in governmental activities is not a financial resource and, therefore, is not reported in the funds.	9,227,234
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	677,212
Deferred Revenue are not available and therefore not recognized in the funds.	3,572,951
Long-term liabilities consisting of accruals are not due and payable in current period and, therefore, are not reported in the funds.	(1,688,540)
Deferred charges, net	1,962,701
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.	(299,553,660)
See accompanying notes.	<u>\$ 142,146,994</u>

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

**City of Manchester, New Hampshire
Year Ended June 30, 2012**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 95,403,257	\$ -	\$ -	\$ 95,403,257
Federal and state grants and aid	3,865,195	-	14,844,208	18,709,403
Nonenterprise charges for sales and services	2,500,250	-	-	2,500,250
Licenses and permits	17,789,758	-	-	17,789,758
Interest	699,248	53,464	533,123	1,285,835
Contributions	-	-	3,508,925	3,508,925
Net depreciation in fair value of securities	-	-	(195,946)	(195,946)
Other	12,844,651	-	3,557,010	16,401,661
Total Revenues	133,102,359	53,464	22,247,320	155,403,143
Expenditures				
Current:				
General government	25,331,925	2,504,394	9,786,746	37,623,065
Public safety	55,312,200	8,757	2,437,295	57,758,252
Health and sanitation	3,892,522	-	1,719,584	5,612,106
Highway and streets	23,702,744	-	27,940	23,730,684
Welfare	1,235,910	-	78,472	1,314,382
Education	2,745,594	-	-	2,745,594
Parks and recreation	4,099,914	29,621	269,864	4,399,399
Cemetery Trust	-	-	46,182	46,182
Investment management fee	-	-	54,125	54,125
Capital Outlay	98,541	31,038,049	3,155,241	34,291,831
Debt service:				
Principal retirement	11,434,283	-	-	11,434,283
Interest	6,767,364	-	-	6,767,364
Total Expenditures	134,620,997	33,580,821	17,575,449	185,777,267
Excess (Deficiency) of revenues over expenditures	(1,518,638)	(33,527,357)	4,671,871	(30,374,124)
Other Financing Sources (Uses)				
Proceeds of bonds	-	2,855,000	-	2,855,000
Payment to refunded bond escrow agent	(20,624,886)	-	-	(20,624,886)
Proceeds of refunding bonds	20,491,796	-	-	20,491,796
Cost of issuance	(199,179)	(36,736)	-	(235,915)
Premium on bonds payable	416,947	181,067	-	598,014
Transfers in	2,584,787	85,069	-	2,669,856
Transfers out	(215,946)	-	(500,100)	(716,046)
Total Other Financing Sources (Uses)	2,453,519	3,084,400	(500,100)	5,037,819
Net Change in Fund Balances	934,881	(30,442,957)	4,171,771	(25,336,305)
Fund Balance, beginning	23,004,955	44,340,320	27,677,480	95,022,755
Fund Balance, ending	\$ 23,939,836	\$ 13,897,363	\$ 31,849,251	\$ 69,686,450

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, 2012**

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

Net change in fund balance \$ (25,336,305)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 15,927,746

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 321,228

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. 20,479,360

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (3,974,803)

Change in net assets of governmental activities \$ 7,417,226

See accompanying notes.

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

City of Manchester, New Hampshire
Year Ended June 30, 2012

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 95,117,207	\$ 95,250,207	\$ 95,465,155	\$ 214,948
Federal and state grants and aid	3,853,099	3,853,099	3,865,194	12,095
Nonenterprise charges for sales and services	2,419,870	2,435,130	2,499,173	64,043
Licenses and permits	16,743,773	16,646,013	17,812,082	1,166,069
Interest	705,000	705,000	667,248	(37,752)
Other	12,582,374	12,562,874	12,823,406	260,532
Total Revenues	131,421,323	131,452,323	133,132,258	1,679,935
Expenditures				
Current:				
General government	50,005,887	49,920,828	50,935,306	(1,014,478)
Public safety	37,487,081	37,602,440	37,482,630	119,810
Health and sanitation	2,621,823	2,621,823	2,519,967	101,856
Highway and streets	19,269,884	19,239,584	18,262,082	977,502
Welfare	1,028,342	1,028,342	959,451	68,891
Education	1,934,863	1,934,863	1,924,092	10,771
Parks and recreation	3,208,922	3,208,922	3,126,435	82,487
Debt service:				
Principal retirement	11,434,283	11,434,283	11,434,283	-
Interest	6,830,225	6,830,225	6,767,364	62,861
Total Expenditures	133,821,310	133,821,310	133,411,610	409,700
Excess (Deficiency) of revenues under expenditures	(2,399,987)	(2,368,987)	(279,352)	2,089,635
Other Financing Sources (Uses)				
Transfers in	2,831,987	2,800,987	2,584,787	(216,200)
Transfers out	(432,000)	(432,000)	(428,955)	3,045
Total Other Financing Sources (Uses)	2,399,987	2,368,987	2,155,832	(213,155)
Revenues and Other Financing Sources Over Expenses and Other Financing Uses	\$ -	\$ -	1,876,480	\$ 1,876,480

See accompanying notes.

Proprietary Funds
Statement of Net Assets

City of Manchester, New Hampshire
June 30, 2012

	Business-type Activities-Enterprise Funds				
	Major			Non-Major Funds	Total
	Water Works Fund	EPD Fund	Aviation Fund		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,502,344	\$ 23,499,943	\$ 400	\$ 1,450	\$ 25,004,137
Restricted cash and cash equivalents	11,278,888	824,094	65,120,562	218,641	77,442,185
Receivables, net of allowances for collection losses	4,016,857	8,978,747	6,580,562	209,617	19,785,783
Prepaid items	460,846	175	743,580	-	1,204,601
Due from other funds	160,866	74,482	172,178	18,142	425,668
Inventories	981,691	121,248	477,183	-	1,580,122
Total current assets:	18,401,492	33,498,689	73,094,465	447,850	125,442,496
Noncurrent assets:					
Capital assets, net, where applicable, of accumulated depreciation	106,212,386	151,298,685	329,631,612	14,362,914	601,505,597
Deferred charges	-	-	2,429,361	53,308	2,482,669
Total noncurrent assets:	106,212,386	151,298,685	332,060,973	14,416,222	603,988,266
Total Assets	\$ 124,613,878	\$ 184,797,374	\$ 405,155,438	\$ 14,864,072	\$ 729,430,762
Liabilities					
Current liabilities					
Accounts and warrants payable	\$ 350,961	\$ 2,097,975	\$ 2,848,317	\$ 115,081	\$ 5,412,334
Retainage payable	3,914	463,526	470,170	-	937,610
Accrued liabilities	728,269	1,034,731	7,134,444	417,044	9,314,488
Due to other funds	-	-	-	5,808,495	5,808,495
Unearned revenue	-	-	-	36,415	36,415
Bonds and notes payable	1,419,214	3,051,702	8,530,000	833,902	13,834,818
Compensated Absences	1,383,727	423,919	760,497	210,706	2,778,849
Other liabilities	37,244	-	37,286	94,897	169,427
Total Current liabilities	3,923,329	7,071,853	19,780,714	7,516,540	38,292,436
Noncurrent liabilities					
Bonds and notes payable	41,417,261	29,045,468	201,529,334	7,225,076	279,217,139
Due to State of New Hampshire	700,000	4,865,222	-	-	5,565,222
Total Noncurrent liabilities	42,117,261	33,910,690	201,529,334	7,225,076	284,782,361
Total Liabilities	46,040,590	40,982,543	221,310,048	14,741,616	323,074,797
Net Assets					
Invested in capital assets, net of related debt	65,523,473	114,336,293	132,326,953	6,386,198	318,572,917
Restricted	10,025,163	360,567	44,869,850	-	55,255,580
Unrestricted (Deficit)	3,024,652	29,117,971	6,648,587	(6,263,742)	32,527,468
Total Net Assets	\$ 78,573,288	\$ 143,814,831	\$ 183,845,390	\$ 122,456	\$ 406,355,965

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, 2012

	Business-type Activities-Enterprise Funds				
	Major				Total
	Water Works Fund	EPD Fund	Aviation Fund	Non-major Funds	
Operating Revenues					
Charges for goods and services	\$ 15,993,624	\$ 17,721,615	\$ 35,427,431	\$ 5,758,151	74,900,821
Other	193,698	1,802,423	1,972,215	90,349	4,058,685
Total Operating Revenues	16,187,322	19,524,038	37,399,646	5,848,500	78,959,506
Operating Expenses					
Personnel services	6,094,779	3,810,961	7,671,174	2,123,807	19,700,721
Plant maintenance	1,240,263	1,715,106	1,097,030	87,736	4,140,135
Light/heat and power	956,522	2,194,383	2,040,966	258,373	5,450,244
General and administrative	3,701,327	394,273	13,859,701	1,033,387	18,988,688
Depreciation and amortization	3,539,639	6,025,825	19,938,649	802,839	30,306,952
Total Operating Expenses	15,532,530	14,140,548	44,607,520	4,306,142	78,586,740
Operating Income (Loss)	654,792	5,383,490	(7,207,874)	1,542,358	372,766
Non-Operating Revenues (Expenses), net					
Interest income	111,521	42,783	638,760	4,792	797,856
Interest expense	(1,979,971)	(1,278,541)	(9,327,740)	(368,674)	(12,954,926)
Passenger facility charges	-	-	5,232,737	-	5,232,737
Customer facility charges	-	-	1,876,107	-	1,876,107
Rent and other income	-	393,746	-	127,073	520,819
Reimbursement of Interest Expenses	-	34,865	-	-	34,865
Bond issuance costs	-	-	(2,234,165)	-	(2,234,165)
Gain on disposal of capital assets	4,835	1,455	1,064	-	7,354
Total Non-Operating Expenses	(1,863,615)	(805,692)	(3,813,237)	(236,809)	(6,719,353)
Net income (loss) before capital contributions and transfers	(1,208,823)	4,577,798	(11,021,111)	1,305,549	(6,346,587)
Capital Contributions and Transfers					
Capital Contributions	1,459,935	3,794,290	6,648,304	-	11,902,529
Transfer to general fund	-	-	-	(2,084,687)	(2,084,687)
Transfer from general fund	-	-	-	130,877	130,877
Transfer of Capital Assets	-	(80,832)	-	68,260	(12,572)
Total Capital Contributions and Transfers	1,459,935	3,713,458	6,648,304	(1,885,550)	9,936,147
Change in Net Assets	251,112	8,291,256	(4,372,807)	(580,001)	3,589,560
Fund Net Assets, beginning of year	78,322,176	135,523,575	188,218,197	702,457	402,766,405
Fund Net Assets, end of year	\$ 78,573,288	\$ 143,814,831	\$ 183,845,390	\$ 122,456	\$ 406,355,965

See accompanying notes.

Proprietary Funds
Statement of Cash Flows

City of Manchester, New Hampshire
Year Ended June 30, 2012

	Business-type Activities-Enterprise Funds				
	Major			Non-Major Funds	Total
	Water Works Fund	EPD Fund	Aviation Fund		
<u>Cash Flows from Operating Activities</u>					
Cash received from customers	\$ 17,401,735	\$ 19,488,620	\$ 38,469,919	\$ 5,824,768	\$ 81,185,042
Cash payments for goods and services	(6,358,103)	(3,304,946)	(14,864,985)	(1,186,720)	(25,714,754)
Cash payments to employees for services	(6,102,983)	(3,751,795)	(7,474,599)	(2,145,145)	(19,474,522)
Other operating revenues	-	-	-	127,073	127,073
Net Cash Provided by Operating Activities	4,940,649	12,431,879	16,130,335	2,619,976	36,122,839
<u>Cash Flows from Non-Capital and Related Financing Activities</u>					
Due to (from) general fund	(160,866)	-	-	509,805	348,939
Cash received from general fund	142,224	-	-	130,877	273,101
Passenger and customer facility charges	-	-	7,221,268	-	7,221,268
Parking Fund cash payment to General Fund	-	-	-	(2,087,562)	(2,087,562)
Interest paid on cash advances	-	-	-	(12,365)	(12,365)
Net Cash Provided by (Used in) Non-Capital & Related Financing Activities	(18,642)	-	7,221,268	(1,459,245)	5,743,381
<u>Cash Flows from Capital and Related Financing Activities</u>					
Payments on bond arbitrage and financing	-	-	(353,118)	-	(353,118)
Proceeds from State of New Hampshire Revolving Fund	-	10,825,000	-	-	10,825,000
Reimbursement of bond interest expenses	-	49,713	-	-	49,713
Deferred charges	(2,482,941)	-	(963,366)	-	(3,446,307)
Proceeds from premiums	2,076,296	-	7,750,089	5,690	9,832,075
Payments on revolving loan fund	-	(3,487,295)	-	-	(3,487,295)
Principal paid on bonds and notes	(2,086,137)	(7,950,000)	(8,435,000)	(780,404)	(19,251,541)
Proceeds from refunding bond	36,375,000	-	84,940,000	105,254	121,420,254
Proceeds from notes	741,335	2,438,225	-	-	3,179,560
Interest paid on bonds and notes	(1,250,250)	(1,337,824)	(9,355,821)	(366,480)	(12,310,375)
Proceeds from sale of capital assets	4,835	-	-	-	4,835
Contributed capital by federal, state & local governments	1,459,935	919,290	5,132,856	-	7,512,081
Acquisition and construction of capital assets	(3,970,419)	(11,223,811)	(12,077,275)	(18,669)	(27,290,174)
Payment to escrow agent for refunding	(39,734,755)	-	(94,296,224)	(115,604)	(134,146,583)
Net Cash Used in Capital & Related Financing Activities	(8,867,101)	(9,766,702)	(27,657,859)	(1,170,213)	(47,461,875)
<u>Cash Flows from Investing Activities</u>					
Interest and dividends from investments	111,521	-	638,760	4,792	755,073
Net Cash Provided by Investing Activities	111,521	-	638,760	4,792	755,073
Net Increase (Decrease) in Cash and Cash Equivalents	(3,833,573)	2,665,177	(3,667,496)	(4,690)	(4,840,582)
Cash and Cash Equivalents at Beginning of Year	16,614,805	21,658,860	68,788,458	224,781	107,286,904
Cash and Cash Equivalents at End of Year	\$ 12,781,232	\$ 24,324,037	\$ 65,120,962	\$ 220,091	\$ 102,446,322

Proprietary Funds
Statement of Cash Flows

City of Manchester, New Hampshire
Year Ended June 30, 2012

Business-type Activities-Enterprise Funds

	Major			Non-Major Funds	Total
	Water Works Fund	EPD Fund	Aviation Fund		
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 654,792	\$ 5,383,490	\$ (7,207,874)	\$ 1,542,358	\$ 372,766
Adjustments to reconcile operating income (loss) to cash provided by operating activities:					
Depreciation and amortization	3,539,639	6,025,825	19,938,649	802,839	30,306,952
Adjustment to construction in progress	-	-	-	3,000	3,000
Non-operating revenue	-	-	-	127,073	127,073
Change in Assets and Liabilities					
Decrease (increase) in receivables	1,246,150	(35,417)	1,069,303	(22,746)	2,257,290
Decrease (increase) in inventories	8,283	406	(24,036)	-	(15,347)
Decrease (increase) in prepaid expenses and other assets	27,913	(175)	(137,874)	4,119	(106,017)
Increase (decrease) in accounts & retainage payable	(288,332)	1,139,877	575,049	(7,345)	1,419,249
Increase (decrease) in accrued liabilities	(234,635)	(127,686)	1,719,574	196,779	1,554,032
Increase (decrease) in compensated absences	18,576	45,559	196,574	(25,115)	235,594
Increase (decrease) in other liabilities	(31,737)	-	970	(3,046)	(33,813)
Increase in unearned revenue	-	-	-	2,060	2,060
Net Cash Provided by Operating Activities	4,940,649	12,431,879	16,130,335	2,619,976	36,122,839
Schedule of Noncash Investing, Capital and Financing Activities					
Disposal of Capital Assets	\$ -	\$ 1,455	\$ 1,605	\$ -	\$ 3,060
Transfer of Capital Assets	\$ -	\$ (80,832)	\$ -	\$ 68,260	\$ (12,572)
Amortization of net bond premium/ deferred loss	\$ 47,489	\$ -	\$ 209,991	\$ 9,043	\$ 266,523

Fiduciary Funds

City of Manchester, New Hampshire

Statement of Fiduciary Net Assets - Pension Trust and Agency Funds

June 30, 2012

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 7,406,624	\$ -
Investments	150,721,933	-
Receivables, net of allowances for collection losses	612,958	2,586,082
Other assets	11,042	-
Capital assets, net, where applicable, of accumulated depreciation	215,204	-
Total Assets	\$ 158,967,761	\$ 2,586,082
Liabilities		
Accounts and warrants payable	\$ 221,519	\$ -
Accrued liabilities	798,399	-
Due to other funds	-	2,586,082
Total Liabilities	1,019,918	2,586,082
Total Net Assets Held in Trust for Pension Benefits	\$ 157,947,843	\$ -

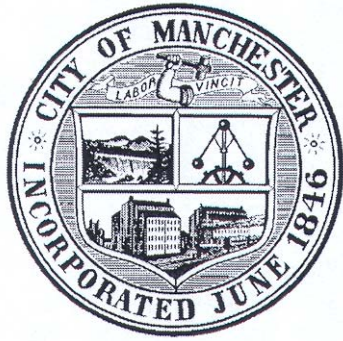
See accompanying notes.

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

City of Manchester New Hampshire
Year Ended June 30, 2012

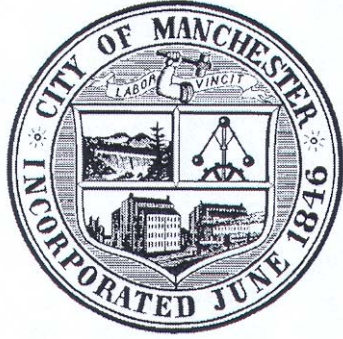
	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 9,538,678
Plan members	<u>2,991,425</u>
Total Contributions	<u>12,530,103</u>
Investment Income (Loss)	
Net realized and unrealized depreciation in fair value of investments	(5,897,785)
Interest	352,941
Dividends	1,276,508
Other income	14,297
Less investment expense	<u>(675,086)</u>
Net Investment Loss	<u>(4,929,125)</u>
Total additions	<u>7,600,978</u>
Deductions	
Benefits paid directly to participants	11,057,338
Refunds of employee contributions	298,007
Administrative expenses	<u>833,423</u>
Total Deductions	<u>12,188,768</u>
Net Decrease	(4,587,790)
Net Assets Held in Trust for Pension Benefits	
Beginning of year	<u>162,535,633</u>
End of year	<u>\$ 157,947,843</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 (4) 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 Public Television Service, Inc. (MPTS) - The MPTS was created by the Board of Mayor and Aldermen (BMA) as a nonprofit organization whose mission is to develop, promote and facilitate, access and training for any Manchester resident to create television programs and have those programs cablecast throughout the City of Manchester. The MPTS Board of Directors is comprised of five (5) voting members. Three (3) directors shall be appointed by a majority vote of the Aldermen; the other two (2) directors shall be nominated by the Mayor and confirmed by a majority vote of the aldermen. Separate audited financial statements are not available. MPTS 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 February 19, 2013, 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 November 29, 2012, has been issued under separate cover. The MTA is presented as a proprietary fund type.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

Manchester Development Corporation
One City Hall Plaza
Manchester NH 03101 - 4008

Manchester Public Television Service, Inc.
1045 Elm Street, 3rd Floor
Manchester NH 03101

Manchester Transit Authority
110 Elm Street
Manchester NH 03101 - 2799

Manchester School District
195 McGregor St, Ste 201
Manchester NH 03102

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, 2011, and their report; dated July 10, 2012 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

The City reports the following major proprietary funds:

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

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

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

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Accounting estimates

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

Cash equivalents

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

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.

Allowances for doubtful accounts

Accounts including property taxes and notes receivable for the primary government are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon collection history and analysis of creditor's

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

ability to pay. The majority of the amount relates to taxes receivable, degradation fees receivable, and revolving loan funds receivable.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due from/to other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

For “Advances To/From Other Funds,” the asset reported in the governmental fund financial statements are offset by a fund balance reserve to indicate that they are not available for appropriation and are not expendable financial resources.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net interest cost capitalized in the Environmental Protection Division Fund amounted to \$23,600 for the year ended June 30, 2012. There was no capitalized interest for the Aviation fund for the year ended June 30, 2012.

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Intangibles (Aviation)	5
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. A liability for these amounts is reported in the governmental funds only for amounts expected to be paid (matured). The general fund is typically used to liquidate the liability accrued in the government-wide statements.

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 and gain or loss on refunding. Bond issuance costs are reported as deferred charges.

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

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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.

OPEB accounting

Governmental funds/activities:

In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net OPEB obligation, the cumulative difference between annual OPEB cost and the City's contributions to the plan since 7/1/07, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 45. The OPEB obligation (OPEB) is recorded as a noncurrent liability in the government-wide financial statements.

Funding policy:

The City makes contributions on a pay-as-you-go basis.

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 and the Proprietary Fund Financial Statements, net assets are classified in the following categories:

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

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 government fund financial statements, the City classified fund balances as follows:

Nonspendable Fund Balance – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted Fund Balance – These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

Committed Fund Balance – This represents amounts constrained, prior to year-end, for a specific purpose by a government using its highest level of decision-making authority (Board of Mayor and Aldermen). Amounts remain committed until action is taken by the Board of Mayor and Aldermen (Resolution) to remove or revise the limitations.

Assigned Fund Balance – Amounts constrained for the intent to be used for a specific purpose by the Board of Mayor and Aldermen or a governing board or a body or official that has been delegated authority to assign amounts.

Unassigned Fund Balance – The residual amount not allocated to any other fund balance category in the General Fund and any residual deficit balance of any other governmental funds.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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	\$ 677,212
Deferred charges:	
Cost of Debt Issuance Fees	1,962,701

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 \$299,553,660 difference consisting of long-term debt are as follows:

Bonds payable	\$ 259,004,439
Less: Deferred loss on refunding (to be amortized as interest expense)	(4,164,126)
Add: Net bond premium	13,315,931
Capital lease	190,388
Compensated absences	12,168,100
OPEB payable	9,178,015
Insurance claims	5,914,173
Landfill closure and post-closure care	3,946,740
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 299,553,660</u>

The details of the \$1,688,540 difference consisting of current accruals are as follows:

Accrued interest	\$ 2,257,387
Due from School District	(568,847)
Net adjustment to decrease fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 1,688,540</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 \$15,927,746 difference are as follows:

Capital outlay	\$ 34,797,011
Asset transfer from EPD Enterprise	80,832
Asset transfer to Recreation Enterprise	(68,260)
Asset retirements less accumulated depreciation	(177,825)
Depreciation expense	<u>(18,704,012)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 15,927,746</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."

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

The detail of this \$20,479,360 difference is as follows:

Long-term liabilities issued or incurred:	
Proceeds from General Obligation Bond Series 2011A	\$ (2,855,000)
Proceeds from GO & School Facilities Revenue Refunding Bonds	(20,491,796)
General Obligation Bond Series 2011A premium	(181,067)
Gain/Loss on refunding	4,708,631
Cost of Issuance on refunding bonds	199,179
Principal repayments:	
General obligation debt-City portion	11,434,281
General obligation debt-MSD portion reimbursed	6,208,443
Payment to Escrow on Refunding Bonds	20,624,886
Capital lease	23,360
Bond discounts, COI and premiums amortization	<u>808,443</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 20,479,360</u></u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$3,974,803 difference are as follows:

Prepaid Pension Asset	\$ 987,758
Deferred Professional Fees amortization	587,601
OPEB	1,688,281
Risk reserve	1,065,453
Landfill reserve	(1,040,998)
Compensated absences	950,838
Accrued interest	(624,948)
Interest receivable from MSD on bonds payable	<u>360,818</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>\$ 3,974,803</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 also appropriated on an annual basis.

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

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

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

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

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

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

Pursuant to the state level requirements, the 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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 assigned fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

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

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

- (a) Tax revenues are recorded when invoiced (budgetary), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no firm liability exists.
- (c) The MECRS prepayment is a budgetary prepayment for FY 2013 which was approved by the BMA.

The following departments overspent its budget:

Non-departmental	\$1,346,930
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CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Budget/GAAP reconciliation

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

	Revenues	Expenditures	Transfers In	Transfers Out	Net Change
Statement of revenues, expenditures and changes in fund balance - budgetary basis	\$ 133,132,258	\$ 133,411,610	\$ 2,584,787	\$ 428,955	\$ 1,876,480
Central Business District	258,003	258,000	-	-	3
Transfer to Parking enterprise for debt service	-	-	-	130,877	(130,877)
Cash projects fund	-	478,473	-	(428,955)	(49,518)
Central Fleet Management inventory adjustment	-	(132,894)	-	-	132,894
Transfer to capital projects fund for cost of issuance	-	-	-	85,069	(85,069)
Tax revenues of 2011 recognized in 2012	2,527,992	-	-	-	2,527,992
Tax revenues of 2012 deferred until 2013	(2,847,894)	-	-	-	(2,847,894)
Payment - Refunded Debt Escrow Agent	-	20,624,886	-	-	(20,624,886)
Underwriter's Discount & Reimbursement of COI	-	199,179	-	-	(199,179)
Proceeds of Refunding Debt	20,491,796	-	-	-	20,491,796
Premium on Bonds Payable	416,947	-	-	-	416,947
MECRS prepayment for FY 2013	-	(1,000,000)	-	-	1,000,000
MECRS prepayment for FY 2012	-	1,208,899	-	-	(1,208,899)
Current year encumbrances	-	(714,594)	-	-	714,594
Prior years & balance sheet encumbrances	-	97,790	-	-	(97,790)
Recycling toters	32,000	866,586	-	-	(834,586)
Expenditures of prior year encumbrances	-	147,127	-	-	(147,127)
Statement of revenues, expenditures and changes in fund balance (in conformity with GAAP)	\$ 154,011,102	\$ 155,445,062	\$ 2,584,787	\$ 215,946	\$ 934,881

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 pension 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.

CITY OF MANCHESTER, NEW HAMPSHIRE

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June 30, 2012

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

Income Research Mgt. (Core Bonds Fund)	\$	15,111,558
Loomis Sayles (Fixed Income Fund)		9,673,405
Mellon Capital EB (Global Tactical Assets)		22,049,436
Sands Capital (US Large Cap Growth)		12,033,724
Pzena Management (US Large Cap Value Fund)		11,065,547
Rothschild (Smid Cap Equity Fund)		11,153,344
City of London (Emerging Market Fund)		8,035,683

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, 2012, \$12,135 of the City's bank balance of \$231,913,347 deposits 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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June 30, 2012

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>
GAA	10.00%	15.00%	Alternatives	15.00%	10.40%
Domestic Equity	27.00%	28.20%	Real Estate/Assets	10.00%	8.00%
International Equity	14.00%	11.60%	Cash	2.00%	4.90%
Fixed Income	22.00%	21.90%			

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Cash, cash equivalents, and investments of the City consist of the following at June 30, 2012:

Cash and Cash Equivalents		
Deposits with Financial Institutions	\$	129,873,644
Municipal Backed Investment Fund		17,752,173
Repurchase Investments		77,169,434
Contributory Retirement Pension Cash		7,118,096
Total Cash and Cash Equivalents		<u>\$ 231,913,347</u>
General Fund Investments		
U.S. Government Agencies		561,667 **
Total General Fund Investments		<u>561,667</u>
Library Trust Funds:		
U.S. Treasury Notes		340,889 ***
U.S. Government Agencies		323,103 ***
Corporate Bonds		671,695 ***
Municipal Obligations		163,071 ***
Common Stocks		1,044,500 ***
Equity Mutual Funds		781,607
Total Library Trust Funds		<u>3,324,865</u>
Cemetery Trust Funds:		
U.S. Treasury Notes		5,266,571 ***
Corporate Bonds		61,478 ***
Mutual Funds		10,890,248
Total Cemetery Trust Funds		<u>16,218,297</u>
Expendable Trust Funds:		
U.S. Treasury Notes		2,821,961 ***
Corporate Bonds		32,942 ***
Total Expendable Trust Funds		<u>2,854,903</u>
Old System Pension Trust Fund:		
U.S. Treasury Notes		2,490,415 ***
Corporate Bonds		1,995,293 ***
Mortgage Backed		1,071,336 ***
Mutual Funds		6,220,244
Total Old System Pension Trust Fund		<u>11,777,288</u>
City Retirement System Investments		
Equity funds		34,358,341
International equity		10,703,087
Alternative equity		1,818,352
Hedge funds		13,197,594
Fixed income		32,064,834
Emerging market funds		6,277,790
Real estate		3,181,010
Timber funds		2,033,903
Specialty investments		35,381,339
Total City Retirement System		<u>139,016,250</u>
Total Investments	\$	<u>173,753,270</u>
Total Cash, Cash Equivalents and Investments	\$	<u>405,666,617</u>

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

*** Uninsured, with securities held by the counterparty, or by its trust department or agent in the City's name.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

Statement of Net Assets

Cash and cash equivalents	\$ 114,637,090
Restricted cash	109,869,633
Investments	561,667
Restricted Investments	22,398,064
	<u>247,466,454</u>

Pension Trust Funds

Cash and cash equivalents	7,406,624
Investments	150,721,933
Open trades/purchases	71,606
	<u>158,200,163</u>

Total \$ 405,666,617

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	\$ 10,919,836	\$ -	\$ 7,448,327	\$ 3,471,509	\$ -
US Government Agencies	884,770	611,758	273,012	-	-
Corporate Bonds	2,761,408	466,543	1,505,246	450,022	339,597
Municipal Obligations	163,071	-	-	163,071	-
Mortgage Backed	1,071,336	-	-	61,917	1,009,419
Fixed Income Funds	32,064,834	-	5,826,932	26,237,902	-
Municipal Backed Investment Fund	17,752,173	17,752,173	-	-	-
Repurchase Investment	77,169,434	77,169,434	-	-	-
Total	<u>\$ 142,786,862</u>	<u>\$ 95,999,908</u>	<u>\$ 15,053,517</u>	<u>\$ 30,384,421</u>	<u>\$ 1,349,016</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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	Municipal Obligations	Repurchase Investment	Municipal Backed Investment Fund	Fixed Income Funds
AAA	\$ 52,694	\$ 215,493	\$ -	\$ -	\$ -	\$ -
AA	87,847	-	108,184	-	-	-
AA+	862,460	276,298	-	77,169,434	17,752,173	-
AA-	189,109	-	-	-	-	16,187,716
A+	432,688	205,873	-	-	-	-
A	706,261	33,792	-	-	-	-
A-	358,023	-	-	-	-	-
BBB+	51,363	167,964	-	-	-	-
BBB	-	-	-	-	-	5,826,932
BB	-	-	-	-	-	10,050,186
Unrated	20,963	171,916	54,887	-	-	-
	<u>\$ 2,761,408</u>	<u>\$ 1,071,336</u>	<u>\$ 163,071</u>	<u>\$ 77,169,434</u>	<u>\$ 17,752,173</u>	<u>\$ 32,064,834</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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

acceptance could result in liability under environmental statutes imposing strict liability on owners. Except for any paramount federal lien and subject to bankruptcy and insolvency laws, tax liens take precedence over all other liens, and tax collector's deeds are free and clear of all encumbrances.

Note 6. Receivables

Primary government

	General	Water Works	EPD	Aviation	Nonmajor governmental	Nonmajor business type	Total
Due from Property Taxes	\$ 21,066,062	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,066,062
Due from State of NH & other local governments	454,927	-	985,124	61,864	160,179	-	1,662,094
Prior year tax liens	550,057	-	-	-	-	-	550,057
Tax titles	2,818,120	-	-	-	-	-	2,818,120
Due from federal government	-	-	-	4,130,710	649,232	-	4,779,942
Accounts receivable-trade	3,449,164	3,060,549	6,620,099	2,387,988	65,870	209,617	15,793,287
Notes receivable	-	-	-	-	4,690,575	-	4,690,575
MSD Book Loan	2,800,000	-	-	-	-	-	2,800,000
Other	248,256	956,308	1,373,524	-	10,579	-	2,588,667
Total gross receivables	31,386,586	4,016,857	8,978,747	6,580,562	5,576,435	209,617	56,748,804
Allowance for collection losses	(3,841,558)	-	-	-	(268,105)	-	(4,109,663)
Total net receivables	\$ 27,545,028	\$ 4,016,857	\$ 8,978,747	\$ 6,580,562	\$ 5,308,330	\$ 209,617	\$ 52,639,141

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. The balance of this receivable at June 30, 2012 was \$2,800,000.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Interfund Receivables, Payables and Transfers

Due from/to other funds consist of the following at June 30, 2012:

Receivable Fund	Payable Fund	Amount
General Fund	Agency	\$ 2,586,082
	Capital projects	2,115,998
	Special Revenue:	
	CDBG	162,990
	Enterprise Funds:	
	Water	(160,866)
	Aviation	(172,178)
	EPD	(74,482)
	Recreation	5,808,495
	Parking	(18,142)
		<u>\$ 10,247,897</u>

The balance of \$2,115,998 due from Capital Projects to the general fund is the result of a short-term advance. The balance of \$5,808,495 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, 2012 were as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 2,584,787	\$ 215,946
Capital Projects Fund	85,069	-
Other Funds	-	500,100
Parking Fund	130,877	2,084,687
Sub-totals	<u>\$ 2,800,733</u>	<u>\$ 2,800,733</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 \$2,084,687 for the annual dividend. Transfer from the Cemetery Trust Fund to the General Fund of \$500,100 for the annual contribution into the general fund operating budget.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 8. Capital Assets

Governmental activities

Changes in the governmental capital assets for the year ended June 30, 2012, were as follows:

	Balance June 30, 2011	Additions	Retirements	Transfers	Balance June 30, 2012
Capital assets, not being depreciated					
Land	\$ 14,386,030	\$ -	\$ -	\$ -	\$ 14,386,030
Easements	-	52,426	-	-	52,426
Construction-in-Progress	8,159,372	28,417,252	-	(1,523,630)	35,052,994
Total capital assets, not being depreciated	<u>22,545,402</u>	<u>28,469,678</u>	<u>-</u>	<u>(1,523,630)</u>	<u>49,491,450</u>
Capital assets, being depreciated					
Buildings	346,418,215	-	(592,944)	1,463,314	347,288,585
Improvements other than buildings	26,893,884	1,568,562	(71,944)	60,316	28,450,818
Equipment	16,121,691	1,252,398	(435,579)	-	16,938,510
Vehicles	25,024,521	2,158,796	(1,565,499)	-	25,617,818
Infrastructure	99,896,563	1,428,409	-	-	101,324,972
Total capital assets, being depreciated	<u>514,354,874</u>	<u>6,408,165</u>	<u>(2,665,966)</u>	<u>1,523,630</u>	<u>519,620,703</u>
Less accumulated depreciation					
Buildings	119,573,173	10,824,639	(463,362)	-	129,934,450
Improvements other than buildings	11,867,919	998,287	(71,944)	-	12,794,262
Equipment	10,240,718	1,118,955	(363,103)	-	10,996,570
Vehicles	15,896,658	1,948,142	(1,521,472)	-	16,323,328
Infrastructure	36,986,908	3,813,989	-	-	40,800,897
Total accumulated depreciation	<u>194,565,376</u>	<u>18,704,012</u>	<u>(2,419,881)</u>	<u>-</u>	<u>210,849,507</u>
Governmental Activities Capital Assets, Net	<u>\$342,334,900</u>	<u>\$ 16,173,831</u>	<u>\$ (246,085)</u>	<u>\$ -</u>	<u>\$ 358,262,646</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Business-type activities

Changes in the business-type capital assets for the year ended June 30, 2012, were as follows:

	Balance June 30, 2011	Additions	Retirements	Transfers & Reclasses	Balance June 30, 2012
Capital assets, not being depreciated					
Land	\$ 50,117,946	\$ -	\$ -	\$ -	\$ 50,117,946
Construction-in-Progress	13,810,602	22,480,317	(3,000)	(7,511,301)	28,776,618
Total capital assets, not being depreciated	63,928,548	22,480,317	(3,000)	(7,511,301)	78,894,564
Capital assets, being depreciated					
Buildings	424,901,838	341,167	(116,997)	6,134,733	431,260,741
Improvements other than buildings	346,159,033	98,824	(13,838)	1,369,714	347,613,733
Interceptors	81,463,788	-	-	509,820	81,973,608
Equipment, vehicles & intangibles	40,131,574	567,464	(374,867)	(502,966)	39,821,205
Total capital assets, being depreciated	892,656,233	1,007,455	(505,702)	7,511,301	900,669,287
Less accumulated depreciation					
Buildings	162,217,011	10,834,084	(116,997)	1,040,614	173,974,712
Improvements other than buildings	138,192,050	15,402,857	(13,838)	(1,659)	153,579,410
Interceptors	25,646,806	1,557,430	-	1,659	27,205,895
Equipment, vehicles & intangibles	22,418,153	2,289,740	(369,042)	(1,040,614)	23,298,237
Less total accumulated depreciation	348,474,020	30,084,111	(499,877)	-	378,058,254
Business-type Total Capital Assets, Net	\$ 608,110,761	\$ (6,596,339)	\$ (8,825)	\$ -	\$ 601,505,597

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Discretely reported component units

Capital assets activity in the School District at June 30, 2012, consisted of the following:

	Balance			Balance	
	June 30, 2011	Additions	Disposals	June 30, 2012	
Capital assets, not being depreciated					
Land	\$ 169,400	\$ -	\$ -	\$ 169,400	
Total capital assets, not being depreciated	169,400	-	-	169,400	
Capital assets, being depreciated					
Portable classrooms	1,210,518	-	-	1,210,518	
Improvements	183,568	-	-	183,568	
Instruments	277,353	-	-	277,353	
Other machinery & equipment	16,921,400	1,225,065	-	18,146,465	
Total capital assets, being depreciated	18,592,839	1,225,065	-	19,817,904	
Total all capital assets	18,762,239	1,225,065	-	19,987,304	
Less accumulated depreciation					
Portable classrooms	389,533	37,635	-	427,168	
Improvements	35,914	6,336	-	42,250	
Instruments	79,980	15,910	-	95,890	
Other machinery & equipment	13,277,149	1,250,665	-	14,527,814	
Less total accumulated depreciation	13,782,576	1,310,546	-	15,093,122	
Total Capital Assets being depreciated, Net	\$ 4,979,663	\$ (85,481)	\$ -	\$ 4,894,182	

Capital asset activity in the MTA at June 30, 2012, consisted of the following:

	Balance			Balance	
	June 30, 2011	Additions	Retirements	June 30, 2012	
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 and improvements	1,881,019	2,717	-	1,883,736	
Buses	9,267,233	416,343	(57,935)	9,625,641	
Equipment	1,846,495	162,615	(5,319)	2,003,791	
Total capital assets being depreciated	12,994,747	581,675	(63,254)	13,513,168	
Less accumulated depreciation	9,200,906	1,007,664	(63,254)	10,145,316	
Total Capital Assets being depreciated, Net	\$ 3,922,950	\$ (425,989)	\$ -	\$ 3,496,961	

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Capital asset activity in the MPTS at June 30, 2012, consisted of the following:

	Balance			Balance
	June 30, 2011	Additions	Retirements	June 30, 2012
Capital assets, being depreciated				
Equipment	\$ 89,125	\$ -	\$ -	\$ 89,125
Improvements	132,702	-	-	132,702
Total capital assets being depreciated	<u>221,827</u>	-	-	<u>221,827</u>
Less accumulated depreciation				
Equipment	17,825	17,825	-	35,650
Improvements	44,234	44,234	-	88,468
Less total accumulated depreciation	<u>62,059</u>	<u>62,059</u>	-	<u>124,118</u>
Total Capital Assets being depreciated, Net	<u>\$ 159,768</u>	<u>\$ (62,059)</u>	<u>\$ -</u>	<u>\$ 97,709</u>

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

Governmental Activities:		
General		\$ 3,594,236
Public safety		1,523,701
Highways and streets		4,969,495
Health and welfare		378,969
Education and library		6,203,947
Parks		2,033,664
Total depreciation expense – governmental activities		<u>\$ 18,704,012</u>
Business-type Activities:		
Water Works		\$ 3,526,789
EPD		6,025,825
Aviation		19,728,658
Recreation		369,698
Parking		433,141
Total depreciation expense – business-type activities		<u>\$ 30,084,111</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 9. Unearned Revenue/ Deferred Revenue/ Taxes Collected in Advance

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
General Fund:			
Taxes and accrued interest on delinquent property taxes	\$ -	\$ 3,397,951	\$ -
Unearned property taxes	21,040,145	-	40,196,224
Gatsas (Livingston Park) receivable	-	175,000	-
Impact fees	2,156,011	-	-
Nonmajor funds	193,133	-	-
Total	\$ 23,389,289	\$ 3,572,951	\$ 40,196,224

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 10. Long-Term Debt

Below is a listing of all the debt outstanding at June 30, 2012:

Issuer	Date of Issue	Interest Rate(s)(%)	Original Amounts	Maturity Dates	Annual Payment	Balance June 30, 2012
SRF 1995	October-94	4.168	20,840,578	2013 - 2015	1,376,937 - 1,494,111	\$ 4,305,376
Airport Series 1998 A	March-98	5.25	99,055,000	2016	4,275,000	4,275,000
GO Series 2001 B	November-01	4.10 - 4.50	16,565,000	2013 - 2016	1,027 - 115,000	370,000
POB Series 2001 C	November-01	6.22	20,810,000	2013 - 2031	18,652 - 729,385	11,990,000
School Series 2003	July-03	5.25	101,410,000	2013	3,340,000	3,340,000
SRF Landfill	July-03	3.728	13,221,166	2013 - 2024	661,058	7,932,700
GO Series 2003 A	December-03	4.00	34,265,000	2013	330,000	330,000
GO Series 2003 B	December-03	4.00 - 5.00	25,495,000	2013 - 2020	215,319 - 2,396,970	17,930,000
GO Series 2003 C	December-03	4.75 - 5.75	27,760,000	2013 - 2029	8,849 - 2,646,441	5,000,000
GO Series 2004	September-04	4.00 - 5.25	11,730,000	2013 - 2019	36,310 - 1,948,237	8,205,000
School Series 2004	October-04	3.60 - 5.50	61,970,000	2013 - 2028	2,000,000 - 5,745,000	60,785,000
Airport Series 2005 A	July-05	4.00 - 5.00	17,110,000	2013 - 2027	165,000 - 3,135,000	15,955,000
SRF 2007	December-05	3.27	2,970,000	2013 - 2021	189,890 - 245,638	1,950,470
GO Series 2007	February-07	4.00 - 5.00	34,845,000	2013 - 2022	258,793 - 2,679,588	25,560,000
SRF 2008 2	July-07	3.488	3,426,462	2013 - 2028	171,323	2,741,169
SRF 2008 3	January-08	3.488	4,412,033	2013 - 2028	220,602	3,529,626
SRF 2008 4	July-08	3.488	4,881,959	2013 - 2027	244,098	3,905,568
SRF 2009	September-08	4.208	4,147,317	2013 - 2028	207,366	3,317,854
Airport Series 2008	June-08	1.00	30,255,000	2013 - 2022	1,900,000 - 2,855,000	23,500,000
Airport Series 2009 A	December-09	4.00 - 5.00	64,830,000	2013 - 2030	600,000 - 10,865,000	63,695,000
Airport Series 2009 B	December-09	5.00	20,705,000	2013 - 2015	1,470,000 - 5,365,000	11,940,000
SRF 2011 6	February-09	2.864	1,800,000	2013 - 2031	31,136 - 51,761	771,914
GO Series 2010 A	June-10	2.00 - 4.00	15,388,591	2013 - 2017	17,805 - 2,396,220	11,500,000
GO Series 2010 B	June-10	4.00 - 5.40	12,454,634	2018 - 2030	20,732 - 1,583,049	12,540,000
SRF 2011 1	March-10	2.864	3,321,513	2013 - 2030	166,076	2,989,362
SRF 2011 2	September-10	2.864	2,733,457	2013 - 2030	136,673	2,460,111
SRF 2011 3	July-10	1.790	920,948	2013 - 2020	92,095	736,758
SRF 2011 4	April-10	2.864	3,655,662	2013 - 2020	182,783	3,290,096
SRF 2011 5	July-10	2.864	205,000	2013 - 2020	8,464 - 13,678	195,760
GO Series 2010 C	December-10	2.00 - 4.00	16,755,000	2013 - 2018	65,000 - 2,135,000	14,090,000
GO Series 2010 D	December-10	4.00 - 4.50	4,765,000	2020 - 2023	80,000 - 1,155,000	4,765,000
GO Series 2010 E	December-10	4.75 - 6.125	29,715,000	2023 - 2040	90,000 - 2,130,000	29,715,000
GO Series 2010 F	December-10	3.00 - 5.00	34,395,000	2013 - 2029	14,932 - 2,859,399	34,395,000
SRF 2011 7	March-11	3.104	2,200,000	2013 - 2031	110,000	2,090,000
SRF 2012 8	March-11	3.104	2,875,000	2013 - 2031	143,750	2,731,250
Go Series 2011 A	December-11	2.00 - 3.00	2,855,000	2013 - 2022	290,000 - 315,000	2,855,000
Go Series 2011 B	December-11	2.00 - 4.00	4,760,000	2013 - 2016	226,197 - 1,314,773	4,760,000
Go Series 2011 C	December-11	3.00 - 5.00	36,375,000	2013 - 2034	440,000 - 2,665,000	36,375,000
School Series 2011	December-11	3.00 - 5.00	16,695,000	2013 - 2028	50,000 - 4,510,000	16,630,000
Airport Series 2012 A	June-12	4.00 - 5.00	59,215,000	2020 - 2032	1,000,000 - 8,325,000	59,215,000
Airport Series 2012 B	June-12	2.00 - 5.00	25,725,000	2013 - 2020	760,000 - 5,885,000	25,725,000
Notes payable	2010 - 2012	3.57 - 6.70	263,943	2013 - 2016	10,700 - 73,348	209,900
						548,597,914
Less amount representing business-type activities						(289,593,476)
						\$ 259,004,438

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Primary government

The following schedule of debt maturities for the business type activities is based upon the terms of the various debt agreements and assumes that the 2008 airport variable rate demand bonds in the amount of \$23,500,000 are remarketed and the Letter of Credit is renewed over the term of the bonds. The Letter of Credit expires in June 2013 and if not renewed the bonds would be payable at that time. The debt service requirements of the City's outstanding General Obligation (GO) bonds, revenue bonds and notes payable at June 30, 2012 are as follows:

Governmental long-term debt:

Fiscal year	Principal	Interest	Total
2013	\$ 18,833,019	\$ 11,916,223	\$ 30,749,242
2014	18,858,497	11,172,495	30,030,992
2015	18,454,047	10,453,073	28,907,120
2016	18,070,069	9,637,203	27,707,272
2017	17,628,129	8,846,226	26,474,355
2018-2022	77,404,010	32,408,503	109,812,513
2023-2027	53,188,628	16,669,862	69,858,490
2028-2032	19,693,039	6,856,598	26,549,637
2033-2037	8,770,000	3,805,941	12,575,941
2038-2041	8,105,000	1,013,840	9,118,840
Debt Service Requirement	259,004,438	112,779,964	371,784,402
Add Net Bond Premium	9,151,806	-	9,151,806
Total Governmental Activities	\$ 268,156,244	\$ 112,779,964	\$ 380,936,208

Business-type Activities:

Fiscal year	Principal	Interest	Total
2013	\$ 13,834,818	\$ 10,125,170	\$ 23,959,988
2014	14,454,272	11,539,408	25,993,680
2015	14,953,498	10,996,897	25,950,395
2016	13,878,319	10,371,142	24,249,461
2017	14,113,002	9,835,318	23,948,320
2018-2022	79,169,242	40,273,260	119,442,502
2023-2027	88,779,920	22,945,785	111,725,705
2028-2032	45,175,405	5,238,927	50,414,332
2033-2037	5,235,000	198,094	5,433,094
Debt Service Requirement	289,593,476	121,524,001	411,117,477
Add Net Bond Premium	3,458,481	-	3,458,481
Total Business-type Activities	\$ 293,051,957	\$ 121,524,001	\$ 414,575,958

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Interest rates for the City's outstanding GO bonds range from 2.00% to 6.125%. At June 30, 2012, the City's legal debt limit was \$818,504,000. There were no Authorized, unissued financing resolutions as of June 30, 2012.

In prior years, the City defeased certain GO and other bonds by placing the securities purchased with the proceeds of new bonds in irrevocable trust accounts to provide for all future debt service payments of the refunded bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. On June 30, 2012, \$38,725,000 of outstanding GO Bonds and \$78,675,000 of School Revenue Bonds are considered defeased.

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Due within One year
Governmental activities:					
General Obligation Debt - City	\$ 152,157,537	\$ 6,441,020	\$ 15,095,442	\$ 143,503,115	\$ 11,926,329
Revenue Bonds Payable - MSD	82,810,000	16,695,000	18,750,000	80,755,000	3,410,000
General Obligation Bonds Payable - MSD	37,711,507	232,004	3,197,188	34,746,323	3,496,690
Premiums (Discounts)	15,933,199	(847,373)	5,934,020	9,151,806	635,749
	<u>288,612,243</u>	<u>22,520,651</u>	<u>42,976,650</u>	<u>268,156,244</u>	<u>19,468,768</u>
Compensated absences	11,217,262	1,830,508	879,670	12,168,100	3,042,025
Insurance claims	5,605,016	16,618,272	15,384,167	6,839,121	6,839,121
Capital Lease	213,748	-	23,360	190,388	24,674
OPEB obligations	7,489,734	1,688,281	-	9,178,015	-
Landfill post-closure care	4,987,739	-	1,040,999	3,946,740	-
	<u>\$ 318,125,742</u>	<u>\$ 42,657,712</u>	<u>\$ 60,304,846</u>	<u>\$ 300,478,608</u>	<u>\$ 29,374,588</u>
Business-type activities					
General Obligation Debt	\$ 49,922,515	\$ 45,266,976	\$ 10,110,915	\$ 85,078,576	\$ 5,239,231
Revenue Bonds	258,320,000	84,940,000	138,955,000	204,305,000	8,530,000
Premiums (Discounts)	(1,024,970)	4,440,032	(43,419)	3,458,481	1,259,676
Notes payable *	220,811	41,335	52,246	209,900	65,587
Due to State of New Hampshire	11,002,768	3,138,225	8,575,771	5,565,222	-
	<u>\$ 318,441,124</u>	<u>\$ 137,826,568</u>	<u>\$ 157,650,513</u>	<u>\$ 298,617,179</u>	<u>\$ 15,094,494</u>

* Balance at June 30, 2011 was reclassified from Due to State of New Hampshire to notes payable in the amount of \$220,811.

The EPD Enterprise Fund has twelve loan agreements with original principal balances amounting to \$58,473,364 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. The

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

balance at June 30, 2012 totaled \$32,097,170; this amount is included in the \$85,078,576 General Obligation Debt for business-type activities.

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, 2012 is \$4,865,222 for EPD and Combined Sewer Overflow projects. The \$4,865,222 is included in the Due to State of New Hampshire line.

The City has pledged future airport revenues, net of specified operating expenses, to repay \$204,305,000 in airport revenue bonds. Pledged revenues total \$39,345,128 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 1.62. The total principal and interest remaining to be paid on the bonds is \$295,243,142. Principal and interest paid for the current year was \$17,762,740.

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.

Included in long-term debt is \$23,500,000 of General Airport Revenue Demand Bonds maturing serially through January 1, 2022 secured by a pledge of and lien on Revenues, subject to the payment of Operations and Maintenance Expenses, and the provisions of the Resolution regarding the application of Revenues. The Bonds were issued pursuant to certain proceedings of the City, RSA Chapter 33-B and the General Airport Revenue Bond Resolutions of the City, adopted as of October 1, 1998, as amended, and as adopted as of June 26, 2008. The proceeds of the bonds were used to (a) refund \$30,255,000 outstanding principal amount of the City's General Airport Revenue Bonds, Series 2001 maturing January 1, 2022 and (b) pay costs incurred to issue the bonds.

The bonds are subject to purchase on the demand of the holder on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Payment Date, in which case, at a purchase price equal to the principal amount thereof upon delivery to the Trustee at its Corporate Trust Office of an irrevocable written notice which states the principal amount of such Series 2008 Bond and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Trustee. The Trustee Shall promptly send a copy of any such notice delivered to it pursuant to the Resolution by facsimile to the Remarketing Agent and the Letter of Credit Bank, as the case may be.

Subsequent to year-end this bond was refunded with a fixed rate bond. See Note 18.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

The City is required to pay Citizens Bank quarterly commitment fees for the letter of credit computed on the Available Amount of the Letter of Credit at a rate per annum equal to the Letter of Credit Fee Rate of 0.70 percent per annum. The City has paid an issuance fee of \$15,500. In additions, the remarketing agent receives an annual fee of seven and one-half basis points on the weighted average of the principal amount of the Bonds outstanding during each three-month period.

On December 22, 2011 the City closed on a \$43,990,000 issue of General Obligation Public Improvement Bonds and a \$16,695,000 issue of School Facilities Refunding Revenue Bonds. The General Obligation Public Improvement Bonds were issued in three series: \$2,855,000 in 2011A Bonds is a new money issuance which will be used to finance the replacement of motorized equipment within the City, \$4,760,000 in 2011B Refunding Bonds were issued to advance refund the outstanding 2001A&B Bonds and \$36,375,000 in 2011C Refunding Bonds were issued to advance refund the outstanding 2003 Water Revenue Bonds. The Series 2011 School Facilities Refunding Revenue was issued to advance refund the outstanding 2003 School Facilities Bonds. The True Interest Cost (TIC) on the new money portion was 1.69%, while the TIC on the refunding portions was 0.67%, 3.14% and 3.27% respectively. This represented a 5.47%, 9.55% and 13.49% percentage savings on the refunded bonds with a cash flow savings totaling \$265,646, \$3,595,569 and \$2,091,996 on a present value basis, respectively.

On June 20, 2012 the City issued \$84,940,000 refunding bonds for the purpose of refinancing a portion of the 1998 and 2002 General Airport Revenue Bonds. The Series 2012 Bonds were issued to refund, prior to maturity, the original issuance of same in the amount of \$52,885,000, identified as Series 1998A (Non-AMT), \$6,330,000, identified as Series 2002B (Non-AMT) and \$25,725,000, identified as Series 2002A Alternative Minimum Tax (AMT). The new proceeds of the Series 2012 Bonds (after payment of the underwriting fee and other costs of issuance of the Series 2012 Bonds) will be applied to the purchase of an investment portfolio which will mature and bear interest sufficient to meet the principal, interest and the redemption premium requirements of the Refunded Bonds. The TIC of 3.69% represented a 7.53 percentage savings of the refunded bonds. The net present value savings and the total cash savings amounted to \$6,966,584 and \$10,904,054, respectively. The balance of the refunding bonds on June 30, 2012 was \$84,940,000.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 11. Employee Benefit Plans

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

City Plans

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

SCHEDULE OF PLAN NET ASSETS

	MECRS Pension Trust	Old System Pension Trust	Total
Assets			
Cash and cash equivalents	\$ 7,118,096	\$ 288,528	\$ 7,406,624
Investments	139,016,250	11,705,683	150,721,933
Receivables, net of allowances for collection losses	571,569	41,389	612,958
Other assets	11,042	-	11,042
Property and equipment, net where applicable, of accumulated depreciation	215,204	-	215,204
Total Assets	146,932,161	12,035,600	158,967,761
Liabilities			
Accounts and warrants payable	221,519	-	221,519
Accrued liabilities	798,399	-	798,399
Total Liabilities	1,019,918	-	1,019,918
Net Assets Held in Trust for Pension Benefits	\$ 145,912,243	\$ 12,035,600	\$ 157,947,843

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

SCHEDULE OF CHANGES OF PLAN NET ASSETS

	MECRS Pension Trust	Old System Pension Trust	Total
Additions			
Contributions			
Employer	\$ 9,538,678	\$ -	\$ 9,538,678
Plan members	2,991,425	-	2,991,425
Total Contributions	12,530,103	-	12,530,103
Investment Income (Loss)			
Net realized and unrealized depreciation in fair value of investments	(5,739,302)	(158,483)	(5,897,785)
Interest	3,462	349,479	352,941
Dividends	1,276,508	-	1,276,508
Other income	14,297	-	14,297
Less investment expense	(675,086)	-	(675,086)
Net Investment Income (Loss)	(5,120,121)	190,996	(4,929,125)
Total Additions	7,409,982	190,996	7,600,978
Deductions			
Benefits paid directly to participants	9,477,335	1,580,003	11,057,338
Refunds of employee contributions	298,007	-	298,007
Administrative expenses	765,582	67,841	833,423
Total Deductions	10,540,924	1,647,844	12,188,768
Net Decrease	(3,130,942)	(1,456,848)	(4,587,790)
Net Assets Held in Trust for Pension Benefits			
Beginning of year	149,043,185	13,492,448	162,535,633
End of year	\$ 145,912,243	\$ 12,035,600	\$ 157,947,843

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

average compensation for employees hired prior to January 1, 1974 who complete 20 years of 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 2-1/2% of their salaries to the MECRS prior to January 1, 1999 and 3-3/4 % of their salaries after January 1, 1999. If an employee leaves covered employment or dies before five years of service, accumulated employee contributions and earnings thereon at rates determined annually by the MECRS Board of Trustees (5%, for the periods ended June 30, 2012 and 2011) 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, 2011, the date of the last actuarial valuation:

	Pension	Health Subsidy
Retirees and beneficiaries receiving benefits	672	197
Terminated vested members	88	88
Active members	1,228	1,228
Total Participants	1,988	1,513

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).

THREE YEAR TREND INFORMATION

PENSION BENEFITS

Valuation December 31	Fiscal Year Ended June 30	Annual Required	
		Contribution (ARC) as a Percentage of Valuation	Actual Contributions
2010	2012	17.71%	\$9,471,499
2009	2011	17.65%	8,508,451
2008	2010	17.17%	7,062,994

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

HEALTH SUBSIDY PROGRAM

Valuation December 31	Fiscal Year Ended June 30	Annual Required	
		Contribution (ARC) as a Percentage of Valuation	Actual Contributions
2010	2012	0.87%	\$457,292
2009	2011	0.93%	461,074
2008	2010	0.93%	487,909

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
12/31/2011	\$153,033,601	\$95,407,752	\$248,441,353	61.6%	\$51,117,552	186.6%

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
12/31/2011	\$5,837,021	\$9,763,341	\$15,600,362	37.4%	\$51,117,552	19.1%

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, 2011
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	28 years

NOTES TO FINANCIAL STATEMENTS

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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.

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.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

At June 30, 2012, the Old System membership consisted of:

Members currently receiving benefits	113
Active Vested Members	<u>11</u>
Total Members	<u>124</u>

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year ended June 30,	Annual Required Contributions	Percentage contributed
2012	\$ 317,615	0.0%
2011	494,816	0.0%
2010	551,988	0.0%

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

Annual required contribution	\$ 317,615
Interest on net pension obligation	(766,124)
Adjustment to annual required contribution	<u>1,436,267</u>
Annual pension cost	987,758
Less contributions made	<u>-</u>
Decrease in net pension asset	987,758
Net pension asset beginning of year	<u>(10,214,993)</u>
Net pension asset end of year	<u><u>\$ (9,227,235)</u></u>

Three year trend information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation (Asset)</u>
6/30/2012	\$ 987,758	0.0 %	\$ (9,227,235)
6/30/2011	1,246,749	0.0 %	(10,214,993)
6/30/2010	1,395,471	0.0 %	(11,461,742)

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
6/30/2012	\$ 12,035,599	\$ 15,655,036	\$ 3,619,437	76.88 %	\$ 668,075	541.77 %

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

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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	July 1, 2012
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	7.25 %
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, 2012 was \$238,176.

At June 30, 2012, the membership consisted of:

Members currently receiving benefits	18
--------------------------------------	----

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 11.55% for police officers and 11.80% for firefighters 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 19.95% to 22.89% of covered compensation.

The City's contributions to the system, consisting of firefighters and police officers, for the years ended June 30, 2012, 2011 and 2010 were \$7,371,088, \$5,924,955, and \$5,185,321, respectively, and were equal to the required contributions. For the years ended June 30, 2012, 2011 and 2010, the City has recognized both revenue and expenditures of \$0, \$1,975,023, and \$2,222,242, respectively, on behalf of contributions made by the State to the NHRS.

NOTES TO FINANCIAL STATEMENTS

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Through June 2011, the State of New Hampshire funded 25% of the total employer normal contribution rate for firefighters and police officers employed by the City. As of July 1, the funding rate increased to 35% of the total employer normal contribution rate. House Bill 2 (HB 2), Chapter 0224, *Laws of 2011*, amended RSA 100-A:16 by eliminating the State's cost sharing, thereby requiring employers to fund 100% of the total employer contributions, effective August 1, 2011. HB 2 further authorized the State to pay \$3.5 million in the State's FY 2012 towards political subdivision employer contributions, of which the City received \$156,140.

Note 12. Other Post Employment Benefits

CITY

Plan Descriptions and background

The City of Manchester provides postemployment medical benefits to City retirees and their covered dependents. The participants in the plan consist of all eligible employees under MECRS as well as those in the NH Retirement System. The City provides benefits for any employee who retires under the eligibility requirements. Medical coverage continues to the spouse after the death of the retiree provided the spouse makes the required contributions.

In general, retirees and their spouses pay 100% of coverage up through age 65. However, once the age of 65 is reached, the retiree is removed from the active group and has the option to pay for the Medicare Supplement Plan with the City.

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 (GASB 45) during the year ended June 30, 2008, the City recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

Actuarial Valuation

As of July 1, 2010, there were 1,159 active employees who may be eligible for benefits in the future and 269 retired employees, covered spouses and survivors who are currently receiving benefits. Coverage is for individuals and families or individuals and spouses depending on the coverage selected.

Prior to GASB 45, the annual cost recognized was the annual premiums or benefits paid plus administrative expenses less any participant contributions paid towards the coverage. Under GASB 45, an annual cost for postemployment coverage is developed for any person who is currently receiving or who is currently actively employed and may be eligible to receive benefits in the future. In developing the GASB 45 cost, the payment of future benefits is determined using the current schedule of premiums modified to reflect the population and the fact that actual healthcare expenses are higher as individuals age. These age-adjusted costs are increased in the future under annual healthcare cost trend rate assumptions.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

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It is important to understand that even though the City charges participants for coverage based on the individual or family premium schedule compiled by the City, in developing a liability for the City, GASB requires that these premiums be adjusted to reflect estimated age-adjusted costs. The plan premium represents less than 100% of the actual cost that is required to be recognized under the GASB standard.

The Other Post Employment Benefit (OPEB) liability is recognized on the Statement of Net Assets over time.

The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50.

Annual OPEB Costs and Net OPEB Obligations

Under GASB 45, the Annual Required Contribution (ARC) of the employer equals the Normal Cost plus a provision for amortizing the Unfunded Actuarial Accrued Liability. The ARC represents a level dollar amortization over the maximum acceptable amortization period of 30 years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2012 and the amount actually contributed to the plan.

Normal cost	\$ 1,261,855
Amortization of Unfunded Accrued Liability (UAL)	2,040,533
Interest on net OPEB Obligation	137,439
Annual OPEB Cost and Net OPEB Obligation	<u>3,439,827</u>
Less Employer contributions made	<u>(1,751,546)</u>
Change in OPEB Obligation	1,688,281
Net OPEB obligation beginning of year	<u>7,489,734</u>
Net OPEB obligation end of year	<u><u>\$ 9,178,015</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation follow:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
6/30/2012	\$ 3,439,827	\$ 1,751,546	51%	\$ 9,178,015
6/30/2011	3,401,497	1,452,637	43%	7,489,734
6/30/2010	3,143,223	1,357,605	43%	5,540,874

As of July 1, 2010, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$35,360,617, with an actuarial value of assets of \$679,124, resulting in an unfunded actuarial liability (UAAL) of \$34,681,493. The covered payroll (annual payroll of

CITY OF MANCHESTER, NEW HAMPSHIRE

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active employees covered by the plan) was \$82,294,233 during fiscal year 2012, and the ratio of the UAAL to the covered payroll was 42.1%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revisions. Actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information is designed to provide multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and the plan members at the point. Actuarial calculations reflect long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of plan assets.

In the July 1, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return per annum. The projected annual health care cost trend is 10% initially, reduced by decrements to an ultimate rate of 5% after six years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at July 1, 2010 was 30 years.

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MSD

The School District provides postemployment benefit options for health care, life insurance, and disability income to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the School District's agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The School District funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the School District subsidizing the remaining costs. Expenses for the post retirement health care benefits are recognized as eligible employee claims are paid.

The School District has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC). The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2012:

Annual required contribution/OPEB cost	\$ 5,986,475
Contributions made (pay-as-you-go)	(4,026,249)
Increase in net OPEB obligation	<u>1,960,226</u>
Net OPEB obligation, beginning	<u>10,080,042</u>
Net OPEB obligation, ending	<u><u>\$ 12,040,268</u></u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 was as follows:

SCHEDULE OF ANNUAL OPEB COST - MSD

Fiscal Year Ended	Annual OPEB Cost	Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
6/30/2012	\$ 5,986,475	\$ 4,026,249	67%	\$ 12,040,268
6/30/2011	5,762,297	3,295,747	57%	10,080,042
6/30/2010	5,603,346	3,080,137	55%	7,613,492

As of July 1, 2010, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$44,066,160, with an actuarial value of assets of \$519,178, resulting in an unfunded actuarial liability (UAAL) of \$43,546,982. The covered payroll (annual payroll of active employees covered by the plan) was \$82,057,735 during fiscal year 2012, and the ratio of the UAAL to the covered payroll was 53.1%

In the July 1, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return per annum. The projected annual health care cost trend is 10% initially, reduced by decrements to an ultimate rate of 5% after four years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at July 1, 2010 was 30 years. The RP-2000 Mortality Table projected to 2010 was used.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

MTA

MTA contracted with an outside consultant to assist in the determination and valuation of the OPEB liability under GASB 45. An OPEB liability actuarial valuation was completed by the consultants as of June 30, 2010. GASB 45 was implemented by the MTA for the year ended June 30, 2010.

Plan Descriptions

Under the union contract, retiring employees covered under the pension plan may remain covered under MTA's health insurance plan. MTA will pay 100% of the premiums for former administrative employees retired before April 2001 and 90% of the cost for all other employees if they have attained age 62 and performed 20 years of service. The employees' spouses are equally covered but must pay 100% of the cost upon the death of the retired employee.

Funding Policy and Annual OPEB Cost

GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. MTA currently plans to fund these benefits on a pay-as you-go basis. No assets have been segregated and restricted to provide post employment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year and the annual required contribution:

Normal cost	\$ 126,704
Amortization of Unfunded	178,384
Interest	<u>16,780</u>
Annual required contribution	321,868
Less actual contribution	<u>(115,312)</u>
Increase in net OPEB Obligation	206,556
Net OPEB obligation beginning of year	<u>452,950</u>
Net OPEB obligation end of year	<u><u>\$ 659,506</u></u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

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Funding Status and Funding Progress

MTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2012 were as follows:

Annual required contribution	\$	321,868
Actual contribution		115,312
Percent contributed		36%
Actuarial accrued liability	\$	3,539,602
Plan assets		-
Unfunded actuarial accrued liability	\$	<u>3,539,602</u>
Covered payroll	\$	2,005,787
Unfunded actuarial accrued liability as a percentage of covered payroll		57%

Significant methods and assumptions were as follows:

Actuarial valuation date	June 30, 2010
Actuarial cost method	Projected Unit Credit (PUC)
Amortization method	Level dollar
Remaining amortization	Period 30 years
Actuarial assumptions:	
Investment rate of return	5.5%
Projected salary increases	N/A
Healthcare inflation rate	6.0% to 9%

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.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

<u>Fiscal Year Ended</u>	<u>Claims Payable July 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable June 30</u>
2012	\$5,605,016	\$16,618,272	\$15,384,167	\$6,839,121
2011	\$5,596,685	\$15,389,178	\$15,380,847	\$5,605,016

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. \$527,063 was recorded in the government wide statements for fiscal year 2012 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. \$5,046,749 was recorded in the government wide statements as the City's estimated liability for all types of claims incurred in 2012 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 completed all work required by the Administrative Order on schedule in 2010. As of June 30, 2011, there was no pending claim by the EPA or the State. To date, the majority of eligible CSO work has been awarded SRF loans and 20% State grants.

The City prepared a Phase II Long-Term Control Plan to address the CSOs on the City's East Side and submitted it to the EPA in March 2010. The Phase II CSO abatement program recommends \$165 million in environmental infrastructure improvements over 20 years to the City's east side. The City is still waiting EPA approval of the CSO Phase II plan.

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 \$3,946,740 reported as landfill closure and postclosure care liability at June 30, 2012 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, 2012, the CDBG Fund, Other Grants Fund and the Recreation Fund had fund deficits in the amounts of \$387,952, \$379,614 and \$4,828,604 respectively.

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 16. Restricted Net Assets

Below is a listing of restricted net assets at June 30, 2012:

	Aviation	EPD	Water Works
Revenue fund	\$ 1,855,117	-	-
Bond fund	5,397,856	-	-
Customer facility charge reserve account	2,141,698	-	-
Operations and maintenance reserve account	9,832,000	-	-
Passenger facility charges	4,003,824	-	-
Coverage account	3,275,222	-	-
Capital improvement account	21,965,295	\$ 360,567	-
Revenue credit account	980,000	-	-
Merrimack source development	-	-	\$ 6,826,720
Insurance reserve fund	-	-	3,198,443
Total Restricted Net Assets	<u>49,451,012</u>	<u>360,567</u>	<u>10,025,163</u>
Less accrued bond interest	(4,581,162)	-	-
Total Restricted Net Assets, net of related debt	<u>\$ 44,869,850</u>	<u>\$ 360,567</u>	<u>\$ 10,025,163</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 17. Fund Balances

In fiscal year 2011, the City adopted GASB Statement No. 54 *Fund Balance Reporting and Government Fund Type Definitions*. The statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The details for the City's fund balances are the following:

	General Fund	Capital Projects	Other Governmental Funds
Fund Balances:			
Nonspendable:			
Prepaid expenses	\$ 1,380,686	-	-
Inventories	966,770	-	-
MSD Book Loan	2,800,000	-	-
Advance To Other Funds	5,808,495	-	-
Principal	-	-	\$ 17,871,615
Total nonspendable	<u>10,955,951</u>	-	<u>17,871,615</u>
Restricted:			
Capital outlay	-	\$ 4,334,639	-
Worker's Compensation	1,954,897	-	-
Cemetery Trust	-	-	2,768,127
General government	-	-	2,483,202
Total restricted	<u>1,954,897</u>	<u>4,334,639</u>	<u>5,251,329</u>
Committed:			
Health insurance	2,274,674	-	-
General liability insurance	479,820	-	-
General government	23,226	-	9,493,873
Highway and streets	19,070	-	-
Parks and Recreation	135	-	-
Total committed	<u>2,796,925</u>	-	<u>9,493,873</u>
Assigned:			
General government - encumbrances	255,032	-	-
Public Safety - encumbrances	213,747	-	-
Health and sanitation - encumbrances	13,999	-	-
Highway and streets - encumbrances	169,718	-	-
Parks and Recreation - encumbrances	57,987	-	-
Welfare - encumbrances	9,110	-	-
General government	-	9,562,724	-
Total assigned	<u>719,593</u>	<u>9,562,724</u>	-
Unassigned:			
Unassigned	<u>7,512,470</u>	-	<u>(767,566)</u>
Total unassigned	<u>7,512,470</u>	-	<u>(767,566)</u>
Total fund balance	<u>\$ 23,939,836</u>	<u>\$ 13,897,363</u>	<u>\$ 31,849,251</u>

Note 18. Subsequent Events

Budget Control Charter Amendment

The voters of the City adopted an amendment to the City Charter, which limits annual budget increases.

The amendment does not apply to (a) the Enterprise Funds of the City of Manchester, i.e., the Aviation Department, the Environmental Protection Division, the Parking Division, the Water Works, the Recreation Enterprise Division and such other enterprise funds as duly created by the board of mayor and alderman and (b) the Central Business Service District. In addition, the amendment does not apply to amounts payable in connection with municipal bond obligations, whether issued for school or municipal purposes. Furthermore, budgetary restrictions described in any part of the amendment may be overridden upon a vote of two-thirds (2/3) of all alderman elected. Such override only would apply to the budget then under consideration.

The amendment provides in part as follows: “In establishing a combined municipal budget, the board of mayor or alderman shall be allowed to assume estimated property revenues only in an amount not to exceed the property tax revenues raised, excluding property tax revenues raised for amounts payable in connection with municipal bond obligations, during the prior fiscal year increased by a factor equal to the average of the changes in the National Consumer Price Index – Urban as published by the United States Department of Labor for the three (3) calendar years immediately preceding the year of the budget adoption.”

The amendment further provides as follows: “Capital expenditures may be excepted from being included in the expenditures that are subject to the prior limitation upon a two-thirds (2/3) vote of all the alderman elected. The exception made under this section shall expire upon adoption of the budget for the next budget year, unless two-thirds (2/3) of all the alderman elected vote to renew the exception for the next budget year. If the average of the changes in the Consumer Price Index-Urban as published by the United States Department of Labor for the three (3) immediately preceding calendar years declines, then the increase in total expenditures, excluding amounts payable in connection with municipal bond obligations, shall be zero.” The FY 2013 and 2014 budget increases are capped at 1.47% and 2.17%, respectively.

The amendment further provides as follows: “Total expenditure, excluding amounts payable in connection with municipal bond obligations, for any given budget year shall not exceed the amount of funds reasonably calculated to be derived from property tax revenues established pursuant to Paragraph A.4 herein, increased by the other revenues generated by the City.”

Airport Revenue Bond Refunding

On February 13, 2013, the City closed on a \$21,800,000 General Airport Revenue Bond Refunding bank loan with Century Bank. The General Airport Revenue Bond bank loan was issued to refund the outstanding 2008 General Airport Revenue Bonds and replaces variable rate debt with a fixed rate loan at a rate of 3.06%. The City undertook this issue primarily to eliminate the ongoing risks and uncertainties associated with variable rate debt and the letter of credit market.

Note 19. Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates 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:

- **GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements***, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- **GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34***, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- **GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***, issued January 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

- **GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***, issued July 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.
- **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, was issued March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2013.
- **GASB Statement No. 66, *Technical Corrections—2012***, was issued in March 2012. *The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2013.*
- **GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25***, was issued in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the

NOTES TO FINANCIAL STATEMENTS

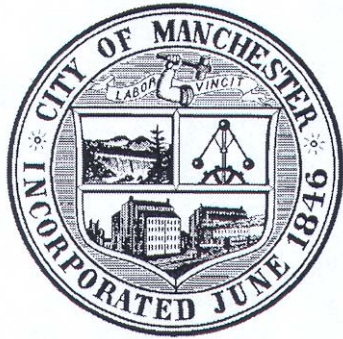
June 30, 2012

scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2013.

- **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, was issued in June 2012.** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2014.
- **GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, provides guidance for:
 - Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations.
 - Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations.
 - Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based on their acquisition values in a government acquisition.
 - Reporting the disposal of government operations that have been transferred or sold.

The requirements of this Statement will be effective for the City beginning with its year ending June 30, 2015, and should be applied on a prospective basis.

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 Accrued Liability (Surplus) (b)	Actuarial Accrued Liability (c)	Funded Ratio (a)/(c)	Annual Covered Payroll	Unfunded Liability to Covered Payroll
12/31/2011	\$153,033,601	\$95,407,752	\$248,441,353	61.6%	\$51,117,552	186.6%
12/31/2010	145,933,282	88,105,802	234,039,084	62.4%	51,399,670	171.4%
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%

* After phased in COLA increase

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
12/31/2011	\$5,837,021	\$9,763,341	\$15,600,362	37.4%	\$51,117,552	19.1%
12/31/2010	4,875,596	9,219,533	14,095,129	34.6%	51,399,670	17.9%
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	1,908,457	9,398,059	11,306,516	16.9%	48,556,218	19.4%
12/31/2006	782,281	10,962,034	11,744,315	6.7%	47,537,456	23.1%

PENSION BENEFITS

Valuation December 31	Fiscal Year Ended June 30	Annual Required Contribution (ARC) as a Percentage of Valuation Payroll-Pension	Actual Contributions
2010	2012	17.71%	\$9,471,499
2009	2011	17.65%	8,508,451
2008	2010	17.17%	7,062,994
2007	2009	13.84%	6,646,801
2006	2008	13.27%	6,760,377
2005	2007	10.63%	5,413,826

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

HEALTH SUBSIDY PROGRAM

Annual Required

Contribution
(ARC) as a

Valuation December 31	Fiscal Year Ended June 30	Percentage of Valuation Payroll-Health	Actual Contributions
2010	2012	0.87%	\$457,292
2009	2011	0.93%	461,074
2008	2010	0.93%	487,909
2007	2009	0.91%	641,197
2006	2008	1.24%	333,028

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
6/30/2012	\$ 12,035,599	\$ 15,655,036	\$ 3,619,437	76.88 %	\$ 668,075	541.77 %
6/30/2011	13,492,366	15,751,302	2,258,936	85.66	771,056	292.97
6/30/2010	12,766,951	16,286,171	3,519,220	78.39	756,205	465.38
6/30/2009	12,959,248	16,885,092	3,925,844	76.75	785,075	500.06
6/30/2008	16,210,784	16,646,708	435,924	97.38	882,731	49.38
6/30/2007	18,331,806	17,771,369	(560,437)	103.15	907,546	(61.75)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year ended June 30,	Annual Required Contributions	Percentage contributed
2012	\$ 317,615	0.0%
2011	494,816	0.0%
2010	551,988	0.0%
2009	61,292	0.0%
2008	-	0.0%
2007	48,508	0.0%

Required Supplementary Information Other Post-Employment Benefits

SCHEDULE OF FUNDING PROGRESS - CITY - OPEB

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2012	\$ -	\$ 36,688,801	\$ 36,688,801	0.00%	\$ -	N/A
7/1/2010 *	679,124	35,360,617	34,681,493	1.92%	82,294,233	42.1%
7/1/2010 *	-	34,041,919	34,041,919	0.00%	N/A	N/A
7/1/2010 *	-	32,736,456	32,736,456	0.00%	N/A	N/A
7/1/2010 *	-	31,447,507	31,447,507	0.00%	N/A	N/A

SCHEDULE OF ANNUAL OPEB COST - CITY

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
6/30/2012	\$ 3,439,827	\$ 1,751,546	51%	\$ 9,178,015
6/30/2011	3,401,497	1,452,637	43%	7,489,734
6/30/2010	3,143,223	1,357,605	43%	5,540,874
6/30/2009	3,150,293	1,268,790	40%	3,659,371
6/30/2008	3,059,538	1,185,785	39%	1,873,753

SCHEDULE OF FUNDING PROGRESS - MSD - OPEB

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2012	\$ -	\$ 45,846,394	\$ 45,846,394	0.00%	\$ -	N/A
7/1/2010 *	519,178	44,066,160	43,546,982	1.18%	82,057,735	53.1%
7/1/2010 *	-	42,267,904	42,267,904	0.00%	N/A	N/A
7/1/2010 *	-	40,461,349	40,461,349	0.00%	N/A	N/A
7/1/2010 *	-	38,655,121	38,655,121	0.00%	N/A	N/A

SCHEDULE OF ANNUAL OPEB COST - MSD

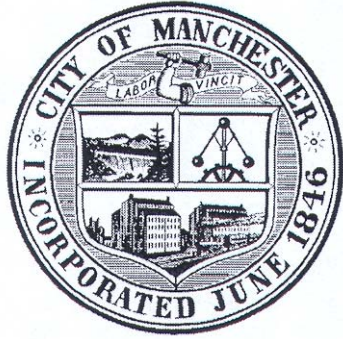
Fiscal Year Ended	Annual OPEB Cost	Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
6/30/2012	\$ 5,986,475	\$ 4,026,249	67%	\$ 12,040,268
6/30/2011	5,762,297	3,295,747	57%	10,080,042
6/30/2010	5,603,346	3,080,137	55%	7,613,492
6/30/2009	5,419,195	2,878,633	53%	5,090,284
6/30/2008	5,240,032	2,690,311	51%	2,549,721

*7/01/2010 data was used and rolled back to prior years.

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) (b-a)	Funded Ratio (a)/(b)	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, 2012**

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 79,306,232	\$ 82,377,080
Restricted cash and cash equivalents	7,895,049	9,205,192
Investments	561,667	561,943
Receivables, net of allowances for collection losses	27,545,028	18,592,987
Prepaid items	1,380,686	1,986,216
Due from other funds	10,247,897	9,788,803
Inventories	966,770	695,419
Total Assets	<u>\$ 127,903,329</u>	<u>\$ 123,207,640</u>
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts and warrants payable	\$ 3,284,979	\$ 3,255,398
Retainage payable	30,208	40,865
Accrued liabilities	2,603,678	2,004,326
Other liabilities	3,329,590	3,230,146
Insurance claims payable	924,948	756,296
Due to Manchester School District	26,824,759	30,468,838
Unearned revenue	23,196,156	14,186,077
Deferred revenue	3,572,951	3,272,228
Taxes collected in advance	40,196,224	42,988,511
Total Liabilities	<u>103,963,493</u>	<u>100,202,685</u>
Fund Balances		
Nonspendable	10,955,951	10,493,541
Restricted	1,954,897	1,127,897
Committed	2,796,925	3,386,978
Assigned	719,593	376,310
Unassigned	7,512,470	7,620,229
Total Fund Balances	<u>23,939,836</u>	<u>23,004,955</u>
Total Liabilities and Fund Balances	<u>\$ 127,903,329</u>	<u>\$ 123,207,640</u>

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

**City of Manchester, New Hampshire
Year Ended June 30, 2012**

	<u>2012</u>	<u>2011</u>
<u>Revenues</u>		
Taxes	\$ 95,403,257	\$ 92,102,359
Federal and state grants and aid	3,865,195	5,848,303
Nonenterprise charges for sales and services	2,500,250	2,277,246
Licenses and permits	17,789,758	17,505,243
Interest	699,248	731,364
Other	12,844,651	10,915,165
Total Revenues	133,102,359	129,379,680
<u>Expenditures</u>		
Current:		
General Government	25,331,925	22,798,832
Public safety	55,312,200	56,537,291
Health and sanitation	3,892,522	3,961,237
Highway and streets	23,702,744	24,687,830
Welfare	1,235,910	1,215,501
Education	2,745,594	2,880,827
Parks and recreation	4,099,914	3,691,910
Capital Outlay	98,541	126,796
Debt service:		
Principal retirement	11,434,283	9,330,350
Interest	6,767,364	5,170,992
Total Expenditures	134,620,997	130,401,566
Excess of revenues over expenditures	(1,518,638)	(1,021,886)
<u>Other Financing Sources (Uses)</u>		
Proceeds of refunding bonds	20,491,796	31,584,742
Payment to refunded bond escrow agent	(20,624,886)	(34,440,529)
Proceeds from premium of refunding bonds	416,947	3,156,993
Cost of issuance	(199,179)	(292,322)
Transfers in	2,584,787	2,688,249
Transfers out	(215,946)	(25,000)
Total Other Financing Sources (Uses)	2,453,519	2,672,133
Net Change in Fund Balance	934,881	1,650,247
Fund Balance, beginning of year	23,004,955	21,354,708
Fund Balance, end of year	\$ 23,939,836	\$ 23,004,955

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

City of Manchester, New Hampshire
Year Ended June 30, 2012

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Taxes</u>				
Property tax	\$ 92,773,007	\$ 92,906,007	\$ 92,673,138	\$ (232,869)
Miscellaneous taxes	13,200	13,200	38,247	25,047
Interest and penalties	731,000	731,000	1,113,885	382,885
Cable franchise fees	1,600,000	1,600,000	1,639,885	39,885
Total Taxes	95,117,207	95,250,207	95,465,155	214,948
<u>Federal and State Grants and Aid</u>				
Federal grants	396,000	396,000	402,871	6,871
Payments in lieu of taxes	772,430	772,430	813,242	40,812
State Grants	2,684,669	2,684,669	2,649,081	(35,588)
Total Federal and State Grants and Aid	3,853,099	3,853,099	3,865,194	12,095
<u>Nonenterprise Charges for Sales and Services</u>				
General revenues	135,570	166,570	130,792	(35,778)
Public safety	143,800	138,800	115,911	(22,889)
Highway	826,000	826,000	846,951	20,951
Sanitation	24,000	24,000	7,535	(16,465)
Health	15,000	9,260	8,674	(586)
Cemetery, Parks & Recreation	181,425	181,425	204,598	23,173
Zoning board	36,300	36,300	46,811	10,511
Parking violations	11,000	11,000	11,650	650
Court fines	23,000	18,000	15,381	(2,619)
Fees	933,775	933,775	1,029,880	96,105
Witness fees	90,000	90,000	80,990	(9,010)
Total Nonenterprise Charges for Sales and Services	2,419,870	2,435,130	2,499,173	64,043

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

City of Manchester, New Hampshire
 Year Ended June 30, 2012

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Licenses and Permits</u>				
Auto registrations	13,900,000	14,050,000	15,097,031	1,047,031
Licenses	480,698	480,698	610,613	129,915
Permits	2,363,075	2,115,315	2,104,438	(10,877)
Total Licenses and Permits	16,743,773	16,646,013	17,812,082	1,166,069
<u>Interest</u>				
Income from invested funds	705,000	705,000	667,248	(37,752)
<u>Other Revenues</u>				
Reimbursements	2,442,757	2,440,257	2,673,111	232,854
Rentals & Leases	918,566	923,566	926,757	3,191
School chargebacks	9,208,651	9,186,651	9,177,046	(9,605)
Miscellaneous	12,400	12,400	46,492	34,092
Total Other Revenues	12,582,374	12,562,874	12,823,406	260,532
Total Revenues	\$ 131,421,323	\$ 131,452,323	\$ 133,132,258	\$ 1,679,935
Transfers in	2,831,987	2,800,987	2,584,787	(216,200)
Total Transfers in	2,831,987	2,800,987	2,584,787	(216,200)
Total Revenues and Transfers in	\$ 134,253,310	\$ 134,253,310	\$ 135,717,045	\$ 1,463,735

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

City of Manchester, New Hampshire
Year Ended June 30, 2012

	Original Budget	Revised Budget	Total Commitments	Commitments vs Revised Budget Variance
General Government				
Aldermen	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
Assessors	612,320	612,320	515,318	97,002
City Clerk	998,800	998,800	923,587	75,213
City Solicitor	1,108,197	1,166,697	1,153,922	12,775
Civic Contribution	140,571	140,571	102,516	38,055
Central Fleet Management	-	27,619	27,619	-
Economic Development Office	205,302	205,302	197,218	8,084
Senior Services	240,326	240,326	227,700	12,626
Finance	913,992	913,992	886,656	27,336
Information Systems	1,478,104	1,472,446	1,471,808	638
Mayor	220,548	220,548	219,819	729
MCTV/MCAM	453,000	453,000	453,000	-
Nondepartmental	33,841,452	33,624,563	34,971,493	(1,346,930)
Non-city Program	68,434	68,434	68,434	-
Human Resources	709,981	709,981	700,716	9,265
Planning and Community Development	1,881,408	1,881,408	1,854,224	27,184
Facilities Division	6,060,630	6,111,249	6,111,249	-
Tax Collector	526,867	527,617	509,199	18,418
Youth Services	475,955	475,955	470,828	5,127
Total General Government	50,005,887	49,920,828	50,935,306	(1,014,478)
Public Safety				
Fire	18,486,979	18,486,979	18,393,700	93,279
Police	19,000,102	19,115,461	19,088,930	26,531
Total Public Safety	37,487,081	37,602,440	37,482,630	119,810
Health and Sanitation				
Health	2,621,823	2,621,823	2,519,967	101,856
Total Health and Sanitation	2,621,823	2,621,823	2,519,967	101,856
Highway and Streets				
Highway	19,269,884	19,239,584	18,262,082	977,502
Total Highway and Streets	19,269,884	19,239,584	18,262,082	977,502
Welfare				
Welfare	1,028,342	1,028,342	959,451	68,891
Total Welfare	1,028,342	1,028,342	959,451	68,891
Education				
Library	1,934,863	1,934,863	1,924,092	10,771
Total Education	1,934,863	1,934,863	1,924,092	10,771
Parks and Recreation				
Parks & Recreation	3,208,922	3,208,922	3,126,435	82,487
Total Parks and Recreation	3,208,922	3,208,922	3,126,435	82,487
Debt Service				
Principal retirement	11,434,283	11,434,283	11,434,283	-
Interest	6,830,225	6,830,225	6,767,364	62,861
Total Debt Service	18,264,508	18,264,508	18,201,647	62,861
Total Expenditures	133,821,310	133,821,310	133,411,610	409,700
Other Financing Uses				
Community improvement program	432,000	432,000	428,955	3,045
Total Other Financing Uses	432,000	432,000	428,955	3,045
Total Expenditures and Other Financing Uses	\$ 134,253,310	\$ 134,253,310	\$ 133,840,565	\$ 412,745

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.

CDBG

To account for various Community Development Block Grant funded programs.

Other Grant Fund

To account for all other Federal, State and Private grants for special programs administered by City Departments.

Civic Center

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

Revolving Loan Fund

To account for a loan program funded by CDBG funds.

Expendable Trust Fund

To account for contributions and income received from various revenue sources for non-capital and capital reserve funds.

Permanent Funds

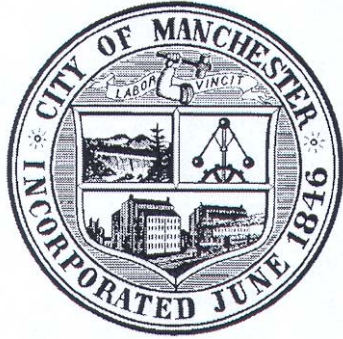
Permanent funds are to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Trust Fund

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

Library Trust Fund

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



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Nonmajor Governmental Funds
Combining Balance Sheet

	Special Revenue			
	HUD Section 108 Fund	CDBG Fund	Other Grants Fund	Civic Center Fund
Assets				
Cash and cash equivalents	\$ 1,579,767	\$ -	\$ 393,543	\$ -
Restricted cash and cash equivalents	-	-	193,133	1,928,352
Restricted investments	-	-	-	-
Receivables, net of allowances for collection losses	4,018,101	162,113	713,167	-
Total Assets	5,597,868	162,113	1,299,843	1,928,352
Liabilities and Fund Equity				
Liabilities				
Accounts and warrants payable	5,549,000	377,654	1,123,898	-
Accrued liabilities	-	9,421	46,049	-
Other liabilities	48,868	-	316,377	-
Due to other Funds	-	162,990	-	-
Unearned Revenue	-	-	193,133	-
Total Liabilities	5,597,868	550,065	1,679,457	-
Fund balances (deficits)				
Nonspendable	-	-	-	-
Restricted	-	-	-	1,928,352
Committed	-	-	-	-
Unassigned	-	(387,952)	(379,614)	-
Total Fund balances (deficits)	-	(387,952)	(379,614)	1,928,352
Total Liabilities and Fund Equity	\$ 5,597,868	\$ 162,113	\$ 1,299,843	\$ 1,928,352

City of Manchester, New Hampshire

June 30, 2012

Special Revenue		Permanent Funds		
Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	Total
\$ -	\$ 7,793,917	\$ 344,958	\$ 51,252	\$ 10,163,437
132,622	-	-	11,351	2,265,458
-	1,699,924	17,373,275	3,324,865	22,398,064
404,370	32	3	10,544	5,308,330
536,992	9,493,873	17,718,236	3,398,012	40,135,289
-	-	-	-	7,050,552
-	-	-	-	55,470
458,648	-	-	-	823,893
-	-	-	-	162,990
-	-	-	-	193,133
458,648	-	-	-	8,286,038
-	-	14,950,109	2,921,506	17,871,615
78,344	-	2,768,127	476,506	5,251,329
-	9,493,873	-	-	9,493,873
-	-	-	-	(767,566)
78,344	9,493,873	17,718,236	3,398,012	31,849,251
\$ 536,992	\$ 9,493,873	\$ 17,718,236	\$ 3,398,012	\$ 40,135,289

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

	<u>Special Revenue</u>			
	<u>HUD</u>		<u>Other</u>	<u>Civic</u>
	<u>Section 108</u>	<u>CDBG</u>	<u>Grant</u>	<u>Center</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
<u>Revenues</u>				
Federal and state grants and aid	\$ -	\$ 2,022,585	\$ 8,382,394	\$ 4,439,229
Interest	-	-	-	971
Contributions	-	-	-	-
Net appreciation (depreciation) in fair value of securities	-	-	-	-
Other	-	-	3,532,010	25,000
Total Revenues	-	2,022,585	11,914,404	4,465,200
<u>Expenditures</u>				
Current:				
General government	-	1,556,619	3,193,001	4,651,189
Public safety	-	102,800	2,334,495	-
Health and sanitation	-	109,636	1,609,948	-
Highway and streets	-	-	27,940	-
Welfare	-	-	78,472	-
Parks and recreation	-	132,243	137,621	-
Cemetery Trust	-	-	-	-
Investment management fee	-	-	-	-
Capital Outlay	-	302,559	2,852,682	-
Total Expenditures	-	2,203,857	10,234,159	4,651,189
Excess (deficiency) of revenues over expenditures	-	(181,272)	1,680,245	(185,989)
<u>Other Financing Sources (Uses)</u>				
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	(181,272)	1,680,245	(185,989)
Fund Balance (Deficit), beginning of year	-	(206,680)	(2,059,859)	2,114,341
Fund Balance (Deficit), end of year	\$ -	\$ (387,952)	\$ (379,614)	\$ 1,928,352

City of Manchester, New Hampshire
Year Ended June 30, 2012

Special Revenue		Permanent Funds		
Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	Total
\$ -	\$ -	\$ -	\$ -	\$ 14,844,208
25,653	24,740	397,330	84,429	533,123
-	3,411,127	52,632	45,166	3,508,925
-	18,514	(145,788)	(68,672)	(195,946)
-	-	-	-	3,557,010
25,653	3,454,381	304,174	60,923	22,247,320
268,105	11,324	-	106,508	9,786,746
-	-	-	-	2,437,295
-	-	-	-	1,719,584
-	-	-	-	27,940
-	-	-	-	78,472
-	-	-	-	269,864
-	-	46,182	-	46,182
-	-	37,196	16,929	54,125
-	-	-	-	3,155,241
268,105	11,324	83,378	123,437	17,575,449
(242,452)	3,443,057	220,796	(62,514)	4,671,871
-	-	(500,100)	-	(500,100)
-	-	(500,100)	-	(500,100)
(242,452)	3,443,057	(279,304)	(62,514)	4,171,771
320,796	6,050,816	17,997,540	3,460,526	27,677,480
\$ 78,344	\$ 9,493,873	\$ 17,718,236	\$ 3,398,012	\$ 31,849,251



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Nonmajor Proprietary Funds

Enterprise Funds

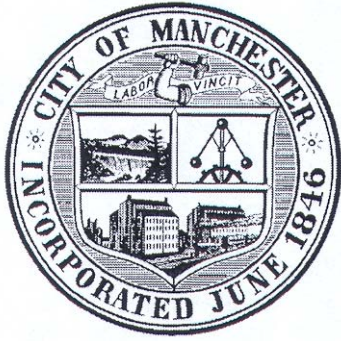
Enterprise Funds are used to account for the operations of the City that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis will be recovered or financed 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, 2012

	Business-type Activities-Enterprise Funds		
	Non-Major		Total
	Recreation Fund	Parking Fund	
Assets			
Current assets:			
Cash and Cash Equivalents	\$ 350	\$ 1,100	\$ 1,450
Restricted cash and cash equivalents	94,562	124,079	218,641
Receivables, net of allowances for collection losses	108,761	100,856	209,617
Due from other funds	-	18,142	18,142
Total current assets:	203,673	244,177	447,850
Noncurrent assets:			
Capital assets, net, where applicable, of accumulated depreciation	5,518,415	8,844,499	14,362,914
Deferred charges	32,830	20,478	53,308
Total noncurrent assets:	5,551,245	8,864,977	14,416,222
Total Assets	\$ 5,754,918	\$ 9,109,154	\$ 14,864,072
Liabilities			
Current liabilities			
Accounts and warrants payable	\$ 40,297	\$ 74,784	\$ 115,081
Accrued liabilities	366,989	50,055	417,044
Due to other funds	5,808,495	-	5,808,495
Unearned revenue	36,415	-	36,415
Bonds and notes payable	321,293	512,609	833,902
Compensated absences	144,274	66,432	210,706
Other liabilities	12,300	82,597	94,897
Total Current liabilities	6,730,063	786,477	7,516,540
Noncurrent liabilities			
Bonds payable	3,853,459	3,371,617	7,225,076
Total Noncurrent liabilities	3,853,459	3,371,617	7,225,076
Total Liabilities	10,583,522	4,158,094	14,741,616
Net Assets			
Invested in Capital Assets, net of related debt	1,425,925	4,960,273	6,386,198
Unrestricted	(6,254,529)	(9,213)	(6,263,742)
Total Net Assets (Deficit)	\$ (4,828,604)	\$ 4,951,060	\$ 122,456

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

City of Manchester, New Hampshire
 Year Ended June 30, 2012

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Recreation Fund</u>	<u>Parking Fund</u>	<u>Total</u>
<u>Operating Revenues</u>			
Charges for goods and services	\$ 1,357,803	\$ 4,400,348	\$ 5,758,151
Other	82,725	7,624	90,349
Total Operating Revenues	1,440,528	4,407,972	5,848,500
<u>Operating Expenses</u>			
Personnel services	1,119,015	1,004,792	2,123,807
Plant maintenance	25,988	61,748	87,736
Light/heat and power	224,486	33,887	258,373
General and administrative	288,889	744,498	1,033,387
Depreciation and amortization	369,698	433,141	802,839
Total Operating Expenses	2,028,076	2,278,066	4,306,142
Operating Income (Loss)	(587,548)	2,129,906	1,542,358
<u>Non-Operating Revenues (Expenses), net</u>			
Interest income	-	4,792	4,792
Interest expense	(191,124)	(177,550)	(368,674)
Rent and other income	127,073	-	127,073
Total Non-operating Revenues (Expenses)	(64,051)	(172,758)	(236,809)
Net income (loss) before capital contributions and transfers	(651,599)	1,957,148	1,305,549
<u>Capital Contributions and Transfers</u>			
Transfer to general fund	-	(2,084,687)	(2,084,687)
Transfer from general fund	-	130,877	130,877
Transfer of capital assets	68,260	-	68,260
Total Capital Contributions and Transfers	68,260	(1,953,810)	(1,885,550)
Change in Net Assets	(583,339)	3,338	(580,001)
Fund Net Assets (Deficit), beginning of year	(4,245,265)	4,947,722	702,457
Fund Net Assets (Deficit), end of year	\$ (4,828,604)	\$ 4,951,060	\$ 122,456

Nonmajor Proprietary Funds
Statement of Cash Flows

City of Manchester, New Hampshire
Year Ended June 30, 2012

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Recreation Fund</u>	<u>Parking Fund</u>	<u>Total</u>
<u>Cash Flows from Operating Activities</u>			
Cash received from customers	\$ 1,381,121	\$ 4,443,647	\$ 5,824,768
Cash payments for goods and services	(349,480)	(837,240)	(1,186,720)
Cash payments to employees for services	(1,157,928)	(987,217)	(2,145,145)
Other operating revenues	127,073	-	127,073
	786	2,619,190	2,619,976
<u>Net Cash Provided by Operating Activities</u>			
<u>Cash Flows from Non-Capital and Related Financing Activities</u>			
Due to (from) general fund	527,947	(18,142)	509,805
Cash received from general fund	-	130,877	130,877
Cash payment to the City	-	(2,087,562)	(2,087,562)
Interest paid on cash advances	(12,365)	-	(12,365)
	515,582	(1,974,827)	(1,459,245)
<u>Net Cash (Used in) Provided by Non-Capital & Related Financing Activities</u>			
<u>Cash Flows from Capital and Related Financing Activities</u>			
Payments to escrow agent for refunding	-	(115,604)	(115,604)
Principal paid on bonds	(310,165)	(470,239)	(780,404)
Interest paid on bonds	(187,544)	(178,936)	(366,480)
Proceeds from refunding bonds	-	105,254	105,254
Acquisition and construction of capital assets	(18,669)	-	(18,669)
Proceeds from premiums	-	5,690	5,690
	(516,378)	(653,835)	(1,170,213)
<u>Net Cash Used in Capital & Related Financing Activities</u>			
<u>Cash Flows from Investing Activities</u>			
Interest and dividends from investments	-	4,792	4,792
	-	4,792	4,792
<u>Net Cash Provided by Investing Activities</u>			
Net Decrease in Cash and Cash Equivalents	(10)	(4,680)	(4,690)
Cash and Cash Equivalents at Beginning of Year	94,922	129,859	224,781
Cash and Cash Equivalents at End of Year	\$ 94,912	\$ 125,179	\$ 220,091
<u>Reconciliation of operating profit (loss) to net cash provided by operating activities</u>			
Operating income (loss)	\$ (587,548)	\$ 2,129,906	\$ 1,542,358
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:			
Depreciation and amortization	369,698	433,141	802,839
Adjustment to construction in progress	-	3,000	3,000
Non-operating revenue	127,073	-	127,073
Change in Assets and Liabilities			
(Increase) decrease in receivables	(61,476)	38,730	(22,746)
Decrease in prepaid expenses and other assets	2,331	1,788	4,119
Increase (decrease) in accounts payable	1,077	(8,422)	(7,345)
Increase in accrued liabilities	186,409	10,370	196,779
Increase (decrease) in compensated absences	(38,847)	13,732	(25,115)
Increase (decrease) in other liabilities	9	(3,055)	(3,046)
Increase in unearned revenue	2,060	-	2,060
	\$ 786	\$ 2,619,190	\$ 2,619,976
<u>Net Cash Provided by Operating Activities</u>			
<u>Schedule of Noncash Investing, Capital and Financing Activities</u>			
Transfer of Capital Assets	\$ 68,260	\$ -	\$ 68,260
Amortization of net bond premium/ deferred loss	\$ 6,556	\$ 2,487	\$ 9,043

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, 2012

Capital Assets

Land	\$ 14,386,030
Buildings	347,288,585
Improvements other than buildings	28,450,818
Equipment	16,938,510
Easements	52,426
Work-in-Process	35,052,994
Vehicles	25,617,818
Infrastructure	101,324,972

Total Capital Assets **\$ 569,112,153**

Investments in Capital Assets

Capital project funds	\$ 413,603,581
General fund revenues	32,865,465
Special revenue funds	122,643,107

Total Investments in Capital Assets **\$ 569,112,153**

Schedule of Capital Assets - By Function and Activity

June 30, 2012

	Improvements							Total
	Land	Buildings	Other Than		Easements	Vehicles	Infrastructure	
			Buildings	Equipment				
General Government								
Baseball stadium	\$ -	\$ 24,658,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,658,502
Building	-	-	-	-	-	161,358	-	161,358
City Clerk	-	-	-	82,461	-	64,710	-	147,171
Central Fleet Management	-	-	-	14,904	-	308,348	-	323,252
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	-	1,218,416	-	21,253	-	1,383,378
Mayor	-	-	-	13,989	-	-	-	13,989
Personnel	-	-	-	8,354	-	20,058	-	28,412
Planning & Community Dev	44,714	968,974	-	35,511	-	26,808	-	1,076,007
Facilities	437,250	6,071,659	115,084	31,345	-	308,215	-	6,963,553
Tax Collector	-	-	-	136,187	-	-	-	136,187
Total General Government	6,655,628	101,980,332	115,084	1,565,373	-	910,750	-	111,227,167
Public Safety								
Fire Protection	661,290	10,823,949	126,285	1,614,475	-	10,809,923	-	24,035,922
Police Protection	96,115	4,199,763	52,716	343,066	-	1,955,725	-	6,647,385
Total Public Safety	757,405	15,023,712	179,001	1,957,541	-	12,765,648	-	30,683,307
Health and Sanitation								
Cemetery	71,255	626,736	348,293	948,725	-	559,474	-	2,554,483
Health	-	5,301,803	-	164,530	-	223,071	-	5,689,404
Total Health and Sanitation	71,255	5,928,539	348,293	1,113,255	-	782,545	-	8,243,887
Highway and Streets								
Highway	108,104	1,033,183	4,465,978	4,321,145	52,426	9,700,507	98,236,352	117,917,695
Total Highway and Streets	108,104	1,033,183	4,465,978	4,321,145	52,426	9,700,507	98,236,352	117,917,695
Welfare								
Welfare	27,489	109,955	-	-	-	-	-	137,444
Total Welfare	27,489	109,955	-	-	-	-	-	137,444
Education								
Library	72,270	4,647,814	-	73,775	-	-	-	4,793,859
School	1,602,542	205,735,653	3,416,389	92,261	-	-	-	210,846,845
Total Education	1,674,812	210,383,467	3,416,389	166,036	-	-	-	215,640,704
Parks and Recreation								
Parks & Recreation	5,091,337	12,829,397	19,926,073	7,815,160	-	1,458,367	3,088,621	50,208,955
Total Parks and Recreation	5,091,337	12,829,397	19,926,073	7,815,160	-	1,458,367	3,088,621	50,208,955
Construction in Progress								
Construction in Progress	-	34,654,426	308,561	-	-	-	90,007	35,052,994
Total General Fixed Assets								
Allocated to Functions	\$ 14,386,030	\$ 381,943,011	\$ 28,759,379	\$ 16,938,510	\$ 52,426	\$ 25,617,817	\$ 101,414,980	\$ 569,112,153

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. 108

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 116

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. 122

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. 127

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. 130

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

City of Manchester, New Hampshire
 Table I

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010 *	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ 84,480,112	\$ 94,437,831	\$ 114,061,411	\$ 139,339,868	\$ 137,362,874	\$ 130,205,321	\$ 144,179,247	\$ 134,654,018	\$ 140,218,259	\$ 141,589,820
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	18,990,583	23,071,145
Unrestricted	(30,311,548)	(30,880,302)	(39,978,617)	(46,459,710)	(30,612,818)	(22,179,743)	(37,769,673)	(27,211,134)	(24,479,074)	(22,513,971)
Total governmental activities net assets	\$ 71,713,889	\$ 82,719,386	\$ 93,521,188	\$ 113,137,195	\$ 129,139,479	\$ 130,197,224	\$ 124,663,943	\$ 126,909,231	\$ 134,729,768	\$ 142,146,994
Business-type activities:										
Invested in capital assets, net of related debt	\$ 225,163,369	\$ 243,639,543	\$ 278,806,782	\$ 290,467,921	\$ 316,387,714	\$ 326,272,247	\$ 315,979,117	\$ 304,237,386	\$ 306,967,260	\$ 318,572,917
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	63,087,461	55,255,580
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	32,711,684	32,527,468
Total business-type activities net assets	\$ 311,301,231	\$ 324,578,631	\$ 339,595,957	\$ 352,124,808	\$ 372,485,348	\$ 395,182,001	\$ 392,157,230	\$ 392,474,863	\$ 402,766,405	\$ 406,355,965
Primary government:										
Invested in capital assets, net of related debt	\$ 309,643,481	\$ 338,077,374	\$ 392,868,193	\$ 429,807,789	\$ 453,750,588	\$ 456,477,568	\$ 460,158,364	\$ 438,891,404	\$ 447,185,519	\$ 460,162,737
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	82,078,044	78,326,725
Unrestricted	14,068,709	11,565,311	(21,517,634)	(31,729,129)	(21,459,040)	(9,802,389)	(20,910,910)	1,529,417	8,232,610	10,013,497
Total primary government net assets	\$ 383,015,120	\$ 407,298,017	\$ 433,117,145	\$ 465,262,003	\$ 501,624,827	\$ 525,379,225	\$ 516,821,173	\$ 519,384,094	\$ 537,496,173	\$ 548,502,959

* As restated for OPEB accrual.

Changes In Net Assets
 Last Ten Fiscal Years
 (accrued basis of accounting)
 (Unaudited)

City of Manchester, New Hampshire
 Table II

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 43,125,554	\$ 44,278,816
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	61,213,077	60,454,957
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	5,867,746	6,031,708
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	29,260,549	27,764,814
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	1,343,084	1,325,476
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	8,680,202	8,964,830
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	5,737,764	6,574,730
Cemetery Trust	36,037	32,627	26,100	27,163	21,802	60,000	125,855	79,055	36,359	46,182
Investment management fee	23,511	29,071	30,823	36,920	38,834	55,177	56,649	57,695	55,407	54,125
Interest	-	-	5,359,441	4,399,559	4,094,284	4,409,099	4,042,827	3,895,389	5,466,279	5,824,536
Total governmental activities expenses	113,432,721	116,977,094	125,312,989	124,955,588	136,510,461	144,132,695	149,174,572	154,171,546	160,786,021	161,320,174
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	18,455,490	17,512,501
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	15,127,410	15,419,089
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	54,480,487	56,169,425
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	2,431,535	2,219,200
Aggregation	134,986	173,941	75,465	77,900	-	-	-	-	-	-
Parking	-	-	-	-	2,662,454	3,093,657	2,938,857	2,337,593	2,582,954	2,455,616
Total business-type activities expenses	73,916,426	73,075,050	86,740,737	87,561,135	97,065,051	101,966,728	104,529,647	96,812,895	93,077,876	93,775,831
Total primary government expenses	187,349,147	190,052,144	212,053,726	212,516,723	233,575,512	246,099,423	253,704,219	250,984,441	253,863,897	255,096,005
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	20,430,052	18,121,623
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	1,601,622	1,818,606
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	2,212,021	2,286,383
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	1,572,687	2,347,920
Welfare	107,019	93,813	94,465	78,928	74,100	44,825	47,925	31,092	21,544	31,293
Education and library	-	204,659	27,420	(12,894)	221,469	-	-	121,260	441,807	(68,672)
Parks and recreation	835,795	2,469,182	1,404,382	614,752	1,564,145	689,115	547,336	1,955,050	3,673,131	653,918
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	10,852,586	8,581,356
Public safety	1,376,437	1,492,792	1,375,203	2,450,968	1,658,805	983,941	738,082	2,416,018	2,678,785	2,668,080
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	1,918,638	1,637,322
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	2,304,118	2,898,538
Education and library	8,965	13,240	27,777	52,022	39,017	125,820	154,977	57,045	55,380	45,166
Parks and recreation	605,682	595,552	506,398	1,587,946	585,536	1,561,614	662,097	815,756	696,688	179,133
Capital grants and contributions:										
General government	-	-	-	-	-	-	-	-	406,928	400,000
Public safety	-	-	-	-	-	-	-	-	-	37,705
Highways and streets	-	-	-	-	4,436,221	6,201,812	2,690,181	908,525	4,099,925	2,769,813
Parks and recreation	-	-	-	-	-	-	-	315,029	-	-
Total governmental activities program revenue	41,689,957	46,909,992	46,351,072	49,210,833	49,751,900	45,944,993	43,429,165	46,278,862	52,965,912	44,408,184

Changes In Net Assets (Continued)

City of Manchester, New Hampshire

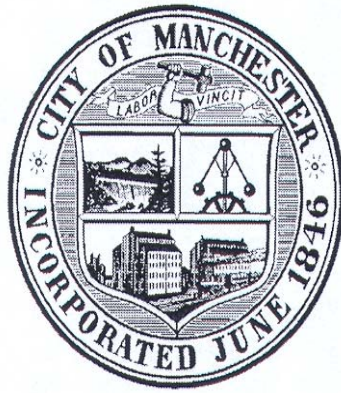
Last Ten Fiscal Years

Table II

(accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	16,987,128	16,187,322
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	21,558,040	19,917,784
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	46,497,429	44,508,490
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	1,587,848	1,567,601
Aggregation	182,090	55,661	82,938	-	-	-	-	-	-	-
Parking	-	-	-	-	4,653,498	4,892,834	4,849,094	4,534,452	4,365,668	4,407,972
Operating grants and contributions:										
EPD	325,855	959,284	2,377,826	1,935,899	663,143	983,903	-	-	49,906	34,865
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	94,541	-
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	3,470,596	1,459,935
EPD	997,522	2,019,325	679,713	1,503,330	294,953	389,462	1,520,198	1,192,828	761,826	3,794,290
Aviation	25,527,921	817,782	13,914,058	4,902,721	20,333,025	17,325,965	2,962,441	4,747,164	8,810,475	6,648,304
Recreation	-	189,019	902,731	100,753	-	-	120,200	-	-	-
Total business-type activities program revenues	102,122,209	79,853,533	102,326,597	94,708,001	115,259,431	120,449,480	101,885,991	98,559,318	104,183,457	98,526,563
Total primary government program revenues	143,812,166	126,763,525	148,677,669	143,918,834	159,667,615	120,449,480	101,885,991	98,559,318	104,183,457	142,934,747
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)	(107,820,109)	(116,911,990)
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	11,105,581	4,750,732
Total primary government net expense	(43,536,981)	(63,288,619)	(63,376,057)	(68,597,889)	(68,564,181)	(79,704,950)	(108,389,063)	(106,146,261)	(96,714,528)	(112,161,258)
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	90,457,552	94,089,096
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	13,953,158	14,328,534
Franchise fees	995,354	1,033,635	1,158,850	987,449	1,069,452	1,127,631	1,224,321	1,692,256	1,755,899	1,791,461
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	1,202,692	1,285,836
Investment Income	-	-	-	-	-	-	-	-	-	4,660,770
Debt reimbursement from MSD	5,985,063	5,797,821	6,697,790	6,569,723	4,863,635	5,759,531	5,900,612	6,001,664	6,162,664	6,208,443
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	1,979,574	1,966,382
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	129,107	(1,306)
Total governmental activities	79,962,101	81,072,599	89,763,719	95,360,762	102,760,845	99,245,447	100,212,126	115,678,846	115,640,646	124,329,216
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	872,337	797,856
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)	(1,979,574)	(1,966,382)
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)	293,198	7,354
Total business-type activities	962,372	6,498,917	(568,534)	5,381,985	2,166,160	4,213,901	(381,115)	(1,428,790)	(814,039)	(1,161,172)
Total primary government	80,924,473	87,571,516	89,195,185	100,742,747	104,927,005	103,459,348	99,831,011	114,250,056	114,826,607	123,168,044
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	7,820,537	7,417,226
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	10,291,542	3,589,560
Total primary government	\$ 37,387,492	\$ 24,282,897	\$ 25,819,128	\$ 32,144,858	\$ 36,362,824	\$ 23,754,398	\$ (8,558,052)	\$ 8,103,795	\$ 18,112,079	\$ 11,006,786



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Program Revenues by Function/Program
 Last Ten 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	2011	2012
Governmental activities:										
General government	\$ 21,527,465	\$ 25,219,073	\$ 27,315,854	\$ 27,179,410	\$ 32,683,174	\$ 27,815,709	\$ 29,777,456	\$ 30,864,483	\$ 31,689,566	\$ 27,102,979
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	4,280,407	4,524,391
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	4,130,659	3,923,705
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	7,976,730	8,016,271
Welfare	107,019	93,813	94,465	78,928	74,100	44,825	47,925	31,092	21,544	31,293
Education and library	8,965	217,899	55,197	39,128	260,486	125,820	154,977	178,305	497,187	(23,506)
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	4,369,819	833,051
Total governmental activities	41,689,957	46,909,992	46,351,072	49,210,833	49,751,900	45,944,993	43,429,165	46,278,862	52,965,912	44,408,184
Business-type activities:										
Water	12,662,817	13,750,252	15,997,855	17,586,400	18,668,313	17,904,408	16,439,530	16,884,248	20,457,724	17,647,257
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	22,369,772	23,746,939
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	55,402,445	51,156,794
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	1,587,848	1,567,601
Aggregation	182,090	55,661	82,938	-	-	-	-	-	-	-
Parking	-	-	-	-	4,653,498	4,892,834	4,849,094	4,534,452	4,365,668	4,407,972
Total business-type activities	102,122,209	79,853,533	102,326,597	94,708,001	115,259,432	120,449,480	101,885,991	98,559,318	104,183,457	98,526,563
Total government	\$ 143,812,166	\$ 126,763,525	\$ 148,677,669	\$ 143,918,834	\$ 165,011,332	\$ 166,394,473	\$ 145,315,156	\$ 144,838,180	\$ 157,149,369	\$ 142,934,747

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

	2003	2004	2005	2006
General Fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	6,449,829	6,437,435	8,738,265	7,315,876
Designated	15,054,664	17,271,800	14,187,935	17,228,952
Unreserved	1,304,404	1,356,227	1,122,693	772,131
Total General Fund	\$ 22,808,897	\$ 25,065,462	\$ 24,048,893	\$ 25,316,959
All Other Governmental Funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	1,864,721	7,020,587	7,498,404	3,023,718
Unreserved, reported in:				
Special revenue funds	2,483,422	3,516,922	4,835,218	5,333,550
Capital projects funds	(9,674,249)	102,401,303	14,009,088	(8,265,253)
Designated				
Permanent funds	14,581,214	16,446,853	17,167,013	18,322,250
Total all other government funds	\$ 9,255,108	\$ 129,385,665	\$ 43,509,723	\$ 18,414,265

Note: The City implemented GASB 54 in Fiscal Year 2011.

Manchester, New Hampshire

Table IV

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ -	\$ -	\$ -	\$ -	\$ 10,493,541	\$ 10,955,951
-	-	-	-	1,127,897	1,954,897
-	-	-	-	3,386,978	2,796,925
-	-	-	-	376,310	719,593
-	-	-	-	7,620,229	7,512,470
7,127,401	9,293,045	6,085,726	7,282,959	-	-
18,451,651	12,890,049	14,656,303	18,601,566	-	-
305,582	(757,981)	(4,292,560)	(4,697,684)	-	-
<u>\$ 25,884,634</u>	<u>\$ 21,425,113</u>	<u>\$ 16,449,469</u>	<u>\$ 21,186,841</u>	<u>\$ 23,004,955</u>	<u>\$ 23,939,836</u>
\$ -	\$ -	\$ -	\$ -	\$ 17,862,686	\$ 17,871,615
-	-	-	-	49,116,167	9,585,968
-	-	-	-	6,050,816	9,493,873
-	-	-	-	1,254,670	9,562,724
-	-	-	-	(2,266,539)	(767,566)
8,405,102	1,456,645	4,775,205	1,303,620	-	-
5,748,166	6,249,863	1,132,950	2,496,791	-	-
5,820,499	6,103,294	(8,227,489)	8,968,775	-	-
20,116,364	19,596,479	16,952,664	18,164,642	-	-
<u>\$ 40,090,131</u>	<u>\$ 33,406,281</u>	<u>\$ 14,633,330</u>	<u>\$ 30,933,828</u>	<u>\$ 72,017,800</u>	<u>\$ 45,746,614</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes	\$ 59,369,549	\$ 62,989,526	\$ 65,843,620	\$ 69,052,574
Federal and state grants and aid	20,755,631	23,031,879	20,647,964	27,016,053
Nonenterprise charges for sales and services	4,613,875	4,831,694	4,700,155	4,908,852
Licenses and permits	20,521,738	21,452,411	21,964,114	21,609,795
Interest	1,087,525	2,606,686	2,890,054	3,706,927
Contributions	117,529	1,094,669	109,069	434,529
Net Gain (Loss) on sale of securities	75,061	2,307,874	453,314	139,631
Wall Street Tower Recovery	-	-	-	-
Other	9,335,188	10,383,875	13,652,248	12,208,823
Total revenues	115,876,096	128,698,614	130,260,538	139,077,184
Expenditures:				
General government	30,723,093	75,458,238	109,422,862	54,219,429
Public safety	38,907,268	40,896,490	42,965,272	47,901,463
Health and sanitation	3,952,571	4,816,844	4,842,162	4,596,652
Highway and streets	29,136,467	26,989,382	28,759,534	32,024,811
Welfare	1,373,226	1,341,846	1,321,072	1,421,506
Education	2,265,134	2,538,230	3,430,734	2,643,102
Parks and recreation	4,712,978	8,941,058	8,942,033	7,072,385
Cemetery Trust	34,000	30,889	26,100	26,100
Investment management fee	23,511	29,071	30,823	36,920
Capital Outlay	-	-	-	-
Debt service:				
Principal retirement	10,890,802	9,630,629	9,832,097	9,986,012
Interest	5,181,212	10,083,141	7,721,471	5,480,168
Total expenditures	127,200,262	180,755,818	217,294,160	165,408,548
Excess of expenditures over revenues	(11,324,166)	(52,057,204)	(87,033,622)	(26,331,364)
Other financing sources (uses):				
Proceeds of refunding bonds	-	24,490,273	73,516,645	-
Payment to refunded bond escrow agent	-	(24,276,368)	(82,354,058)	-
Proceeds from premium of refunding bonds	-	-	10,059,239	-
Deferred cost of issuance	-	-	(1,087,631)	-
Proceeds from sale of capital assets	-	3,300,000	-	3,916,500
Bond proceeds	-	170,930,421	-	-
Transfers in	2,587,754	2,832,843	9,940,580	3,518,731
Transfers out	(2,581,685)	(2,832,843)	(9,933,664)	(4,931,259)
Total other financing sources	6,069	174,444,326	141,111	2,503,972
Net changes in fund balance	\$ (11,318,097)	\$ 122,387,122	\$ (86,892,511)	\$ (23,827,392)
Debt service as a percentage of noncapital expenditures	12.64%	10.91%	8.08%	9.35%

City of Manchester, New Hampshire
Table V

Fiscal Year						
	2007	2008	2009	2010	2011	2012
\$	73,363,164	\$ 74,336,731	\$ 77,904,205	\$ 90,436,153	\$ 92,102,359	\$ 95,403,257
	24,927,919	23,305,609	26,231,368	23,095,722	22,139,779	18,709,403
	2,710,485	2,429,468	2,368,050	2,165,049	2,277,246	2,500,250
	19,068,754	18,313,330	17,115,452	17,617,599	17,505,243	17,789,758
	4,295,613	4,445,436	1,814,972	1,187,000	1,202,693	1,285,835
	138,372	985,543	402,087	135,880	4,803,681	3,508,925
	1,191,353	-	(3,637,617)	1,458,322	3,491,857	(195,946)
	-	-	1,600,978	-	-	-
	12,503,590	11,150,475	11,647,136	15,072,675	16,321,844	16,401,661
	138,199,250	134,966,592	135,446,631	151,168,400	159,844,702	155,403,143
	41,048,166	30,981,002	38,316,759	39,216,341	36,255,021	37,623,065
	49,385,498	51,736,764	51,665,596	54,795,033	59,337,519	57,758,252
	4,447,215	4,908,827	4,887,210	5,527,220	5,750,650	5,612,106
	29,351,050	24,334,488	24,601,891	23,418,349	24,687,830	23,730,684
	1,422,018	1,301,558	1,249,651	1,436,588	1,360,692	1,314,382
	3,804,524	2,508,754	2,609,605	2,809,571	2,880,827	2,745,594
	4,522,372	3,973,816	4,075,944	3,939,829	3,867,091	4,399,399
	55,100	60,000	125,855	79,055	36,358	46,182
	38,834	55,179	56,649	57,695	55,407	54,125
	-	13,578,094	18,682,024	16,344,382	20,085,277	34,291,831
	8,209,680	9,218,984	9,469,389	7,972,425	9,330,350	11,434,283
	5,144,530	5,518,191	5,131,797	4,742,047	5,170,992	6,767,364
	147,428,987	148,175,657	160,872,370	160,338,535	168,818,014	185,777,267
	(9,229,737)	(13,209,065)	(25,425,739)	(9,170,135)	(8,973,312)	(30,374,124)
	29,987,518	-	-	25,758,915	49,360,000	2,855,000
	-	-	-	-	(34,440,529)	(20,624,886)
	495,728	-	-	801,754	31,584,742	20,491,796
	-	-	-	-	(933,463)	(235,915)
	-	431,873	412,670	1,562,670	4,584,498	598,014
	-	-	-	-	-	-
	4,916,661	4,462,992	3,252,946	3,818,579	2,713,249	2,669,856
	(3,926,629)	(2,829,171)	(1,988,472)	(1,733,913)	(993,099)	(716,046)
	31,473,278	2,065,694	1,677,144	30,208,005	51,875,398	5,037,819
\$	22,243,541	\$ (11,143,371)	\$ (23,748,595)	\$ 21,037,870	\$ 42,902,086	\$ (25,336,305)
	9.06%	9.95%	9.08%	7.93%	8.59%	9.80%

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
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
2011	88,951,612	-	1,599,521	41,904	40,447	514,970
2012	92,353,239	-	1,639,884	39,789	30,113	468,646
Change from first year on record versus 2012	60.62%	-100.00%	64.75%	18.61%	24.38%	60.29%

City of Manchester, New Hampshire
Table VI

Lien	Railroad Tax	Tax Lien	Yield / Miscellaneous tax	Central Business District	Total
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
651,006	2,147	28,222	14,529	258,001	92,102,359
575,337	1,226	36,579	442	258,002	95,403,257
163.95%	-73.54%	8.30%	100.00%	14.74%	60.69%

**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 (Reduction)	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
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%
2011	6,488,365,904	3,603,925,896	10,092,291,800	0.67%	17.81	9,807,261,625	97.18%
2012	5,276,088,576	3,138,997,224	8,415,085,800	-16.20%	21.96	8,197,207,000	97.41%

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.

**Property Tax Rates
Last Ten Fiscal Years**

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

REAL PROPERTY TAX RATES

DRA	Fiscal Year	Rate per thousand (1)				
		City	School Local	School State	County	Total
2002	2003	11.51	6.73	5.83	1.61	25.68
2003	2004	12.19	7.07	5.49	1.65	26.40
2004	2005	12.38	9.47	4.34	1.73	27.92
2005	2006	12.91	9.21	4.35	1.89	28.36
2006	2007	7.96	5.36	2.48	1.05	16.85 ⁽¹⁾
2007	2008	7.84	5.29	2.42	1.02	16.57
2008	2009	8.05	5.98	2.28	1.04	17.35
2009	2010	9.27	5.34	2.22	1.02	17.85
2010	2011	9.28	5.41	2.16	0.96	17.81
2011	2012	11.62	6.72	2.46	1.16	21.96 ⁽¹⁾

Notes

⁽¹⁾ 2007 and 2012 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	2012			2003		
	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	\$ 145,125,200	1	1.48%	\$ 83,500,000	1	1.58%
Public Service Co. of NH	123,531,100	2	1.26%	72,151,904	2	1.36%
Energy North Natural Gas, Inc.	50,909,600	3	0.52%	30,011,700	3	0.57%
SRP6 NH LLC	48,038,800	4	0.49%	-	-	-
Fairfield Countryside, LLC	36,384,200	5	0.37%	-	-	-
Manchester Hill Vistas, Inc	31,167,700	6	0.32%	16,862,600	5	0.32%
IPC Office Properties, LLC	28,508,800	7	0.29%	22,342,000	4	0.42%
1200 Elm Street, LLC	26,372,800	8	0.27%	-	-	-
Brady Sullivan Plaza, LLC	23,409,900	9	0.24%	-	-	-
Farley White Manchester, LLC	21,972,600	10	0.22%	14,764,300	8	0.28%
May Center Associates, Corp.	-	-	-	16,600,000	6	0.31%
Cotter Company	-	-	-	14,799,900	7	0.28%
NH Vermont Blue Cross Blue Shield	-	-	-	14,665,000	9	0.28%
The Hitchcock Clinic	-	-	-	14,337,200	10	0.27%
Total	<u>\$ 535,420,700</u>		<u>5.45%</u>	<u>\$ 300,034,604</u>		<u>5.67%</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
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%
2011	2010	173,060,676	170,247,675	98.37%	2,864,001	173,111,676	100.03%
2012	2011	179,018,678	176,015,644	98.32%	3,038,303	179,053,947	100.02%

Note:

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

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

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

Fiscal Year	Governmental Activities			Business-Type Activities			
	General Obligation Bonds	Percentage of Actual Property Value (1)	Debt Per Capita (2)	General Obligation Bonds	Total Primary Government	Percentage of Per Capita Income	Per Capita (2)
	2003	118,936,695	2.32%	1,100	44,030,159	162,966,854	0.0225%
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
2011	189,869,044	1.94%	1,733	49,922,515	239,791,559	0.0191%	2,189
2012	178,249,438	2.17%	1,625	85,078,576	263,328,014	0.0182%	2,401

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

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

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

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

City of Manchester, New Hampshire
Table XII

CITY	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 686,468	\$ 815,916	\$ 941,161	\$ 1,033,737	\$ 1,024,367	\$ 1,003,185	\$ 954,056	\$ 834,777	\$ 822,217	\$ 818,504
Total net debt applicable to limit	85,125	155,233	100,178	91,518	112,405	103,739	94,848	108,476	143,510	135,516
Legal debt margin	\$ 601,343	\$ 660,683	\$ 840,983	\$ 942,219	\$ 911,962	\$ 899,446	\$ 859,208	\$ 726,301	\$ 678,707	\$ 682,988
Total net debt applicable to the limit as a percentage of debt limit	12.40%	19.03%	10.64%	8.85%	10.97%	10.34%	9.94%	12.99%	17.45%	16.56%

Legal Debt Margin Calculation for Fiscal Year 2012

Base equalized valuation - real estate	\$ 8,394,916
Debt limit (9.75% of base valuation)	818,504
Debt applicable to limit:	
Total bonded debt for general government	143,989
Recreation enterprise debt	4,142
Less debt for urban redevelopment	(625)
Less debt for pension obligation bonds	(11,990)
Total net debt applicable to limit	135,516
Legal debt margin	\$ 682,988

SCHOOL	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 492,849	\$ 585,786	\$ 675,706	\$ 742,170	\$ 735,443	\$ 720,236	\$ 684,963	\$ 599,327	\$ 590,310	\$ 587,644
Total net debt applicable to limit	38,400	43,056	39,134	35,070	38,873	35,708	32,538	34,734	37,712	34,746
Legal debt margin	\$ 454,449	\$ 542,730	\$ 636,572	\$ 707,100	\$ 696,570	\$ 684,528	\$ 652,425	\$ 564,593	\$ 552,598	\$ 552,898
Total net debt applicable to the limit as a percentage of debt limit	7.79%	7.35%	5.79%	4.73%	5.29%	4.96%	4.75%	5.80%	6.39%	5.91%

Legal Debt Margin Calculation for Fiscal Year 2012

Base valuation - real estate	\$ 8,394,916
Debt limit (7% of base valuation)	587,644
Debt applicable to limit:	
Total bonded debt for school district	115,501
Less debt for facilities revenue bond	(80,755)
Total net debt applicable to limit	34,746
Legal debt margin	\$ 552,898

Water and Waste Water	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 704,070	\$ 836,837	\$ 965,294	\$ 1,060,243	\$ 1,050,633	\$ 1,028,908	\$ 978,519	\$ 856,182	\$ 843,299	\$ 839,492
Total net debt applicable to limit	43,084	43,885	41,211	31,883	28,114	32,098	34,660	30,710	40,182	40,649
Legal debt margin	\$ 660,986	\$ 792,952	\$ 924,083	\$ 1,028,360	\$ 1,022,519	\$ 996,810	\$ 943,859	\$ 825,472	\$ 803,117	\$ 798,843
Total net debt applicable to the limit as a percentage of debt limit	6.12%	5.24%	4.27%	3.01%	2.68%	3.12%	3.54%	3.59%	4.76%	4.84%

Legal Debt Margin Calculation for Fiscal Year 2012

Base valuation - real estate	\$ 8,394,916
Debt limit (10% of base valuation)	856,182
Debt applicable to limit:	
Total bonded debt for water projects	44,927
Less debt for revenue bonds	(36,375)
Total bonded debt for sewer projects	32,097
Total net debt applicable to limit	40,649
Legal debt margin	\$ 815,533

Aviation Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Revenue Credit From Prior Year ⁽⁴⁾	Coverage Amount From Prior Year ⁽⁴⁾	Expenses ⁽¹⁾
2003 ⁽³⁾	38,658,389	2,467,415	2,236,000	20,192,680
2004	41,424,013	3,093,467	2,825,135	21,673,975
2005	47,157,125	3,678,923	2,774,395	24,838,364
2006	48,357,684	5,514,506	2,880,378	25,777,902
2007	48,682,443	6,012,000	3,000,053	28,480,391
2008	49,821,503	5,076,000	3,172,740	31,143,159
2009	44,732,558	3,987,000	3,037,745	27,790,716
2010	40,739,466	2,485,000	3,275,222	25,547,284
2011	40,820,451	1,909,000	3,275,222	25,234,918
2012	39,346,192	2,024,000	3,275,222	24,863,023

Notes

- ⁽¹⁾ Exclusive of depreciation and bond interest.
- ⁽²⁾ Principal, interest, and O&M reserve required at year end to fund three months of operations and maintenance expense.
- ⁽³⁾ As of fiscal 2003, the 1992 Debt was paid off and there is no 1992 Debt Service coverage required.
- ⁽⁴⁾ Provided by Jacob's Consultancy formerly known as Leigh Fisher Associates, Aviation Consultants
- ⁽⁵⁾ As of fiscal 2009, the O & M Reserve and bond issuance costs of \$609,400 were not included in the coverage ratio calculation.

Net Revenue Available for 1992 Debt Service	REQUIREMENTS		Net Revenue Available for 1998/2000/2001/2002 Debt Service	REQUIREMENTS		Coverage ratio
	1992 Debt Service Total ⁽²⁾	Coverage		1998/2000/2001/2002 Debt Service Total ⁽²⁾	Debt Service O & M Reserve ⁽⁴⁾	
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	26,927,084	12,150,980	1,521,600	1.97
N/A	N/A	N/A	23,966,587	12,671,309	609,400 ⁽⁵⁾	1.89
N/A	N/A	N/A	20,952,405	11,872,671	-	1.76
N/A	N/A	N/A	20,769,755	10,515,216	-	1.98
N/A	N/A	N/A	19,782,391	12,230,032	-	1.62

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

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

MWW Fiscal Year December 31	Gross Revenue	Expenses ⁽¹⁾	Net Revenue Available for Debt Service	REQUIREMENTS	
				Revenue Bonds Section 705	
				Total	Coverage Ratio
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
2010	15,347,925	10,758,562	4,589,363	3,186,496	1.44
2011 ⁽²⁾	N/A	N/A	N/A	N/A	N/A

Note

⁽¹⁾ Exclusive of depreciation and bond interest.

⁽²⁾ As of fiscal 2011, the outstanding revenue bond balance was refunded through an issuance of General Obligation bonds. There is no longer a Debt Service coverage required.

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

City of Manchester, New Hampshire
Table XV

Fiscal Year Ended June 30	Population ⁽¹⁾	Per Capita Income ⁽²⁾	School Enrollment ⁽³⁾	Monthly Unemployment Rate ⁽⁴⁾
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%
2011	109,565	45,892	16,117	5.2%
2012	109,687	47,981	15,875	6.0%

Sources:

- ⁽¹⁾ NH Office of Energy and Planning, using most recent data available up through 2011.
- ⁽²⁾ U.S. Department of Commerce, BEA (Bureau of Economic Analysis), using Manchester-Nashua MSA, based on most recent data available up through 2011.
- ⁽³⁾ City of Manchester, NH School Department
- ⁽⁴⁾ State of New Hampshire, Economic and Labor Market Information Bureau

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

City of Manchester, New Hampshire
Table XVI

Employer	2012			2003		
	Employees ⁽¹⁾	Rank ⁽¹⁾	Percentage of Total average City Employment ⁽²⁾	Employees ⁽³⁾	Rank ⁽³⁾	Percentage of Total average City Employment ⁽³⁾
Elliot Hospital	3,485	1	5.39%	2,145	1	3.21%
Catholic Medical Center	2,100	2	3.25%	1,400	3	2.09%
Public Service of New Hampshire	1,500	3	2.32%	1,250	5	1.87%
FairPoint Comms. (formerly Verizon)	1,200	4	1.85%	2,100	2	3.14%
United Parcel Service	1,131	5	1.75%			
TD Bank, formerly Bank of NH	1,100	6	1.70%	1,260	4	1.88%
Citizens Bank	900	7	1.39%	1,200	6	1.79%
Southern NH University	1,000	8	1.55%			
Veterans Affairs Medical Center	678	9	1.05%			
Saint Anselm College	663	10	1.02%			
Anthem Blue Cross & Blue Shield				801	7	1.20%
Shop 'N Save				725	8	1.08%
Osram Sylvania				675	9	1.01%
Freudenberg NOK				550	10	0.82%

Sources:

⁽¹⁾ NH Business Review Book of Lists 2013.

⁽²⁾ NH Employment Security, Economic and Labor Market Bureau - 2012 figures used.

⁽³⁾ NH Employment Security, Economic and Labor Market Bureau - 2003 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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government:										
Aldermen	14	14	14	14	14	14	14	14	14	14
Assessors	7	9	9	9	9	8	8	8	7	7
Building	19	20	20	20	18	18	19	-	-	-
Building Maintenance	14	18	18	19	19	19	18	18	20	18
City Clerk	18	18	18	18	15	15	15	16	17	15
City Solicitor	12	12	12	13	12	13	13	13	13	13
Economic Development Office	3	3	3	4	4	4	4	4	3	2
Elderly Services	5	4	4	4	4	4	4	4	4	4
Finance	15	13	14	13	12	10	12	12	11	10
Human Resources	12	11	11	11	10	8	8	9	9	9
Information Systems	19	19	19	19	13	15	15	15	15	14
Mayor	4	4	4	4	4	4	4	4	4	4
MCAM/MPTS	6	6	6	5	5	5	5	5	5	4
Office of Youth Services	9	9	10	10	10	9	10	12	10	9
Planning & Community Develop	13	15	15	14	11	9	10	30	32	30
Tax Collector	14	12	12	11	12	11	12	11	10	10
Parks and Recreation:										
Cemetery Care	16	16	16	16	15	14	12	9	11	11
Derryfield Golf Course	4	4	4	4	4	4	4	4	3	3
Forestry	2	2	2	2	2	2	2	2	2	2
General & Administrative	10	10	10	10	10	9	8	10	8	8
Gill Stadium	2	2	2	2	2	2	2	2	-	-
McIntyre Ski Area	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	17	17	16	12	15	15
Recreation	1	1	1	1	1	1	1	1	1	1
Skating Arenas	6	6	6	6	5	6	6	6	5	4
Police:										
Officers	199	202	200	199	206	214	215	217	206	207
Civilians	65	65	64	66	64	63	62	65	65	62
Fire:										
Firefighters and Officers	250	250	250	250	249	247	243	243	236	220
Civilians	8	8	8	8	7	7	7	7	7	7
Fleet										
	-	-	-	-	-	-	-	-	-	1
Public Works:										
Administration	13	13	13	13	14	14	14	14	13	13
Street Maintenance/Const.	62	62	62	63	62	61	63	62	65	62
Street Sweeping	4	4	4	4	4	5	5	5	4	4
Refuse Collection	32	32	32	32	35	32	36	35	31	31
Vehicle Maintenance	20	20	20	20	20	20	20	20	19	19
Boiler Plant	1	1	1	1	1	1	1	1	-	-
Drain/Sewer Repair/Const.	21	21	21	21	18	20	19	20	19	18
Engineering	20	20	20	20	20	20	18	17	17	16
Traffic	17	15	16	16	11	10	11	11	9	9
Parking:										
Administration	-	-	-	-	3	4	4	4	3	3
Meters	-	-	-	-	2	2	2	2	2	2
Myrna Lot	-	-	-	-	-	1	1	1	1	1
Victory Garage	-	-	-	-	4	5	5	5	5	5
PCO's	-	-	-	-	7	7	7	7	7	7
Water:										
Administration & Financial	19	19	18	17	17	16	15	15	15	15
Water Distribution	44	45	45	46	45	44	42	41	41	42
Water Supply	24	25	24	25	24	24	25	25	24	21
Sewer:										
Administration & Financial	9	10	10	10	10	10	10	10	11	11
Monitoring	2	2	2	2	2	2	2	2	2	2
Sewer Plant Operation	16	16	16	16	14	15	14	15	14	13
Maintenance	16	16	16	16	15	15	14	15	15	15
Airport - total										
Administration & Financial	25	27	27	29	27	26	26	25	24	23
Airfield Maintenance	26	26	27	26	20	25	25	26	25	24
Terminal Maintenance	15	20	21	24	28	24	25	22	22	23
Other Programs/Functions:										
Aggregation	1	1	1	1	-	-	-	-	-	-
Health	64	69	71	71	61	61	63	60	61	57
Library	40	38	38	38	39	39	39	46	43	39
Welfare	11	11	11	11	11	12	12	13	11	12
Total	1,269	1,286	1,288	1,294	1,270	1,269	1,269	1,273	1,237	1,192

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

Function/Program	Calendar Year			
	2003	2004	2005	2006
Police:				
Physical arrests	5,389	5,645	5,505	5,662
Parking Violations	66,757	81,225	78,253	58,298
Traffic citations	9,654	11,224	10,993	9,573
Fire:				
Number of calls answered	14,595	15,200	16,202	17,012
Inspections	578	676	732	2,640
Property loss	\$ 2,694,680	\$ 2,985,889	\$ 3,997,307	\$ 2,887,571
Building safety:				
Total building permits	2,554	2,794	2,616	2,312
Total value all permits	\$ 136,690,830	\$ 159,902,113	\$ 155,661,840	\$ 154,384,899
Library, visits	N/A	N/A	302,764	391,622
Public service:				
Garbage collected (ton)	46,181	48,323	46,662	49,693
Recycle collected (ton)	4,301	4,278	4,159	4,751
Streets paved resurf (miles)	15.43	10.99	12.23	9.27
Streets Reconstructed (miles)	1.05	4.48	5.51	0.87
Drain Reconstruction (miles)	1.23	0.53	0.28	0.50
Sewer Reconstruction(miles)	0.36	0.89	1.00	0.46
Airport:				
Enplane	1,802,385	2,004,122	2,168,258	1,952,277
Deplane	1,799,276	1,999,185	2,164,449	1,944,255
Total Passengers	3,601,661	4,003,307	4,332,707	3,896,532
Cargo (in pounds)	161,093,039	162,080,948	155,503,955	176,382,468
Air Mail (in pounds)	14,842	5,767	3,798	503
Parks and Recreation:				
Public Skating Attendance	7,545	6,745	6,135	7,381
Aquatics program attendance	37,988	62,143	77,330	76,630
Golf rounds played	38,054	40,679	35,029	38,294
Ski passes sold	305	279	196	143
Street trees maintained	40,000	40,000	40,000	40,000

Note: The figures in column 2012 are January thru June only.

N/A = Not Available.

City of Manchester, New Hampshire
Table XVIII

Calendar Year					
2007	2008	2009	2010	2011	2012
5,039	6,244	6,769	6,319	6,033	3,025
57,264	51,612	45,969	67,016	45,053	23,178
9,514	10,815	10,183	8,616	6,790	3,481
17,267	18,012	16,935	18,102	20,129	9,894
1,525	822	1,079	1,380	1,389	713
\$ 5,610,530	\$ 8,609,879	\$ 3,192,135	\$ 2,452,800	\$ 2,711,350	\$ 1,949,700
2,121	2,030	1,788	1,992	1,666	915
\$ 103,458,232	\$ 90,874,321	\$ 137,637,515	\$ 144,424,454	\$ 124,934,548	\$ 41,260,654
435,807	462,456	476,981	486,205	447,158	231,983
46,679	42,551	40,492	38,887	39,335	18,630
4,363	4,364	4,281	4,300	4,457	2,384
5.21	9.70	9.40	8.74	1.02	2.90
6.63	4.40	1.01	3.07	6.20	4.10
2.00	2.30	0.55	0.27	0.10	0.90
1.50	2.00	0.12	0.05	3.62	0.09
1,948,313	1,861,695	1,595,477	1,409,600	1,359,187	594,592
1,944,317	1,854,698	1,585,772	1,404,832	1,351,560	596,927
3,892,630	3,716,393	3,181,249	2,814,432	2,710,747	1,191,519
193,487,647	178,155,941	161,670,797	174,425,531	174,675,282	85,670,306
445	208	900	10	-	9
6,719	7,058	6,675	6,658	6,084	5,060
64,736	61,419	77,786	96,891	75,622	15,339
31,665	32,157	31,836	33,593	30,691	13,845
136	165	32	-	-	-
40,000	40,000	40,000	40,000	40,000	20,000

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

City of Manchester, New Hampshire
Table XIX

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Facilities	5	5	5	5	5	5	5	5	5	5
Marked Patrol Vehicles	36	39	35	35	35	35	35	35	32	35
Unmarked Vehicles	18	17	19	19	19	19	19	19	22	26
Specialty Vehicles	6	8	15	15	15	15	17	17	15	15
Bikes for bike patrols	18	18	21	21	21	21	21	21	18	18
Motorcycles	3	3	4	4	4	4	4	4	3	3
Horses	2	2	2	2	2	2	2	2	2	2
Canine	9	9	8	6	6	6	6	6	9	8
Fire:										
Fire Stations	9	10	10	10	10	10	10	10	10	10
Refuse Collection:										
Collection Trucks	14	14	14	14	14	14	14	14	14	14
Other Public Works:										
Streets (Miles)	289.49	389.78	391.20	393.00	394.00	395.00	395.00	395.00	395.15	395.15
Street Lights	8,792	8,792	8,803	8,788	8,772	8,849	8,849	8,861	8,889	8,881
Traffic Signals	159.6	160.1	160.4	160.4	152.0	152.0	151.0	151.0	151.0	154.0
Parks & Recreation:										
Acreage	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073
Parks	55	55	55	55	55	55	55	55	55	55
Golf Course	1	1	1	1	1	1	1	1	1	1
Baseball/Softball Diamonds	44	44	44	44	44	44	44	44	44	44
Walking Trail(s)	N/A	1	1	2	2	2	8	8	8	8
Soccer/Football Fields	17	17	17	17	18	18	24	24	24	24
Indoor Ice Rinks	2	2	2	2	2	2	2	2	2	2
Basketball Courts	22	22	21	21	21	21	26	26	26	26
Tennis Courts	4	4	4	4	4	4	8	8	8	5
Swimming pools	4	4	4	4	4	4	4	4	4	4
Parks with Playground Equipment	4	4	4	4	5	5	20	20	20	20
Public Beaches	1	1	1	1	1	1	1	1	1	1
Pickleball Court	-	-	-	-	-	-	-	-	-	6
Library:										
Facilities	2	2	2	2	2	2	2	2	2	2
Volumes	264,183	233,331	236,312	246,939	246,398	246,391	250,156	250,090	246,599	235,225
Water:										
Source of water supply										
Finished water storage capacity (MG)	37.8	37.8	37.8	37.8	37.8	38.8	38.8	38.8	38.8	38.8
Average Daily Consumption (MGD)	16.483	16.644	17.057	17.454	16.931	17.860	16.902	16.048	17.593	17.147
Peak Consumption (MGD)	28.685	26.295	26.739	27.169	27.298	29.093	30.461	24.476	32.267	31.266
Municipal Fire Hydrants	3,240	3,267	3,294	3,304	3,309	3,310	3,309	3,327	3,337	3,344
Water main in system (million feet)	3	3	3	3	3	3	3	3	3	3
Wastewater:										
Sanitary Sewers (miles)	344.13	345.02	345.02	345.02	350.60	352.80	354.40	354.40	375.00	380.00
Maximum daily treatment capacity (MGPD)	34	34	34	34	34	34	34	34	34	34
Information Systems Department										
PC's	749	761	864	905	1,034	1,072	1,065	1,066	1,041	1,028
Miles of Fiber Optic Cabling	28.00	28.00	28.00	39.00	48.00	49.00	50.00	51.00	52.00	53.00
Airport:										
Runways	2	2	2	2	2	2	2	2	2	2
Terminals	1	1	1	1	1	1	1	1	1	1
Buildings - square footage	228,000	332,600	332,600	332,600	332,600	332,600	332,600	332,600	332,600	332,600