

# **CITY OF MANCHESTER**

## **NEW HAMPSHIRE**



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2003**

**CITY OF MANCHESTER, NEW HAMPSHIRE**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2003**

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# **INTRODUCTORY SECTION**

**City of Manchester  
Department of Finance**

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January 2, 2004

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

The Comprehensive Annual Financial Report (the "CAFR") for the City of Manchester (the "City") for the fiscal year ended June 30, 2003 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 results of the operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's activities have been included.

The CAFR is presented in three sections: the introductory section, the financial section, and the statistical section. The introductory section, which is unaudited, includes this letter of transmittal, the City's organizational chart, and a listing of City officials. The financial section includes the independent auditor's report; management's discussion and analysis; the basic financial statements; notes to financial statements; and the combining and individual financial statements and schedules. The statistical section, which is unaudited, includes pertinent financial and general information indicating trends for comparative basis fiscal years.

The City's basic financial statements include all entities for which the City is financially accountable, and other organizations of the City for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board ("GASB") Statement 14 has set forth criteria to be considered in determining financial accountability. This criteria includes whether the City, as the primary government, has appointed a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

The City has three component units - Manchester School District, Manchester Development Corporation, and the Manchester Transit Authority. Using the criteria of GASB Statement 14, management determined that the three component units should be discretely presented.

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The City is required to have an annual audit performed in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States of America and in conformity with the provisions of the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations." The federal single audit for the year ended June 30, 2003, will be issued under separate cover. All information related to the single audit, including the schedule of expenditures of federal awards, findings and recommendations and auditor's report on compliance and on the internal control over financial reporting based on an audit of the basic financial statements, will be included therein.

**General Description** - The City is located on the Merrimack River in south central New Hampshire, approximately 58 miles north of Boston, Massachusetts. It is bordered by the towns of Hooksett, Bedford, Londonderry, Goffstown, Auburn, Litchfield, and Merrimack. The City has a population of 108,150, according to the 2003 report of the New Hampshire Office of State Planning, and occupies a land area of 33.9 square miles. The Manchester Metropolitan Area, with a ten mile radius, has a population of over 310,000, and the Manchester Trade Area, with a 20 mile radius, has a population of over 628,000. The Manchester Metropolitan Area and the Manchester Trade Area are areas that the City believes represent key geographic regions for the City's growing economy.

The City's history dates back to 1651 and was first settled in the early Eighteenth Century by John Goffe, on land, which is now the City, that was the disputed territory of Massachusetts and New Hampshire. This land became part of New Hampshire when New Hampshire became a separate province in 1741. In 1751, the area was incorporated as a town and renamed Derryfield. Over the next century, the town evolved from a grazing field into a developing manufacturing center with major cotton and wool milling industries. Samuel Blodgett, the visionary of this development, compared the town to the industrial center of Manchester, England: hence, in 1810, the name of the town was officially changed to Manchester. In 1846, Manchester was granted its city charter. Manchester was one of the first planned cities in the country. Its streets are laid out in a grid pattern and major streets run parallel to the Merrimack River. In recent years the City's economy has undergone a transition from one that was manufacturing-based (textile) to one that includes a diverse array of businesses and industries.

The City is the largest city north of Boston and has been frequented by nearly every candidate for President dating back to the days of Abraham Lincoln, especially since the time when New Hampshire began the first in the nation presidential primary every four years. Currently, the City has a diverse economy with a combination of manufacturing, service and retail firms. Once the home of the world's largest textile mill complex, today the City is home to over 200 diversified manufacturing firms along with service firms as noted herein.

The City continues to invest in its downtown and its future which has brought residents to the downtown area for dining, recreation, shopping and numerous cultural events. The city has a new civic arena, the Verizon Wireless Arena, which is a \$67 million multi-use facility with approximately 10,000 seats for the American Hockey League's Manchester Monarchs, an affiliate of the Los Angeles Kings of the National Hockey League. The City also hosts a number of cultural organizations at the Palace Theatre such as the New Hampshire Symphony Orchestra, the New Hampshire Philharmonic Orchestra and the Opera League of New Hampshire. The City has over 900 acres of parks and play grounds and also owns the McIntyre Ski Area, which provides substantial recreational resources for the community.

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The City owns and, through its Department of Aviation, operates Manchester Airport. Strategically located in the heart of northern New England, Manchester Airport offers air travelers easy access, competitive airfares, ample parking near the terminal and growing schedule of non-stop and direct jet service. Manchester Airport, a self-supporting, city-owned entity, is the largest commercial passenger, cargo, and general aviation airport in all of northern New England. Manchester Airport is completing a multi-year terminal and runway expansion project which when completed will permit enhanced service, including coast-to-coast non-stop flights and meet increased demand at the Airport. The terminal and runway expansion projects were financed with the proceeds of revenue bonds issued by the City on behalf of the Airport.

**Government and Financial Controls** – The City operates with a strong mayor form of government. The Mayor is the City’s full-time chief executive officer. The Mayor has appointment powers and budget line-item veto authority. The City’s current charter (the “Charter”) was approved by the voters of the City at the November 5, 1996 general election. The Charter includes an ethics policy, a local initiative option, and calls for the formation of a Charter Review Committee every ten years. A charter Review Committee was established during FY 2002 and produced its final report containing a proposed new Charter. The Board of Aldermen referred the Charter Review Committee’s proposed Charter to City voters for consideration at the November, 2003 election. The proposed charter revisions included a return to partisan City elections as well as the elimination of the two at-large positions on the Board of Alderman and the School Board. The proposed new charter was defeated at the November 2003 general election.

The City is governed by an elected Mayor and a fourteen member Board of Aldermen representing each of the city’s twelve wards and two aldermen elected at-large.

The Board of Mayor and Aldermen approves the City’s budget. The Board of Aldermen also nominates and appoints the City’s officers. The Finance Committee, consisting of the entire Board of Mayor and Aldermen, approves labor contracts and also adopts monetary appropriations.

City financial management is the responsibility of the City’s Department of Finance, which is staffed by 14 full-time personnel. The head of the Department of Finance is the Finance Officer of the City. The Department of Finance is responsible for establishing and maintaining a system of controls and financial reporting to ensure that the City’s assets are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with law and generally accepted accounting principles (GAAP). The Department of Finance also performs significant and ongoing monitoring of the financial performance of the City’s departments and enterprise funds, including monthly and quarterly interim reports and forecasted year-end revenue and expenditure/expense balances for all departments. As required by City ordinance and by the Charter, interim reports are submitted to the Board of Mayor and Aldermen and all City Department heads. Key revenue and expenditure/expense items are highlighted in these reports by the Finance Officer for attention by the respective readers.

Interim reports are reviewed with the Committee on Accounts, Enrollment and Revenue Administration (“COA”). The COA is a five member standing committee of the Board of Aldermen. The COA meets on a regular basis to review and to discuss financial matters.

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

The City has also adopted debt policies and ordinances for the handling of one-time revenues, insurance reserves and undesignated fund balances.

The City's interim financial reports, budget and CAFR are available for viewing on the City's award winning web page.

**Financial Information** - The City's accounting system is organized and operated on a fund basis. A fund is defined as an accounting entity with a self-balancing set of accounts. The types of funds utilized by the City are as follows: general, special revenue, capital projects, enterprise, trust, and agency. The type and number of individual funds established is determined by GAAP and sound financial administration. The general, special revenue, and capital projects are maintained on a modified accrual basis of accounting, generally with the revenues recorded when measurable and available and the expenditures recorded when the services or goods are received and liabilities are incurred. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgements are recorded when payable from current financial resources. Accounting records for the City's enterprise, pension, and trust funds are on the accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**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.

As part of the City's single audit, tests were made of the government's internal controls over financial reporting and of its compliance with applicable laws and regulations, including those related to federal and state financial award programs. This testing was not sufficient to support an opinion on the government's internal control system or its compliance with laws and regulation. However, the audit for the year ended June 30, 2003 disclosed no material internal control weaknesses or material violations of laws and regulations.

**Appropriation Process and Budget Control** - The Charter provides for the Mayor, and such other officials as the Mayor shall select, to prepare a budget for consideration by the Board of Aldermen. The Mayor's proposed budget must include certain historic and projected expenditure and revenue information and statements of anticipated tax levy and debt service requirements. The Mayor's proposed budget is referred to a public hearing. After the public hearing the BMA may adopt the proposed budget with or without amendment. If amendments are made, a second public hearing may be held prior to final adoption. The Mayor may veto the entire budget or line items thereof. In the event of a veto all portions of the budget not vetoed shall be passed. If the BMA fails to adopt appropriation resolutions for the ensuing fiscal year by June 30<sup>th</sup>, the Mayor's budget as originally proposed shall prevail.

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The Charter also provides for supplemental appropriations, reductions of appropriations, and transfers of appropriations under certain limited circumstances.

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the BMA. Activities of the general fund are included in the annual appropriated budget. Project-length budgets are prepared for the special revenue and capital projects funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level within each fund. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Unencumbered amounts lapse at year-end. Encumbered amounts at year-end are reported as reservations of fund balance.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

**Cash Management Policies and Practices** - Excess cash was invested in U.S. Treasury Bills, certificates of deposit, repurchase agreements, and the State of New Hampshire (the "State") Investment Pool. The maturities of the investments range from thirty days to six months, with the average maturity closer to the thirty-day range. This was certainly not due to a shortage of funds, but to the reality that the market was in an inverted yield curve position. Consequently, funds were invested for shorter durations to take advantage of the rate environment. The average yield on investments was 1.34%, which resulted in the \$736,111 that was realized as interest income in the general fund, which was considerably less than the anticipated revenue figure.

The City's Investment Policy conveys the concept that the preservation of capital and the liquidity requirements are the two primary factors considered in the structure of the portfolio. Whether instruments are marketed by banking institutions or pooled investment managers, they are subject to stringent requirements. Accordingly, 78% of the investments held at fiscal year-end were collateralized through Joint Custody Accounts at the Federal Reserve Bank of Boston or through perfected collateral arrangements. This contributed to the classification of a low risk profile, which the City strives to maintain. Most accounts/securities were held and designated specifically in the name of the City, while the guarantor of the pooled investment arrangement is the nation's leading municipal bond insurer and a publicly traded, NYSE-listed company.

**Risk Management** - The City has a program of both self-insurance and policies for worker's compensation, health, and general liability. Under this arrangement a third party administrator manages the claims with the City Risk Manager.

The City has a pro-active Employee Safety Program with a Safety Officer and a Safety Committee meeting on a regular basis.

Liability, property, auto, and professional coverage are maintained with claims coordinated through the Risk Management office.

**Community Improvement Programs** – As part of the City budget process, the City Finance Officer provides the Mayor and Aldermanic CIP committee with a five year debt affordability forecast as a basis for the Planning Department development of the Mayor's recommended CIP program/budget. The project initiatives are envisioned over the ensuing fiscal period in accordance with the affordability forecast.

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**GENERAL GOVERNMENT FUNCTIONS**

Education

During fiscal year 2003, the Manchester School District (“MSD”) was able to establish \$2,842,137 to its budgetary basis fund balances. The FY 2002 fund deficit of \$2,081,077 has been eliminated in FY 2003 by a BMA appropriation in accordance with a court-adopted Settlement Agreement (dated October 9, 2001). The School District now has a fund balance of \$761,060.

The MSD is the largest and oldest school system in the State. The MSD includes fifteen elementary schools, including a developmental preschool, four middle schools, three fully accredited high schools, the Manchester School of Technology (a regional vocational/technical school), and a program of adult education. During the 2002-2003 academic year, the MSD served approximately 17,576 students, including Sending District (hereinafter defined) students, and employed approximately 2,475 full-time and part-time faculty and staff.

The public school system comprises 22 school buildings as follows:

Preschool & Elementary	15
Junior High Schools	4
Senior High Schools	3

Enrollment in the Manchester schools for the 2002-2003 school year represents a 0.8% increase over the 2001-2002 school year. The school faculty totals 1,284 full time teaching positions, yielding a student-to-teacher ratio of 13.7 to 1. The table below sets forth recent trends in Manchester’s school enrollments.

ENROLLMENT IN PUBLIC SCHOOLS				
Year	Elementary	Middle/Junior High	Senior High	Total
2002 — 03	7,201	3,765	6,610	17,576
2001 — 02	7,277	3,719	6,442	17,438
2000 — 01	7,422	3,713	6,272	17,407
1999 — 00	7,379	3,612	6,056	17,047
1998 — 99	8,111	3,064	5,630	16,805

Four of the City’s neighboring school districts, the Bedford School District, the Auburn School District, the Candia School District and the Hooksett School District (collectively, the “Sending Districts”) send approximately 1,790 secondary school students to the City’s high schools each year. The Sending Districts have entered into agreements with the City to provide for the payment of tuition and other costs to the City.

The MSD’s middle schools and high schools offer extensive music and art programs, competitive athletics, clubs, and community service organizations. All schools provide opportunities for parents to participate at school or from home through parent associations and volunteer groups. Partnerships with the business community are highly valued. Most schools enjoy one or more business/education collaboratives.

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In addition to the basic curriculum, the MSD provides special education services for learning disabled, mentally retarded and emotionally disturbed children, programs for the deaf, and an English as a Second Language program.

Although the City prides itself in the maintenance and upkeep of the school infrastructure, time places demands on these buildings that only an extensive and costly comprehensive repair, alteration and additions program can properly address. In FY 2001, the City initiated an effort to address an anticipated increased student population and outdated systems.

In Fiscal Year 2001, the City commissioned Parsons Brinkerhoff Construction Services, Inc. (“PB”) an engineering firm located in Boston, Massachusetts, to undertake an extensive survey to examine the condition of the City’s school facilities. PB was commissioned to identify facility deficiencies, identify necessary facility additions and develop various options of courses of action for the City to consider, and provide an estimate of costs associated with each option. PB issued the report in December 2000.

The PB report has been used as a guide to preparing a comprehensive program of renovating the City’s school facilities. In this regard PB was re-engaged to help define a specific design/build/finance procurement program for the City’s schools. The intent of the project is to provide renovation to all existing schools. Renovations will include, but not be limited to, HVAC, electrical systems, floors, roofs, fire alarms, sprinklers, and both interior and exterior general maintenance. The project addresses capacity related deficiencies through additions to existing facilities. Additions are being constructed on two middle schools and three senior high schools.

In accordance with authority granted by an ordinance enacted on February 12, 2002, the City issued a Request for Proposals (“RFP”) for a single contractor team to finance, design and construct additions to three high schools and two middle schools, and other major capital improvements to all twenty-two public schools (the “Program”). The purpose of the ordinance was to authorize the City to conduct a comprehensive procurement to secure a single team to develop the Program on its behalf. Unlike traditional public contracting where design and construction performed by separate entities and selections is based on low bid, design-build allocates all responsibility to a single team and the selection of that team was based on an expanded set of factors that take into account qualitative evaluations of a range of factors, including price, schedule, quality of design and construction, and financing strategies.

The City selected Gilbane Construction to undertake the \$105 million Design Build Project. Furthermore, based on preliminary submissions it is anticipated that related construction will be “fast tracked” and completed within three years.

Based on preliminary estimates, it is anticipated that the cost of the Project will be evenly allocated between new construction and renovation. In this regard neighboring towns voted on long term tuition agreements at town meetings in March 2003. The City’s proposed design/build program, while directly addressing educational needs, also sends a strong economic development message. The City’s multi-year, multi-million dollar commitment to its schools is an important economic development investment in the City’s future workforce. While other cities are establishing a moratorium due to the current economic slowdown, the City of Manchester will, as a result of its long term financial planning, be creating jobs and significant economic activity. Given the “fast-track” nature of the project, capital spending should provide significant continued stabilization to the Manchester economy. It is the City’s belief that timely investments in its schools constitutes good economic policy.

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**Education Funding**

On December 17, 1997, the New Hampshire Supreme Court ruled that the State's system of financing elementary and secondary public education primarily through local property taxes was unconstitutional. In its B-5 decision, the State Supreme Court noted that several financing models could be fashioned to fund public education, but that it was for the Legislature to select one that passes constitutional muster. The State Supreme Court did not remand the matter for consideration of remedies, but instead allowed the existing funding mechanism to stay in effect through March 31, 1999, and stayed all further proceedings until the end of the 1999 legislative session to permit the Legislature to address the issues raised in the case.

Chapter 17 of the Laws of 1999 became effective in April 1999 (see Chapter 17). The law included a definition of "adequate education" for New Hampshire schools and establishes an "Education Trust Fund" and a formula for providing state financial assistance to local school districts. The new law included a phase-in provision for certain aspects of the Education Trust Fund.

The primary means of State funding for the Education Trust Fund is a uniform statewide property tax under which some of the levies from more prosperous ("property rich" or "donor") communities are collected by the State and redistributed to less affluent ("property poor" or "recipient") school districts. The law established a uniform tax rate of \$6.60 per thousand of total equalized value (not including utility property or local exemptions). The new state aid property tax is assessed and collected in virtually the same manner in which property taxes have been administered in the past with one primary exception, donor communities are required to send amounts in excess of what is required locally for an adequate education to the State for redistribution to recipient districts. The City is a recipient district.

In addition to the property tax provisions, the State raised levies on its Business Profits Tax 1%, Business Enterprise Tax .25%, Real Estate Transfer Tax 50%, and added rental cars to the items covered on its Meals and Rooms Tax. The State also earmarked revenue from the State's share of the recent multi-state tobacco settlement, as well as sweepstakes earnings and reserve funds of \$62 million already committed to assist property poor communities. As a result of the enactment of Chapter 17, the City receives approximately \$45 million in state assistance for education.

The legislation also created two commissions: the Adequate Education Financing Commission and the Tax Equity and Efficiency Commission to make further recommendations as to the funding of education expenditures. The legislation further provides that if the voters of the state adopt an amendment to the state Constitution which relates to the role of the legislature in determining the nature of and means for funding public education, the provisions of the legislation shall, with certain limited exceptions, be without effect as of the July 1 following such adoption and the provisions of laws affected by the legislation shall be considered reenacted as they were on the day before the legislation became effective. The next opportunity for adoption of such an amendment is in November 2004.

The legislation in no way limits the amounts a municipality may appropriate to fund education above its per pupil adequate education cost and in no way limits the additional amount of taxes that can be levied to raise such additional appropriations or to pay debt issued for school purposes.

Prior to May 24, 1999 the MSD was administered as a department of the City, with departments of the City administering certain school functions, such as Finance and Human Resources, at the direction of

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the school district. On or about December 9, 1998 the District filed a Petition for Declaratory Judgment in the Hillsborough County Superior Court, Northern District. City of Manchester School District and SAU #37 v. City of Manchester, Hillsborough County Superior Court, Northern District. Docket number 98-E-458. The Petition, among other requests for relief, sought a declaration that the District was not a department of the City. The court issued an order on May 24, 1999 in which it ruled that the District was not a department of the City. The court's order was not appealed. In response to the court's order the City's Board of Mayor and Aldermen determined that an amendment to the City Charter was desirable. A proposed amendment to the Charter was drafted that merged the District into the municipal corporation with the District to be administered by the School Committee as a department of the City.

On or about March 29, 2001 the District filed a Petition for Declaratory Judgment, Permanent Injunctive Relief and Damages. The City of Manchester School District and School Administrative Unit #37 v. The City of Manchester, Hillsborough County Superior Court, Northern District, Docket No. 01-E-149. The Petition requested that the court issue rulings on various fiscal practices between the City and the District. The petition was amended to include a new count regarding proposed amendment to the City Charter and to request that the court rule that the District could not be made a department of the City by Charter amendment.

The proposed Charter amendment was sent to referendum and on November 6, 2001 the voters of the City voted to adopt the charter amendment.

On April 11, 2003 the court issued an order ruling that the City could not make the District a department of the City by Charter amendment. The City appealed the court's order to the New Hampshire Supreme Court, which accepted the appeal on June 30, 2003. The appeal is presently pending before the New Hampshire Supreme Court.

In 2003, the State legislature enacted special legislation concerning the City and the District which provides that the City may incorporate the District as a department of the City and that the Mayor shall have control over the form and procedures for preparation and adoption of the school department budget. The special legislation took effect upon enactment. At the present time, the City does not intend to incorporate the District as a department of the City.

Neither the adoption of Chapter 17 nor the local court ruling is expected to substantially change the administrative operation of the Manchester School District.

**General Fund Budget** - The FY 2004 Budget was adopted on June 9, 2003. The budget increases MSD spending by \$5,427,008 (4.5%) and municipal spending by \$2,993,866 (2.9%). The City's tax rate increased by \$.72 (2.8%).

**Biennial Budget** - Chapter 54 of the Laws of 1998 (RSA 32:25-26 Biennial Budgets) was adopted by the New Hampshire Legislature in an effort to provide municipalities with more management flexibility. The statute allows for biennial budgets to be adopted for the periods immediately following a municipal election, thus providing that elected officials could only adopt biennial budgets covering their two-year term of service. The City Charter also allows for the adoption of biennial budgets. Therefore, pursuant to this legislation, the City initiated a trial biennial budget exercise as part of the FY 2003 and FY 2004 budget cycle. This allowed the City to directly experience a biennial budget preparation process to determine its practicality and usefulness as a strategic planning tool.

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**ECONOMIC DEVELOPMENT/MANAGEMENT INITIATIVES**

As the State's largest city and business center, Manchester boasts a diversified economic base. Both the State and the City are recognized nationally for their livability (#2 Healthiest State – 2001 United Healthcare Group; 2<sup>nd</sup> Safest State 2001 - Morgan Quinto; #2 in Child and Family Well-being - 2002 Kids Count Data Book; #4 State of Caring Index – United Way of America; #2 Highest Standard of Living 2000 Expansion Magazine; #5 Start Quality of Life Rating, measuring communities best suited for business expansion or relocation); #4 Most attentive City for manufacturers (Business Development Outlook, 1999).

Manchester has always been a city where business prospers. Once the site of the world's largest textile mill complex, the City today boasts an economy that is a diverse combination of manufacturing, service and retail firms. The history of Manchester is one of orderly growth, emphasizing the dual values of business prosperity and quality of life.

More than 200 diversified manufacturing firms call Manchester home. Nearly 70% of manufacturing jobs are in durable goods production, especially metal products, electrical products and machinery, and plastics.

Over 80% of the work force in the Manchester Metropolitan Statistical Area ("MSA") is employed in more than 2,000 non-manufacturing firms, and Manchester is the financial and commercial center of northern New England.

The Manchester MSA has over 8,000 commercial establishments, including more than 800 retail stores with annual sales of over \$2.4 billion (2001). Continuing expansion of financial and business services, supported by significant growth in population and personal income during the past decade, has contributed substantially to improvement of the area's economy.

The Manchester Metropolitan Statistical Area labor force numbers 119,230 while the unemployment rate is 4.2% (November 2003).

The City's financial and economic position is further supported by its strong credit ratings (see Bond Issues and Credit Ratings – page 28). The City began preparing for an economic slowdown in FY 1999. Through the use of conservative revenue forecasting and a dedication to disciplined spending, and aided by unusually mild winters, the City has been able to grow and sustain positive undesignated General Fund balances and a \$9,633,624 Revenue Stabilization Fund.

*Economic Development*

The City has made a major effort in recent years to diversify its economy. This planned effort has led to the location of an array of businesses and industries in the City, and has provided a strong base for future economic development activities. Much of this diversification was accomplished through redevelopment projects, which required a high degree of public and private cooperation.

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Master Plan

The City adopted a Master Plan in 1993 to serve as the basis for future land use decisions. The plan is intended to communicate the current needs, desires, and interests of its citizens in the form of recommendations that enable City officials to better provide for the future and ensure that the City acquires and maintains the capability to guide development. The Master Plan is based on various neighborhood master plan workshops as well as a public opinion survey. The Planning Board received the assistance of various public agencies in preparing certain portions of the plan and professional planning consulting firms provided expertise in drafting the various chapters.

The Master Plan provides an inventory of the natural and physical resources of the area, which in turn is intended to guide long range land use recommendations for the development of future housing, industry, and commercial uses as well as long range land use recommendations for the development of open space, recreation, community facilities, and infrastructure. It also provides the basis for the City's zoning ordinance by establishing a blueprint for anticipated land use in terms of location, extent, and intensity of uses and provides a framework and rationale for the development of various implementing ordinances including the City's capital improvement program, site plan review, subdivision and building codes. The City intends to update the Master Plan by 2005.

Industrial Parks

There are three industrial parks within the City that were developed by the Manchester Housing and Redevelopment Authority under redevelopment powers granted by the New Hampshire Legislature. As noted below, over 7,000 people work in the industrial parks. The Brown Avenue and Grenier Industrial Parks and the Manchester Air Park are occupied by 50 manufacturing and industrial service companies in over 1.9 million square feet of space, employing approximately 2,900 people. Occupants include nationally known companies such as Moore Business Forms, Sanmina Corporation, TruServe (True Value), and United Parcel Service, Inc.

Sale of the 23 lots in the Manchester Air Park began in 1992. As of September 2003, 22 of the parcels had been sold. New construction completed or in progress totals nearly 500,000 square feet, and these companies have created approximately 770 jobs.

The so-called East Industrial Park is another of Manchester's major employment centers. Infrastructure to the area was installed in 1970, and subsequently this area has been extensively developed with private capital. Approximately 1.3 million feet of space has been constructed, with more than 3,000 people employed. Nationally known firms located here include Hitachi Cable Manchester, Inc., AT&T, Comcast and Verizon Communications.

Overall Economic Development Program

The City received approval in August 1998 of the third annual update of its Overall Economic Development Program ("OEDP") from the U.S. Department of Commerce Economic Development Administration. The original OEDP, now known as CEDS (Comprehensive Economic Development Strategy), was approved in 1994, and an updated CEDS was prepared in 2000. Having an approved CEDS is the basis for Manchester's continuing eligibility for funding under programs administered by the Economic Development Administration, such as the Section 108 loan described below. The City, through the Manchester Economic Development Office, is now completing its latest update of the CEDS.

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Downtown Revitalization

For the past decade Manchester has focused on its downtown as one of the main cogs of its economic engine. In the past two years, the results are starting to show.

The major rehabilitation of the City owned “Chase Building” in the center of downtown is now complete and has been recognized with three preservation awards. This project was made possible utilizing a \$1 million grant from the U.S. Department of Commerce, Economic Development Administration, a \$1 million loan using Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funds, a \$1.55 million loan from the HUD Section 108 Loan Guarantee Program, and a \$200,000 loan from the Manchester Development Corporation. The 44,000 square foot, six story structure is a tax deeded property that was made possible by a public/private partnership with a developer who has guaranteed to pay off all debt in exchange for an option to purchase the building at the end of fifteen years. In addition to the Chase Building, the Bond Building and the Dunlap Buildings have been redeveloped in the same area and the McQuades Building is just beginning renovations.

The completed Bond Building renovation includes approximately 5,000 square feet of retail, 5,000 square feet of office space and 9 units of market rate housing. This project is privately owned and financed through the use of \$1.552 million in HUD Section 108 loans, \$288,000 in CDBG funds, \$150,000 from Manchester Housing and Redevelopment Authority, and a \$100,000 private investment from the Bank of New Hampshire. All funds were loaned to the project with various repayment schedules.

The “Dunlap Building” was another blighted structure that has been recently renovated. This was made possible through a loan from the City in the amount of \$1.35 million and \$450,000 from the Manchester Development Corporation. This privately owned building contains approximately 5,000 square feet of retail and 20,000 square feet of class “B” office space.

Local government administration agreed to create a position that will focus just on the City’s Enterprise Community to encourage development. The Destination Coordinator position has been in existence for two years and the fruits of this position are evident when you visit downtown.

Millyard Redevelopment

The Amoskeag Millyard, a major concentration of multi-story brick mills along the banks of the Merrimack River, was once home to the largest cotton textile manufacturer in the world. Since the demise of this industry in New England in the 1930s, the City has taken steps to redevelop and adapt the area for continued business use. A \$20 million federally funded redevelopment project was completed in 1985, and substantial private investment has also been involved this area. Approximately 90% of the 3,500,000 square feet has been rehabilitated and is now used by a diversity of firms, including manufacturing, educational facilities, computer hardware and software, bio-tech and restaurants. One of these buildings is home to three museums: The Science and Engineering Hall of Fame, Science Enrichment Encounters, and the Manchester Millyard Museum of the Manchester Historic Association. Another building houses the campus of the University of New Hampshire/Manchester. Nationally known firms located in the Millyard include Kana Communications, Texas Instruments, AutoDesk, and Microsoft Great Plains.

Plans for the final vacant mill building – Pandora – including the establishment of an upscale hotel, are being considered by its owner.

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Riverfront Development

Manchester continues to recognize the tremendous potential of the Merrimack River adjacent to its historic Amoskeag Millyard. A strategy to redevelop its riverfront is reaping great benefits for the City. Key to this strategy is the public investment in development of the Stadium, the pedestrian river walk system (the “Riverwalk”) and parking.

The Riverfront Project will include the construction of the new Stadium, retail space, a hotel, luxury townhouses and two condominium residential towers. The Stadium will seat over 6,500 spectators and will become the home of a AA baseball team in 2005. The Stadium is expected to cost \$24,400,000 and will be financed, in part, with Municipal Bonds. The tax revenues from the site and payments to the City from the baseball team are expected to exceed the City’s debt service on the project. With the AA baseball team expected to come to the City in 2004, the City and the developer will be renovating historic Gill Stadium so that the team can play its 2004 season in the City. The \$4,100,000 renovation will allow the City to have an improved baseball and football venue for high school and amateur sports once the AA team moves to its new home at the Stadium.

The core of the pedestrian Riverwalk will extend approximately two miles from the Amoskeag Dam southerly along the Amoskeag Mills and then along Singer Park to Hesser College. This will also be the central section of the Heritage Trail — a trail system that is eventually expected to run from Massachusetts to the Canadian border. In addition to this north-south trail, a pedestrian bridge will connect to the West Side of the City and the Piscataquog Trail, which will extend to the Piscataquog River Park and to Bedford. To the east, a connection will be made to the abandoned Portsmouth Railroad line, which has been developed into a trail system to the Atlantic coast. When these trail systems are linked the Riverwalk will be the only central hub of a trail system that will span the State from the north to the south and nearly span the width of the State from east to west. While the Riverwalk will provide the obvious recreational attractions of bringing bicyclists, walkers, joggers, and rollerbladers to the Merrimack River, it will also provide a number of economic development opportunities in the Millyard. A master plan was completed for the area in the 2003 summer under the guidance of a Riverwalk Advisory Group. The group is a combination of public officials and non-profit organizations with the common vision of bringing the City back to the Merrimack River. Phase I of the Riverwalk in the vicinity of Singer Park is now complete. It is expected that the overall Riverwalk will take five years and \$8.5 million to complete. Funding is anticipated to be provided, in part, through the City’s issuance of the Bonds and through federal grants, and private donations. A private non-profit group has been organized – “Hands Across the Merrimack” — to raise approximately \$1 million in funds to reconstruct the trestle bridge spanning the Merrimack River to be used for pedestrians and bicyclists.

FIRST

During fiscal year 1995, the City acquired a 160,000 sq. ft. brick and timber mill building to serve as the home of the Foundation for the Inspiration and Recognition of Science and Technology (“FIRST”). FIRST is a tax-exempt nonprofit entity. The building is the site of museums to display technological, scientific and industrial exhibits of historic and current interest, including a Science and Engineering Hall of Fame and the New Hampshire Industrial Heritage Museum. The project is expected to be completed in phases over a ten-year period. Construction of the first 13,000 square foot phase has been completed and was opened in July of 1998. A National Science Foundation grant of \$300,000 was awarded for this phase of the project. FIRST is operated by Dean Kamen, the inventor of the Segway, a

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two-wheeled, self-balancing human transporter, which was developed in one of Mr. Kamen's renovated mill buildings located in Manchester's Millyard.

Verizon Wireless Arena

This \$67 million project was approved by the Board of Mayor and Aldermen in early 2000, and construction began in earnest in May of the same year. Financing was comprised of 80% public funds and 20% private funds loaned by a consortium of local banks against a pledge of contractually obligated income generated at the building. The Verizon Wireless Arena is a 10,000-seat public assembly facility to accommodate sporting events, family shows, concerts, and civic events. It was designed by an architectural team consisting of a local firm, Lavallee Brensinger Professional Association and a national firm, HOK Sport. The anchor tenant in the building is an American Hockey League franchise, the Manchester Monarchs, an affiliate of the Los Angeles Kings of the National Hockey League. The Manchester Monarchs led the league in attendance in only their second season with nearly 9,000 spectators per game.

The building is professionally managed by SMG under contract to the City and the opening event was held on November 15, 2001. The project is viewed as a major component in the City's efforts to stimulate the revitalization of its downtown area. The Arena has been extremely successful and to date has been in the top three venues nationally in attendance for an arena its size.

Retail

A major retailing area has developed along South Willow Street adjacent to Interstate 293 and Manchester Airport. The anchor development of this retail area is the million square foot Mall of New Hampshire, which underwent a \$35 million expansion that was completed in 1998. Occupants of the mall include Sears Roebuck, J.C. Penny, and Filenes as well as more than 100 other retailers of varying size and category. Although developable land in the area is in short supply, limited development continues to occur. In the past year Wal-Mart renovated and assumed occupancy of a Home Quarters facility and a Barnes & Noble Bookstore relocated and expanded its facility. A developer has an option on approximately 10 acres of land for a retail development anchored by a Shaw's Supermarket, which is now under construction. The City approved a rezoning of a portion of the proposed site in order to allow the development to proceed. A new hotel has just opened in the area and a new Super Stop and Shop grocery store also opened in August, 2003.

Hackett Hill/UNH-Manchester

Following one and one half years of negotiations, the City and the University of New Hampshire-Manchester ("UNH-M") concluded a major real estate transaction in March of 1999. The City acquired 822 acres of land formerly owned by UNH-M for the development of a corporate business park, and UNH-M acquired a 72,000 square foot renovated mill building in the Amoskeag Millyard to consolidate operations into a single building. This unique project also assisted the City in compliance with the US EPA mandated Combined Sewer Overflow program by providing for the preservation of 376 acres of the former UNH-M land as a wetlands preserve area. Of that acreage, approximately 342 environmentally rich acres have since been transferred to the Nature Conservancy. Also related to the CSO program, the City is negotiating to acquire other contiguous land outside of the UNH parcel to be included within the preserve.

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Approximately 400 acres of the site will be developed into a higher end corporate business park. The Manchester Housing and Redevelopment Authority has received two offers on the first parcel in the project – French Hall. As sites are sold, the City will utilize the proceeds to further develop the roadways and infrastructure of the park. The State Department of Transportation has committed to build a new highway interchange with I-293 when the park development reaches the southerly end of the site.

*Transportation*

Manchester Airport

The City owns and, through the Department of Aviation, operates Manchester Airport. The Airport is located in both the City of Manchester and the Town of Londonderry, New Hampshire, approximately six miles south of the downtown area of the City in both Hillsborough and Rockingham counties. The 1,200-acre Airport is the major air carrier airport in the State of New Hampshire. During Fiscal Year 2003, there were an estimated 1,712,703 enplanements at the Airport, representing a 4.2% increase as compared to Fiscal Year 2002. The Airport was one of the few airports in the country to sustain its positive passenger growth after September 11, 2001. Between Fiscal Year 1997 and Fiscal Year 2002, the Airport experienced over 200% growth in the number of passengers enplaned annually due to the growth in service offered at the Airport by low cost carriers. For the first eight months of calendar year 2003, the Airport is maintaining a 4.9% enplanement growth rate as compared with the same eight month period in calendar year 2002.

Strategically located in the heart of northern New England, Manchester Airport offers air travelers easy access, competitive airfares, ample parking near the terminal and a growing schedule of non-stop and direct jet service. Manchester Airport is the largest commercial passenger, cargo, and general aviation airport in all of northern New England. The airport is also a designated Foreign Trade Zone.

In 1992, the City financed certain capital improvements to the Airport, including construction of a new terminal building, aircraft aprons and taxiways, and road and parking facilities through an initial State-guaranteed bond issuance in the aggregate amount of \$42,730,000 (the Series 1992 Bonds). In October 1997, the Federal Aviation Administration (the “FAA”) accepted the City’s Master Plan Update (the “Master Plan Update”) to address the then-current aviation needs at the Airport and the projections for future growth in aviation demand. In 1998, the City issued its General Airport Revenue Bonds, Series 1998 in the aggregate amount of \$124,275,000 to fund the initial phases of the Master Plan Update by commencing various runway and roadway improvements and constructing an airport terminal expansion and a new parking garage. In 2000, the City issued its General Airport Revenue Bonds, Series 2000 in the aggregate amount of \$55,990,000 in order to finance additional costs related to the 1998 Project and to further implement certain elements of the Master Plan Update. In 2001, the City issued its General Airport Revenue Bonds, Series 2001 which refunded the Series 1992 Bonds. In 2002, the City issued its General Airport Revenue Bonds, Series 2002 to finance a second terminal expansion, which will convert the existing five commuter gates into four mainline jet-bridge-served gates and to rehabilitate and extend Runway 17/35.

The Runway 17/35 project was essentially complete in August 2003. Runway 17/35 will have an upgraded Category III ILS, which will allow safe landings during the worst visibility and weather conditions.

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Future capital projects envision additional parking-lot expansions, including another garage structure, as well as another terminal expansion, all of which will be demand driven by increasing activity and the concomitant requirement for expanded facilities.

Airlines currently serving the Airport as of June 2003 include Air Canada, Boston-Maine Airways, Comair (Delta Connection), Commutair (Continental Connection), Continental Airlines, Continental Express, Delta Airlines, Northwest Airlines, Southwest Airlines, United Airlines, and US Airways and US Airways Express. These airlines provide non-stop service to Albany, Atlanta, Baltimore-Washington, Bangor, Chicago (O'Hare and Midway), Cincinnati, Cleveland, Detroit, Kansas City, Nantucket, Nashville, New York (LaGuardia and Newark), Minneapolis, Montreal, Orlando, Philadelphia, Pittsburgh, Portsmouth, Tampa, Toronto, Washington National, and Washington-Dulles. Through plane service is also available to 32 additional markets.

As a result of the terrorist attacks of September 11, 2001, the North American air transportation system was disrupted, leading to a temporary suspension of air travel in the United States. Air travel was reinstated at reduced levels throughout the United States. Many airports and airlines suffered much-reduced activity and revenue margins. Contrary to industry trends, Manchester Airport, in the post-9/11 environment, has actually had airlines add service and destinations. This increased activity was significant enough that after September 11th the Airport was the first airport in the country to have its bond ratings upgraded. The Airport continued to experience enplanement growth in fiscal years 2002 and 2003. Southwest Airlines, the Airport's dominant carrier initiated non-stop Las Vegas service in September, 2003. This is a direct result of the lengthening of its main runway, and the Airport is anticipating future non-stop west coast service.

In response to the Airport's and the City's growth, three major lodging facilities have been or are currently being built in the Airport's immediate vicinity, e.g., Marriott's Spring Hill Suites and Hilton's Homewood Suites, which are on the Airport property and the new Taje Inn on the Airport's main access road.

Manchester Airport recently commissioned its third Economic Impact Statement assessment in the last decade. The most recent report, prepared by Leigh Fisher Associates, estimates that the fiscal year 2002 estimated economic impact from the Airport on the State of New Hampshire was \$715.6 million, of which \$671.9 million occurred in the Manchester area. Additionally, the 2015 economic impact on the Manchester area is projected to be nearly \$1.5 billion.

The Airport has outstanding \$276,435,000 of General Airport Revenue Bonds. Those bonds are limited obligations payable from net revenues of the Airport. None of the Airport revenue bonds constitute or give rise to any charge against the taxing power of the City.

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Seaport

The Port of New Hampshire in Portsmouth, 45 minutes east of Manchester via NH Route 101, is a year-round deep-water port. It is the site of the state-operated marine terminal, which can handle vessels up to 700 feet in length. A major port facilities expansion has recently been completed. The Portsmouth terminal is a federally designated Foreign Trade Zone as is the former Grenier Air Force Base at the Manchester Airport.

Highways

Manchester is the focal point of New Hampshire's transportation system and is served by a network of highways, including the F.E. Everett Turnpike, U.S. Route 3, and Interstate Routes 93 and 293. Interstate Routes 95 and 495, which intersect Routes 3 and 93 in Massachusetts, are the circumferential highways, which serve the high technology industries of eastern Massachusetts and southern New Hampshire. The downtown area is accessed by way of Interstate 293. Exit ramps to the area, via Granite Street, were completed in 1984 (the northbound ramp) and in 1986 (the southbound ramp). The City is also at the junction of many of New Hampshire's intrastate highways, including Routes 28, 101 and 114, which lead to all major cities in the State. These highways allow for overnight trucking delivery to all major cities in the Northeast.

The City is responsible for the maintenance of nearly 400 miles of streets. The City has completely reconstructed 14 miles of streets, mostly with its own forces, at a cost of approximately \$13 million over the past 10 years. The City also maintains an annual resurfacing program under which 10 to 20 miles of streets are resurfaced yearly at a cost ranging from \$500,000 to \$1,000,000.

The State of New Hampshire has more than 4,100 miles of state and federal highways. The State Legislature enacts a ten-year highway plan administered by the New Hampshire Department of Transportation ("NHDOT") to serve as a guideline for highway development in the State. Two major components of the plan provide enhanced access to both the Downtown and Manchester Airport. Major projects include: completion of the I-293 interchange with Granite Street along with the widening of Granite Street, the highway access road to the Manchester Airport, road improvements in the vicinity of the airport, and the Candia Road reconstruction. The NHDOT project consists of a new interchange at the intersection of Route 293 and Granite Street providing complete northbound and southbound movements. This project is expected to enhance the access to Manchester via Granite Street and will become the primary highway access point to downtown. In particular it will also provide improved access to the Verizon Wireless Arena and the recently approved Stadium and riverfront development. This interchange project is scheduled to be completed by the State early in 2006, at a cost of over \$30 million. The City is planning its own project to widen Granite Street in conjunction with the State's interchange project. The widening of Granite Street by the City is expected to cost about \$20 million and will also be completed early in 2006. The Federal government has already committed \$8 million towards the City's Granite Street project and the City anticipates receiving an additional \$7 million from the Federal government, but this amount has not yet been appropriated by Congress. In addition to the additional traffic capacity that the Granite Street improvements will provide, it is being designed to be a premier "Gateway" into the City with landscaping, bike lanes and sidewalk improvements.

Highway access to the Manchester Airport remains a high priority for the City and the State. The NHDOT project consists of a new access road connecting Route 3 and the Everett Turnpike directly to

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the Manchester Airport. The connector will provide quicker access to the Airport and relieve traffic stress placed on the local roads surrounding the facility. The project is under design and is in the final stages of Federal environmental review. Construction is expected to be completed by the end of 2006 at a cost of approximately \$85 million.

The reconstruction of Candia Road between Interstate Route 93 and N.H. By-Pass 28, partially funded with Federal money, is expected to begin in this calendar year. The City has committed its matching share of this \$7,000,000 project.

The City maintains three bridges over the Merrimack River connecting the City's east and west sides. Construction was completed on the Notre Dame Bridge in 1991. The City doubled the traffic capacity of the bridge by converting it from one span and two-lanes to two spans and four-lanes. The City completed the reconstruction of the Queen City Bridge in 1994. The reconstruction allowed for the widening of the F.E. Everett Turnpike underpass. Reconstruction of the third bridge, the Amoskeag bridge was completed in the Fall of 1999. The City has expended over \$43 million over the past 10 years on the construction and rehabilitation of its major bridges, these being the Notre Dame Bridge, the Queen City Bridge, the Amoskeag Bridge, and the Nazaire E. Biron Bridge over the Piscataquog River. The City also maintains an ongoing inspection, maintenance, and rehabilitation program for all of its 30 bridges.

The City is looking towards the eventual return of passenger rail service to Manchester. Plans are currently underway to extend service to Nashua, New Hampshire. When this is completed, service may then be continued northerly to Manchester. City officials are reviewing appropriate locations for a passenger terminal and the State has committed \$10,000,000 towards the development of a parking garage in conjunction with a multimodal center.

The City has just recently expended \$2 million in CDBG funds on the rehabilitation of Elm Street in the downtown area. This effort was mainly directed at traffic calming measures in order to make the downtown more pedestrian friendly and to enhance the downtown retail environment. The City currently has plans to perform similar work on the side streets connecting to Elm Street and to establish a pedestrian connection between the Millyard area and Elm Street.

#### Freight and Public Transportation

Manchester is served by the Boston & Maine Railroad (Gilford Transportation Industries, Inc.), and freight service is maintained to Boston and connecting lines. Motor freight service to all points is available from a number of nationally known carriers. Daily express service is maintained to all major cities within a 200-mile radius and to New York City. United Parcel Service, Airborne Express, and FedEx provide daily small package air freight service from Manchester Airport. The Manchester Transit Authority provides local scheduled bus service, while regular service to other points, both interstate and intrastate, is provided by Vermont Transit Lines and Concord Trailways. Limousine service from Manchester to Logan International Airport in Boston is offered by several local companies.

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*Utilities*

Gas, electric, and telephone services are provided by private utilities. Water and sewer services are provided by the City, as described below.

Deregulation of the electric utility industry in New Hampshire, and associated enactments by the State Legislature, prompted the City in 1997 to institute the Manchester Area Aggregation Program (“MAAP”) to assist local residents and businesses. MAAP is designed to take advantage of the City’s large buying power by grouping retail electric and natural gas customers to broker or contract for energy supply and services for such customers. The City, as “Aggregator”, is a municipality engaging in the aggregation of customers within its boundaries. Manchester, through its Department of Finance, administers MAAP on behalf of participating municipalities.

A move toward full customer choice in the electric utility industry is expected to place the City in a better competitive position through its Aggregation Program with greater loads and a larger pool of competitors. The manner in which energy services have traditionally been provided has changed as a result of deregulation; however, the implementation of electric transition service rates essentially places a “cap” on the prices MAAP can pay to an alternative supplier. MAAP is taking a comprehensive approach to understanding the energy needs of Participants and devising comprehensive energy strategies to reduce overall energy costs. The second largest city in the State, Nashua, has also adopted an Aggregation Plan and has entered into an intermunicipal agreement with MAAP to administer the program. MAAP administration includes procuring energy supply and services, negotiating and administering contracts entered into by MAAP, and coordinating customer participation in MAAP.

While full competition in the electric industry in New Hampshire has been slowed, MAAP has proceeded with the aggregation of energy efficiency measures (“EEM”) and natural gas. The EEM contracts provide MAAP with access to energy audits and energy efficient fixtures and equipment. Manchester’s implementation of completed energy efficient projects has resulted in reduced energy costs of approximately \$360,000 annually.

The natural gas contract provides municipal and industrial MAAP participants — retail access is not yet available to small commercial or residential accounts in New Hampshire — with savings over current tariff rates. Manchester has included gas services as a component of the MAAP for the past four years. Only those customers eligible to take transportation service under KeySpan’s existing tariffs were eligible. However, a viable market for full retail customer choice of gas suppliers has not developed.

Wastewater Treatment Plant

The City owns and, through EPD operates a regional sewerage treatment plant which provides sewage treatment through inter-municipal agreements for the towns of Bedford, Londonderry, and Goffstown. Under the requirements of the National Pollution Discharge Elimination System Permit issued to the City by the US Environmental Protection Agency (“EPA”), it is required to treat wastewater before it is discharged to receiving waters and meet water quality standards that are outlined in the permit.

The City’s wastewater treatment facilities include a wastewater treatment plant, interceptors including sanitary sewers and related pumping stations and appurtenances thereto. The current capacity of the plant is 34 MGD (million gallons per day), with an average current volume of 22 MGD. A recent

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upgrade provides capacity for the system through the year 2008 as required by the EPA. This project is being financed in part by the State Revolving Loan Fund ("SRF").

The City's sewer department is operated on a self-supporting enterprise basis. The user charge system was established for paying the cost of construction, payment of debt, operation and maintenance, and replacement of the facilities. The charges consists of a service charge (fixed and usage charges based on water consumed (variable) as well as strength of wastewater for industrial users). The rates are enacted by ordinance as recommended by the staff of the Environmental Protection Division to insure that the fund is self-supporting. The current sewer rate, which became effective January 1, 1997, is \$1.55 per 100 cubic fee. It is anticipated that a rate increase will be necessary in fiscal year 2004 in order to ensure the City's sewer department remains self-supporting.

In addition to the user charges, other major sources of revenue include State Aid Grants on the original plant construction as well as the interceptor and the West Side Pump Station, town contributions on the capital expenditures as well as the operations and maintenance costs, investment income on invested surplus balances and cost and interest fees collected on delinquent payments.

The EPD completed the Long-Term Control Plan for Combined Sewer Overflows in 1998 and entered into negotiations with EPA. The project is estimated to cost \$85 to \$140 million. The City has signed a consent order with EPA and NHDES to address the first phase of the CSO Remediation over an 11-year period at an estimated cost of \$59 million.

EPD has initiated the CSO projects as required by the City's Consent Order. To date, the CSO Bypass at the WWTF and the Theophile Street Basin Separation Projects, Electric and Sullivan Streets and the Varney Street Basin Separation projects have been completed at a cost of \$12.2 million. Contracts for design of and N. Main Street Separation and Cemetery Brook Basin Study have been awarded at a cost of \$1.7 million.

To date, all eligible CSO work has been awarded SRF loans and 20% State grants. At the conclusion of Phase I, the City and EPA will reassess CSO activity and evaluate the need for Phase II. To date, \$4 million has been authorized in fiscal year 1999, \$6 million for fiscal year 2000, and \$17.7 million for fiscal year 2001.

#### Manchester Water Works

The City owns and, through the Manchester Water Works (MWW), operates a regional water treatment plant and distribution system. The management of the MWW is vested in the Water Commission in accordance with the Charter. The Water Commission consists of seven members, of which six are appointed by the Board of Mayor and Aldermen.

The City's water department is operated on a self-supporting enterprise basis. Lake Massabesic supplies water to the City. The City's potable water treatment facility was built approximately 35 years ago and has a 40 million gallons per-day capacity. Current peak utilization is 30 million gallons per day. The City has an ongoing expansion program, which entails the addition of 40,000 — 60,000 feet of new water mains annually. The distribution system is maintained and upgraded annually and is in excellent condition.

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The MWW is the primary water utility in the south-central region of New Hampshire. Its retail distribution area includes the City and portions of five surrounding municipalities consisting of the Towns of Hooksett, Londonderry, Bedford, Auburn and Goffstown, an area of approximately 55.5 square miles with a population of approximately 115,000. The MWW also supplies water service to four wholesale customers who in turn distribute that water to an area of approximately 25 square miles containing a population of approximately 25,000. The MWW serves approximately 28,000 customers on a wholesale and retail basis across various customer classes.

In August of 2003, the City issued \$38,345,000 of revenue bonds on behalf of the MWW (“MWW bonds”) in order to finance certain capital improvements and upgrades to the City’s water treatment plant and water distribution system. The MWW bonds were issued pursuant to a General Water Revenue Bond Resolution (the “Resolution”) adopted by the City prior to the issuance of the MWW bonds. Under the Resolution, the MWW bonds are payable solely from revenues of the City derived from the ownership and operation of its water treatment plant and water distribution system, subject to the prior payment of operation and maintenance expenses.

The MWW, through its Board of Water Commissioners (the “Board” or the “Board of Water Commissioners”), is responsible for setting and imposing the water rates and charges for City residents and for other retail and wholesale customers in the MWW’s service area. The Resolution requires the MWW to maintain rates at levels sufficient to pay operating expenses of the System, to pay debt service on bonds and provide for reserves. The Board has voted to implement an overall 14% rate increase effective on July 1, 2003 and also has approved a multi-year increase in rates to be implemented in fiscal years 2004, 2005 and 2006, respectively. Prior to the 2003 rate increase, the MWW had not increased rates and charges since 1990. Historically, the MWW has collected approximately 45% of all water bills within 30 days of billing, approximately 85-90% within 60 days of billing and close to 100% within 90 days of billing.

Recreation

The Parks, Recreation & Cemetery Department operates under the guidelines of two individual funding mechanisms. The Enterprise Budget involves revenue-producing facilities that are supported by user fees. The facilities include an 18-hole golf course, two ice arenas, one with a seating capacity of 2,600 for ice hockey, a ski area, with a 169-foot vertical drop, and a semi-professional baseball park. Property tax-funded organizations include nine cemeteries, the largest being the 275-acre Pine Grove Cemetery, and Parks Division. The Parks Division responsibilities include management of all City owned passive parks, playgrounds, athletic fields, tennis courts, traffic islands, four aquatic facilities, one public beach and snow removal at twenty-three school buildings.

Revenues supporting recreation operations include rental and user charges at all of the facilities with the exception of the municipal swimming pools.

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*Housing*

The City is involved in a major effort to rehabilitate its center city. This effort is being undertaken in conjunction with the Neighborhood Reinvestment Corporation, a federally chartered and funded nonprofit organization that operates nationwide to assist communities in rehabilitating neighborhoods. This collaboration has resulted in the formation of Manchester Neighborhood Housing Services (“MNHS”), a local nonprofit organization consisting of neighborhood residents, members of the corporate community, and government officials.

MNHS has embarked on a three-phase program to combat neighborhood deterioration. The first phase consists of a revolving loan fund to assist owner occupants in making repairs to their buildings and approximately \$1 million in private funds have been raised to assist in these efforts. Second is the promotion of home ownership by encouraging the purchase, repair, and owner occupancy of single family and smaller multi-unit buildings. The third phase is a rehabilitation program to bring larger multi-family buildings up to contemporary standards for occupancy by rental tenants. A foreclosure prevention component, using City Community Development Block Grant (“CDBG”) funds, is also part of the MNHS effort. MNHS has completed a major affordable housing renovation project on Elm Street and is now working on two properties on Temple Court.

The Manchester Housing and Redevelopment Authority has recently become more active in providing new affordable housing projects and is planning three sites – the Brown School, Gale Home and a city parcel at 628 Hanover Street.

Families in Transition has recently completed an expansion of their transitional housing project on Market Street. This project is located in and was developed consistent with the historic Corporation Housing Historic District.

Bridge and Elm Street

In 1999 a developer exercised his option not to develop this site for a major office building and the Parking Garage. Since that time, this last large parcel of land in downtown has been the subject of numerous discussions. Most recently, the City has completed agreements to develop a major housing project on this site.

Sylvestri, Inc. will be developing 200 market rate dwelling units in a high rise building with the City developing the Parking Garage on the site. The project has now received all City development approvals and the Parking Garage is being financed with approximately \$5,000,000 of the proceeds of the Series 2003C Bonds.

*Health And Sanitation*

Health

The City Health Department, the area medical community, and community agencies all work together to maintain the City’s excellent health status. The Health Department coordinates the Healthy Manchester Coordinating Council, which is comprised of key community agency, government, health care, education, and business leaders. This body examines public health issues in the community and develops collaborative strategies to improve the health of the public. Over the last five years, this group led the

**City of Manchester, New Hampshire**  
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City to a 30 % reduction in adolescent births, community water fluoridation, and improved access to dental and health care for Manchester residents. The community's health care providers work closely with the Health Department to insure that emerging public health issues are monitored and addressed through prevention and a quick response. The City was the recipient of a significant Federal grant for public health preparedness that enables it to coordinate community work on issues such as bioterrorism, smallpox vaccination and outbreak response, and SARS. The Health Department relocated in 2002 to a building purchased by the City to consolidate health services. The building is a more modern and larger facility that is equipped to handle potentially infectious clients and to convene health care providers. The facility will soon be equipped with backup generator power so that the Health Department can fully operate in the event of an emergency, and in fact, provide a fully equipped secondary Emergency Operation Center for the City.

The Health Department provides full time school nursing staff to each of Manchester's public schools through a long standing relationship with MSD. This enables the Health Department to quickly respond to student health concerns and to link school health services with health services available in the community. From a variety of funding sources, the Health Department currently employs or contracts with approximately 70 health professionals. Collectively, the public health team provides 24/7 public health emergency response for the City.

There are two primary hospitals in the City. The 255 bed Catholic Medical Center provides comprehensive diagnostic, therapeutic and preventive health services, including cardiac care, CRT scanning, nuclear medicine, corporate fitness and emergency medical services educational programs. The Elliot Hospital has 296 beds and is staffed by 220 physicians, 85% of who are Board Certified in 29 medical specialties. The Elliot has the state's largest center for therapeutic radiation and is the region's designated Trauma Center. Specialty services include walk-in emergency care, a comprehensive rehabilitation medicine unit, Medicare certified home health services, and a free physician referral service. The Laser Center located at the Elliot offers advanced laser surgery as well as regional training for physicians. Women's health services include a Breast Diagnostic Center and the City's only advanced care neonatal unit for critically ill newborns. A Veteran's Administration Hospital is also located in Manchester. The Hitchcock Clinic, founded in 1927 and a component of the Dartmouth Hitchcock Medical Center, operates a medical care facility in Manchester. The Hitchcock Clinic and the Lahey Clinic in Massachusetts merged into a regional group practice with 830 physicians, which will be the third largest multi-specialty group practice in the United States.

Visiting Nurse Association of Manchester provides home health services to area residents. There are over 200 practicing physicians and surgeons with offices in the City, giving a favorable one doctor per 500 population ratio.

The Manchester Community Health Center, a federally qualified health center, provides primary health care services to low income persons.

The Mental Health Center of Greater Manchester provides in patient care for acute cases, day hospital programs for out patient diagnostic and treatment services for children, adolescents, adults, the elderly and alcoholics, emergency services (24 hours a day), consultation, and community education.

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Sanitation

The City provides curbside collection of garbage, rubbish, bulky items, appliances, yard waste, and recyclables. The garbage, rubbish, and bulky waste collection is provided by the Highway Department and the transfer to a lined landfill of this material is provided by Waste Management, Inc. Yard waste and recyclable collections also are provided by Waste Management, Inc. under a long-term, multi-year contract to the City. Appliance collection is also provided by the City's Highway Department through a separate vendor.

The City stopped receiving waste at its landfill in July 1996 and has commenced a landfill closure process. Engineering studies have estimated the total cost of closure to be \$12,350,000. The first phase of closure has been completed at a cost of \$6,300,000. The second and final phase of the landfill closure started in October of 2001 and it is expected to be substantially complete in October, 2003. Post closure costs have been estimated at \$230,000 per year of 30 years. To fund closure costs, the City executed an agreement with the State for a State Revolving Fund loan to a maximum principal amount of \$13,850,000. As the project progresses, periodic reimbursement requests are forwarded to the State for reimbursement from the fund. Upon completion of the project, the aggregate principal amount plus accrued interest will be payable in annual installments for up to twenty years. The City has the right to prepay principal at any time without a penalty. Interest accrues at 1% per annum during the construction period. Post closure costs are subject to appropriation on an annual basis.

In addition to the State Revolving Fund Loan, the State has established a landfill grant program to reimburse municipalities up to 20% of eligible administrative closure costs. The City has been accepted to participate in this grant program.

**SOURCES OF CITY REVENUES**

**Property Taxes**

The principal revenue source of the City is the tax on real and personal property. There is no limit as to rate or amount. A single tax is levied for state, county, municipal, and school purposes. For New Hampshire municipalities the "assessment year" for taxing purposes runs from April 1 to March 31 of the following year. Taxes are due in Manchester in two installments, on July 1 and December 1 (subject to deferral if tax bills are sent out late). Interest accrues on delinquent taxes at a rate of 12 percent per annum from the due date to the date of payment. Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). The City places a lien on delinquent property prior to May 1 of the following year. From the date of the tax lien, a two-year period of redemption is allowed the owner, during which time payment of taxes, interest, and costs will be accepted and the lien released. During the redemption period, 18 percent interest per annum is charged. Beyond the two year period of redemption, properties are deeded to the City (unless either the lien has been sold by the City, or the City has notified the collector that it will not accept the deed because acceptance could result in liability under environmental statutes imposing strict liability on owners). Except for any paramount federal lien and subject to bankruptcy and insolvency laws, tax liens take precedence over all other liens, and tax collector's deeds are free and clear of all encumbrances.

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The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds.

In 2000, the City began the process of a City-wide revaluation. The revaluation is as of April 1, 2001 and was used to assess property taxes beginning with fiscal year 2002. As part of the Supreme Court decision regarding school funding, cities and towns in New Hampshire are required to undertake revaluations every five years. For more detailed information about the Supreme Court decision and education funding in New Hampshire, see “Appendix B – City of Manchester Selected Financial Information – Education Funding.” The City’s next revaluation will be effective for April 1, 2004. The tables IV and VI in the statistics section set forth the trend in the City’s assessed valuations, the state equalized valuations and the tax rate per \$1,000 assessed valuation as of April 1, for each of the last ten fiscal years.

The annual tax rate and tax levy are established by the State of New Hampshire Department of Revenue Administration (DRA) in October or November of the fiscal year, based on adopted appropriations of the City and Hillsborough County and anticipated non-property tax revenues. Tax rates and levies are established separately for the county, municipal, and local and state school portions. The DRA recently approved a 2.8% increase in the overall property tax rate imposed on City taxpayers, from \$25.68 per \$1,000 of assessed valuation for fiscal year 2003 to \$26.40 per \$1,000 of assessed valuation for fiscal year 2004.

The tax levy calculations set forth in the following table for fiscal years 1999 through 2003 are presented in the same manner as supplied to DRA for tax rate setting purposes. A requirement of DRA is that all costs included under departmental appropriations on behalf of the MSD be reflected as part of the school costs and reduced from the original appropriation category. Therefore, the categorical amounts in the tax levy calculation cannot easily be equated to those shown below under “Fiscal Year 2004 Budget.”

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**Calculation of Property Tax Levy**

	1999	2000	2001	2002	2003
<b>Departmental Requirements:</b>					
General Government	\$10,825,635	\$15,138,988	\$22,412,332	\$22,795,572	\$21,089,086
Public Safety	28,028,631	29,385,878	32,896,813	35,675,949	36,920,465
Highways & Safety	16,024,361	16,491,509	18,125,291	15,326,474	18,111,301
Sanitation	1,390,160	1,693,622	1,785,333	6,440,962	2,966,376
Health	1,348,004	2,305,824	2,503,716	2,733,226	2,805,523
Welfare	1,190,924	1,299,024	1,269,737	1,461,074	1,476,875
Culture & Recreation	4,230,524	5,326,011	4,629,710	4,834,839	4,671,441
Economic Development	220,527	232,650	2,220,785	2,595,161	2,890,339
Education	90,226,231	102,722,154	106,832,425	115,808,857	121,148,267
<b>Debt Service Requirements</b>					
Principal on Long-Term Loans	8,493,847	9,175,353	10,287,693	10,034,398	10,890,802
Interest on Long-Term Loans	3,645,218	4,157,805	3,585,996	3,298,349	5,181,213
<b>Non-Departmental Requirements:</b>					
Transit Subsidy	900,000	674,000	663,330	725,000	725,000
Motorized Equipment	450,000	419,550	399,900	382,500	50,000
County Tax	7,349,481	7,494,747	8,045,138	8,736,858	8,465,440
Veterans Exemptions	606,000	623,155	590,700	573,400	575,200
Overlay Reserve for Abatements	547,513	593,100	(2,307)	1,081,931	1,023,700
<b>Total Estimated Requirements</b>	<b>175,477,056</b>	<b>197,733,370</b>	<b>216,246,592</b>	<b>232,504,550</b>	<b>238,991,028</b>
<b>Estimated Revenues:</b>					
Taxes, Penalties & Interest	1,710,006	1,716,703	1,587,210	1,152,162	1,140,787
Auto Registration	11,339,850	11,246,450	12,682,000	14,913,000	15,569,000
Licenses & Permits	3,819,360	3,290,916	3,888,400	3,806,100	4,422,038
State and Federal Revenues	18,019,770	7,660,814	8,160,596	8,533,036	8,862,815
Charges for Services	14,112,626	2,834,305	11,138,603	16,507,345	5,816,757
Interest	2,041,557	1,800,000	1,700,000	1,825,000	1,816,000
Surplus	500,000	700,000	1,800,000	1,500,000	2,250,000
Trust & Agency Funds	850,000	300,000	300,000	300,100	300,000
Miscellaneous	1,350,720	284,620	3,862,130	1,589,419	10,317,663
Education Adequacy Grant		36,878,752	36,878,752	42,283,387	42,473,084
State Education Taxes (1)		25,515,954	25,515,954	28,447,547	29,155,221
School Revenues		16,060,200	17,468,979	18,036,000	15,007,326
<b>Total Estimated Revenues</b>	<b>53,743,889</b>	<b>108,288,714</b>	<b>124,982,624</b>	<b>138,893,096</b>	<b>137,130,691</b>
<b>Tax Levy</b>	<b>\$121,733,167</b>	<b>\$ 89,444,656</b>	<b>\$ 91,263,968</b>	<b>\$ 93,611,454</b>	<b>\$ 101,860,337</b>

(1) State Education Taxes are included as part of the City's total tax levy

As shown in the table above, for purposes of calculating the property tax levy, estimated departmental budgetary requirements, which in fiscal year 2003 totaled \$238,991,028, are assumed to be funded first from estimated non-tax revenues, which in fiscal year 2003 totaled \$137,130,691. The remaining budgetary requirements are then assumed to be funded from the property tax levy.

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**Employee Relations**

Pursuant to New Hampshire RSA 273-A, all public employees in the State of New Hampshire have the right to organize and to bargain collectively with their public employers on matters of wages, hours, and other conditions of employment other than managerial policy. The City has approximately 1,272 employees, of whom approximately 67% are bargaining unit members.

The following identifies Manchester’s municipal labor organizations, their affiliations, the length of each contract and the date on which the contract expires.

<u>Organization</u>	<u>Affiliation</u>	<u>Length of Contract</u>	<u>Expiration of Contract</u>
Airport	Teamsters	2.0 Years	06/30/04
Public Works, Parks and Sanitation	AFSCME 298	2.0 Years	06/30/04
Police Department	MAPS	3.0 Years	06/30/02
Police Department	MPPA	3.0 Years	06/30/02
Water Works	USWA	3.0 Years	06/30/02
Fire Department	IAFF	3.0 Years	06/30/02
Police Department Support Staff	Teamsters	2.0 Years	06/30/04
Fire Department	MAFS	2.0 Years	06/30/04
Health Department	AFSCME	2.0 Years	06/30/04

- AFSCME: American Federation of State, County, and Municipal Employees
- MAPS: Manchester Association of Police Supervisors
- MPPA: Manchester Association of Police Patrolmen
- USWA: United Steelworkers of America
- IAFF: International Association of Firefighters
- Teamsters: Local 633 of NH
- MAFS: Manchester Association of Fire Supervisors

The City and the applicable union have agreed to the material terms necessary to extend and/or modify of the existing collective bargaining agreements. New collective bargaining agreements, however, have not yet been executed.

In addition to the above listed groups that are officially organized, there is one other group that has retained their status as Non-affiliated Employees. The “Non-affiliated” group is comprised of administrative, clerical, and supervisory personnel in most of the departments listed above, as well as the entire segment of employees, which account for the “General Government” grouping.

**Summary**

The combination of these new economic projects along with the City’s successful investment in the Manchester Airport, the Verizon Wireless Arena and various Millyard initiatives should help sustain the City’s economy for the next decade.

While the City has taken actions to stimulate the local economy, it should be recognized that the overall New Hampshire economy is still faring better in this period of economic uncertainty than any of its

**City of Manchester, New Hampshire**  
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neighboring New England states. New Hampshire's current growth outpaces both national and New England averages.

While the City's current economy appears resilient with property tax collections remaining strong (98.9%), the Board of Mayor and Aldermen have adopted the above mentioned policies and capital initiatives to further strengthen the City's financial condition and the local economy during this anticipated sustained period of economic slowdown. These projects are aimed not only at providing jobs, but also more importantly, at enhancing local education and quality of life.

<b>BOND ISSUES AND CREDIT RATING DURING PERIOD</b>
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The general debt limit of the City is 9.75% of base valuation, a total capacity of \$686,468,412; not more than 7% of which 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 special legislative acts rather than the general municipal finance statutes are also sometimes excluded from a city or town's statutory debt limit.

As of June 30, 2003 the City has a total outstanding General Obligation debt of \$118,936,695 and authorized and unissued debt of \$258,762,909 for compliance with various improvements, infrastructure improvements, and economic development projects.

Although the City did not issue any bonds during FY 2003, significant effort was devoted during the year in preparation for three (3) issues scheduled for early in FY 2004.

On July 31, 2003 the City issued \$105,000,000 school improvement bonds.

On August 31, 2003 the City issued on behalf of the Manchester Water Works \$38,345,000 revenue bonds for improvement / expansion of the water treatment facility.

Also on December 1, 2003 the City issued \$87,520,000 including \$24,350,000 financing for the Professional Minor League Baseball Stadium as part of the City's commitment to the Riverfront Development Project. \$37,675,000 to finance various municipal capital improvement projects as part of the City Capital Improvement Program; and \$25,495,000 refunding bonds.

The City was assigned the following credit ratings; FitchRatings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned the ratings of "AA+," "Aa2," and "AA+," respectively, to the Bonds.

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

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

**City of Manchester, New Hampshire**  
**2003 Comprehensive Annual Financial Report**

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<b>INDEPENDENT AUDIT</b>
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State statutes and the City Charter require an annual audit by an independent certified public accountant. The City has engaged McGladrey & Pullen, LLP, Certified Public Accountants, to conduct the City's audit. In addition to meeting the requirements set forth in State statutes and the Charter, the audit was also designed to meet the requirements of the federal Single Audit Act and related OMB Circular A-133. The financial records, books of accounts, and transactions of the City for the fiscal year ended June 30, 2003 have been audited by McGladrey & Pullen, LLP. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in a separately issued single audit report.

<b>ACKNOWLEDGEMENTS</b>
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I would like to thank all of the City's department heads, payroll and account clerks for completion of another successful year. I would especially like to thank the staff of the Finance Department for their dedication and attention to detail.

Respectfully submitted,

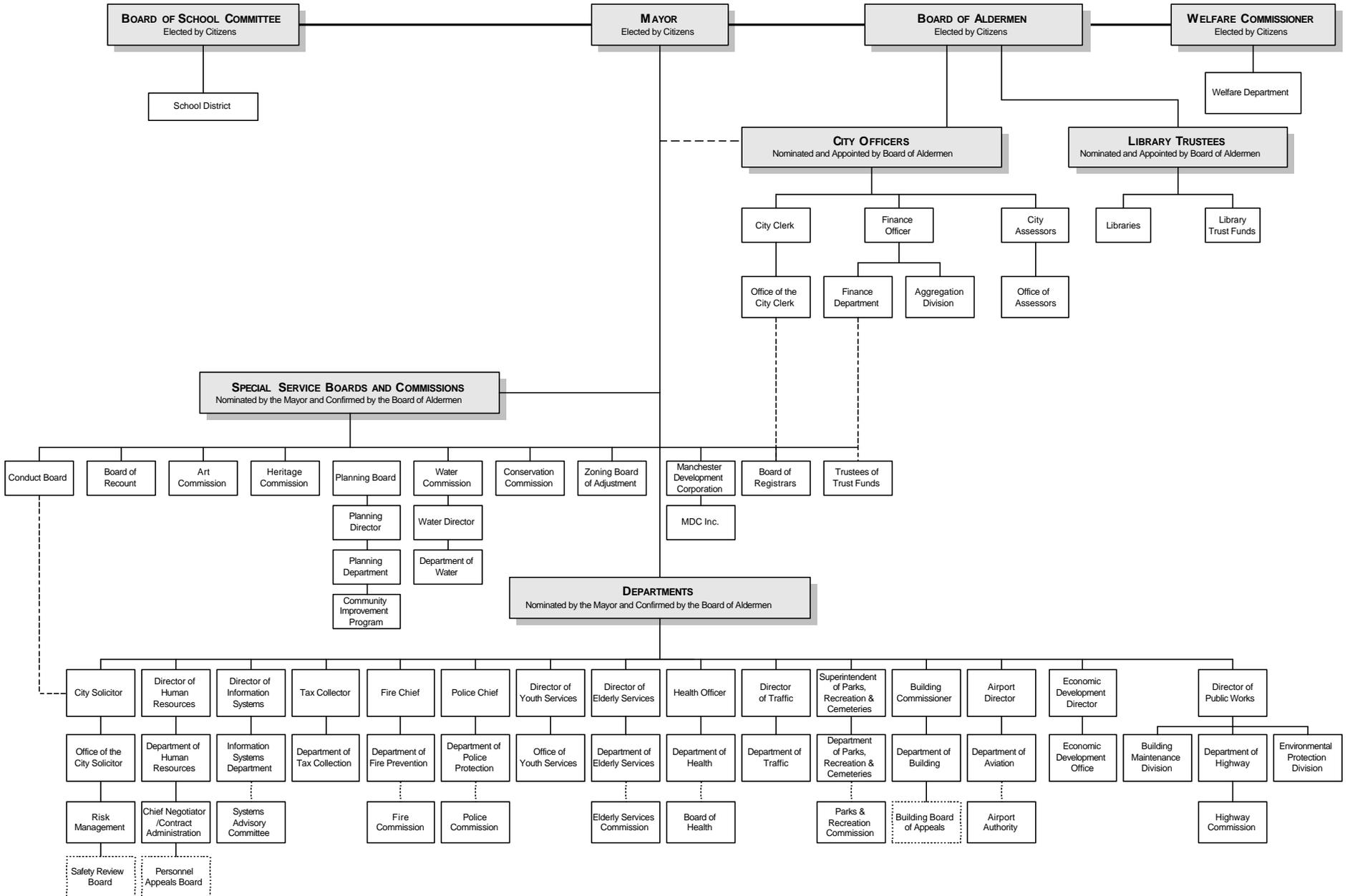
*Kevin A. Clougherty*

Kevin A. Clougherty  
Finance Officer



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# CITY OF MANCHESTER NEW HAMPSHIRE ORGANIZATION CHART



**List of Principal Officials  
in office at the close of fiscal year ended June 30, 2003**

**Mayor**

Robert A. Baines

**Aldermen**

Ward 1	David M. Wihby	Ward 7	William P. Shea
Ward 2	Theodore L. Gatsas	Ward 8	Betsi L. DeVries
Ward 3	Frank C. Guinta	Ward 9	Michael D. Garrity
Ward 4	Mary A. Sysyn	Ward 10	George W. Smith
Ward 5	Ed Osborne	Ward 11	Henry R. Thibault
Ward 6	Real R. Pinard	Ward 12	Armand D. Forest
At-large	Michael J. Lopez	At-large	Daniel P. O'Neil *

\* Chairman of the Board

**City Departments**

Finance Officer	Kevin A. Clougherty
Deputy Finance Officer	Randy M. Sherman, CPA
Second Deputy Finance Officer, Treasury Manager	Joanne L. Shaffer, CCM
City Clerk	Leo R. Bernier
City Solicitor	Thomas R. Clark
Commissioner of Welfare	Paul R. R. Martineau
Chief of Police	John A. Jaskolka
Fire Chief	Joseph P. Kane
Public Health Director	Frederick Rusczyk, M.P.H.
Director of Public Works	Frank C. Thomas, P.E.
Director of Parks, Recreation & Cemetery	Ronald E. Ludwig
Director of Economic Development	Unfilled
Building Commissioner	Leon LaFreniere
Director of Traffic	Thomas P. Lolicata
Airport Director	Kevin A. Dillon
Director of Water	Thomas M. Bowen, P.E.
Director of Information Systems	Diane Prew
Director of City Library	John Anthony Brisbin
Director of Planning Board	Robert S. Mackenzie
Superintendent of Schools	Michael Ludwell, Ph.D.
Director of Human Resources	Virginia A. Lamberton
Director of Elderly Services	Barbara A. Vigneault
Acting Director of Youth Services	Laurel Buccino
Chairman Board of Assessors	Steven G. Tellier
Collector of Taxes	Joan A. Porter

**FINANCIAL  
SECTION**

# McGladrey & Pullen

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manchester, New Hampshire ("the City") as of and for the year ended June 30, 2003 which collectively comprises the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 96.9% of the revenues and 9% 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 80% of the assets and 100% of the additions of the pension trust funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to amounts included for the Manchester School District, the Manchester Transit Authority and the City of Manchester Employees' Contributory Retirement System, component units of the City, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provide a reasonable basis for our opinions.

As described in Note 9 to the basic financial statements, the City accounted for the receipt of title to the Manchester Civic Center as a non-exchange transaction. We were not able to obtain sufficient evidence to satisfy ourselves as to the propriety of this accounting treatment of the carrying value of net assets.

In our opinion, except for the effect, if any, of the reporting of the receipt of title to the Manchester Civic Center as a non-exchange transaction on governmental activities, as described in the preceding paragraph, based on our audit and the reports of other auditors the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manchester, New Hampshire, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis on pages 35 through 48 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with "Government Auditing Standards," we have also issued our report dated October 29, 2003 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 grants. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, budgetary detail, combining and individual nonmajor fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*McGladrey & Pullen, LLP*

New Haven, Connecticut  
October 29, 2003

**City of Manchester, New Hampshire**  
**Management's Discussion and Analysis**  
**June 30, 2003**

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, 2003. We encourage readers to consider the information presented here 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, the assets of the City exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$383 million. Total net assets for Governmental Activities at fiscal year-end was \$71.7 million and total net assets for Business-Type Activities were \$311.3 million. The unrestricted net assets at June 30, 2003 were \$14 million or 3.7% of the City's total net assets.
- ◆ On a government-wide basis, during the year, the City's net assets increased by \$37.4 million or 10.7%, from \$345.6 million to \$383 million. Net assets increased by \$8.2 million for Governmental Activities and net assets increased by \$29.2 million for Business-Type Activities. Government-wide expenses were \$187.3 million, while revenues were \$224.7 million.
- ◆ At the close of the year, the City's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$32.1 million, a decrease of \$11.3 million from the prior fiscal year. Of the total fund balance as of June 30, 2003, there is a deficit of \$5.9 million which represents the combined unreserved deficit in the general fund, special revenue funds, capital projects fund and permanent funds. The combined deficit is due to the capital projects deficit of \$8.4 million.
- ◆ At the end of the current fiscal year, the total fund balance for the general fund alone was \$22.8 million, an increase of \$1 million from the prior fiscal year. Included in the fiscal year 2003 budget was an appropriation of \$1.1 million of unreserved and undesignated fund balance. As of June 30, 2003, \$1.3 million of the total general fund fund balance represents unreserved and undesignated general fund balance. Unreserved general fund fund balance at year-end represents 1.3% of total general fund expenditures and transfers (\$100.8 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.

It is important to note that the City implemented the new reporting requirements outlined in GASB 34 effective July 1, 2001. The financial statements, therefore, contained within this report as of June 30, 2003, are the City's second report using the new reporting model. In addition, the City was among one of the first municipalities in the State of New Hampshire required to report under the new model for the fiscal year ended June 30, 2002. As allowed under GASB 34, the City elected not to present all required comparative data for that year of implementation. The report for fiscal year ending June 30, 2003, however, contains all required comparative information with the City itself.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. All of the resources the City has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the City's overall financial status.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference reported as net assets (deficits). Over time, increases or decreases in net assets (deficits) may serve as an indicator of whether the financial position of the City is improving or deteriorating. It speaks to the question of whether or not, the City, as a whole is better or worse off as a result of this year's activities. Other non-financial factors will need to be considered, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The statement of activities presents information showing how the City's net assets (deficits) changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period, uncollected taxes and earned but unused vacation leave are examples.

Both of the government-wide financial statements distinguish functions of the City of Manchester that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities).

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

The government-wide financial statements (statement of net assets and statement of activities) can be found on pages 50-53 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control and accountability over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has three kinds of funds:

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation as Other Governmental Funds. Non-major governmental funds, as discussed in the Letter of Transmittal, for the City include the United States Department of Housing and Urban Development (DHUD) Section 108 Fund, Cash Special Projects Fund, Community Development Block Grant Fund, Other Grants Fund, Civic Center Fund, and the Revolving Loan Fund. Permanent Funds consist of the Cemetery Fund and the Library Fund. Individual fund data for each of these non-major governmental funds is provided in the combining balance sheets on pages 112-113 and in the combining statement of revenues, expenditures and changes in fund balance on pages 114-115.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the authorized budget. The statement of revenues, expenditures and changes in fund balance on a budgetary basis can be found on page 57.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on pages 54-55 of this report.

**Proprietary funds.** The City of Manchester maintains five proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Manchester uses enterprise funds to account for its Water Works, Environmental Protection Division, Aviation, Recreation and the Aggregation Program Funds. The proprietary fund financial statements provide separate information for the Water Works, Environmental Protection Division and Aviation, which are considered to be major funds of the City of Manchester. Conversely, both of the remaining funds are combined into a single, aggregated presentation in the proprietary fund

financial statements. Individual fund data for the Recreation Fund and the Aggregation Program is provided on pages 117-119 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 58-60 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 61-62 and 90-91 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 63-99 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.

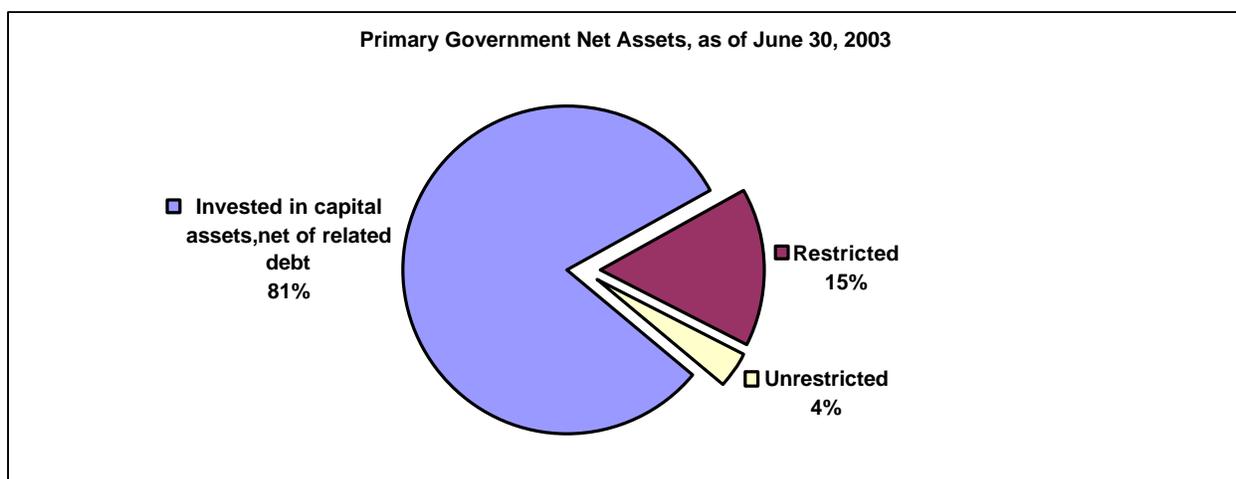
### **Government-wide Financial Analysis**

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 \$383 and \$345.6 million at June 30, 2003 and 2002, respectively.

Reported for the first time in 2002 were some of the City's infrastructure assets including The Verizon Wireless Arena, roads, sidewalks, bridges, dams, right-of-ways, streetlights, and culverts, all of which have useful lives that range between 20 and 50 years. The City has, in the past, reported only its storm and sanitary sewers with useful lives of 50 years.

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

	June 30, 2003			June 30, 2002		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Current and Other Assets	\$ 116,468	\$ 134,779	\$ 251,247	\$ 118,097	\$ 159,747	\$ 277,844
Non-Current	18,187	8,081	26,268	18,511	9,268	27,779
Capital Assets	173,781	517,958	691,739	173,630	464,750	638,380
<b>Total Assets</b>	<b>308,436</b>	<b>660,818</b>	<b>969,254</b>	<b>310,238</b>	<b>633,765</b>	<b>944,003</b>
Current Liabilities	84,079	23,185	107,264	73,046	20,633	93,679
Long-term liabilities outstanding	152,643	326,332	478,975	173,697	330,999	504,696
<b>Total Liabilities</b>	<b>236,722</b>	<b>349,517</b>	<b>586,239</b>	<b>246,743</b>	<b>351,632</b>	<b>598,375</b>
Net Assets:						
Invested in capital assets, net of related debt	84,480	225,163	309,643	73,140	202,690	275,830
Restricted	17,545	41,479	59,024	17,994	26,540	44,534
Unrestricted	(30,311)	44,659	14,348	(27,639)	52,903	25,264
<b>Total Net Assets</b>	<b>\$ 71,714</b>	<b>\$ 311,301</b>	<b>\$ 383,015</b>	<b>\$ 63,495</b>	<b>\$ 282,133</b>	<b>\$ 345,628</b>



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

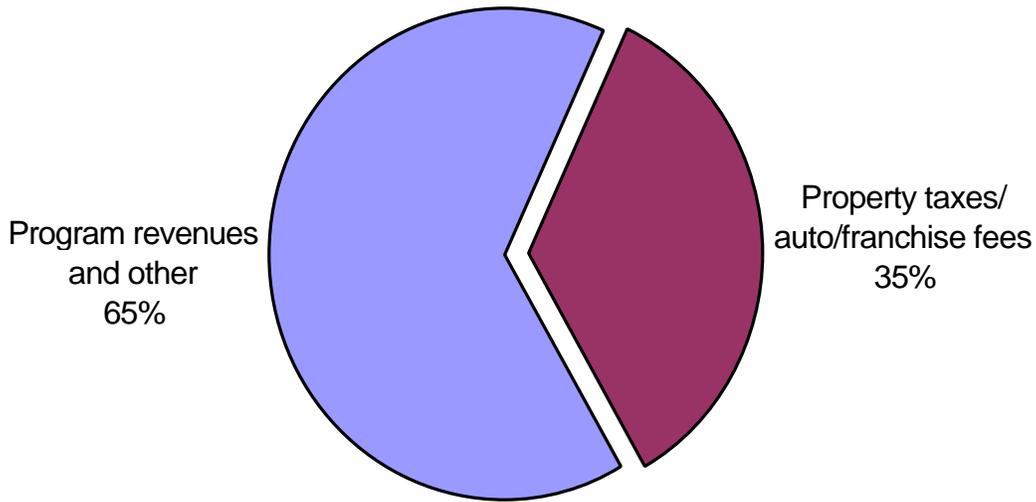
The portion of the City's net assets of \$309.6 million reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), net any outstanding debt related to these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not 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, \$59.0 million, represents resources that are subject to external restrictions on how they may be used. Governmental unrestricted net assets (deficit) of (\$30.3) million may not be used to meet the City's ongoing obligations to citizens and creditors, due to the negative balance. The primary reasons for the negative balance are due to the issuance of the 1993 Fiscal Year Conversion Bonds, which were issued to properly fund revenue and expenditure timing differences, which has an outstanding balance of \$6,199,461 as well as related Capital Appreciation Bonds accrual of \$5,136,395, the Pension Obligation Bond with an outstanding balance of \$17,230,045, which was issued to properly fund the unfunded amount, the Landfill Closure Project, which has an outstanding balance of \$1,180,555, other landfill closure and post-closure care costs estimated liability with an outstanding balance of \$18,106,957, Urban Renewal Related Projects with outstanding balances of \$2,744,909, Revaluation debt with an outstanding balance of \$885,000, long-term debt related to insurance claims with an estimated outstanding balance of \$4,135,101, as well as long-term debt related to compensated absences with an estimated outstanding balance of \$6,328,390 at June 30, 2003.

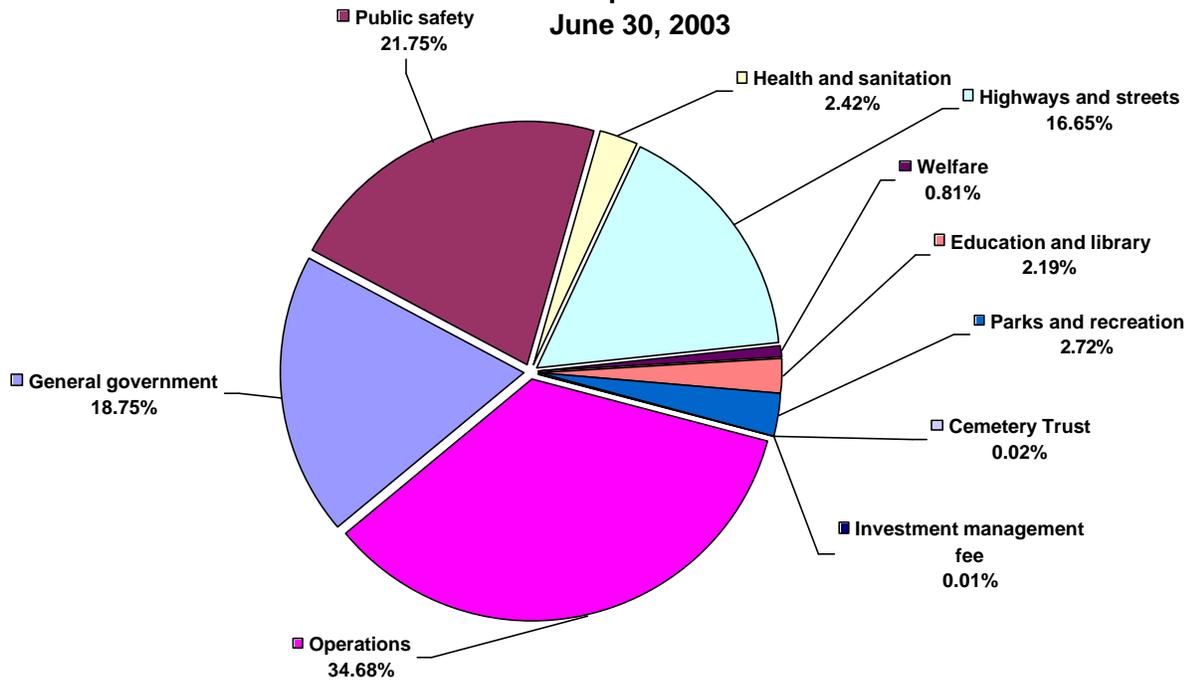
**City of Manchester, New Hampshire**  
**Changes in Net Assets (Deficits) (\$ 000's)**  
**Primary government**

	June 30, 2003			June 30, 2002		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 20,866	\$ 65,829	\$ 86,695	\$ 20,154	\$ 61,790	\$ 81,944
Operating grants and contributions	20,824	7,094	27,918	21,491	2,812	24,303
Capital grants and contributions		29,199	29,199	65,739	26,468	92,207
General Revenues:						
Property taxes/auto/franchise fees	73,037		73,037	73,204		73,204
Unrestricted investment earnings	1,088	2,627	3,715	2,122	2,762	4,884
Transfers and other	5,837	(15,361)	(9,524)	2,096	(16,662)	(14,566)
<b>Total revenues</b>	<b>121,652</b>	<b>89,388</b>	<b>211,040</b>	<b>184,806</b>	<b>77,170</b>	<b>261,976</b>
<b>Expenses:</b>						
General government	32,561		32,561	38,574		38,574
Public safety	37,766		37,766	38,059		38,059
Health and sanitation	4,196		4,196	3,527		3,527
Highways and streets	28,905		28,905	30,354		30,354
Welfare	1,405		1,405	2,240		2,240
Education and library	3,817		3,817	4,835		4,835
Parks and recreation	4,724		4,724	835		835
Cemetery Trust	36		36	27		27
Investment management fee	23		23	20		20
Contribution to Pension Trust Fund				449		449
Operations		60,220	60,220	-	47,928	47,928
<b>Total Expenses</b>	<b>113,433</b>	<b>60,220</b>	<b>173,653</b>	<b>118,920</b>	<b>47,928</b>	<b>166,848</b>
Change in net assets	8,219	29,168	37,387	65,886	29,242	95,128
<b>Net assets (deficits)-beginning</b>	<b>63,495</b>	<b>282,133</b>	<b>345,628</b>	<b>(2,391)</b>	<b>252,891</b>	<b>250,500</b>
<b>Net assets (deficits)-ending</b>	<b>\$ 71,714</b>	<b>\$ 311,301</b>	<b>\$ 383,015</b>	<b>\$ 63,495</b>	<b>\$ 282,133</b>	<b>\$ 345,628</b>

### June 30, 2003 Primary government revenues



### City of Manchester Expenses June 30, 2003



Manchester's net assets increased by \$37.4 million during the fiscal year, with net assets of Governmental Activities increasing by \$8.2 million, and net assets of Business-Type Activities increasing by \$29.2 million. The increase in net assets within Business-Type Activities is primarily due to the increases in capital contribution revenues.

## **Governmental Activities**

More than 60% of the governmental funds revenues were derived from property taxes, auto registrations and franchise fees, followed by 17.2% from charges for services, then 17.1% from operating grants and finally, about 5.7% of the City's revenue in this fiscal year was derived from a combination of investment earnings, gain (loss) of sales of capital assets, and transfers.

Major revenue factors included:

- ◆ Investment earnings fell in the general fund from \$1.13 million in the prior fiscal year to \$.74 million for the fiscal year ended June 30, 2003. The reduction in interest and dividend earnings was the result of a slowing economy and the further subsequent reduction in interest rates by the Federal Reserve Bank.

## **Business-Type Activities**

Business-Type activities increased the City's net assets by \$29.2 million.

- ◆ Aviation fund capital contributions amounted to \$25.5 million, an increase from \$23.2 million the previous year .

## **Financial Analysis of the Fund Financial Statements**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$32.06 million, a decrease from \$43.38 million as reported on June 30, 2002. Approximately 28.6% of this total amount constitutes unreserved fund balance that is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: \$14.58 million to cemetery, library and other trust funds; \$3.14 million to liquidate contracts and purchase orders of the prior period; \$2.96 million to self-insured workers' compensation claims reserve; \$1.62 million for advances to an enterprise fund and \$.6 million for inventory.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, undesignated, unreserved fund balance of the general fund was \$1.3 million while the total fund balance reached \$22.8 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and education operating transfers. Unreserved fund balance represents 16.23% of total general fund expenditures, while total fund balance represents 22.62% 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.

Net assets of the proprietary fund consisting of the Water Works were \$61.75 million, as compared to \$59.03 million in the prior year.

The unrestricted deficit of the Water Works was \$3.95 million. The Water Works experienced operating revenues of \$10.03 million from user fees. There was a total net income for the Water Works of \$50,910 before capital contributions of \$2.67 million. The change in net assets for the fiscal year ended June 30, 2003 was \$2.72 million.

The total assets for EPD decreased by 1.4%, \$2 million, bringing the ending balance to \$146.4 million at June 30, 2003. Total current assets decreased by \$4.5 million, and noncurrent assets by \$1 million, while total capital assets increased by \$3.3 million.

The fiscal year 2003 ending fund balance (fund net assets) remained relatively constant at \$103.5 million. Of this amount, \$71 million is invested in capital assets and \$ .3 million is restricted for equipment replacement.

Unrestricted assets decreased by \$5.4 million and the investment in capital assets increased \$5.6 million for the fiscal year 2003.

Manchester Airport continues to experience real passenger growth in FY2003, approximately 4.4% higher than FY 2002. Operating income fell from \$11,366,591 in FY2002 to \$4,768,019 in FY2003, a decrease of 58%.

### **General Fund Budgetary Highlights**

The City ended Fiscal Year 2003 with an improved balance sheet over FY 2002. The City's "rainy day" revenue stabilization fund increased from \$9,576,915 to \$9,633,624. The City's undesignated fund balance decreased from \$4,683,957 to \$1,304,404, because the City established two new designated fund accounts. The first is the tax rate stabilization account of which the excess of one percent of the FY 2002 tax warrants was transferred into, or \$1,981,568. The second is the special revenue account which accounts for one-time revenues, (i.e., property sales, etc.) which amounts to \$848,437. The City's reserves for workers compensation, health insurance, and general liability had an aggregate increase of \$889,717 or 19% from \$4,665,427 to \$5,555,145.

The difference between the original budget and the final revised budget was \$650,000. Budget cuts adopted during the year are summarized below:

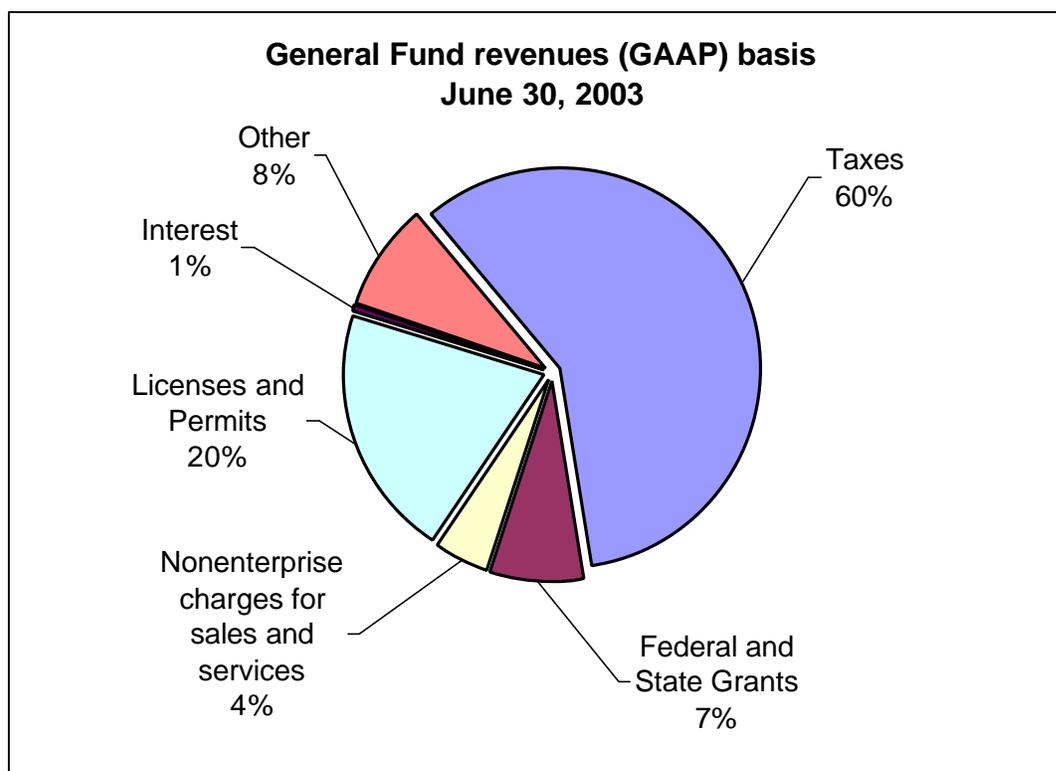
- ◆ The net budget amendment dated September 4, 2002, decreased the general fund departmental expenditures budget by \$650,000.
- ◆ A reduction from original General Government appropriations of \$227,218.
- ◆ A reduction from original Public Safety appropriations of \$120,000.
- ◆ A reduction from original Highways and Streets appropriations of \$240,664.
- ◆ A reduction from original Education and Library appropriations of \$23,069.
- ◆ A reduction from original Parks and Recreations appropriations of \$39,049.

During the year, actual revenues and other financing sources on a budgetary basis were \$99.8 million, which were short of budgetary estimates by \$4 million. Actual tax revenues were under budget by \$1,037,735. Actual intergovernmental revenue was \$74,311 over budgetary estimates. Investment income was \$1,079,889 less than the \$1.8 million that had been budgeted. The budgeted amounts, for investment income was predicated upon historical short-term interest rates that prevailed during the budget preparation period. These assumptions did not anticipate the sharp decline in interest rates during fiscal 2003. Additional shortfalls of \$349,007 resulted in fees and permits. Nonenterprise charges for sales and services were \$154,434 less than budgeted. Other revenues were \$1,457,333 less than budgeted.

Actual expenditures on a budgetary basis and other financing uses totaled \$100.8 million, \$4.1 million less than budgeted. The combined net difference of budgeted revenues and expenses on a budgetary basis resulted in a positive variance of \$94,118. The fiscal year 2003 budget included a planned appropriation of fund balance of \$1.1 million.

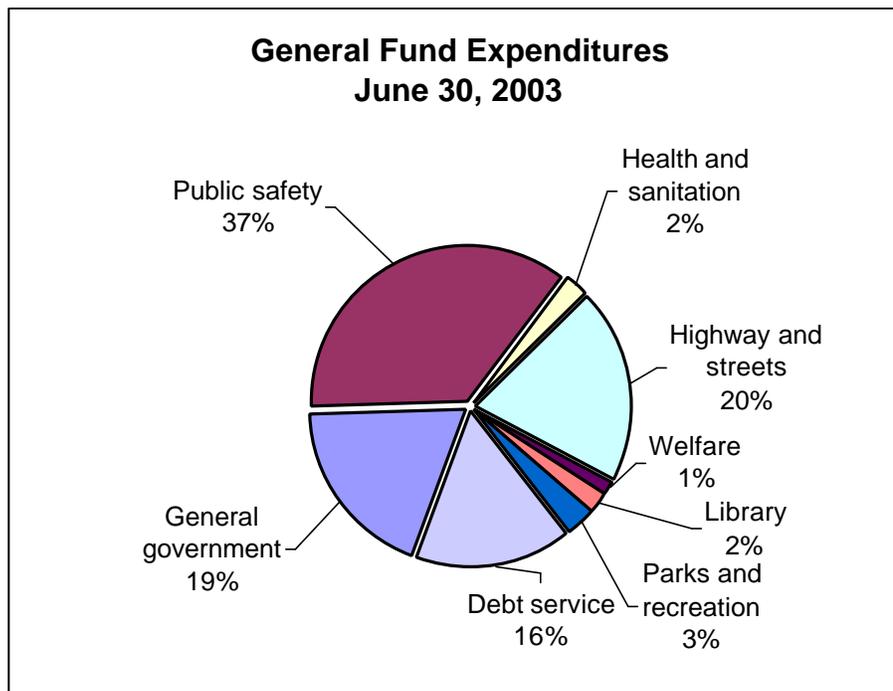
**General Fund Revenues** - The following schedule presents a summary of General Fund revenues (GAAP basis) for the years ended June 30, 2003 and 2002.

Revenues	2003 Amount (000's)	2002 Amount (000's)	Amount of Increase (Decrease) (000's)	Percent of Increase (Decrease)
Taxes	\$ 59,369	\$ 59,021	\$ 348	0.59%
Federal and State Grants	7,549	7,292	257	3.52%
Nonenterprise charges for sales and services	4,492	4,432	60	1.35%
Licenses and Permits	20,522	19,745	777	3.94%
Interest	736	1,133	(397)	-35.04%
Other	8,595	9,120	(525)	-5.76%
Total	<u>\$ 101,263</u>	<u>\$ 100,743</u>	<u>\$ 520</u>	<u>-31.39%</u>



**General Fund Expenditures** - The following schedule presents a summary of General Fund Expenditures (GAAP basis) for the years ended June 30, 2003 and 2002.

<b>Expenditures</b>	<b>2003 Amount (000's)</b>	<b>2002 Amount (000's)</b>	<b>Amount of Increase (Decrease) (000's)</b>	<b>Percent of Increase (Decrease)</b>
General government	\$ 18,658	\$ 18,369	\$ 289	1.57%
Public safety	35,445	34,556	889	2.57%
Health and sanitation	2,463	2,712	(249)	-9.18%
Highway and streets	19,903	20,099	(196)	-0.98%
Welfare	1,352	2,147	(795)	-37.03%
Library	2,146	2,259	(113)	-5.00%
Parks and recreation	2,992	3,034	(42)	-1.38%
Debt service	16,072	14,754	1,318	8.93%
Pension benefit payment		18,660	(18,660)	-100.00%
<b>Total</b>	<b>\$ 99,031</b>	<b>\$ 116,590</b>	<b>\$ (17,559)</b>	<b>-31.39%</b>

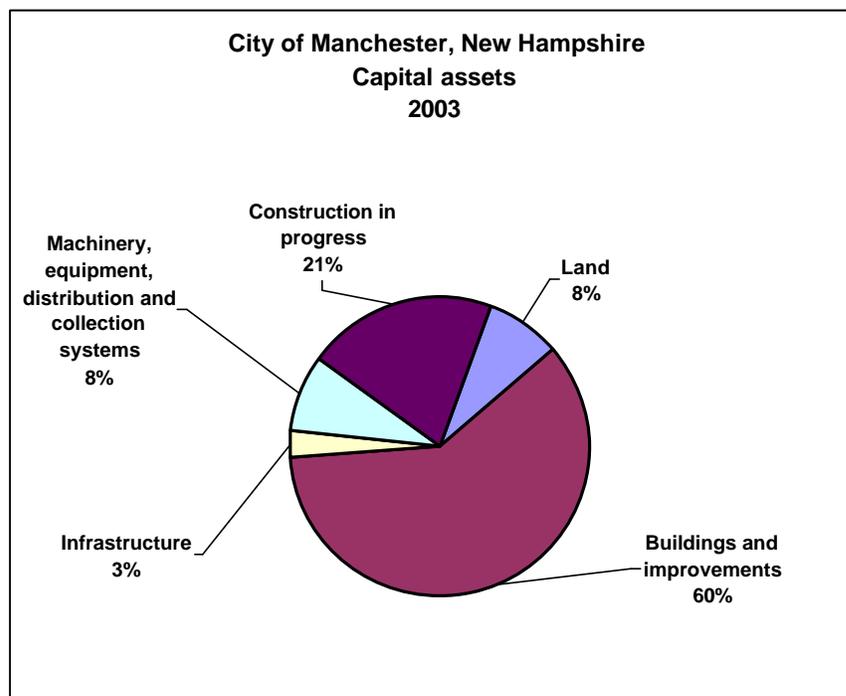


## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2003, amounts to \$691.7 million, net of accumulated depreciation. This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, sewers and bridges. The total increase in the City's investment in capital assets for the current fiscal year was \$53.3 million or 8.4%.

**City of Manchester, New Hampshire  
Capital Assets (net of depreciation) (000's)  
June 30, 2003 and 2002  
Primary Government**

	2003			2002			Change
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total	
Land	\$ 18,984	\$ 36,677	\$ 55,661	\$ 18,366	10,377	28,743	\$ 26,918
Buildings and improvements	111,652	306,058	417,710	114,839	235,201	350,040	67,670
Infrastructure	17,914	-	17,914	17,572	-	17,572	342
Machinery, equipment, distribution and collection systems	6,329	51,226	57,555	5,309	52,118	57,427	128
Construction in progress	18,902	123,997	142,899	17,544	167,054	184,598	(41,699)
<b>Total</b>	<b>\$ 173,781</b>	<b>\$ 517,958</b>	<b>\$ 691,739</b>	<b>\$ 173,630</b>	<b>464,750</b>	<b>638,380</b>	<b>\$ 53,359</b>



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

- ◆ Improvements and renovations to school buildings and facilities.
- ◆ Continued rehabilitation of playgrounds and athletic fields.
- ◆ Infrastructure improvements including roads, bridges, and sanitary and sewer projects.
- ◆ Replacement of several pieces of emergency and rescue equipment for the fire department and purchase of police vehicles.
- ◆ Acquisition of parcels for ongoing city development projects.
- ◆ Continued improvements and expansion of the Manchester Airport.

Additional information on the City of Manchester’s capital assets can be found in Note 8 on pages 81-84 of this report.

**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 \$514,630,631. 100% of the general obligation debt is backed by the full faith and credit of the City government.

**City of Manchester, New Hampshire  
Outstanding Debt  
General Obligation and Revenue Bonds (000's) in thousands  
June 30, 2003 and 2002**

	2003			2002		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
General Obligation Bonds	\$ 118,937	\$ 44,030	\$ 162,967	\$ 135,788	\$ 50,927	\$ 186,715
General Obligation Revenue Bonds		271,254	271,254	-	275,329	275,329
Totals	<u>\$ 118,937</u>	<u>\$ 315,284</u>	<u>\$ 434,221</u>	<u>\$ 135,788</u>	<u>\$ 326,256</u>	<u>\$ 462,044</u>

The City was assigned the following credit ratings; FitchRatings, Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., have assigned the ratings of “AA+,” “Aa2,” and “AA+,” respectively, to the Bonds.

The general debt limit of the City is 9.75% of base valuation. The base valuation (\$7,040,701,663) for computing the debt limit is determined by adding the amount of taxable property lost to cities, towns and districts as a result of the enactment of the State Business Profit Tax Law to the “equalize assessed valuation.” Not more than 7% of the base valuation may be incurred for school purposes. Water and Sewer projects ordered by the State Water Supply and Pollution Control Commission, self-supporting sewer debt, debt for urban redevelopment and housing purposes, and overlapping debt are excluded from the measure of indebtedness. Other water projects are subject to a separate, special debt limit of 10% of the City’s base valuation. Borrowings authorized by legislative acts rather than the general municipal finance statutes are sometimes excluded from a city or town’s debt limit. The Total Equalized Valuation figure includes Utility Valuation and Railroad Monies Reimbursements. The total bonded debt for the general government includes the School District portion. As of June 30, 2003, the City recorded long-term debt of \$77.3 million related to Governmental Activities, \$41.7 related to the School District and \$44 million related to Business-Type Activities, well below its statutory debt limit.

Additional information on the City of Manchester’s long-term debt can be found in Note 9 on pages 85-89 of this report.

## Economic Factors and Next Year's Budgets and Rates

As of November 2003, the unemployment rate for the Manchester Metropolitan Statistical Area was 4.2%, down from 4.6% in the prior year. Moreover, New Hampshire state government is now reporting serious revenue shortfalls that may translate into reductions in State aid to the City of Manchester and other municipalities in the State.

### Fiscal Year 2004 Budget

The fiscal year 2004 combined General Fund budget for the City and the MSD contains an appropriation increase of 1.31% over the fiscal 2003 budget. Non-property tax revenues are anticipated to remain flat. In the formulation of the fiscal 2004 budget, the Board of Mayor and Aldermen, after consultation with the Department of Finance and the City's assessing department, produced a budget to meet all contracted obligations without layoffs or reductions in City services. The areas of concern in developing the fiscal year 2004 budget were a sluggish economy leading to flat collections of non-property tax revenues, increased costs for retirement fund contributions and health insurance and an obligation to maintain the highest possible level of public safety, health and education. The City believes that it has met all of those concerns in the final adopted fiscal year 2004 budget.

The following table sets forth the City's General Fund operating budgets for fiscal years 2002-2004. Enterprise funds, the County tax, veteran exemptions and the overlay reserve for abatements are excluded from this table.

#### BUDGET TRENDS

	2002		2003		2004	
	Amount	%	Amount	%	Amount	%
Education	\$ 115,808,857	52.9%	\$ 125,898,267	54.7%	\$ 126,575,275	54.3%
General Government	21,582,883	9.9%	19,276,497	8.4%	18,172,463	7.8%
Public Safety	35,675,949	16.3%	37,096,643	16.1%	40,134,677	17.2%
Highway and Streets	21,767,436	9.9%	21,247,079	9.2%	21,520,212	9.2%
Health and Welfare	4,194,300	1.9%	4,438,720	1.9%	4,378,700	1.9%
Culture and Recreation	5,841,695	2.7%	5,748,578	2.5%	5,819,972	2.5%
Economic Development	261,737	0.1%	273,178	0.1%	172,000	0.1%
Motorized Equipment	382,500	0.2%	50,000	0.0%	120,000	0.1%
Debt Service	13,332,747	6.1%	16,072,015	7.0%	16,228,552	7.0%
<b>Total Budget</b>	<b>218,848,104</b>	<b>100.0%</b>	<b>230,100,977</b>	<b>100%</b>	<b>233,121,851</b>	<b>100.0%</b>
Less MSD Budget	(115,808,857)		(125,898,267)		(126,575,275)	
<b>General Fund Budget</b>	<b>\$ 103,039,247</b>		<b>\$ 104,202,710</b>		<b>\$ 106,546,576</b>	

### Requests for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance at One City Hall Plaza, Manchester, NH 03101.

# **BASIC FINANCIAL STATEMENTS**



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Statement of Net Assets

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 65,807,980	\$ 24,057,207	\$ 89,865,187
Restricted cash	5,338,142	82,824,030	88,162,172
Investments	16,179,055	3,245,877	19,424,932
Receivables	26,247,041	25,193,446	51,440,487
Prepaid expenses	4,099	870,836	874,935
Internal balances	2,302,137	(2,302,137)	-
Due from City			-
Inventories	589,385	889,349	1,478,734
Total current assets	116,467,839	134,778,608	251,246,447
Noncurrent assets:			
Land held for resale			-
Capital assets, net of depreciation	173,781,497	517,958,279	691,739,776
Pension asset	17,857,717		17,857,717
Deferred professional fees, net	329,428	2,054,524	2,383,952
Receivables		5,741,227	5,741,227
Other		285,285	285,285
Total noncurrent assets	191,968,642	526,039,315	718,007,957
<b>Total Assets</b>	<b>\$ 308,436,481</b>	<b>\$ 660,817,923</b>	<b>\$ 969,254,404</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 11,077,097	\$ 8,578,312	\$ 19,655,409
Retainage payable		2,120,603	2,120,603
Accrued liabilities	3,858,567	12,412,637	16,271,204
Other liabilities	1,296,477		1,296,477
Insurance claims payable	804,454		804,454
Due to school district	22,643,986		22,643,986
Deferred revenue	18,212,077	73,201	18,285,278
Taxes collected in advance	26,186,396		26,186,396
Total current liabilities	84,079,054	23,184,753	107,263,807
Noncurrent liabilities:			
Due within one year	24,991,194	13,230,373	38,221,567
Other liabilities due within one year		868,835	868,835
Due in more than one year	127,652,344	317,414,009	445,066,353
Other liabilities due in more than one year			-
Bond discounts		(5,181,278)	(5,181,278)
Total noncurrent liabilities	152,643,538	326,331,939	478,975,477
<b>Total Liabilities</b>	<b>236,722,592</b>	<b>349,516,692</b>	<b>586,239,284</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	84,480,112	225,163,369	309,643,481
Restricted for:			
Coverage account		13,845,394	13,845,394
Manchester Regional Industrial Foundation		1,166,851	1,166,851
PFCs		4,577,382	4,577,382
MSDC		5,214,905	5,214,905
Revenue bond O&M		5,961,000	5,961,000
Revenue bond fund		10,713,087	10,713,087
Workmen's compensation	2,964,110		2,964,110
Cemetery and other trust funds	11,925,653		11,925,653
Library trust funds	2,655,562		2,655,562
Designated for:			
Land held for resale			-
Equipment replacement		278,986	278,986
Unrestricted	(30,311,548)	44,380,257	14,068,709
<b>Total Net Assets</b>	<b>\$ 71,713,889</b>	<b>\$ 311,301,231</b>	<b>\$ 383,015,120</b>
See accompanying notes.			

Manchester School District	Component Units	
	Manchester Transit Authority	Manchester Development Corporation
\$ 6,101,523	\$ 1,004,737	\$ 1,734,420 34,398
3,714,893 13,382	506,969 48,634	645,738
22,643,986	162,671	
<u>32,473,784</u>	<u>1,723,011</u>	<u>2,414,556</u>
5,259,572	2,129,243	504,187
<u>5,259,572</u>	<u>2,129,243</u>	<u>504,187</u>
<b><u>\$ 37,733,356</u></b>	<b><u>\$ 3,852,254</u></b>	<b><u>\$ 2,918,743</u></b>
\$ 2,148,565	\$ 17,689	
14,341,212	37,003	\$ 33,930 50,401
25,215,226	5,402	
<u>41,705,003</u>	<u>60,094</u>	<u>84,331</u>
1,822,918		
4,771,685	301,942	
<u>6,594,603</u>	<u>301,942</u>	<u>-</u>
<b><u>48,299,606</u></b>	<b><u>362,036</u></b>	<b><u>84,331</u></b>
5,259,572	2,129,243	
49,484 (15,875,306)	975,262 385,713	504,187 2,330,225
<b><u>\$ (10,566,250)</u></b>	<b><u>\$ 3,490,218</u></b>	<b><u>\$ 2,834,412</u></b>

**Statement of Activities**

	Expenses	Program Revenues		
		Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
General government	\$ 32,560,283	\$ 10,097,598	\$ 11,429,867	
Public safety	37,765,649	2,161,469	1,376,437	
Health and sanitation	4,196,162	1,375,369	1,203,218	
Highways and streets	28,905,257	6,288,694	6,199,844	
Welfare	1,404,958	107,019		
Education and library	3,816,562		8,965	
Parks and recreation	4,724,302	835,795	605,682	
Cemetery Trust	36,037			
Investment management fee	23,511			
Total governmental activities	<u>113,432,721</u>	<u>20,865,944</u>	<u>20,824,013</u>	<u>-</u>
Business-type activities				
Water	9,796,790	9,989,204		2,673,613
EPD	11,308,620	11,332,387	325,855	997,522
Aviation	50,322,106	42,050,284	6,768,504	25,527,921
Recreation	2,353,924	2,274,829		
Aggregation	134,986	182,090		
Total business-type activities	<u>73,916,426</u>	<u>65,828,794</u>	<u>7,094,359</u>	<u>29,199,056</u>
Total primary government:	<u>\$ 187,349,147</u>	<u>\$ 86,694,738</u>	<u>\$ 27,918,372</u>	<u>\$ 29,199,056</u>
Component units				
Manchester School District	136,173,457	16,539,326	87,600,928	332,922
Manchester Transit Authority	4,907,432	2,537,721	1,761,573	80,515
Manchester Development Corporation	69,767			
Total component units	<u>\$ 141,150,656</u>	<u>\$ 19,077,047</u>	<u>\$ 89,362,501</u>	<u>\$ 413,437</u>
General revenues:				
Property taxes				
Auto registration fees				
Franchise fees				
Unrestricted investment earnings				
Debt reimbursement from MSD				
Donation of land				
Loss on disposal of assets				
Total general revenues				
Change in net assets (deficits)				
Net assets (deficits) - beginning				
Net assets (deficits) - ending				
See accompanying notes.				

**City of Manchester New Hampshire  
For the Fiscal Year Ended June 30, 2003**

Net (Expense) Revenue and Changes in Net Assets (Deficits)					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Manchester School District	Manchester Transit Authority	Manchester Development Corporation
\$ (11,032,818)		\$ (11,032,818)			
(34,227,743)		(34,227,743)			
(1,617,575)		(1,617,575)			
(16,416,719)		(16,416,719)			
(1,297,939)		(1,297,939)			
(3,807,597)		(3,807,597)			
(3,282,825)		(3,282,825)			
(36,037)		(36,037)			
(23,511)		(23,511)			
(71,742,764)	-	(71,742,764)			
	2,866,027	2,866,027			
	1,347,144	1,347,144			
	24,024,603	24,024,603			
	(79,095)	(79,095)			
	47,104	47,104			
-	28,205,783	28,205,783			
\$ (71,742,764)	\$ 28,205,783	\$ (43,536,981)			
			\$ (31,700,281)	\$ (527,623)	\$ (69,767)
\$ -	\$ -	\$ -	\$ (31,700,281)	\$ (527,623)	\$ (69,767)
58,168,059		58,168,059	34,512,636		
13,873,904		13,873,904			
995,354		995,354			
1,087,525	2,626,689	3,714,214	129,158	11,726	75,837
5,985,063		5,985,063			
	(723,590)	(723,590)			
(147,804)	(940,727)	(1,088,531)		10,671	
79,962,101	962,372	80,924,473	34,641,794	22,397	75,837
8,219,337	29,168,155	37,387,492	2,941,513	(505,226)	6,070
63,494,552	282,133,076	345,627,628	(13,507,763)	3,995,444	2,828,342
\$ 71,713,889	\$ 311,301,231	\$ 383,015,120	\$ (10,566,250)	\$ 3,490,218	\$ 2,834,412

Balance Sheet  
Governmental Funds

City of Manchester, New Hampshire  
June 30, 2003

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 62,840,860	\$ 36,594	\$ 2,930,526	\$ 65,807,980
Restricted cash and cash equivalents	2,074,460		3,263,682	5,338,142
Investments	511,328		15,667,727	16,179,055
Receivables, net of allowances for collection losses	20,096,729	10,748	4,610,474	24,717,951
Prepaid items	4,099			4,099
Due from other funds	10,493,960			10,493,960
Inventories	589,385			589,385
<b>Total Assets</b>	<b><u>\$ 96,610,821</u></b>	<b><u>\$ 47,342</u></b>	<b><u>\$ 26,472,409</u></b>	<b><u>\$ 123,130,572</u></b>
<b><u>Liabilities and Fund Equity</u></b>				
<b>Liabilities</b>				
Accounts and warrants payable	\$ 4,672,490	\$ 2,761,467	\$ 3,643,140	\$ 11,077,097
Accrued liabilities	1,397,348	615,000	65,590	2,077,938
Insurance claims payable	804,454			804,454
Due to other funds		5,039,968	2,074,019	7,113,987
Due to Manchester School District	23,550,478			23,550,478
Deferred revenue	17,190,758		2,987,734	20,178,492
Taxes collected in advance	26,186,396			26,186,396
Other			77,725	77,725
<b>Total Liabilities</b>	<b><u>73,801,924</u></b>	<b><u>8,416,435</u></b>	<b><u>8,848,208</u></b>	<b><u>91,066,567</u></b>
<b>Fund Equity</b>				
Fund balances				
Reserved for				
Encumbrances	1,272,469	1,305,156	559,565	3,137,190
Cemetery and other trust funds			11,925,652	11,925,652
Library			2,655,562	2,655,562
Inventory	589,385			589,385
Advances	1,623,865			1,623,865
Workers' compensation	2,964,110			2,964,110
Designated for				
Health insurance	1,879,840			1,879,840
General liability insurance	711,195			711,195
Special revenue	848,437			848,437
Tax rate stabilization	1,981,568			1,981,568
Revenue stabilization	9,633,624			9,633,624
Unreserved, reported in:				
General fund	1,304,404			1,304,404
Capital projects		(9,674,249)		(9,674,249)
Special revenue			2,483,422	2,483,422
<b>Total Fund Equity</b>	<b><u>22,808,897</u></b>	<b><u>(8,369,093)</u></b>	<b><u>17,624,201</u></b>	<b><u>32,064,005</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 96,610,821</u></b>	<b><u>\$ 47,342</u></b>	<b><u>\$ 26,472,409</u></b>	<b><u>\$ 123,130,572</u></b>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<b>173,781,497</b>
Pension asset created in governmental activities is not a financial resource and, therefore, is not reported in the funds.	<b>17,857,717</b>
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<b>1,274,131</b>
Long-term liabilities consisting of bonds payable are not due and payable in current period and, therefore, are not reported in the funds.	<b>(152,589,546)</b>
Long-term liabilities consisting of accruals are not due and payable in the current period and, therefore, are not reported in the funds.	<b>(673,915)</b>
	<b><u>\$ 71,713,889</u></b>

See accompanying notes.

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

City of Manchester, New Hampshire  
Year Ended June 30, 2003

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues</u></b>				
Taxes	\$ 59,369,549			\$ 59,369,549
Federal and state grants and aid	7,549,154	\$ 4,054,014	\$ 9,152,463	20,755,631
Nonenterprise charges for sales and services	4,491,647		122,228	4,613,875
Licenses and permits	20,521,738			20,521,738
Interest	736,111		351,414	1,087,525
Contributions			117,529	117,529
Net loss on sale of securities			75,061	75,061
Other	8,594,706		740,482	9,335,188
<b>Total Revenues</b>	<b>101,262,905</b>	<b>4,054,014</b>	<b>10,559,177</b>	<b>115,876,096</b>
<b><u>Expenditures</u></b>				
Current:				
General government	18,658,422	5,332,620	6,732,051	30,723,093
Public safety	35,444,763	2,167,584	1,294,921	38,907,268
Health and sanitation	2,462,857	10,560	1,479,154	3,952,571
Highway and streets	19,902,962	7,393,925	1,839,580	29,136,467
Welfare	1,352,284		20,942	1,373,226
Education	2,145,815	19,134	100,185	2,265,134
Parks and recreation	2,992,399	881,131	839,448	4,712,978
Cemetery Trust			34,000	34,000
Investment management fee			23,511	23,511
Debt service:				
Principal retirement	10,890,802			10,890,802
Interest	5,181,212			5,181,212
<b>Total Expenditures</b>	<b>99,031,516</b>	<b>15,804,954</b>	<b>12,363,792</b>	<b>127,200,262</b>
<b>Excess (Deficiency) of revenues over expenditures</b>	<b>2,231,389</b>	<b>(11,750,940)</b>	<b>(1,804,615)</b>	<b>(11,324,166)</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	561,912		2,025,842	2,587,754
Transfers out	(1,790,165)	(2,278)	(789,242)	(2,581,685)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,228,253)</b>	<b>(2,278)</b>	<b>1,236,600</b>	<b>6,069</b>
<b>Net Change in Fund Balances</b>	<b>1,003,136</b>	<b>(11,753,218)</b>	<b>(568,015)</b>	<b>(11,318,097)</b>
<b>Fund Balance , beginning</b>	<b>21,805,761</b>	<b>3,384,125</b>	<b>18,192,216</b>	<b>43,382,102</b>
<b>Fund Balance (Deficit), ending</b>	<b>\$ 22,808,897</b>	<b>\$ (8,369,093)</b>	<b>\$ 17,624,201</b>	<b>\$ 32,064,005</b>

See accompanying notes.



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General Fund  
Statement of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual (Budget Basis)

City of Manchester, New Hampshire  
Year Ended June 30, 2003

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 60,069,227	\$ 60,069,227	\$ 59,031,492	\$ (1,037,735)
Federal and state grants and aid	6,673,980	6,673,980	6,748,291	74,311
Nonenterprise charges for sales and services	4,646,081	4,646,081	4,491,647	(154,434)
Licenses and permits	20,886,977	20,886,977	20,537,970	(349,007)
Interest	1,816,000	1,816,000	736,111	(1,079,889)
Other	9,385,445	9,385,445	7,928,112	(1,457,333)
<b>Total Revenues</b>	<b>103,477,710</b>	<b>103,477,710</b>	<b>99,473,623</b>	<b>(4,004,087)</b>
<b>Expenditures</b>				
Current:				
General government	20,413,968	20,830,650	18,770,932	2,059,718
Public safety	35,754,088	35,634,088	34,690,543	943,545
Health and sanitation	2,805,523	2,805,523	2,475,542	329,981
Highway and streets	21,077,677	20,843,113	20,473,882	369,231
Welfare	1,476,875	1,476,875	1,345,431	131,444
Education	2,306,852	2,283,783	2,148,845	134,938
Parks and recreation	3,230,547	3,191,498	3,018,319	173,179
Debt service:				
Principal retirement	10,890,802	10,890,802	10,890,802	
Interest	5,181,213	5,181,213	5,181,213	
<b>Total Expenditures</b>	<b>103,137,545</b>	<b>103,137,545</b>	<b>98,995,509</b>	<b>4,142,036</b>
<b>Excess of revenues over expenditures</b>	<b>340,165</b>	<b>340,165</b>	<b>478,114</b>	<b>137,949</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	350,000	350,000	306,169	(43,831)
Transfers out	(1,790,165)	(1,790,165)	(1,790,165)	
<b>Total Other Financing Sources (Uses)</b>	<b>(1,440,165)</b>	<b>(1,440,165)</b>	<b>(1,483,996)</b>	<b>(43,831)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (1,100,000)</b>	<b>\$ (1,100,000)</b>	<b>\$ (1,005,882)</b>	<b>\$ 94,118</b>

See accompanying notes.

	Business-type Activities-Enterprise Funds				Total
	Water Works Fund	Major EPD Fund	Aviation Fund	Non-Major Funds	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents		\$ 24,057,207			\$ 24,057,207
Restricted cash and cash equivalents	\$ 4,418,497	673,924	\$ 77,731,609		82,824,030
Restricted investments			3,245,877		3,245,877
Receivables, net of allowances for collection losses	2,432,277	4,608,296	17,955,778	\$ 197,095	25,193,446
Prepaid items	253,100		587,000	30,736	870,836
Due from other funds	394,467				394,467
Inventories	735,445	46,088	101,908	5,908	889,349
Total current assets:	<u>8,233,786</u>	<u>29,385,515</u>	<u>99,622,172</u>	<u>233,739</u>	<u>137,475,212</u>
Noncurrent assets:					
Capital assets, net, where applicable, of accumulated depreciation	69,096,428	110,984,726	333,851,942	4,025,183	517,958,279
Deferred charges			2,015,596	38,928	2,054,524
Receivables		5,741,227			5,741,227
Other receivables		285,285			285,285
Total noncurrent assets:	<u>69,096,428</u>	<u>117,011,238</u>	<u>335,867,538</u>	<u>4,064,111</u>	<u>526,039,315</u>
<b>Total Assets</b>	<b>\$ 77,330,214</b>	<b>\$ 146,396,753</b>	<b>\$ 435,489,710</b>	<b>\$ 4,297,850</b>	<b>\$ 663,514,527</b>
<b>Liabilities</b>					
Current liabilities					
Accounts and warrants payable	\$ 516,000	\$ 1,085,248	\$ 6,874,207	\$ 102,857	\$ 8,578,312
Retainage payable		394,938	1,725,665		2,120,603
Accrued liabilities	630,065	1,539,449	10,208,704	34,419	12,412,637
Due to other funds	671,112			2,025,492	2,696,604
Deferred revenue			73,201		73,201
Bonds and notes payable	832,233	5,790,454	5,050,000	121,600	11,794,287
Compensated absences	930,549	234,532	119,190	151,815	1,436,086
Other	821,426	47,409			868,835
Total Current liabilities	<u>4,401,385</u>	<u>9,092,030</u>	<u>24,050,967</u>	<u>2,436,183</u>	<u>39,980,565</u>
Noncurrent liabilities					
Bonds payable	9,424,225	27,037,247	266,203,722	824,400	303,489,594
Notes Payable	1,753,431	6,766,600			8,520,031
Deferred Revenue			129,684	18,794	148,478
Other			74,628		74,628
Total Noncurrent liabilities	<u>11,177,656</u>	<u>33,803,847</u>	<u>266,408,034</u>	<u>843,194</u>	<u>312,232,731</u>
<b>Total Liabilities</b>	<b>15,579,041</b>	<b>42,895,877</b>	<b>290,459,001</b>	<b>3,279,377</b>	<b>352,213,296</b>
<b>Net Assets</b>					
Invested in Capital Assets, net of related debt	60,484,925	71,390,425	90,208,836	3,079,183	225,163,369
Restricted	5,214,905	278,986	36,263,714		41,757,605
Unrestricted	(3,948,657)	31,831,465	18,558,159	(2,060,710)	44,380,257
<b>Total Net Assets</b>	<b>\$ 61,751,173</b>	<b>\$ 103,500,876</b>	<b>\$ 145,030,709</b>	<b>\$ 1,018,473</b>	<b>\$ 311,301,231</b>

	Business-type Activities-Enterprise Funds				Total
	Major			Non-major Funds	
	Water Works Fund	EPD Fund	Aviation Fund		
<b>Operating Revenues</b>					
Charges for goods and services	\$ 10,032,235	\$ 11,225,665	\$ 32,342,749	\$ 2,366,092	\$ 55,966,741
Other			3,044,487	51,928	3,096,415
<b>Total Operating Revenues</b>	<b>10,032,235</b>	<b>11,225,665</b>	<b>35,387,236</b>	<b>2,418,020</b>	<b>59,063,156</b>
<b>Operating Expenses</b>					
Personnel services	4,681,087	2,574,297	4,237,332	1,471,774	12,964,490
Plant maintenance	512,478	1,700,390	2,182,001	83,703	4,478,572
Light/heat and power	835,177	1,631,374	1,585,245	281,411	4,333,207
General and administrative	1,371,017	509,004	12,188,102	270,289	14,338,412
Depreciation and amortization	2,126,843	4,525,236	10,426,537	331,068	17,409,684
<b>Total Operating Expenses</b>	<b>9,526,602</b>	<b>10,940,301</b>	<b>30,619,217</b>	<b>2,438,245</b>	<b>53,524,365</b>
<b>Operating Income (Loss)</b>	<b>505,633</b>	<b>285,364</b>	<b>4,768,019</b>	<b>(20,225)</b>	<b>5,538,791</b>
<b>Non-Operating Revenues (Expenses), net</b>					
Soundproofing program grant			6,768,504		6,768,504
Soundproofing program expense			(6,516,717)		(6,516,717)
Interest income	313,084	356,016	2,252,535		2,921,635
Interest expense	(532,366)	(1,091,910)	(12,974,092)	(83,433)	(14,681,801)
Reimbursements of bond interest expense		285,507			285,507
Finance and service charges		106,722	(212,078)		(105,356)
Passenger facility charges			4,632,085		4,632,085
Customer facility charges			2,030,963		2,030,963
Rent and other income	(43,031)			38,899	(4,132)
Donation of land		(723,590)			(723,590)
Loss on disposal of fixed assets	(192,410)	(20,269)	(4,459)		(217,138)
<b>Total Non-operating Expenses</b>	<b>(454,723)</b>	<b>(1,087,524)</b>	<b>(4,023,259)</b>	<b>(44,534)</b>	<b>(5,610,040)</b>
Net income (loss) before capital contributions	50,910	(802,160)	744,760	(64,759)	(71,249)
Capital Contributions	2,673,613	1,037,870	25,527,921		29,239,404
<b>Change in Net Assets</b>	<b>2,724,523</b>	<b>235,710</b>	<b>26,272,681</b>	<b>(64,759)</b>	<b>29,168,155</b>
<b>Fund Net Assets, beginning of year</b>	<b>59,026,650</b>	<b>103,265,166</b>	<b>118,758,028</b>	<b>1,083,232</b>	<b>282,133,076</b>
<b>Fund Net Assets, end of year</b>	<b>\$ 61,751,173</b>	<b>\$ 103,500,876</b>	<b>\$ 145,030,709</b>	<b>\$ 1,018,473</b>	<b>\$ 311,301,231</b>

	Business-type Activities-Enterprise Funds				
	Water Works Fund	Major		Non-Major Funds	Total
		EPD Fund	Aviation Fund		
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 9,572,978	\$ 11,646,798	\$ 34,056,058	\$ 2,275,939	\$ 57,551,773
Cash payments for goods and services	(2,877,398)	(4,578,587)	(16,434,972)	(648,942)	(24,539,899)
Cash payments to employees for services	(4,670,004)	(2,466,793)	(4,215,003)	(1,449,451)	(12,801,251)
Other operating revenues				74,982	74,982
<b>Net Cash Provided by Operating Activities</b>	<b>2,025,576</b>	<b>4,601,418</b>	<b>13,406,083</b>	<b>252,528</b>	<b>20,285,605</b>
<b>Cash Flows from Non-Capital and Related Financing Activities</b>					
Amounts from federal & state governments for soundproofing			6,768,504	-	6,768,504
Soundproofing related expenses			(6,516,717)	-	(6,516,717)
Passenger and customer facility charges			6,572,048	-	6,572,048
Interest paid on cash advances				(27,238)	(27,238)
Short-term cash advance from City	671,112			76,344	747,456
<b>Net Cash Provided by Non-Capital &amp; Related Financing Activities</b>	<b>671,112</b>	<b>-</b>	<b>6,823,835</b>	<b>49,106</b>	<b>7,544,053</b>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from State of New Hampshire Revolving Fund	1,753,431	3,590,705		-	5,344,136
Reimbursement of bond interest expenses		305,878		14,917	320,795
Payments for State of New Hampshire liability		(4,932,750)		-	(4,932,750)
Principal paid on bonds	(866,585)	(920,914)	(4,465,000)	(151,600)	(6,404,099)
Interest paid on bonds	(532,366)	(1,193,205)	(10,103,368)	(57,354)	(11,886,293)
Contributed capital by federal, state & local governments	2,673,613	1,556,022	20,431,718	-	24,661,353
Acquisition and construction of capital assets	(5,666,378)	(7,852,527)	(56,195,373)	(222,597)	(69,936,875)
Proceeds from sale of capital assets				115,000	115,000
<b>Net Cash Used in Capital &amp; Related Financing Activities</b>	<b>(2,638,285)</b>	<b>(9,446,791)</b>	<b>(50,332,023)</b>	<b>(301,634)</b>	<b>(62,718,733)</b>
<b>Cash Flows from Investing Activities</b>					
Sale of investment securities			648,893	-	648,893
Interest and dividends from investments	313,084	446,570	2,252,535	-	3,012,189
<b>Net Cash Provided by Investing Activities</b>	<b>313,084</b>	<b>446,570</b>	<b>2,901,428</b>	<b>-</b>	<b>3,661,082</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>371,487</b>	<b>(4,398,803)</b>	<b>(27,200,677)</b>	<b>-</b>	<b>(31,227,993)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>4,047,010</b>	<b>29,129,934</b>	<b>104,932,286</b>	<b>-</b>	<b>138,109,230</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 4,418,497</b>	<b>\$ 24,731,131</b>	<b>\$ 77,731,609</b>	<b>\$ -</b>	<b>\$ 106,881,237</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>					
Operating income (loss)	\$ 505,633	\$ 285,364	\$ 4,768,019	\$ (20,225)	\$ 5,538,791
Adjustments to reconcile operating income (loss) to cash provided by operating activities:					
Depreciation and amortization	2,126,843	4,525,236	10,426,537	331,068	17,409,684
Non-operating revenue				23,982	23,982
<b>Change in Assets and Liabilities</b>					
(Increase) decrease in receivables	(459,257)	264,865	(1,350,373)	(3,235)	(1,548,000)
(Increase) decrease in inventories	(11,799)	10,692	(101,908)	-	(103,015)
Increase in prepaid expenses and other assets	(163,179)	(8,943)	(412,939)	(30,736)	(615,797)
Increase (decrease) in accounts payable	(189,426)	(800,642)	(569,255)	15,198	(1,544,125)
Increase (decrease) in accrued liabilities	214,782	305,541	604,478	(91,213)	1,033,588
Increase in compensated absences	11,083	19,305	22,329	22,323	75,040
Increase in Deferred Revenue			19,195	5,366	24,561
Decrease in interfund liabilities	(9,104)				(9,104)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,025,576</b>	<b>\$ 4,601,418</b>	<b>\$ 13,406,083</b>	<b>\$ 252,528</b>	<b>\$ 20,285,605</b>
Schedule of Noncash Investing, Capital and Financing Activities					
Transfer of Debt to General fund				25,000	25,000
Donation of land		723,590			723,590

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

**City of Manchester, New Hampshire**  
**Year ended June 30, 2003**

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 10,190,659	
Investments	83,463,697	
Receivables, net of allowances for collection losses	436,709	\$ 1,077,836
Other assets	8,927	
Capital assets, net, where applicable, of accumulated depreciation	<u>240,975</u>	
<b>Total Assets</b>	<b><u>\$ 94,340,967</u></b>	<b><u>\$ 1,077,836</u></b>
<b>Liabilities</b>		
Accounts and warrants payable	\$ 137,940	
Accrued liabilities	562,762	
Due to other funds		<u>\$ 1,077,836</u>
<b>Total Liabilities</b>	<b><u>700,702</u></b>	<b><u>\$ 1,077,836</u></b>
<b>Net Assets</b>		
<b>Held in trust for Employees' Retirement System</b>	<b><u>\$ 93,640,265</u></b>	

See accompanying notes.

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

**City of Manchester New Hampshire**  
**Year Ended June 30, 2003**

	<u>Pension Trust Funds</u>
<b>Additions</b>	
Contributions	
Employer	\$ 1,794,576
Plan members	1,531,458
<b>Total Contributions</b>	<u>3,326,034</u>
Investment Gain (Loss)	
Net realized and unrealized depreciation in fair value of investments	(10,175,748)
Interest	1,403,694
Dividends	1,067,951
Less investment expense	(380,435)
<b>Net Investment Loss</b>	<u>(8,084,538)</u>
<b>Total Additions (Reductions)</b>	<u>(4,758,504)</u>
<b>Deductions</b>	
Benefits paid directly to participants	6,566,563
Refunds of employee contributions	301,901
Administrative expenses	645,320
<b>Total Deductions</b>	<u>7,513,784</u>
<b>Net Decrease</b>	(12,272,288)
<b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of year	105,912,553
End of year	<u>\$ 93,640,265</u>

**NOTES TO  
FINANCIAL STATEMENTS**

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

**1. Summary of Significant Accounting Policies**

**Reporting entity**

The City of Manchester, New Hampshire, (the City) was incorporated in June of 1846 and operates as a municipal corporation governed by an elected mayor and a fourteen (14) member aldermanic board. Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered and as a result, the component units discussed below are included in the City's reporting entities because of their operational significance and financial relationship with the City.

**Discretely presented component units**

Manchester Development Corporation ("MDC") - The MDC was created by the Board of Mayor and Aldermen ("BMA") as a public corporation for the purpose of developing economic opportunities for the City. The MDC Board of Directors is comprised of twelve (12) members, all of whom shall be nominated by the Mayor and confirmed by the Board of Aldermen of the City. Separate financial statements are not available. MDC is presented as a governmental fund type.

Manchester School District ("District" or "MSD") - The MSD is responsible for elementary and secondary education within the government's jurisdiction. The fourteen (14) members of the school board are elected by the voters. However, the District is fiscally dependent upon the government as the government's BMA approves the District's budget, levies taxes (if necessary) and must approve any debt issuances. Other independent auditors audited the MSD, a June 30 year-end, and their report, dated September 19, 2003, 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 August 28, 2003, has been issued under separate cover. The MTA is presented as a proprietary fund type.

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

Manchester Development Corporation  
One City Hall Plaza  
Manchester NH 03104

Manchester School District  
196 Bridge Street  
Manchester NH 03104

Manchester Transit Authority  
110 Elm Street  
Manchester NH 03101-2799

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

**Blended Component Unit**

City of Manchester Employees' Contributory Retirement System (the "New System") - The New System was created by the BMA for the purpose of administering the assets of the employees' contributory retirement system. The New System's Board of Trustees consists of seven members, as follows: the City Finance Officer, the Mayor, one person appointed by the Board of Aldermen, two citizens of the City - one appointed by the Mayor, one elected by the New System members and two New System members also elected by the New System members. Other independent auditors audited the New System, a December 31 year end, for the year ended December 31, 2002, and their report, dated March 14, 2003, has been issued under separate cover. The New System is presented as a pension trust fund.

Complete financial statements of the individual component units may be obtained directly from its administrative office.

City of Manchester Employees'  
Contributory Retirement System  
1045 Elm Street  
Manchester NH 03101

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its non-blended component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain locally separate component units which the city is financially accountable for.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied, provided an enforceable legal claim exists. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes when levied for, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements) the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for financial resources to be used for capital expenditures or for the acquisition or construction of capital facilities, improvements and/or equipment. Most of the capital outlays are financed by the issuance of general obligation bonds. Other sources include capital grants and low-interest state loans.

The City reports the following major proprietary funds:

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

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

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

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

Additionally, the City reports the following fund types:

*Permanent Trust Funds* are used to account for assets, contributions and income earned on investments used to maintain the City's cemeteries, endowment funds, and libraries.

The *Pension Trust Funds* account for the activities of the City's two defined benefit pension plans, which accumulate resources for pension benefit payments to qualified employees.

The *Agency Funds* account for monies held as a custodian for outside groups and agencies.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected 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, provision for doubtful accounts, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Accounting estimates

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

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

Cash equivalents

New Hampshire Revised Statutes Annotated (“RSA”) Chapter 48:16 (“RSA 48:16”), as amended, establishes the policy the City must adhere to when investing City funds. With approval of the BMA, the Finance Officer, acting as Treasurer, may invest in obligations of the United States government, in savings bank deposits of banks incorporated under the laws of the State of New Hampshire (“the State”), in participation units of the New Hampshire Public Deposit Investment Pool (“NH-PDIP”), in certificates of deposit of banks incorporated under the laws of the State, or in national banks located in New Hampshire or the Commonwealth of Massachusetts. RSA 48:16 does not allow the City to enter into reverse repurchase agreements.

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

Investments

Investments are stated at fair value using quoted market prices.

Capital Assets

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

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

Property and equipment that has been purchased by governmental funds is recorded as expenditures in the purchasing funds at the time of purchase or construction, and no depreciation expense is recorded. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net interest cost capitalized in the Environmental Protection Division Fund and Aviation Fund amounted to approximately \$29,000 and \$1,212,000, respectively, for the year ended June 30, 2003.

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

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

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

Compensated absences

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

The current liability for compensated absences, which represents the City's commitment to fund such costs from future operations, is reported in the governmental funds' accrued liabilities while the long term portion is recorded in the government-wide statements. The liability reported as compensated absences includes vested and accumulated vacation leave and sick leave benefits that are not expected to be liquidated with current fiscal year available financial resources. No liability is recorded for nonvesting accumulating rights to receive sick-pay benefits. However, a liability is recognized for that portion of accumulated sick-leave benefits that it is estimated will be taken as terminal leave prior to retirement.

Long-term obligations

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

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

Pension accounting

**Pension Trust Funds:**

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

**Government-wide Statements:**

The net pension obligation (asset), the cumulative difference between annual pension cost and the City's contributions to the plans since 1986, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27 and is recognized in the government wide financial statements. Expenditures are recognized when they are paid or are expected to be paid with current available resources.

**Funding Policy:**

The City makes annual contributions based upon annual actuarial determinations.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute either expenditures or liabilities.

Inventory

Inventory is stated as lower of cost or market on a first-in, first-out basis.

Land held for resale

The City holds property for resale. The carrying value of this property is reported at the lower of cost or net realizable value. When the property is sold the cost of the portion sold is charged to expenditure.

Fund Equity and Net Assets

In the Governmental-Wide Financial Statements, net assets are classified in the following categories:

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

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

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

In the fund financial statements, fund balances of governmental funds are classified in three separate categories. The two categories, and their general meanings, are as follows:

***Reserved fund balance*** - indicates that portion of fund equity which has been legally segregated for specific purposes.

***Undesignated and unreserved fund balance*** - indicates that portion of fund equity which is available for appropriation and expenditure in future periods.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities are reported in the government-wide statement of net assets. One element of that reconciliation explains that “other long-term assets are not available to pay for current period expenditures, and therefore, are not reported in the funds.” The details of the \$1,274,131 difference consisting of current assets are as follows:

Accounts receivable:		
Trade	\$	944,703
Deferred professional fees:		
Underwriters’ discount and Cost of Issuance		329,428
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	\$	1,274,131

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 \$(152,589,546) difference consisting of long-term debt are as follows:

Bonds payable:		\$ (118,936,695)
Less: Deferred loss on refunding (to be amortized as interest expense)		738,270
Add: Deferred charge for refunding premium (to be amortized over life of debt)		(135,278)
Deferred discount on pension obligation (to be amortized as interest expense)		(549,000)
Capital appreciation bonds		(5,136,395)
Compensated absences		(6,328,390)
Insurance claims		(4,135,101)
Landfill closure and post-closure care		(18,106,957)
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	\$	(152,589,546)

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

The details of the \$(673,915) difference consisting of current accruals are as follows:

Accrued interest	\$ (3,067,544)
Due to School District	427,215
Deferred revenue	1,966,414
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	\$ (673,915)

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$151,438 difference are as follows:

Capital outlay	\$ 8,347,013
Asset retirements	(17,887)
Depreciation expense	(8,177,688)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ 151,438

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$16,867,785 difference are as follows:

Long-term liabilities issued or incurred:	
Less series 2001 A discounts and COI amortization	\$ (3,609)
Less series 2001 B discounts and COI amortization	(6,141)
Less series 2001 C discounts and COI amortization	(5,560)
Less series 2001 C discounts and COI amortization	195,244
Less series 2001 B deferred loss on refinancing	(49,218)
Add series 2001 B premium	30,500
Add series 2001 B refunding premium	(153,315)
Add series 2001 B refunding premium	9,019
General obligation debt-Aggregation fund transfer	(25,000)
Principal repayments:	
General obligation debt-City portion	10,890,802
General obligation debt-MSD portion reimbursed	<u>5,985,063</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 16,867,785</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$2,724,348 difference are as follows:

Prepaid Pension Asset	\$ (653,531)
Long-term liabilities incurred:	
Risk reserve	(64,020)
Landfill reserve	3,402,780
Capital appreciation bonds reserve	851,235
Compensated absences	(909,898)
Accrued interest	<u>97,782</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,724,348</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

**3. Stewardship, Compliance and Accountability**

**A. Budgets and Budgetary Accounting**

Pursuant to the City's Charter, Section 6.01, the City adopts an annual budget for all General Fund functions and certain enterprise functions (the Water Works enterprise fund operates on a nonappropriated budgetary basis). The legal level of budgetary control is the department level. The special revenue and capital project funds are appropriated through a five-year capital improvement plan.

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

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

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

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

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

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

The legal level of control for budgetary is established by object categories within the departmental budgets. Departmental budget transfers from one object category to another must be approved by the Finance Officer prior to approval of the BMA. The Finance Officer is responsible for establishing controls related to the management and monitoring of the budget to prevent expenditures from exceeding budgeted appropriations.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

**3. Stewardship, Compliance and Accountability (continued)**

Encumbrance accounting is employed in governmental funds. On the GAAP basis, encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

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

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

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

**B. Budget/GAAP Reconciliation**

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

	Revenues	Expenditures
Statement of revenues and expenditures -		
budgetary basis	\$ 99,473,623	\$ 98,995,509
Central Business District	224,867	225,000
Riverfront reimbursements	570,420	
Civic Center revenue sharing	226,091	
Current year encumbrances	(16,232)	(1,272,469)
State retirement contributions	800,863	800,863
Tax revenues of 2002 recognized in 2003	896,948	
Tax revenues of 2003 deferred until 2004	(783,758)	
Loss on disposal of capital assets	(129,917)	
Prior year encumbrances adjustment		(417)
Expenditures of prior year encumbrances		283,030
	\$ 101,262,905	\$ 99,031,516
Statement of revenues, expenditures and changes in fund balances (in conformity with GAAP)		

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

**4. Cash, Cash Equivalents and Investments**

**Primary Government**

Cash and cash equivalents consist of the following types of accounts at June 30, 2003.

<b>Cash &amp; Cash Equivalents</b>	<b>Primary Government</b>	<b>Component Units</b>
Restricted Deposits	\$10,273,830	\$ 34,398
Deposits	853,250	864,667
(1) Repurchase Agreements	122,713,199	115,474
(1) Money Market / Index Funds	30,819,890	
(1) NH - PDIP Unclassified	22,753,364	
(1) MDC – Vanguard/BNH Portfolio Trust		754,279
	<u>\$ 187,413,533</u>	<u>\$1,768,818</u>
(1) See categorization under investments		
<b>Investments</b>	<u>\$ 28,789,032</u>	<u>0</u>

The City pools substantially all cash, except for separate cash accounts, which are maintained in accordance with legal restrictions.

Written contracts relative to third party holders of collateral or establishing each party's rights with regard to repurchase agreements are entered into by the City. Banks through which repurchase notes are written maintain their collateral in an investment book entry account with the Federal Reserve. For certain contracts collateral is separate from the bank's assets, while for other contracts it is not separate. Repurchase agreements are entered into only with financial institutions; no brokers or dealers are involved in these transactions. The following tables present collateral information for the City's deposits for all funds, as well as the City's component units.

- Category A: Fully insured or collateralized with securities held by the City or its agent in the City's name.
- Category B: Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category C: Uncollateralized

	<u>Category</u>			<u>Total Bank Balance</u>	<u>Carrying Amount</u>
	<u>A</u>	<u>B</u>	<u>C</u>		
Pooled Deposits					
Demand deposits	\$ 6,582,280		\$ 9,945	\$ 6,592,225	\$ 1,717,917
Restricted Deposits	<u>10,273,830</u>		<u>35,398</u>	<u>10,309,228</u>	<u>10,309,228</u>
Total Deposits	<u>\$ 16,856,110</u>	<u>\$ -</u>	<u>\$ 45,343</u>	<u>\$ 16,901,453</u>	<u>\$ 12,027,145</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

In accordance with GASB Statement 3, investments are classified as to risk by the three categories described below:

- Category 1: Insured or registered in the City's name, or securities held by the City or its agent in the City's name.
- Category 2: Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the City's name.
- Category 3: Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent but not in the City's name.

	Category				Carry and Fair Value
	1	2	3	Uncategorized (1)	
Investments					
US Treasury Notes		\$ 3,879,552			\$ 3,879,552
US Government Securities			\$ 996,753		996,753
Corporate Bonds			4,211,539		4,211,539
Common Stocks			1,358,576		1,358,576
Index Funds				\$ 13,237,238	13,237,238
Equity Mutual Funds				44,925	44,925
Fixed Inc Mutaul Funds				124,630	124,630
Mortgage-Back				1,689,942	1,689,942
Total Investments	\$ -	\$ 3,879,552	\$6,566,868	\$ 15,096,735	\$ 25,543,155
Cash Equivalents					
Repurchase Agreements		\$125,958,076			\$125,958,076
Non-Categorized Items (2)					
Index Funds					30,819,890
NH - PDIP Unclassified					22,753,364
Total Cash Equivalents	\$ -	\$125,958,076	\$ -	\$ -	\$179,531,330
Grand Total	\$ -	\$129,837,628	\$6,566,868	\$ 15,096,735	\$205,074,485

- (1) Funds are not subject to investment classification because specific securities related to the City cannot be identified
- (2) The amounts are not subject to risk categorization since the City does not own identifiable securities.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

At year end, the CRS Pension Trust's cash balance was as follows:

Cash and cash equivalents consist of the following types of accounts at December 31, 2002.

<b>Cash &amp; Cash Equivalents</b>	<b>CRS Pension Trust</b>
Deposits	\$ 804,485
(1) See categorization under investments	<u>                    </u>
<b>Investments</b>	<u>\$ 74,099,597</u>

At year end, the CRS Pension Trust's investment balances were as follows:

	<u>Uncategorized (1)</u>	<u>Carry and Fair Value</u>
Investments		
Equity funds	\$ 60,582,597	\$ 60,582,597
Fixed income	11,247,364	11,247,364
Emerging market funds	1,869,155	1,869,155
Cash and equivalents	400,481	400,481
Total Investments	<u>\$ 74,099,597</u>	<u>\$ 74,099,597</u>

(1) Funds are not subject to investment classification because specific securities related to the City cannot be identified.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

**5. Taxes and Abatements**

The principle tax of the City is the tax on real property. The State has no cap or limit as to the rate or amount of tax a municipality may raise. The municipality's annual property tax rate is established by the Commissioner of the Department of Revenue Administration of the State, based on reports filed with the State. A single tax is levied for general, county and school purposes. The "assessment year" for taxing purposes runs from April 1 to March 31 of the following year.

The City bills and collects its property taxes in two installments. The levy dates are June 1 and November 1 and the due dates for these semi-annual tax billings are July 1 and December 1. Property taxes are recorded as a receivable when billed, net of estimated allowance for abatements. Property tax revenues have been recorded using the modified accrual basis of accounting as described in Note 1.

Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). The City places a lien on delinquent property taxes prior to May 1 of the following assessment year. From the date of the tax lien, a two-year period of redemption is allowed the owner, during which time payment of taxes, interest and costs will be accepted and the lien released.

Interest accrues on delinquent taxes at a rate of 12 percent per annum from the due date to the date of payment. During the redemption period, 18 percent interest per annum is charged. Beyond the two-year period of redemption the City has the right to foreclose on properties for which taxes have not been paid. Properties are deeded to the City unless either the lien has been sold by the City, or the City has notified the tax collector that it will not accept the deed because acceptance could result in liability under environmental statutes imposing strict liability on owners. Except for any paramount federal lien and subject to bankruptcy and insolvency laws, tax liens take precedence over all other liens, and tax collector's deeds are free and clear of all encumbrances.

In December 1997, the New Hampshire Supreme Court declared that the property tax to fund education is a State tax, and therefore must be administered in a manner that is equal in valuation and uniform in rate throughout the State.

Chapter 17 of the Laws of 1999 became effective in 1999. The law includes a definition of "adequate education" for New Hampshire schools and establishes an "Education Trust Fund" and a formula for providing state financial assistance to local school districts.

The primary means of State funding for the Education Trust fund is a uniform statewide property tax under which some of the levies from more prosperous ("property rich" or "donor") communities will be collected by the State and redistributed to less affluent ("property poor" or "recipient") school districts. The law initially established a uniform tax rate of \$6.60 per thousand of total equalized value (not including utility property or local exemptions) but has been adjusted to \$5.80 for 2003. The new state aid property tax is assessed and collected in virtually the same manner in which property taxes have been administered in the past with one primary exception, donor communities will be required to send amounts in excess of what is required locally for an adequate education to the State for redistribution to recipient districts. The MSD is a recipient district.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

**6. Receivables**

**Primary Government**

	<u>General</u>	<u>CIP</u>	<u>MWW</u>	<u>EPD</u>	<u>Aviation</u>	<u>Other</u>	<u>Total</u>
Due from Warrants	\$ 15,166,804						\$15,166,804
Due from State of NH & other local governments	2,459,292			\$ 7,229,020	\$ 654,471		10,342,783
Prior year tax liens	716,177						716,177
Tax titles	975,602						975,602
Due from federal government				69,705	13,829,513	\$ 391,865	14,291,083
Accounts receivable-trade	1,310,502	\$ 10,748	\$ 2,192,558	2,776,263	3,406,794	209,800	9,906,665
Notes receivable						4,194,609	4,194,609
Other	<u>507,362</u>		<u>239,719</u>	<u>559,820</u>	<u>65,000</u>	<u>11,295</u>	<u>1,383,196</u>
Total gross receivables	<u>21,135,739</u>	<u>10,748</u>	<u>2,432,277</u>	<u>10,634,808</u>	<u>17,955,778</u>	<u>4,807,569</u>	<u>56,976,919</u>
Allowance for collection losses	<u>(1,039,010)</u>						<u>(1,039,010)</u>
Total net receivables	<u>\$ 20,096,729</u>	<u>\$ 10,748</u>	<u>\$ 2,432,277</u>	<u>\$ 10,634,808</u>	<u>\$ 17,955,778</u>	<u>\$ 4,807,569</u>	<u>\$ 55,937,909</u>

The receivables from the State of New Hampshire and other governmental entities represent their contractual commitment to reimburse the City for the repayment of debt incurred to build its wastewater treatment and related facilities.

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

Due from/to other funds consist of the following at June 30, 2003:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency	\$ 1,077,836
	Special Revenue:	
	Other grants	
	HUD Section 108	1,573,984
	CDBG	105,568
	Enterprise:	
	Recreation	401,627
	Water Works	671,112
	Aggregation	<u>1,623,865</u>
		10,493,960
Water Works	Expendable Trust	<u>394,467</u>
	Total - All Funds	<u>\$ 10,888,427</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

The balances of \$671,112, \$401,627 and \$1,623,865 due from the three enterprises to the general fund are the result of short-term advances. The balance of \$394,467 is also a result of a short-term advance. All remaining balances resulted from the time lag between the dates payments occur between funds for various activities.

Interfund transfers during the year ended June 30, 2003 were as follows:

Due to / from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - general fund	Component unit - MDC	\$ 6,069

Interfund transfers:

<u>Transfers out</u>	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
General Fund		\$ 1,790,165	\$ 1,790,165
Other Funds	555,843	233,399	789,242
Capital Projects		2,278	2,278
	<u>\$ 555,843</u>	<u>\$ 2,025,842</u>	<u>\$ 2,581,685</u>

Transfers are used to account for unrestricted revenues collected mainly in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

**8. Capital Assets**

**Governmental activities**

Changes in the governmental capital assets for the year ended June 30, 2003, were as follows:

	Balance 30-Jun-02	Additions	Retirements	Transfers	Balance 30-Jun-03
Capital assets, not being depreciated					
Land	\$ 18,365,631	\$ 402,581		\$ 215,596	\$ 18,983,808
Construction-in-Progress	17,544,172	3,156,848		\$ (1,798,970)	18,902,050
Total capital assets, not being depreciated	<u>35,909,803</u>	<u>3,559,429</u>	-	<u>(1,583,374)</u>	<u>37,885,858</u>
Capital assets, being depreciated					
Buildings	168,715,492	860,600		1,100,000	170,676,092
Improvements other than buildings	13,990,266	289,682	\$ (47,700)	21,900	14,254,148
Equipment	4,906,664	1,042,665	-	111,595	6,060,924
Vehicles	15,038,936	1,255,776	(209,882)		16,084,830
Infrastructure	33,741,900	1,338,861	-	349,879	35,430,640
Total capital assets, being depreciated	<u>236,393,258</u>	<u>4,787,584</u>	<u>(257,582)</u>	<u>1,583,374</u>	<u>242,506,634</u>
Less accumulated depreciation					
Buildings	62,188,625	4,815,031	-	-	67,003,656
Improvements other than buildings	5,678,445	625,087	(29,813)	-	6,273,719
Equipment	2,926,577	414,210	-		3,340,787
Vehicles	11,709,926	975,993	(209,882)	-	12,476,037
Infrastructure	16,169,429	1,347,367	-	-	17,516,796
Total accumulated depreciation	<u>98,673,002</u>	<u>8,177,688</u>	<u>(239,695)</u>	<u>-</u>	<u>106,610,995</u>
Governmental Activities Capital Assets, Net	<u>\$ 173,630,059</u>	<u>\$ 169,325</u>	<u>\$ (17,887)</u>	<u>\$ -</u>	<u>\$ 173,781,497</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

**8. Capital Assets (continued)**

**Business-type Activities**

	Balance 30-Jun-02	Additions	Retirements	Transfers	Balance 30-Jun-03
Capital assets, not being depreciated					
Land	\$ 10,377,423	\$ 34,334	\$ (755,162)	\$ 27,020,942	\$ 36,677,537
Construction-in-Progress	167,053,689	66,060,770	(1,106,470)	(108,011,429)	123,996,560
Total capital assets, not being depreciated	<u>177,431,112</u>	<u>66,095,104</u>	<u>(1,861,632)</u>	<u>(80,990,487)</u>	<u>160,674,097</u>
Capital assets, being depreciated					
Buildings	206,597,915	3,641,731	(40,285)	34,375,695	244,575,056
Improvements other than buildings	135,933,960	434,995	(3,927)	46,602,812	182,967,840
Equipment	82,299,676	1,760,957	(918,499)	11,980	83,154,114
Total capital assets, being depreciated	<u>424,831,551</u>	<u>5,837,683</u>	<u>(962,711)</u>	<u>80,990,487</u>	<u>510,697,010</u>
Less total accumulated depreciation	<u>137,512,522</u>	<u>16,982,916</u>	<u>(1,082,609)</u>	-	<u>153,412,829</u>
Business-type Capital Assets, Net	<u>\$ 464,750,141</u>	<u>\$ 54,949,871</u>	<u>\$ (1,741,734)</u>	\$ -	<u>\$ 517,958,278</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

**8. Capital Assets (continued)**

**Discretely Reported Component Units**

Property and equipment activity in the School District at June 30, 2003, consisted of the following:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Increases</u>	<u>Balance</u> <u>June 30, 2003</u>
Capital assets, being depreciated			
Portable classrooms	\$ 843,608		\$ 843,608
Instruments	63,000	\$ 20,561	83,561
Other machinery & equipment	<u>6,956,919</u>	<u>1,369,496</u>	<u>8,326,415</u>
Total capital assets, being depreciated	<u>7,863,527</u>	<u>1,390,057</u>	<u>9,253,584</u>
Less accumulated depreciation			
Portable classrooms	89,606	28,122	117,728
Instruments	6,943	6,499	13,442
Other machinery & equipment	<u>3,264,535</u>	<u>598,307</u>	<u>3,862,842</u>
Less total accumulated depreciation	<u>3,361,084</u>	<u>632,928</u>	<u>3,994,012</u>
Total Capital Assets being depreciated, Net	<u>\$ 4,502,443</u>	<u>\$ 757,129</u>	<u>\$ 5,259,572</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

**8. Capital Assets (continued)**

Property and equipment activity in the MTA at June 30, 2003, consisted of the following:

	Balance 30-Jun-02	Additions	Retirements	Transfers	Balance 30-Jun-03
Capital assets, not being depreciated					
Land	\$ 129,109				\$ 129,109
Total capital assets, not being depreciated	129,109	-	-	-	129,109
Capital assets, being depreciated					
Buildings	1,807,598				1,807,598
Buses	5,785,833	\$ 50,670	\$ (182,153)		5,654,350
Equipment	1,477,212	6,862	(36,291)		1,447,783
Total capital assets being depreciated	9,070,643	57,532	(218,444)	-	8,909,731
Less accumulated depreciation	6,596,241	531,800	(218,444)	-	6,909,597
Total Capital Assets being depreciated, Net	<u>\$ 2,603,511</u>	<u>\$(474,268)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,129,243</u>

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

**Governmental Activities:**

General	\$ 2,523,367
Public safety	738,592
Highways and streets	2,486,016
Health and welfare	99,336
Education and library	1,528,734
Parks	801,643
Total depreciation expense – governmental activities	<u>\$ 8,177,688</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

**9. Long-Term Debt**

**Primary Government**

The debt service requirements of the City's outstanding general obligation bonds, revenue bonds and notes payable at June 30, 2003 are as follows:

Governmental long-term debt:

Fiscal year	Capital Appreciation	Principal	Interest	Total
2004	\$ 414,226	\$ 15,434,450	\$ 8,008,206	\$ 23,856,882
2005		14,489,168	7,702,326	22,191,494
2006		10,908,037	4,289,885	15,197,922
2007		7,907,186	3,875,083	11,782,269
2008		7,703,556	3,523,059	11,226,615
2009-2013		30,937,831	12,848,997	43,786,828
2014-2018		22,825,868	6,118,395	28,944,263
2019-2023		5,345,718	1,749,380	7,095,098
2024-2028		2,379,242	735,177	3,114,419
2029-2031		1,005,639	120,793	1,126,432
<b>Total</b>	<b>\$ 414,226</b>	<b>\$ 118,936,695</b>	<b>\$ 48,971,301</b>	<b>\$ 168,322,222</b>

Business-type Activities:

Fiscal year	Principal	Interest	Total
2004	\$ 11,794,287	\$ 11,992,418	\$ 23,786,705
2005	12,206,014	13,148,206	25,354,220
2006	11,888,890	12,728,134	24,617,024
2007	10,909,656	12,293,890	23,203,546
2008	10,268,332	11,863,539	22,131,871
2009-2013	52,536,006	52,898,927	105,434,933
2014-2018	56,817,571	40,928,317	97,745,888
2019-2023	63,139,282	27,745,170	90,884,452
2024-2028	66,620,758	13,792,881	80,413,639
2029-2032	24,284,363	1,955,268	26,239,631
<b>Debt Service Requirement</b>	<b>320,465,159</b>	<b>199,346,750</b>	<b>519,811,909</b>
<b>Less Bond Discount</b>	<b>(3,507,495)</b>		<b>(3,507,495)</b>
<b>Less Deferred Loss</b>	<b>(1,673,783)</b>		<b>(1,673,783)</b>
<b>Total Business-type Activities</b>	<b>\$ 315,283,881</b>	<b>\$ 199,346,750</b>	<b>\$ 514,630,631</b>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

Interest rates for the City's outstanding GO bonds range from 2.05% to 8.875%. At June 30, 2003 the City's legal debt limit was \$686,468,412. Authorized, but unissued, bonds as of June 30, 2003 amounted to \$258,762,909. Unissued bonds at June 30, 2003 include authorization for an unprecedented amount of infrastructure improvements and economic development projects.

Over the course of the last year and a half, the City has worked methodically and conscientiously to structure a proposal to package all of the school, additions and renovations that were to be included as part of the Design / Build / Finance initiative in the total amount of \$105,000,000. These School Facilities Revenue Bonds represent the single largest General Fund issuance ever and are unique because the debt service on the additions and renovations to the high schools is to be borne by the sending districts per the Tuition Agreements that were approved July 2003.

The City is preparing to bring MWW to market as an independent issuer of revenue bonds to finance the upgrade of the Water Treatment Plant and to fund Water Distribution System upgrades.

From the economic development perspective, the City has agreed to pay up to five million dollars towards the costs of a garage at the Bridge and Elm Street location, where the construction of an upscale apartment building has been proposed.

The second high profile economic development project is the construction of a baseball stadium at the site of the former Singer Park. This stadium would be home to a AA baseball team and because the terms of the Master Lease Agreement contain provisions for ancillary development of a hotel and an apartment complex and retail space, the fiscal impact that this development could generate is enormous. Part of this authorization includes funding for improvements to Gill Stadium. This historic locale will be homefield to the new baseball team as it debuts in April 2004, for its novice year in Manchester. Subsequently, the long overdue improvements will provide a state of the art facility and venue for future high school and other league athletic events.

Along with the proposed sale of bonds to finance the baseball stadium and garage, there are a number of other construction projects and infrastructure improvements that also will be funded for bridge rehabilitation, a new fire station, parks rehabilitation, streets, sewers, major building renovations, a plethora of projects and a new senior citizen center anticipated to improve and enhance the everyday life of the citizenry.

The business-type funds, EPD and Water Works comprise a large part of this total outstanding dollar amount with \$29,412,099 and \$48,500,000, respectively. Of those amounts, \$34,412,099 is expected to be financed through the State of New Hampshire DES-SRF program while the balance will provide funding for the Water Treatment Plant. Additionally, the most significant ongoing GO project is the Sanitary Landfill Closure in the amount of \$13,850,000, which is expected to be financed through the State DES-SRF program. The process has been substantially completed and expected to be amortized early in fiscal year 2005. The full faith, credit and revenue-raising powers of the City have been pledged to secure these bonds.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

For June 30, 2003 an amount of \$5,136,395 was recorded in the Government-Wide Financial Statement for the accretion of interest on the capital appreciation bonds which is also included in the governmental long-term debt service in fiscal years 2004 through 2005.

Long-term liability activity for the year ended June 30, 2003 was as follows:

	Balance 1-Jul-02	Increases	Decreases	Balance 30-Jun-03	Due within One year
Governmental activities:					
General Obligation Bonds Payable - City	\$ 88,120,240	\$ 25,000	\$ 10,890,802	\$ 77,254,438	\$ 9,688,629
General Obligation Bonds Payable - MSD	47,667,320	-	5,985,063	41,682,257	5,745,821
	<u>135,787,560</u>	<u>25,000</u>	<u>16,875,865</u>	<u>118,936,695</u>	<u>15,434,450</u>
Compensated absences	5,418,492	909,898		6,328,390	2,959,335
Insurance claims	4,071,081	64,020		4,135,101	3,884,998
Capital appreciation bonds	6,909,802	719,629	2,493,036	5,136,395	2,712,411
Landfill closure and post-closure care	21,509,737		3,402,780	18,106,957	-
	<u>\$ 173,696,672</u>	<u>\$ 1,718,547</u>	<u>\$ 22,771,681</u>	<u>\$ 152,643,538</u>	<u>\$ 24,991,194</u>
Business-type activities					
General Obligation Debt	\$ 50,927,008	\$ -	\$ 6,896,849	\$ 44,030,159	\$ 6,744,287
Revenue Bonds, net of unamortized Original Issue Discount	275,328,820	-	4,075,098	271,253,722	5,050,000
	<u>\$ 326,255,828</u>	<u>\$ -</u>	<u>\$ 10,971,947</u>	<u>\$ 315,283,881</u>	<u>\$ 11,794,287</u>

The EPD Enterprise Fund has eight loan agreements with original principal balances amounting to \$44,813,578 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 project.

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. Three of the DES eligible projects are classified as EPD Enterprise, while the single exception, the Sanitary Landfill Closure carries a general fund genre. Total indebtedness unamortized as of June 30, 2003 is \$18,873,557, comprised of \$6,766,600 for EPD and CSO projects, and \$12,106,957 for the Sanitary Landfill Closure.

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account asset and liability for the defeased bonds are not included in the City's financial statements. On June 30, 2003 \$15,410,000 of bonds outstanding are considered defeased.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

The Department of Aviation (the "DA") Enterprise Fund has entered into a twenty year interest rate swap agreement for \$38,340,000 of its variable rate demand general airport revenue bonds. Based on the swap agreement, the DA owes interest calculated at a fixed rate of 4.38% to the counterparty to the swap. In return, the counterparty owes the DA interest based on a variable rate that matches the rate required by the bonds. Only the net difference in interest payments is actually exchanged with the counterparty. The \$38,340,000 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

The DA continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the DA effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds are based on the fixed rate.

At June 30, 2003, the swap agreement resulted in a cumulative unfavorable fair value of approximately \$4,669,000, based on dealer quoted prices, and accordingly, the fair value of the swap was recorded in accounts payable and additional interest expense in the related accompanying financial statements.

**Manchester Housing and Redevelopment Authority**

In March 2000, the Manchester Housing and Redevelopment Authority, New Hampshire the ("MHRA") issued \$49,772,909 in revenue bonds (the "Bonds") to finance, in part, the construction of the Manchester Civic Center (now the Verizon Wireless Arena) (the "Arena"). The MHRA is a public body, corporate and politic, established pursuant to Chapter 203 of the New Hampshire Revised Statutes. The MHRA is not a component unit of the City within the meaning of GASB No. 14.

The Bonds issued by the MHRA to finance the construction of the Arena are secured, to a degree, by revenues to be paid by the City pursuant to a Financing Agreement between the City and the MHRA (the "Financing Agreement"). At the time of the issuance of the Bonds, MHRA assigned all of its rights under the Financing Agreement to a corporate trustee, to be held, in trust, for the benefit of the holders of the Bonds from time to time. Under the terms of the Financing Agreement, the City is to make payment of meals and rooms tax revenues received by it from the State of New Hampshire, pursuant to RSA 78-A:26, but only to the extent that (i) such funds are actually received by the City from this source, in excess of \$454,927 in any given year, and (ii) that the City's Board of Mayor and Aldermen (the "BMA") actually appropriates such funds in each year to make such payments. The City's payments under the Financing Agreement are not secured by its full faith and credit. Moreover, the City is not morally obligated to make any payments under the Financing Agreement. The Financing Agreement stipulates that the Mayor will include an appropriation request in the annual budget submission to the City's Board of Mayor and Aldermen, payable from the meals and rooms tax imposed by the State and paid to the City in excess of \$454,927 in each fiscal year in an amount sufficient to make the payments required under the Financing Agreement. There is, however, no assurance that the BMA will appropriate such funds on an annual basis or that sufficient meals and rooms tax revenues will be received by the City to make scheduled payments under the Financing Agreement. Pursuant to New Hampshire law, the Bonds do not constitute indebtedness of the City of Manchester.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

In the event that either (i) the City does not receive meals and rooms tax revenues sufficient to make payments under the Financing Agreement, or (ii) that the BMA should determine not to appropriate meals and rooms tax revenues to make payments under the Financing Agreement (each an “Event of Early Termination”), holders of the Bonds may look only to an insurance policy provided American Capital Access Financial Guaranty Corporation for the payment of scheduled installments of principal and interest on the Bonds. An Event of Early Termination does not constitute a default by the City under the Financing Agreement. Holders of the Bonds have no security interest, mortgage, or other claim or interest in the Arena to secure the repayments of the Bonds.

In the event of default, bond reserves initially and subsequent bond insurance arrangements including the exercise of management control of the facility by the insurer will provide remedies for bondholders. In any event, title to the facility always remains with the City of Manchester. Therefore, the Arena is included as an asset on the City’s financial statement. The City treated the donation of the asset from MHRA as a non-exchange transaction and recorded the asset at construction cost as the estimated fair market value at the time of the donation.

Due to the uncertainty of the state meals and rooms tax revenue formula, the City is not including these unknown funds as either revenues or receivables. Similarly, since the non-funding clause in the Financing Agreement provides annual lease payments which are contingent upon the items discussed in the second paragraph, the City has not included any future payments pursuant to the Financing Agreement. Accruals for the general or unspecified business risks (“reserves for general contingencies”) are not permitted per FASB 5. The BMA may at any time, at its sole discretion, decide not to appropriate meals and rooms tax revenue funds.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

**10. Employee Benefit Plans**

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

*City Plans*

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

**SCHEDULE OF PLAN NET ASSETS**

	<b>CRS Pension Trust</b>	<b>Old System Pension Trust</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 804,485	\$ 9,386,174	\$ 10,190,659
Investments	74,099,597	9,364,100	83,463,697
Receivables, net of allowances for collection losses	343,262	93,447	436,709
Other assets	8,927		8,927
Property and equipment, net where applicable, of accumulated depreciation	240,975		240,975
<b>Total Assets</b>	<u>\$ 75,497,246</u>	<u>\$ 18,843,721</u>	<u>\$ 94,340,967</u>
<b>Liabilities</b>			
Accounts and warrants payable	\$ 137,940		\$ 137,940
Accrued liabilities	562,762		562,762
<b>Total Liabilities</b>	700,702		700,702
<b>Net Assets Held in Trust for Pension Benefits</b>	<u>\$ 74,796,544</u>	<u>\$ 18,843,721</u>	<u>\$ 93,640,265</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

**SCHEDULE OF CHANGES OF PLAN NET ASSETS**

	CRS Pension Trust	Old System Pension Trust	Total
<b>Additions</b>			
Contributions			
Employer	\$ 1,794,576		\$ 1,794,576
Plan members	1,531,458		1,531,458
<b>Total Contributions</b>	<u>3,326,034</u>	<u>                    </u>	<u>3,326,034</u>
Investment Gain (Loss)			
Net realized and unrealized appreciation (depreciation) in fair value of investments	(10,274,998)	\$ 99,250	(10,175,748)
Interest	720,912	682,782	1,403,694
Dividends	1,067,951		1,067,951
Less investment expense	(380,435)		(380,435)
<b>Net Investment Income (Loss)</b>	<u>(8,866,570)</u>	<u>782,032</u>	<u>(8,084,538)</u>
<b>Total Additions (Reductions)</b>	<u>(5,540,536)</u>	<u>782,032</u>	<u>(4,758,504)</u>
<b>Deductions</b>			
Benefits paid directly to participants	4,568,960	1,997,603	6,566,563
Refunds of employee contributions	301,901		301,901
Administrative expenses	578,213	67,107	645,320
<b>Total Deductions</b>	<u>5,449,074</u>	<u>2,064,710</u>	<u>7,513,784</u>
<b>Net Decrease</b>	(10,989,610)	(1,282,678)	(12,272,288)
<b>Net Assets Held in Trust for Pension Benefits</b>			
Beginning of year	85,786,154	20,126,399	105,912,553
End of year	<u>\$ 74,796,544</u>	<u>\$ 18,843,721</u>	<u>\$ 93,640,265</u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

*New System*

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

All covered employees hired after January 1, 1974 are required to participate in the New System as a condition of employment. Employees are 100% vested after five years of service. The retirement benefit is calculated at 1-1/2% of final average total compensation during the highest three years of service in the last ten years of service (hereafter average compensation), multiplied by the years of service prior to January 1, 1999 plus 2% after January 1, 1999 of average compensation multiplied by the years of service after January 1, 1999. There is a minimum benefit of 50% of average compensation for employees hired prior to January 1, 1974 who complete 20 years of service and attain age 62 before retirement or have combined age and years of service over specified amounts. All eligible employees are required to contribute 2-1/2% of their salaries to the New System prior to January 1, 1999 and 3-3/4% of their salaries after January 1, 1999. If an employee leaves covered employment or dies before five years of service, accumulated employee contributions and earnings thereon at rates determined annually by the New System Board of Trustees (5%, for the periods ended June 30, 2003 and 2002) are refunded. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees. Benefit provisions and contribution requirements are established by the City and may be amended only by the BMA, subject to approval of the voters of the City through referendum. The Plan was last amended on November 1, 2002.

Membership in the Plan consisted of the following at December 31, 2002, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	484
Terminated vested members	66
Active members	<u>1,330</u>
Total Participants	<u><u>1,880</u></u>

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

The City's plans, by policy, (i) require annual actuarial valuations, with yearly updates, and (ii) require annual City contributions based on actuarial determinations. During the year of actuarial valuation, the City has historically contributed the annual required contribution ("ARC") of the pension plan. Any difference between the ARC and the actual contribution made has been settled by the next actuarial valuation date, and thus the City has never actually had, or had need to report, a net pension obligation ("NPO").

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2002	\$ 1,794,576	100 %
2001	1,117,163	100
2000	713,685	100
1999	796,552	100
1998	514,216	100
1997	543,835	100

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Unfunded Actuarial Accrued Liability (Surplus) (b)	Actuarial Accrued Liability (c)	Funded Ratio (a)/(c)	Covered Payroll (prior year)
12/31/02	\$ 89,755,853	\$ 16,364,857	\$ 106,120,710	84.6 %	\$ 38,940,104
12/31/01	94,812,631	1,457,848	96,270,479	98.5	38,692,738
12/31/00	90,144,513	(3,049,404)	87,095,109	103.5	35,370,961
12/31/99	82,584,305	(3,263,538)	79,320,767	103.0	29,581,577
12/31/98	72,569,967	(1,494,444)	71,075,523	102.1	28,255,208
12/31/97	65,839,177	(4,296,452)	61,542,725	107.0	26,961,375
12/31/96	59,838,164	(3,121,758)	56,716,406	105.5	24,418,320

Additional information as of the latest actuarial valuation follows:

Valuation Date:	January 1, 2003
Mortality:	The 1983 Group Annuity Mortality Table
Actuarial Cost Method:	Entry Age
Investment Return:	7.5% per year compounded annually, net of expenses
Compensation Increases:	Under 35 – 5.5%; 35 to 49 – 5%; 50 and over – 4.5%
Amortization Method:	Level percentage closed
Asset Valuation Method:	5 year smoothed market
Inflation Rate:	4.5%

The System reduced the normal age of retirement from 62 to 60 and provided for a two-percent annual subsidy on early retirement for participants aged 55 with at least 20 years of service or participants

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

whose age plus years of service equal at least 80 (including previously terminated participants). This amendment was granted during 2002 and became effective November 1, 2002. The increase in plan liabilities was \$3 million, which reflects the impact of the plan amendment as well as a change in assumed retirement rates. The amortization of this change increases the customary contribution by \$200,000 for the first 20 years and \$500,000 for the subsequent 10 years.

The System adopted a 3% COLA to participants in payment status as of June 1, 2002. The effect of this COLA was to increase liabilities by \$1.2 million. This increase is funded over ten years. For 2003, the impact on the customary contribution is a charge of approximately \$165,000.

***Old System***

Prior to January 1, 1974, all eligible City employees participated in the Old System, a single employer contributory public employee retirement system (PERS). All employees hired before January 1, 1974 were given the option to remain in the Old System or participate in the New System. The Old System was replaced by the New System and only operates to cover the remaining participants. All employees covered under the Old System are fully vested. Benefits under the Old System are limited to retirement benefits without death benefits to survivors. Benefits are recognized as expenditures of the General Fund on a pay-as-you-go basis. At June 30, 2003, the Old System membership consisted of:

Members currently receiving benefits	138
Active Vested Members	21
Total Members	159

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Plan Year ended June 30	Annual required contributions	Percentage contributed *
2003	\$ 87,547	0.0 %
2002	2,175,245	967.3
2001	2,196,055	92.6
2000	2,158,104	93.4
1999	2,048,811	96.8
1998	1,728,000	100.0

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

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

Annual required contribution	\$ 87,547
Interest on net pension obligation	(1,388,344)
Adjustment to annual required contribution	1,954,328
Annual pension cost	653,531
Less contributions made	0
Increase in net pension obligation (asset)	653,531
Net pension obligation (asset) beginning of year	(18,511,248)
Net pension obligation (asset) end of year	\$(17,857,717)

Three year trend information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2003	\$ 653,531	0.0 %	\$(17,857,717)
6/30/2002	2,165,300	967.3	(18,511,248)
6/30/2001	2,190,986	92.6	364,220

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Assets	Actuarial Accrued Liability (AAL) P.U.C.	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/2002	\$ 20,126,399	\$ 20,955,638	\$ 829,239	96.04 %	\$ 1,025,725	80.84 %
07/01/2001	-	21,262,936	21,262,936	0.00	1,009,090	2,107.14
07/01/2000	-	22,085,349	22,085,349	0.00	1,097,032	2,013.19
07/01/1999	-	22,269,566	22,269,566	0.00	1,326,886	1,678.33
07/01/1998	-	22,453,076	22,453,076	0.00	1,417,158	1,584.37
07/01/1997	N/A	N/A	N/A	N/A	N/A	N/A

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2003
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.50 %
Projected salary increases	4.50 %

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

*NHRS Related Supplementary Benefits Plan*

The City pays supplementary benefits of up to 50% of the last annual wage for any City employee who participates in the NHRS, was hired before June 30, 1972, and does not receive a pension benefit from the NHRS equal to at least 50% of the last annual wage. These costs are accounted for on a pay-as-you-go basis in the general fund.

At June 30, 2003, the membership consisted of:

Members currently receiving benefits	<u>55</u>
--------------------------------------	-----------

*New Hampshire Retirement System*

The City contributes to the NHRS a cost-sharing, multiple-employer defined benefit pension plan administered by the state retirement board. The NHRS provides retirement and disability and death benefits to plan members and beneficiaries. Revised Statutes Annotated 100-A:16 of New Hampshire Law assigns the system the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The NHRS issues a publicly available financial report which can be obtained through the New Hampshire Retirement System at 4 Chennel Drive, Concord, New Hampshire 03301-8509.

NHRS members are required to contribute 9.30% of annual covered compensation to the pension plan. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16 and ranges from 5.33% to 6.61% of covered compensation.

The City's contributions to the system, consisting of firefighters and police officers, for the years ended June 30, 2003 and 2002 were \$1,492,473 and \$1,427,011 respectively and were equal to the required contributions. For the years ended June 30, 2003 and 2002, the City has recognized both revenue and expenditures of \$800,863 and \$646,212, respectively, on behalf of contributions made by the State to the NHRS.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

**11. Contingent Liabilities and Insurance**

There are various claims and legal actions pending against the City for which provision has been made in the financial statements starting in fiscal year 2002. In the opinion of the City Solicitor and other City officials, liabilities arising from these claims and legal actions, if any, will not be significant.

The City has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be significant.

The City's insurance coverage consists of both self-insured programs and policies maintained with various carriers. Coverage has not been materially reduced nor have settled claims exceeded commercial coverage in any of the past three years.

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

Fiscal Year Ended	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2003	\$4,976,402	\$4,640,796	\$4,603,949	\$4,939,555
2002	5,488,269	4,344,763	\$3,832,896	4,976,402

**Accident and Health**

Accident and health claims are administered through a private carrier. The City is self-insured under this program. The City maintains a stop-loss policy with limits of \$100,000 per year, per claim and a 115% aggregate for the entire cost. The City has recorded \$804,454 in the General Fund for claim liabilities at year end.

**Property**

Property insurance is maintained with a commercial insurer and provides for a deductible of \$100,000 for each claim and an overall coverage limit of \$100,000,000.

**General Liability**

Liability claims are administered through a private carrier. The City is self-insured under this program, except for the Aviation Fund which maintains a liability insurance policy which provides coverage generally up to \$100,000,000 for each occurrence and in the aggregate in any one annual period of insurance. State law generally limits a city's liability for an incident to \$150,000 per individual and \$500,000 per incident. \$3,675,304 was recorded in the government wide statements for fiscal year 2003 as the City's estimated liabilities for unsettled claims.

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

**11. Contingent Liabilities and Insurance (continued)**

**Worker's Compensation**

Worker's compensation claims are administered through a private carrier. The City is self-insured under this program for all City employees. There is no limit per employee. \$2,964,110 was recorded in the government wide statements as the City's estimated liability for all types of claims incurred in 2003 or prior, which have not been settled.

**Department of Aviation**

The DA has comprehensive airport liability insurance policies with insurance companies, which provide coverage generally up to \$100,000,000 for each occurrence and in the aggregate in any one annual period of insurance. Claims are subject to a deductible of \$1,000 for each occurrence up to a maximum of \$5,000 during any one annual insurance period.

Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

**Regulatory**

The City was issued an Administrative Order against it by the United States Environmental Protection Agency (EPA), ordering the City to evaluate and plan for appropriate treatment of combined sewer over flows pursuant to the Federal Clean Water Act. The City believes it is in compliance with the Administrative Order and is working with Federal and State authorities in dealing with combined sewer overflows from its publicly-owned treatment works. As of June 30, 2003, there is no pending claim by the EPA or the State.

**12. Landfill Closure and Postclosure Care Costs**

State and federal laws and regulations required the City to place final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stopped accepting waste, the City reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of the financial statement date. The \$18,106,957 reported as landfill closure and postclosure care liability at June 30, 2003 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. The City anticipates that the funding for the landfill closure costs will be provided through the issuance of general obligation bonds.

**13. Fund Deficit**

As of June 30, 2003, the CDBG, Capital Projects and the Aggregation funds had fund deficits in the amounts of \$146,616, \$8,369,093 and \$1,581,101, respectively.

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

**City of Manchester, New Hampshire**  
**Notes to Financial Statements**  
**June 30, 2003**

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

The Governmental Accounting Standards Board (GASB) has issued two statements not yet implemented by the City. The statements which might impact the City are as follows:

Statement No. 39, "Determining Whether Certain Organizations are Component Units," an amendment of GASB Statement No. 14 issued May 2002, will be effective for fiscal year ending June 30, 2004. Statement No. 39 provides new guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government.

Statement No. 40, "Deposit and Investment Risk Disclosures," issued March 31, 2003, will be effective for the fiscal year ending June 30, 2005. Statement No. 40 imposes new standards for disclosing deposits and investments. The statement addresses common deposit and investment risks related to credit risk, interest rate risk, and foreign currency risk. The statement's effect on the financial statements will limit the deposit and investment disclosure to categorizing deposits that are not covered by depository insurance and investment securities that are uninsured.

**15. Subsequent Events**

On July 31, 2003 the City issued \$101,410,000 School Facilities Revenue Bonds, Series 2003. This ambitious undertaking was structured as a Design/Build/Finance Project to provide funding for a comprehensive renovation to schools in the City including additions to middle and high schools. With the utilization of the D/B/F concept, the City awarded a contract in the GMP amount of \$94,900,000 in April, 2003 for construction costs. Interest rates range from 2.00% to 5.50% over the 25 year amortization period.

On August 14, 2003 the City received proceeds for \$38,345,000 (MWW) Water Revenue Bonds, Series 2003. This issuance represented the introduction of Manchester Water Works as an independent issuer to the marketplace. The insured bonds have a TIC (True Interest Cost) of 5.089% and will be amortized over a 30 year term. The proceeds will finance construction expansion and upgrades to the Water Treatment Facility and permanent improvements to the water distribution system. Contracts for the WTF project were awarded in May, 2003 for \$28.7 million while the oversight of the distribution system improvements will continue to be administered by MWW.



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**COMBINING AND INDIVIDUAL  
FINANCIAL STATEMENTS AND SCHEDULES**

**General Fund  
Comparative Balance Sheets**

**City of Manchester, New Hampshire  
June 30, 2003**

	<u>2003</u>	<u>2002</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 62,840,860	\$ 58,543,082
Restricted cash and cash equivalents	2,074,460	5,406,750
Investments	511,328	505,116
Receivables, net of allowances for collection losses	20,096,729	18,614,409
Prepaid items	4,099	82,325
Due from other funds	10,493,960	5,038,627
Inventories	589,385	619,177
<b>Total Assets</b>	<b><u>\$ 96,610,821</u></b>	<b><u>\$ 88,809,486</u></b>
<b><u>Liabilities and Fund Equity</u></b>		
<b>Liabilities</b>		
Accounts and warrants payable	\$ 4,672,490	\$ 4,307,092
Retainage payable		4,532
Accrued liabilities	1,397,348	2,005,273
Insurance claims payable	804,454	905,321
Due to Manchester School District	23,550,478	18,522,747
Deferred revenue	17,190,758	15,736,535
Taxes collected in advance	26,186,396	25,522,225
<b>Total Liabilities</b>	<b><u>73,801,924</u></b>	<b><u>67,003,725</u></b>
<b>Fund Equity</b>		
Fund balances		
Reserved for		
Encumbrances	1,272,469	540,119
Inventory	589,385	619,177
Advances	1,623,865	1,720,166
Workers' compensation	2,964,110	1,253,582
Designated for		
Health insurance	1,879,840	1,913,932
General liability insurance	711,195	1,497,913
Special revenue	848,437	
Tax rate stabilization	1,981,568	
Revenue stabilization	9,633,624	9,576,915
Unreserved		
Undesignated fund balance	1,304,404	4,683,957
<b>Total Fund Equity</b>	<b><u>22,808,897</u></b>	<b><u>21,805,761</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 96,610,821</u></b>	<b><u>\$ 88,809,486</u></b>

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

**City of Manchester, New Hampshire  
Year Ended June 30, 2002**

	<u>2003</u>	<u>2002</u>
<b><u>Revenues</u></b>		
Taxes	\$ 59,369,549	\$ 59,020,928
Federal and state grants and aid	7,549,154	7,291,673
Nonenterprise charges for sales and services	4,491,647	4,432,086
Licenses and permits	20,521,738	19,744,630
Interest	736,111	1,132,648
Other	8,594,706	9,120,585
<b>Total Revenues</b>	<b>101,262,905</b>	<b>100,742,550</b>
<b><u>Expenditures</u></b>		
Current:		
General government	18,658,422	18,368,831
Public safety	35,444,763	34,556,506
Health and sanitation	2,462,857	2,711,544
Highway and streets	19,902,962	20,099,068
Welfare	1,352,284	2,146,722
Education	2,145,815	2,258,746
Parks and recreation	2,992,399	3,034,011
Pension Benefit Payments		18,960,260
Debt service:		
Principal retirement	10,890,802	11,030,422
Interest	5,181,212	3,565,940
Issue Costs		158,662
<b>Total Expenditures</b>	<b>99,031,516</b>	<b>116,890,712</b>
<b>Excess of revenues over expenditures</b>	<b>2,231,389</b>	<b>(16,148,162)</b>
<b><u>Other Financing Sources (Uses)</u></b>		
Proceeds of refunding bonds		14,150,020
Payment to refunded bond escrow agent		(13,996,706)
Proceeds from pension obligation bonds		18,960,260
Transfers in	561,912	769,277
Transfers out	(1,790,165)	(1,620,742)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,228,253)</b>	<b>18,262,109</b>
Net Change in Fund Balance	1,003,136	2,113,947
<b>Fund Balance, beginning of year</b>	<b>21,805,761</b>	<b>19,691,814</b>
<b>Fund Balance, end of year</b>	<b>\$ 22,808,897</b>	<b>\$ 21,805,761</b>

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

City of Manchester, New Hampshire  
 Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>Taxes</u></b>				
Property tax	57,936,379	57,936,379	57,385,431	(550,948)
Boat tax	40,000	40,000	44,192	4,192
Cable franchise fee	1,437,448	1,437,448	995,354	(442,094)
Cost on deferred tax	15,000	15,000	33,546	18,546
Cost on tax title	25,000	25,000	24,211	(789)
Interest on tax	150,000	150,000	292,380	142,380
Interest on tax lien	400,000	400,000	217,968	(182,032)
Railroad tax	5,400	5,400	4,633	(767)
Tax lien	60,000	60,000	33,777	(26,223)
<b>Total Taxes</b>	<b>60,069,227</b>	<b>60,069,227</b>	<b>59,031,492</b>	<b>(1,037,735)</b>
<b><u>Federal and State Grants and Aid</u></b>				
CIP/federal capital	227,000	227,000	151,811	(75,189)
Highway block grant	1,547,000	1,547,000	1,617,030	70,030
Home Investment Program	-	-	33,675	33,675
Landfill closure	22,340	22,340	22,340	-
Lieu of tax - Carpenter Center	47,000	47,000	47,849	849
Lieu of tax - MHRA	140,000	140,000	199,974	59,974
Lieu of tax - other	265,000	265,000	238,464	(26,536)
Meals & rooms tax	454,927	454,927	454,927	-
Revenue Sharing Distribution	3,955,713	3,955,713	3,955,713	-
Traffic reimbursement	15,000	15,000	26,508	11,508
<b>Total Federal and State Grants and Aid</b>	<b>6,673,980</b>	<b>6,673,980</b>	<b>6,748,291</b>	<b>74,311</b>
<b><u>Nonenterprise Charges for Sales and Services</u></b>				
Cemetery - Care of lot and grave	13,800	13,800	26,644	12,844
Cemetery - Cement container	22,000	22,000	19,833	(2,167)
Cemetery - Internment	98,150	98,150	95,410	(2,740)
Cemetery - Sale of mausoleum	13,000	13,000	13,900	900
City Clerk - Certified record	200,000	200,000	211,235	11,235
City Clerk - Certified record, state share	(132,000)	(132,000)	(126,041)	5,959
City Clerk - Late fee	3,000	3,000	2,319	(681)
City Clerk - Political filing fee	-	-	60	60
City Clerk - UCC financing statement	45,500	45,500	38,876	(6,624)
City Clerk - Vending machine commission	36	36	55	19
Finance - Wage assignment fee	1,800	1,800	1,924	124
Fire - Alarm permit	210,000	210,000	243,983	33,983
Fire - Central station monitoring	26,000	26,000	22,496	(3,504)
Fire - Day care inspection	2,000	2,000	2,325	325
Fire - False alarm	94,000	94,000	159,675	65,675
Fire - Hazardous inspection fee	5,000	5,000	2,700	(2,300)
Fire - Review of life safety code plan	1,500	1,500	2,000	500
Fire - Sprinkler system review	3,000	3,000	18,846	15,846
Fire - Standby fee	2,000	2,000	1,080	(920)

(continued)

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

City of Manchester, New Hampshire  
Year Ended June 30, 2003  
(Continued)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>Nonenterprise Charges for Sales and Services (Continued)</u></b>				
Fire - Telephone dialer fee	400	400	725	325
Health - Day care health inspection	1,000	1,000	1,130	130
Health - Immunization reimbursement	3,000	3,000	6,299	3,299
Highway - Bid fee	5,738	5,738	1,635	(4,103)
Highway - Delay rent on landfill	12,500	12,500	32,264	19,764
Highway - Drop-off Center	607,830	607,830	530,325	(77,505)
Highway - Grade certification	2,440	2,440	4,880	2,440
Highway - Inspection fee	17,732	17,732	40,188	22,456
Highway - Maintenance	2,500	2,500	387	(2,113)
Highway - Sewer tap fee	61,250	61,250	92,000	30,750
Highway - Hackett Hill sewer recovery	-	-	49,106	49,106
Highway - Wellington sewer recovery	-	-	(28,567)	(28,567)
Highway - Youngsville sewer recovery	-	-	71,280	71,280
Human resources - Examination fee	5,000	5,000	17,452	12,452
Information systems - Department supplies	725	725	3,909	3,184
Parks - Concessions, rentals, bids	500	500	6,553	6,053
Parks - Softball fee	-	-	1,440	1,440
Planning - Site plan fee	75,000	75,000	93,363	18,363
Planning - Sub-Division fee	13,000	13,000	29,400	16,400
Planning - Zoning variance	27,000	27,000	44,033	17,033
Police/Fire - Accident/investigation report	59,000	59,000	63,215	4,215
Police - Auction	15,000	15,000	6,683	(8,317)
Police - Bicycle fee	100	100	-	(100)
Police - Booting fee	6,000	6,000	8,090	2,090
Police - Building violation fine	12,000	12,000	18,625	6,625
Police - Court parking fine	7,000	7,000	9,042	2,042
Police - District court fine	30,000	30,000	32,750	2,750
Police - Dog pound fee	5,000	5,000	11,390	6,390
Police - Expired meter parking ticket	1,025,220	1,025,220	926,428	(98,792)
Police - Extra detail administrative	78,000	78,000	89,388	11,388
Police - Fingerprint	8,500	8,500	9,795	1,295
Police - Photograph sale	5,100	5,100	2,334	(2,766)
Police - Towing fine	-	-	492	492
Police - Witness fee	100,100	100,100	106,901	6,801
Tax collector - auto registration parking	-	-	316	316
Tax collector - Demolition	-	-	9,000	9,000
Tax collector - Fee duplicate tax receipt	3,000	3,000	5,398	2,398
Tax collector - Motor vehicle title fee	50,000	50,000	58,535	8,535
Tax collector - Municipal agent fee	205,000	205,000	185,037	(19,963)
Traffic - Parking downtown meters & reserve	1,501,200	1,501,200	1,158,319	(342,881)
Traffic - Parking meter hoods revenue	60,000	60,000	13,026	(46,974)
Various - Bounced check fee	10,360	10,360	10,445	85
Various - Research fee	12,100	12,100	22,594	10,494
Various - Photocopy	9,000	9,000	8,722	(278)
<b>Total Nonenterprise Charges for Sales and Services</b>	<b><u>4,646,081</u></b>	<b><u>4,646,081</u></b>	<b><u>4,491,647</u></b>	<b><u>(154,434)</u></b>

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

City of Manchester, New Hampshire  
 Year Ended June 30, 2003  
 (Continued)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>Licenses and Permits</u></b>				
Tax collector - Auto registration	14,455,000	14,455,000	13,873,920	(581,080)
Building - Certificate of compliance	250,000	250,000	206,026	(43,974)
Building - Building permit	1,100,000	1,100,000	1,392,450	292,450
Building - Electric permit	185,000	185,000	275,636	90,636
Building - Elevator permit	1,000	1,000	2,890	1,890
Building - Heating permit	108,000	108,000	150,187	42,187
Building - Plumbing permit	65,000	65,000	99,108	34,108
Building - Sign permit	20,000	20,000	25,440	5,440
Building - Yard sale permit	5,500	5,500	4,265	(1,235)
City Clerk - Amusement license	19,000	19,000	16,980	(2,020)
City Clerk - Dog license	46,000	46,000	44,882	(1,118)
City Clerk - Dog license, state share	(4,800)	(4,800)	(4,836)	(36)
City Clerk - Employment office license	600	600	456	(144)
City Clerk - Marriage license	40,000	40,000	46,665	6,665
City Clerk - Marriage license, state share	(33,900)	(33,900)	(34,846)	(946)
City Clerk - Mechanical device license	185,000	185,000	188,950	3,950
City Clerk - Peddler license	10,000	10,000	15,438	5,438
City Clerk - Second hand license	2,500	2,500	2,193	(307)
City Clerk - Sunday permit	80,000	80,000	82,500	2,500
City Clerk - Taxi license	11,500	11,500	9,010	(2,490)
Health - Bathing facility permit	8,000	8,000	8,400	400
Health - Food permit	130,000	130,000	133,680	3,680
Health - Septic permit	6,000	6,000	4,050	(1,950)
Highway - Encumbrance permit	9,450	9,450	8,700	(750)
Highway - Excavation permit	84,300	84,300	106,450	22,150
Highway - Pipe layer certification	1,800	1,800	3,150	1,350
Highway - Reclamation trust fund	330,000	330,000	293,715	(36,285)
Highway - Road Resurfacing	579,000	579,000	559,093	(19,907)
Police - Alarm permit	24,000	24,000	33,960	9,960
Police - Blasting permit	700	700	1,000	300
Police - Game of chance license	100	100	-	(100)
Police - Gun permit	4,000	4,000	7,336	3,336
Police - Place of assembly permit	25,000	25,000	28,700	3,700
Police - Towing license	18,250	18,250	14,040	(4,210)
Traffic - Parking fees	3,120,977	3,120,977	2,938,382	(182,595)
<b>Total Licenses and Permits</b>	<b>20,886,977</b>	<b>20,886,977</b>	<b>20,537,970</b>	<b>(349,007)</b>
<b><u>Interest</u></b>				
Income from invested funds	1,816,000	1,816,000	736,111	(1,079,889)

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

City of Manchester, New Hampshire  
Year Ended June 30, 2003  
(Continued)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>Other Revenues</u></b>				
Building - Restitution from prior year	4,000	4,000	8,728	4,728
Building - Administration	1,000	1,000	1,410	410
Building - Sale of code	2,050	2,050	840	(1,210)
City Clerk - Building rent	13,200	13,200	91,200	78,000
City Solicitor - Worker's comp. reimb.	361,830	361,830	474,110	112,280
Finance - Airport reimbursement	50,000	50,000	28,561	(21,439)
Finance - Debt Recovery Livingston Park	25,000	25,000	25,000	-
Finance - Debt Recovery Riverfront Stadium	69,580	69,580	69,580	-
Health - HIV education reimbursement	71,000	71,000	-	(71,000)
Health - Immunization reimbursement	50,000	50,000	-	(50,000)
Health - Lead Poisoning	25,000	25,000	-	(25,000)
Health - STD reimbursement	25,000	25,000	-	(25,000)
Health - TB reimbursement	90,000	90,000	-	(90,000)
Health audit recoveries	500,000	500,000	-	(500,000)
Highway - Fuel reimbursements	6,500	6,500	8,766	2,266
Highway - Sewer Maintenance WWTP	-	-	12,601	12,601
Highway / Traffic - Scrap metal and salvage	4,000	4,000	8,405	4,405
MEDO - Wall St. Tower refinance	59,450	59,450	59,450	-
Police - Cruiser rental	4,000	4,000	3,633	(367)
Police - Extra detail revolving fund	-	-	4,597	4,597
Tax collector - Excess receipt	-	-	38,621	38,621
Traffic - Repair traffic signals admin.	6,700	6,700	10,483	3,783
Traffic - Repair traffic signals labor	7,500	7,500	4,875	(2,625)
Traffic - Sale of capital assets	750,000	750,000	-	(750,000)
Various - Data processing	54,416	54,416	60,541	6,125
Various - Maps, prints, etc.	10,960	10,960	12,118	1,158
Various - Miscellaneous	54,350	54,350	170,263	115,913
Various - Reimbursement O/T salary	37,506	37,506	32,922	(4,584)
Various - telephone reimb.	336	336	4,788	4,452
Welfare - Benefit recoveries	94,707	94,707	107,019	12,312
MSD chargebacks	7,007,360	7,007,360	6,689,601	(317,759)
<b>Total Other Revenues</b>	<b>9,385,445</b>	<b>9,385,445</b>	<b>7,928,112</b>	<b>(1,457,333)</b>
<b>Total Revenues</b>	<b>103,477,710</b>	<b>103,477,710</b>	<b>99,473,623</b>	<b>(4,004,087)</b>
Transfers in	350,000	350,000	306,169	(43,831)
<b>Total Transfers in</b>	<b>350,000</b>	<b>350,000</b>	<b>306,169</b>	<b>(43,831)</b>
<b>Total Revenues and Transfers in</b>	<b>103,827,710</b>	<b>103,827,710</b>	<b>99,779,792</b>	<b>(4,047,918)</b>



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

	<u>Salaries &amp; Wages</u>	<u>Employee Benefits</u>	<u>Purchased Professional Services</u>	<u>Purchased Property Services</u>	<u>Other Purchased Services</u>
<b>General Government</b>					
Aldermen	\$ 68,460	\$ 66,566			
Assessors	352,387	61,961		\$ 4,150	\$ 7,727
Building	854,588	217,866		3,578	25,624
City Clerk	749,034	159,376		21,831	126,167
City Solicitor	658,903	456,574	\$ 1,947		432,826
Civic Contribution					
Conservation	-	-			-
Economic Development Office	187,019	30,488		656	12,676
Elderly Services	157,310	54,936		48,837	4,302
Finance	679,706	123,071	217,119	2,019	27,446
Information Systems	943,346	229,896	14,270	587,430	121,051
Mayor	196,623	48,821			5,874
MCTV	218,568	61,957			
Nondepartmental					
Non-city Program					
Human Resources	602,065	1,102,395	14,345	47	23,485
Planning	682,334	137,445	5,010	3,123	17,930
Building Maintenance	607,092	154,448	4,281	312,686	3,515,577
Tax Collector	464,577	109,970	16,381	2,981	24,702
Youth Services	398,872	77,483	1,160	27,537	7,533
<b>Total General Government</b>	<b><u>7,820,884</u></b>	<b><u>3,093,253</u></b>	<b><u>274,513</u></b>	<b><u>1,014,875</u></b>	<b><u>4,352,920</u></b>
<b>Public Safety</b>					
Fire	12,615,422	3,220,327	18,269	305,822	133,465
Police	13,250,864	3,351,229	7,506	304,093	345,074
<b>Total Public Safety</b>	<b><u>25,866,286</u></b>	<b><u>6,571,556</u></b>	<b><u>25,775</u></b>	<b><u>609,915</u></b>	<b><u>478,539</u></b>
<b>Health and Sanitation</b>					
Health	1,860,070	459,861	2,883	8,097	73,405
<b>Total Health and Sanitation</b>	<b><u>1,860,070</u></b>	<b><u>459,861</u></b>	<b><u>2,883</u></b>	<b><u>8,097</u></b>	<b><u>73,405</u></b>
<b>Highway and Streets</b>					
Highway	7,511,106	2,106,989	6,106	4,957,579	266,806
Traffic	657,496	175,861	34,380	1,333,614	727,191
<b>Total Highway and Streets</b>	<b><u>8,168,602</u></b>	<b><u>2,282,850</u></b>	<b><u>40,486</u></b>	<b><u>6,291,193</u></b>	<b><u>993,997</u></b>
<b>Welfare</b>					
Welfare	421,444	85,783	2,139	58,724	179,434
<b>Total Welfare</b>	<b><u>421,444</u></b>	<b><u>85,783</u></b>	<b><u>2,139</u></b>	<b><u>58,724</u></b>	<b><u>179,434</u></b>
<b>Education</b>					
MSD					
Library	1,431,917	341,313		73,306	22,549
<b>Total Education</b>	<b><u>1,431,917</u></b>	<b><u>341,313</u></b>		<b><u>73,306</u></b>	<b><u>22,549</u></b>
<b>Parks and Recreation</b>					
Parks & Recreation	1,795,029	382,918	432	93,731	47,225
<b>Total Parks and Recreation</b>	<b><u>1,795,029</u></b>	<b><u>382,918</u></b>	<b><u>432</u></b>	<b><u>93,731</u></b>	<b><u>47,225</u></b>
<b>Debt Service</b>					
Principal retirement					
Interest					
Issue costs					
<b>Total Debt Service</b>					
<b>Total Expenditures</b>	<b><u>47,364,232</u></b>	<b><u>13,217,534</u></b>	<b><u>346,228</u></b>	<b><u>8,149,841</u></b>	<b><u>6,148,069</u></b>
<b>Other Financing Uses</b>					
Community improvement program					
<b>Total Other Financing Uses</b>					
<b>Total Expenditures and Other Financing Uses</b>	<b><u>\$ 47,364,232</u></b>	<b><u>\$ 13,217,534</u></b>	<b><u>\$ 346,228</u></b>	<b><u>\$ 8,149,841</u></b>	<b><u>\$ 6,148,069</u></b>

<u>Supplies &amp; Materials</u>	<u>Capital Outlay</u>	<u>Miscellaneous</u>	<u>2003 Total Commitments</u>	<u>2003 Revised Budget</u>	<u>Commitments vs Revised Budget Variance</u>	<u>2003 Original Budget</u>	<u>2002 Total Commitments</u>
\$ 14,192		\$ 3,876	\$ 135,026	\$ 136,375	\$ 1,349	\$ 138,044	\$ 129,641
6,787		1,284	444,293	465,343	21,050	504,449	501,367
48,004	18,411	59,669	1,109,727	1,164,146	54,419	1,166,377	1,144,879
14,959		8,631	1,182,492	1,224,131	41,639	1,206,707	1,235,634
		119,645	1,573,840	1,109,524	(464,316)	1,112,351	1,116,746
		13,310	119,645	124,644	4,999	152,644	114,678
		1,156	13,310	13,355	45	13,355	8,382
1,460		75	233,455	262,628	29,173	264,628	245,385
8,601		62,203	274,061	286,952	12,891	298,372	279,556
14,046		370	1,125,610	1,212,310	86,700	1,227,143	1,268,584
35,976	2,447	(1,195)	1,934,786	2,003,851	69,065	2,028,369	1,927,239
1,166		91,100	251,289	263,317	12,028	266,539	270,005
		884,911	371,625	385,700	14,075	385,700	330,302
		67,597	884,911	2,119,037	1,234,126	1,580,000	1,279,912
		34,235	67,597	67,597		67,597	66,893
8,822	6,429	1,070	1,791,823	2,504,469	712,646	2,515,995	1,340,402
4,325		272,154	851,237	897,873	46,636	903,541	851,362
382,794	12,247	92	5,261,279	5,363,021	101,742	5,319,422	5,139,331
7,551		2,639	626,254	703,099	76,845	733,836	672,006
3,648	(200)	518,672	518,672	523,278	4,606	528,899	474,258
<b>552,331</b>	<b>39,334</b>	<b>1,622,822</b>	<b>18,770,932</b>	<b>20,830,650</b>	<b>2,059,718</b>	<b>20,413,968</b>	<b>18,396,562</b>
344,264	135,173	14,749	16,787,491	17,392,848	605,357	17,452,848	16,365,615
440,435	11,770	192,081	17,903,052	18,241,240	338,188	18,301,240	17,488,204
<b>784,699</b>	<b>146,943</b>	<b>206,830</b>	<b>34,690,543</b>	<b>35,634,088</b>	<b>943,545</b>	<b>35,754,088</b>	<b>33,853,819</b>
64,090	5,054	2,082	2,475,542	2,805,523	329,981	2,805,523	2,705,481
<b>64,090</b>	<b>5,054</b>	<b>2,082</b>	<b>2,475,542</b>	<b>2,805,523</b>	<b>329,981</b>	<b>2,805,523</b>	<b>2,705,481</b>
1,350,303	75,260	980,579	17,254,728	17,513,531	258,803	17,713,531	16,351,453
285,365		5,247	3,219,154	3,329,582	110,428	3,364,146	3,384,481
<b>1,635,668</b>	<b>75,260</b>	<b>985,826</b>	<b>20,473,882</b>	<b>20,843,113</b>	<b>369,231</b>	<b>21,077,677</b>	<b>19,735,934</b>
5,965	58	591,884	1,345,431	1,476,875	131,444	1,476,875	2,145,427
<b>5,965</b>	<b>58</b>	<b>591,884</b>	<b>1,345,431</b>	<b>1,476,875</b>	<b>131,444</b>	<b>1,476,875</b>	<b>2,145,427</b>
278,604		1,156	2,148,845	2,283,783	134,938	2,306,852	2,253,692
<b>278,604</b>	<b>-</b>	<b>1,156</b>	<b>2,148,845</b>	<b>2,283,783</b>	<b>134,938</b>	<b>2,306,852</b>	<b>2,253,692</b>
287,959	63,972	347,053	3,018,319	3,191,498	173,179	3,230,547	3,032,982
<b>287,959</b>	<b>63,972</b>	<b>347,053</b>	<b>3,018,319</b>	<b>3,191,498</b>	<b>173,179</b>	<b>3,230,547</b>	<b>3,032,982</b>
		10,890,802	10,890,802	10,890,802		10,890,802	11,030,422
		5,181,213	5,181,213	5,181,213		5,181,213	3,565,940
		-					158,662
		<b>16,072,015</b>	<b>16,072,015</b>	<b>16,072,015</b>		<b>16,072,015</b>	<b>14,755,024</b>
<b>3,609,316</b>	<b>330,621</b>	<b>19,829,668</b>	<b>98,995,509</b>	<b>103,137,545</b>	<b>4,142,036</b>	<b>103,137,545</b>	<b>96,878,921</b>
		1,790,165	1,790,165	1,790,165		1,790,165	1,620,742
		<b>1,790,165</b>	<b>1,790,165</b>	<b>1,790,165</b>		<b>1,790,165</b>	<b>1,620,742</b>
<b>\$ 3,609,316</b>	<b>\$ 330,621</b>	<b>\$ 21,619,833</b>	<b>\$ 100,785,674</b>	<b>\$ 104,927,710</b>	<b>\$ 4,142,036</b>	<b>\$ 104,927,710</b>	<b>\$ 98,499,663</b>



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**CITY OF MANCHESTER, NEW HAMPSHIRE**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2003**

**Nonmajor Governmental Funds**

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

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

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

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

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

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

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

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

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

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

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

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**Nonmajor Governmental Funds  
Combining Balance Sheet**

	<b>Special Revenue</b>			
	<b>HUD Section 108 Fund</b>	<b>Cash Special Projects Fund</b>	<b>CDBG Fund</b>	<b>Other Grants Fund</b>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 109,375	\$ 633,053	\$ 106,204	\$ 1,758,239
Restricted cash and cash equivalents				2,988,194
Investments				
Receivables, net of allowances for collection losses	4,194,609			341,585
<b>Total Assets</b>	<b><u>\$ 4,303,984</u></b>	<b><u>\$ 633,053</u></b>	<b><u>\$ 106,204</u></b>	<b><u>\$ 5,088,018</u></b>
<b><u>Liabilities and Fund Equity</u></b>				
<b>Liabilities</b>				
Accounts and warrants payable	\$ 2,730,000	\$ 188,216	\$ 125,114	\$ 599,810
Accrued liabilities		6,717	22,138	35,510
Due to other funds	1,573,984		105,568	
Deferred revenue				2,987,734
Other				77,725
<b>Total Liabilities</b>	<b><u>4,303,984</u></b>	<b><u>194,933</u></b>	<b><u>252,820</u></b>	<b><u>3,700,779</u></b>
<b>Fund Equity</b>				
Fund balances				
Reserved for				
Encumbrances		88,914	130,694	339,957
Cemetery and other trust funds				
Library				
Unreserved				
Undesignated fund balance		349,206	(277,310)	1,047,282
<b>Total Fund Equity (Deficit)</b>		<b><u>438,120</u></b>	<b><u>(146,616)</u></b>	<b><u>1,387,239</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 4,303,984</u></b>	<b><u>\$ 633,053</u></b>	<b><u>\$ 106,204</u></b>	<b><u>\$ 5,088,018</u></b>

Special Revenue			Permanent Funds		
Civic Center Fund	Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	Total
175,658	\$ 1,414 93,876	\$ 2,471 1,423,447	\$ 111,861 11,813,791	\$ 32,251 181,612 2,430,489	\$ 2,930,526 3,263,682 15,667,727
	62,986	84		11,210	4,610,474
<b>\$ 175,658</b>	<b>\$ 158,276</b>	<b>\$ 1,426,002</b>	<b>\$ 11,925,652</b>	<b>\$ 2,655,562</b>	<b>\$ 26,472,409</b>
	\$ 1,225	\$ 394,467			\$ 3,643,140 65,590 2,074,019 2,987,734 77,725
	<b>1,225</b>	<b>394,467</b>			<b>8,848,208</b>
					- -
			\$ 11,925,652	\$ 2,655,562	559,565 11,925,652 2,655,562
\$ 175,658	157,051	1,031,535			2,483,422
<b>175,658</b>	<b>157,051</b>	<b>1,031,535</b>	<b>11,925,652</b>	<b>2,655,562</b>	<b>17,624,201</b>
<b>\$ 175,658</b>	<b>\$ 158,276</b>	<b>\$ 1,426,002</b>	<b>\$ 11,925,652</b>	<b>\$ 2,655,562</b>	<b>\$ 26,472,409</b>

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

	HUD Section 108 Fund	Special Revenue		
		Cash Special Projects Fund	CDBG Fund	Other Grant Fund
<b>Revenues</b>				
Federal and state grants and aid			\$ 1,720,651	\$ 4,806,101
Nonenterprise charges for sales and services				122,228
Interest				64
Contributions				
Net loss on sale of securities				
Other				514,391
<b>Total Revenues</b>			<b>1,720,651</b>	<b>5,442,784</b>
<b>Expenditures</b>				
Current:				
General government		\$ 689,165	1,303,911	1,664,633
Public safety		4,894		1,290,027
Health and sanitation		3,140	29,264	1,446,750
Highway and streets		779,383	187,116	873,081
Welfare				20,942
Education		8,552		
Parks and recreation		233,958	316,652	288,838
Cemetery Trust				
Investment management fee				
<b>Total Expenditures</b>		<b>1,719,092</b>	<b>1,836,943</b>	<b>5,584,271</b>
<b>Excess (deficiency) of revenues over expenditures</b>		<b>(1,719,092)</b>	<b>(116,292)</b>	<b>(141,487)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in		1,875,842		150,000
Transfers out		(339,142)		(150,000)
<b>Total Other Financing Sources (Uses)</b>		<b>1,536,700</b>		
Net Change in Fund Balance		(182,392)	(116,292)	(141,487)
<b>Fund Balance (Deficit), beginning of year</b>		<b>620,512</b>	<b>(30,324)</b>	<b>1,528,726</b>
<b>Fund Balance (Deficit), end of year</b>	<b>\$ -</b>	<b>\$ 438,120</b>	<b>\$ (146,616)</b>	<b>\$ 1,387,239</b>

City of Manchester, New Hampshire  
Year Ended June 30, 2003

Special Revenue			Permanent Funds		
Civic Center Fund	Revolving Loan Fund	Expendable Trust	Cemetery Trust	Library Trust	Total
\$ 2,625,711					\$ 9,152,463
658	\$ 16,619	\$ 18,317	\$ 231,164	\$ 84,592	122,228
			108,564	8,965	351,414
		(4,579)	94,562	(14,922)	117,529
226,091					75,061
<b>2,852,460</b>	<b>16,619</b>	<b>13,738</b>	<b>434,290</b>	<b>78,635</b>	<b>10,559,177</b>
2,851,802		222,540			6,732,051
					1,294,921
					1,479,154
					1,839,580
					20,942
				91,633	100,185
					839,448
			34,000		34,000
			8,800	14,711	23,511
<b>2,851,802</b>		<b>222,540</b>	<b>42,800</b>	<b>106,344</b>	<b>12,363,792</b>
658	16,619	(208,802)	391,490	(27,709)	(1,804,615)
					2,025,842
			(300,100)		(789,242)
			<b>(300,100)</b>		<b>1,236,600</b>
658	16,619	(208,802)	91,390	(27,709)	(568,015)
<b>175,000</b>	<b>140,432</b>	<b>1,240,337</b>	<b>11,834,262</b>	<b>2,683,271</b>	<b>\$18,192,216</b>
<b>\$ 175,658</b>	<b>\$ 157,051</b>	<b>\$ 1,031,535</b>	<b>\$ 11,925,652</b>	<b>\$ 2,655,562</b>	<b>\$ 17,624,201</b>



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**CITY OF MANCHESTER, NEW HAMPSHIRE**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2003**

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

**Recreation Fund** - to account for certain operations of the Parks and Recreation Department related to the revenue generating recreational facilities owned by the City. These facilities included a ski area, a golf course, a stadium and two ice skating rinks.

**Aggregation Fund** - to account for revenues and expenditures incurred in procuring energy services for the City.

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

**City of Manchester, New Hampshire  
June 30, 2003**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Non-Major</b>		
	<b>Recreation Fund</b>	<b>Aggregation Fund</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Receivables, net of allowances for collection losses	\$ 192,802	\$ 4,293	\$ 197,095
Prepaid items	30,736		30,736
Inventories		5,908	5,908
Total current assets:	<u>223,538</u>	<u>10,201</u>	<u>233,739</u>
Noncurrent assets:			
Capital assets, net, where applicable, of accumulated depreciation	4,021,999	3,184	4,025,183
Other assets		38,928	38,928
Total noncurrent assets:	<u>4,021,999</u>	<u>42,112</u>	<u>4,064,111</u>
<b>Total Assets</b>	<b><u>\$ 4,245,537</u></b>	<b><u>\$ 52,313</u></b>	<b><u>\$ 4,297,850</u></b>
<b>Liabilities</b>			
Current liabilities			
Accounts and warrants payable	\$ 98,670	\$ 4,187	\$ 102,857
Accrued liabilities	31,212	3,207	34,419
Due to other funds	401,627	1,623,865	2,025,492
Bonds and notes payable - City	121,600		121,600
Compensated absences	149,660	2,155	151,815
Total Current liabilities	<u>802,769</u>	<u>1,633,414</u>	<u>2,436,183</u>
Noncurrent liabilities			
Bonds payable	824,400		824,400
Deferred Revenue	18,794		18,794
Total Noncurrent liabilities	<u>843,194</u>	<u>-</u>	<u>843,194</u>
<b>Total Liabilities</b>	<b><u>1,645,963</u></b>	<b><u>1,633,414</u></b>	<b><u>3,279,377</u></b>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	3,075,999	3,184	3,079,183
Unreserved	<u>(476,425)</u>	<u>(1,584,285)</u>	<u>(2,060,710)</u>
<b>Total Net Assets</b>	<b><u>\$ 2,599,574</u></b>	<b><u>\$ (1,581,101)</u></b>	<b><u>\$ 1,018,473</u></b>

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

City of Manchester, New Hampshire  
Year Ended June 30, 2003

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Recreation Fund</u>	<u>Aggregation Fund</u>	<u>Total</u>
<b><u>Operating Revenues</u></b>			
Charges for goods and services	\$ 2,249,919	\$ 116,173	\$ 2,366,092
Other	928	51,000	51,928
<b>Total Operating Revenues</b>	<b>2,250,847</b>	<b>167,173</b>	<b>2,418,020</b>
<b><u>Operating Expenses</u></b>			
Personnel services	1,415,648	56,126	1,471,774
Plant maintenance	83,703		83,703
Light/heat and power	281,411		281,411
General and administrative	236,966	33,323	270,289
Depreciation and amortization	287,276	43,792	331,068
<b>Total Operating Expenses</b>	<b>2,305,004</b>	<b>133,241</b>	<b>2,438,245</b>
<b>Operating Income (Loss)</b>	<b>(54,157)</b>	<b>33,932</b>	<b>(20,225)</b>
<b><u>Non-Operating Revenues (Expenses), net</u></b>			
Interest expense	(54,449)	(28,984)	(83,433)
Rent and other income	23,982	14,917	38,899
<b>Total Non-operating Revenues (Expenses)</b>	<b>(30,467)</b>	<b>(14,067)</b>	<b>(44,534)</b>
<b>Change in Net Assets</b>	<b>(84,624)</b>	<b>19,865</b>	<b>(64,759)</b>
<b>Fund Net Assets (Deficit), beginning of year</b>	<b>2,684,198</b>	<b>(1,600,966)</b>	<b>1,083,232</b>
<b>Fund Net Assets (Deficit), end of year</b>	<b>\$ 2,599,574</b>	<b>\$ (1,581,101)</b>	<b>\$ 1,018,473</b>

Nonmajor Proprietary Funds  
Statement of Cash Flows

City of Manchester, New Hampshire  
Year Ended June 30, 2003

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Recreation Fund</u>	<u>Aggregation Fund</u>	<u>Total</u>
<b><u>Cash Flows from Operating Activities</u></b>			
Cash received from customers	\$ 2,223,323	\$ 52,616	\$ 2,275,939
Cash payments for goods and services	(621,471)	(27,471)	(648,942)
Cash payments to employees for services	(1,394,022)	(55,429)	(1,449,451)
Other operating revenues	23,982	51,000	74,982
<b>Net Cash Provided by Operating Activities</b>	<b>231,812</b>	<b>20,716</b>	<b>252,528</b>
<b><u>Cash Flows from Non-Capital and Related Financing Activities</u></b>			
Interest paid on cash advances		(27,238)	(27,238)
Short-term cash advance from City	172,645	(96,301)	76,344
<b>Net Cash Provided by (Used in) Non-Capital &amp; Related Financing Activities</b>	<b>172,645</b>	<b>(123,539)</b>	<b>49,106</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Reimbursement of bond interest expenses		14,917	14,917
Principal paid on bonds	(126,600)	(25,000)	(151,600)
Interest paid on bonds	(55,260)	(2,094)	(57,354)
Acquisition and construction of capital assets	(222,597)		(222,597)
Proceeds from sale of capital assets		115,000	115,000
<b>Net Cash Provided by (Used in) Capital &amp; Related Financing Activities</b>	<b>(404,457)</b>	<b>102,823</b>	<b>(301,634)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ (54,157)	\$ 33,932	\$ (20,225)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation and amortization	287,276	43,792	331,068
Non-operating revenue	23,982		23,982
<b>Change in Assets and Liabilities</b>			
(Increase) decrease in receivables	(32,890)	29,655	(3,235)
Increase in prepaid expenses and other assets	(30,736)		(30,736)
Decrease in accounts payable	11,011	4,187	15,198
Increase (decrease) in accrued liabilities	334	(91,547)	(91,213)
Increase in compensated absences	21,626	697	22,323
Increase in Deferred Revenue	5,366		5,366
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 231,812</b>	<b>\$ 20,716</b>	<b>\$ 252,528</b>
<b>Schedule of Noncash Investing, Capital and Financing Activities</b>			
Transfer of Debt to General fund		25,000	25,000
Donation of land			



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**CITY OF MANCHESTER, NEW HAMPSHIRE**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2003**

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

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Governmental Capital Assets  
Schedule of Capital Assets - By Source

City of Manchester, New Hampshire  
June 30, 2003

**Capital Assets**

Land	\$ 18,983,808
Buildings	170,676,092
Improvements other than buildings	14,254,148
Equipment	6,060,924
Work-in-Process	18,902,050
Vehicles	16,084,830
Infrastructure	35,430,640

**Total Capital Assets**

**\$ 280,392,492**

**Investments in Capital Assets**

Capital project funds	\$ 232,842,520
General fund revenues	26,613,382
Special revenue funds	20,936,590

**Total Investments in Capital Assets**

**\$ 280,392,492**

	Land	Buildings	Improvements other than buildings	Equipment	Vehicles	Infrastructure	Total
<b>General Government</b>							
Assessors				\$ 5,985	\$ 115,176		\$ 121,161
Building				38,001	37,840		166,145
City Clerk		\$ 90,304		5,115			5,115
City Solicitor							65,700,698
Civic Center	\$ 2,960,900	62,739,798					4,114,725
Economic Development Office	4,109,431			5,294			-
Elderly Services							-
Finance	105,000			25,775			130,775
Information Systems				939,797	14,375		954,172
Mayor					19,495		19,495
Personnel					21,663		21,663
Planning	44,714	768,974		25,311			838,999
Public Buildings	437,250	7,888,750		22,505	389,337		8,737,842
Tax Collector							-
Youth Services							-
<b>Total General Government</b>	<b>7,657,295</b>	<b>71,487,826</b>	<b>-</b>	<b>1,067,783</b>	<b>597,886</b>	<b>-</b>	<b>80,810,790</b>
<b>Public Safety</b>							
Fire Protection	661,291	6,581,752	\$ 55,714	432,410	6,278,685		14,009,852
Police Protection	96,115	3,445,944	52,716	277,176	809,518		4,681,469
<b>Total Public Safety</b>	<b>757,406</b>	<b>10,027,696</b>	<b>108,430</b>	<b>709,586</b>	<b>7,088,203</b>	<b>-</b>	<b>18,691,321</b>
<b>Health and Sanitation</b>							
Cemetery	71,255	298,604		322,782	374,977		1,067,618
Health				164,529	241,702		406,231
<b>Total Health and Sanitation</b>	<b>71,255</b>	<b>298,604</b>	<b>-</b>	<b>487,311</b>	<b>616,679</b>	<b>-</b>	<b>1,473,849</b>
<b>Highway and Streets</b>							
Highway	108,104	1,270,028	800,565	596,799	6,580,966	\$ 35,080,760	44,437,222
Traffic	3,687,949	15,642,972	1,736,206	240,437	320,553		21,628,117
<b>Total Highway and Streets</b>	<b>3,796,053</b>	<b>16,913,000</b>	<b>2,536,771</b>	<b>837,236</b>	<b>6,901,519</b>	<b>35,080,760</b>	<b>66,065,339</b>
<b>Welfare</b>							
Welfare	27,488	109,955					137,443
<b>Total Welfare</b>	<b>27,488</b>	<b>109,955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137,443</b>
<b>Education</b>							
High School Athletics							-
Library	72,270	1,334,211		110,198			1,516,679
School	1,609,845	67,548,783	1,835,615				70,994,243
<b>Total Education</b>	<b>1,682,115</b>	<b>68,882,994</b>	<b>1,835,615</b>	<b>110,198</b>	<b>-</b>	<b>-</b>	<b>72,510,922</b>
<b>Parks and Recreation</b>							
Parks & Recreation	4,992,196	2,956,017	9,773,332	2,848,810	880,543	349,880	21,800,778
<b>Total Parks and Recreation</b>	<b>4,992,196</b>	<b>2,956,017</b>	<b>9,773,332</b>	<b>2,848,810</b>	<b>880,543</b>	<b>349,880</b>	<b>21,800,778</b>
<b>Construction in Progress</b>		<b>17,330,453</b>	<b>1,571,597</b>				<b>18,902,050</b>
<b>Total General Fixed Assets Allocated to Functions</b>	<b>\$ 18,983,808</b>	<b>\$ 188,006,545</b>	<b>\$ 15,825,745</b>	<b>\$ 6,060,924</b>	<b>\$ 16,084,830</b>	<b>\$ 35,430,640</b>	<b>\$ 280,392,492</b>

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

City of Manchester, New Hampshire  
 Year Ended June 30, 2003

	Capital Assets Beginning of Year	Additions	Deductions	Transfers	Capital Assets End of Year
<b><u>General Government</u></b>					
Building	\$ 121,161				\$ 121,161
City Clerk	166,145				166,145
City Solicitor	5,115				5,115
Civic Center	65,700,698				65,700,698
Economic Development Office	4,114,725				4,114,725
Finance	130,775				130,775
Information Systems	437,766	509,411		6,995	954,172
Mayor	19,495				19,495
Personnel	-			21,663	21,663
Planning	845,994			(6,995)	838,999
Public Buildings	8,692,173			45,669	8,737,842
Tax Collector	-				-
Youth Services	-				-
<b>Total General Government</b>	<b>80,234,047</b>	<b>509,411</b>		<b>67,332</b>	<b>80,810,790</b>
<b><u>Public Safety</u></b>					
Fire Protection	11,391,803	1,528,049	(10,000)	1,100,000	14,009,852
Police Protection	4,685,680	52,550		\$ (56,761)	4,681,469
<b>Total Public Safety</b>	<b>16,077,483</b>	<b>1,580,599</b>	<b>(10,000)</b>	<b>1,043,239</b>	<b>18,691,321</b>
<b><u>Health and Sanitation</u></b>					
Cemetery	1,053,069	14,549			1,067,618
Health	252,388	153,843			406,231
<b>Total Health and Sanitation</b>	<b>1,305,457</b>	<b>168,392</b>			<b>1,473,849</b>
<b><u>Highway and Streets</u></b>					
Highway	42,798,241	1,821,543	(199,882)	17,320	44,437,222
Traffic	21,626,934	29,074		(27,891)	21,628,117
<b>Total Highway and Streets</b>	<b>64,425,175</b>	<b>1,850,617</b>	<b>(199,882)</b>	<b>(10,571)</b>	<b>66,065,339</b>
<b><u>Welfare</u></b>					
Welfare	137,443				137,443
<b>Total Welfare</b>	<b>137,443</b>				<b>137,443</b>
<b><u>Education</u></b>					
Library	1,516,679	-			1,516,679
School	70,994,243		-		70,994,243
<b>Total Education</b>	<b>72,510,922</b>				<b>72,510,922</b>
<b><u>Parks and Recreation</u></b>					
Parks & Recreation	20,068,362	1,081,146	(47,700)	698,970	21,800,778
<b>Total Parks and Recreation</b>	<b>20,068,362</b>	<b>1,081,146</b>	<b>(47,700)</b>	<b>698,970</b>	<b>21,800,778</b>
<b>Construction in Progress</b>	<b>17,544,172</b>	<b>3,156,848</b>		<b>(1,798,970)</b>	<b>18,902,050</b>
<b>Total General Fixed Assets Allocated to Functions</b>	<b>\$ 272,303,061</b>	<b>\$ 8,347,013</b>	<b>\$ (257,582)</b>	<b>\$ -</b>	<b>\$ 280,392,492</b>



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**STATISTICAL  
SECTION**



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**General Governmental Expenditures by Function (1)**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Health and Sanitation</b>	<b>Highway and Streets</b>	<b>Welfare</b>
1994 (2)	23,632,081	35,347,208	3,584,951	20,668,958	1,799,492
1995	13,024,281	23,949,556	2,412,168	13,238,142	1,089,981
1996	14,047,737	24,822,918	2,356,684	14,468,980	1,118,771
1997	11,878,493	25,163,363	2,451,268	16,126,906	1,035,032
1998	11,469,775	27,063,571	2,544,046	16,538,533	1,524,002
1999	15,082,402	28,775,663	1,984,397	17,426,902	932,944
2000	17,751,003	29,689,148	2,304,060	18,505,080	1,213,010
2000 (4)					
2000	<u>17,751,003</u>	<u>29,689,148</u>	<u>2,304,060</u>	<u>18,505,080</u>	<u>1,213,010</u>
2001	17,384,526	32,148,521	2,620,250	19,717,326	1,401,741
2001 (4)					
2001	<u>17,384,526</u>	<u>32,148,521</u>	<u>2,620,250</u>	<u>19,717,326</u>	<u>1,401,741</u>
2002	18,368,831	34,556,506	2,711,544	20,099,068	2,146,722
2002 (4)					
2002	<u>18,368,831</u>	<u>34,556,506</u>	<u>2,711,544</u>	<u>20,099,068</u>	<u>2,146,722</u>
2003	18,658,422	35,444,763	2,462,857	19,902,962	1,352,284
2003 (4)					
2003	<u>18,658,422</u>	<u>35,444,763</u>	<u>2,462,857</u>	<u>19,902,962</u>	<u>1,352,284</u>

**Notes**

- (1) Includes the General Fund only prepared using GAAP basis.
- (2) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.
- (3) Beginning in fiscal 1995 many recreation functions were accounted for in the Enterprise Fund.
- (4) MSD is included as a governmental discrete component unit beginning in fiscal year 2000.
- (5) City and MSD combined school chargebacks , were not allocated to school department from other general fund departments prior to this year.

City of Manchester, New Hampshire  
Table I

Education	Parks and Recreation	Debt Service	Total Expenditures
94,826,842	3,779,205	17,505,727	201,144,464
65,080,717	1,088,965	(3) 15,501,374	135,385,184
70,883,458	1,166,400	15,290,065	144,155,013
69,740,141	1,158,885	16,872,450	144,426,538
78,409,488	1,169,744	16,164,151	154,883,310
79,988,320	2,411,070	19,733,680	166,335,378
3,049,175	2,790,074	13,522,285	88,823,835
<u>107,809,716</u> (5)	<u>2,790,074</u>	<u>8,407,080</u>	<u>116,216,796</u>
110,858,891	2,790,074	21,929,365	205,040,631
2,184,410	2,940,972	13,873,698	92,271,444
<u>108,250,789</u>	<u>2,940,972</u>	<u>8,194,461</u>	<u>116,445,250</u>
110,435,199	2,940,972	22,068,159	208,716,694
2,258,746	3,034,011	14,755,024	97,930,452
<u>128,526,953</u>	<u>3,034,011</u>	<u>-</u>	<u>128,526,953</u>
130,785,699	3,034,011	14,755,024	226,457,405
2,145,815	2,992,399	16,072,014	99,031,516
<u>136,173,457</u>	<u>2,992,399</u>	<u>-</u>	<u>136,173,457</u>
138,319,272	2,992,399	16,072,014	235,204,973

**General Governmental Revenues by Source (1)  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Federal and State</b>	<b>Charges for Sales and Services</b>	<b>Licenses and Permits</b>
1994 (2)	100,952,145	17,704,791	17,388,372	13,116,970
1995	95,650,105	13,191,242	10,795,404	10,192,255
1996	100,570,543	13,645,131	11,120,727	11,120,727
1997	103,951,582	14,354,349	11,578,643	13,802,836
1998	107,223,578	18,769,545	13,711,063	14,129,835
1999	117,348,501	17,963,054	14,138,976	14,969,847
2000	60,190,452	7,302,746	3,615,039	16,212,440
2000 (3)	<u>23,167,248 (4)</u>	<u>71,911,186</u>	<u>13,458,205</u>	<u>-</u>
2000	83,357,700	79,213,932	17,073,244	16,212,440
2001	58,628,056	7,146,789	3,898,497	18,432,863
2001 (3)	<u>26,968,740 (4)</u>	<u>72,758,132</u>	<u>15,689,722</u>	<u>-</u>
2001	85,596,796	79,904,921	19,588,219	18,432,863
2002	59,020,928	7,291,673	4,432,086	19,744,630
2002 (3)	<u>27,046,973 (4)</u>	<u>84,367,190</u>	<u>15,266,844</u>	<u>-</u>
2002	86,067,901	91,658,863	19,698,930	19,744,630
2003	59,369,549	7,549,154	4,491,647	20,521,738
2003 (3)	<u>34,512,636 (4)</u>	<u>87,782,355</u>	<u>16,539,326</u>	<u>-</u>
2003	93,882,185	95,331,509	21,030,973	20,521,738

Notes

- (1) Includes the General Fund only using GAAP basis.
- (2) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.
- (3) MSD is included as a governmental discrete component unit beginning in fiscal year 2000.
- (4) The City issues a combined property tax bill for both local and state funding. The State portion is included in federal and state.

Interest	Other	Total Revenues
1,752,094	5,086,908	156,001,280
1,856,668	3,200,885	134,886,559
2,426,075	2,969,759	141,852,962
2,342,522	3,100,525	149,130,457
2,008,604	1,403,320	157,245,945
1,989,669	1,384,046	167,794,093
2,548,473	6,655,281	96,524,431
-	5,626,537	114,163,176
<u>2,548,473</u>	<u>12,281,818</u>	<u>210,687,607</u>
2,255,766	7,942,319	98,304,290
443,944	1,153,134	117,013,672
<u>2,699,710</u>	<u>9,095,453</u>	<u>215,317,962</u>
1,132,648	9,120,585	100,742,550
202,593	76,678	126,960,278
<u>1,335,241</u>	<u>9,197,263</u>	<u>227,702,828</u>
736,111	8,594,706	101,262,905
129,158	151,495	139,114,970
<u>865,269</u>	<u>8,746,201</u>	<u>240,377,875</u>

**Property Tax Levies and Collections  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections (1)</b>	<b>Percent of Current Taxes Collected</b>	<b>Delinquent Tax Collections (1)</b>
1994 (2)	105,408,690	100,530,691	95.37%	16,428,716
1995	106,908,274	102,767,174	96.13%	7,196,199
1996	106,457,759	103,886,028	97.58%	4,683,658
1997	113,630,813	110,590,166	97.32%	3,464,940
1998	114,851,627	112,425,511	97.89%	2,869,480
1999	120,680,494	117,945,857	97.73%	4,035,991
2000	67,984,582			
2000 (3)	47,634,400			
2000	<u>115,618,982</u>	113,614,291	98.56%	2,539,282
2001	63,738,811			
2001 (3)	52,484,694			
2001	<u>116,223,505</u>	114,648,459	98.64%	2,355,346
2002	66,132,649			
2002 (3)	55,489,470			
2002	<u>121,622,119</u>	120,213,115	98.84%	2,188,790
2003	66,896,880			
2003 (3)	63,667,857			
2003	<u>130,564,737</u>	129,134,168	98.90%	1,506,291

**Notes**

- (1) Actual collections of levy, including additional warrants (less refunds), and amounts refundable, including proceeds from tax titles, possessions, abatements and other credits.
- (2) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.
- (3) MSD is included as a governmental discrete component unit beginning in fiscal year 2000.

Total Tax Collections (1)	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
116,959,407	110.96%	11,561,083	10.97%
109,963,373	102.86%	8,505,985	7.96%
108,569,686	101.98%	6,394,058	6.01%
114,055,106	100.37%	5,969,765	5.25%
115,294,991	100.39%	5,526,401	4.81%
121,981,848	101.08%	4,225,047	3.50%
116,153,574	100.64%	3,690,455	2.82%
117,003,805	100.67%	2,910,155	2.50%
122,401,905	100.64%	2,130,369	1.75%
130,640,459	100.06%	2,054,648	1.57%

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

Fiscal Year	RESIDENTIAL REAL PROPERTY		NON-RESIDENTIAL REAL PROPERTY	
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value
1994 (3)	2,181,699,800	1,885,184,683	1,591,546,500	1,417,626,676
1995	2,189,624,800	1,832,332,667	1,546,090,000	1,333,994,744
1996	2,207,856,400	1,843,933,159	1,470,693,500	1,267,839,224
1997	2,236,972,700	1,928,424,741	1,455,775,600	1,254,978,966
1998	2,259,471,600	1,984,603,953	1,465,117,900	1,286,884,409
1999	2,282,638,700	2,037,888,314	1,521,938,800	1,358,752,611
2000	2,304,804,600	2,093,183,725	1,557,536,400	1,414,527,654
2001	2,336,235,300	2,157,786,367	1,560,443,200	1,441,251,686
2002 (4)	3,144,786,262	2,953,682,974	2,123,426,704	1,994,389,691
2003	3,176,542,062	3,049,090,096	2,088,003,742	2,004,227,051

Notes

- (1) Exemptions for the blind and elderly.
- (2) Amounts shown are net taxable assessed values after deducting exemptions for the blind and elderly.
- (3) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion
- (4) Reflects the new assessed valuation determined through a Citywide valuation.

City of Manchester, New Hampshire  
Table IV

Exemptions (1)	TOTAL		Ratio of Total Assessed Value to Total Estimated Market Value
	Assessed Value (2)	Estimated Market Value	
65,233,500	3,708,012,800	3,302,811,359	112.27%
65,964,850	3,669,749,950	3,166,327,411	115.90%
67,420,550	3,611,129,350	3,111,772,383	116.05%
68,416,750	3,624,331,550	3,183,403,707	113.85%
60,331,000	3,664,258,500	3,271,488,362	112.01%
64,695,250	3,739,882,250	3,396,640,925	110.11%
64,609,150	3,797,731,850	3,507,711,379	108.27%
64,874,250	3,831,804,250	3,599,038,053	106.47%
113,152,500	5,155,060,466	4,948,072,665	104.18%
133,472,400	5,131,073,404	5,053,317,147	101.54%

**Special Assessment Billings and Collection -  
Central Business District  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Assessment Billings</u>	<u>Current Collections</u>	<u>Percent of Billings Collected</u>	<u>Delinquent Assessment Collections</u>
1994 (1)	35,577	35,577	100.00%	14,422
1995	40,600	40,600	100.00%	-
1996	180,374	180,108	99.85%	-
1997	150,272	149,300	99.35%	164
1998	167,176	155,238	92.86%	-
1999	223,818	222,206	99.28%	11,958
2000	221,289	218,844	98.90%	2,432
2001	205,833	204,208	99.21%	1,505
2002	207,495	192,415	92.73%	2,819
2003	220,253	218,496	99.20%	13,284

Notes

(1) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.

<u>Total Collections</u>	<u>Total Collections as a Percent of Total Billings</u>	<u>Outstanding Delinquent Assessments</u>	<u>Ratio of Delinquent Assessments to Total Billings</u>
49,999	140.54%	-	0.00%
40,600	100.00%	-	0.00%
180,108	99.85%	266	0.15%
149,464	99.46%	1,074	0.71%
155,238	92.86%	13,032	7.80%
234,164	104.62%	2,686	1.20%
221,276	99.99%	2,699	1.22%
205,713	99.94%	2,819	1.37%
195,234	94.09%	15,080	7.27%
231,779	105.23%	3,555	1.61%

**REAL PROPERTY TAX RATES**

Fiscal Year	Rate per thousand (1)				Total
	City	School Local	School State	County	
1994	4.20	22.24		2.11	28.55 (2)
1995	10.93	15.73		2.00	28.66
1996	10.29	17.32		2.02	29.63
1997	11.37	17.42		2.05	30.84
1998	11.88	17.31		1.97	31.16
1999	12.17	18.47		1.91	32.55
2000	15.53	6.10	\$ 6.94	1.92	30.49 (3)
2001	14.74	7.04	6.86	2.04	30.68
2002	11.26	5.25	5.66	1.65	23.82 (4)
2003	11.51	6.73	5.83	1.61	25.68

Notes

- (1) Rates are based on assessed value of property. Assessment rate for real property is 100% percent.
- (2) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.
- (3) Beginning in 2000, Rate includes Statewide tax for education.
- (4) 2002 tax rate reflects the new assessed valuation determined through a Citywide valuation.

<b><u>Base Valuation - Real Estate</u></b>		<b>(1) \$ 7,040,701,663</b>
<b><u>Legal Debt Limit (City):</u></b>		
9.75% of Base Valuation		\$ 686,468,412
Amount of Debt Applicable to Legal Debt Limit:		
Total Bonded Debt for General Government	(2) \$ 113,247,643	
Recreation Enterprise Debt	946,000	
Aggregation Enterprise Debt	25,000	
Less: Debt for Fiscal Year Conversion	(6,199,461)	
Less: Debt for Urban Redevelopment	(2,744,909)	
Less: Debt for Parking Facilities	(2,919,142)	
Less: Debt for Pension Obligation Bonds	<u>(17,230,045)</u>	<u>85,125,085</u>
Legal Debt Limit - City		<u>\$601,343,327</u>
<b><u>Legal Debt Margin:</u></b>		
Percent of:		
Legal Debt Margin Outstanding	12.4%	
Legal Debt Margin Available	<u>87.6%</u>	
	<u>100.0%</u>	
<b><u>Legal Debt Limit (School):</u></b>		
7% of Base Valuation		\$ 492,849,116
Amount of Debt Applicable to Legal Debt Limit:		
Bonded Debt for School District	\$ 41,682,258	
Less: Debt for fiscal year conversion	(3,223,720)	
Less: Debt for Pension Obligation Bonds	<u>(59,002)</u>	<u>38,399,536</u>
Legal Debt Limit - School		<u>\$ 454,449,580</u>
<b><u>Legal Debt Margin:</u></b>		
Percent of:		
Legal Debt Margin Outstanding	7.8%	
Legal Debt Margin Available	<u>92.2%</u>	
	<u>100.0%</u>	
<b><u>Legal Debt Limit (Water and Waste Water):</u></b>		
10% of Base Valuation		\$ 704,070,166
Amount of Debt Applicable to Legal Debt Limit:		
Debt for water projects	\$ 10,256,458	
Debt for sewer projects	<u>32,827,701</u>	<u>43,084,159</u>
Legal Debt Limit - Water & Wastewater		<u>\$ 660,986,008</u>
<b><u>Legal Debt Margin:</u></b>		
Percent of:		
Legal Debt Margin Outstanding	6.1%	
Legal Debt Margin Available	<u>93.9%</u>	
	<u>100.0%</u>	
<b><u>Summary of Base Valuation:</u></b>		
2002 Net Local Assessed Valuation		\$ 5,264,545,804
State of New Hampshire Dept. of Revenue Administration Inventory Adjustment		1,575,060,992
State of New Hampshire Dept. of Revenue Administration Shared Revenue Adjustment		<u>201,094,867</u>
		<u>\$ 7,040,701,663</u>

- (1) The general debt limit of the City is 9.75% of base valuation. The base valuation for computing the debt limit is determined by adding the amount of taxable property lost to cities, towns and districts as a result of the enactment of the State Business Profit Tax Law to the "equalize assessed valuation". Not more than 7% of the base valuation may be incurred for school purposes. Water and sewer projects ordered by the State Water Supply and Pollution Control Commission, self-supporting sewer debt, debt for urban redevelopment and housing purposes, and overlapping debt are excluded from the measure of indebtedness. Other water projects are subject to a separate, special debt limit of 10% of the City's base valuation. Borrowings authorized by legislative acts rather than the general municipal finance statutes are sometimes excluded from a city or town's debt limit.
- The Total Equalized Valuation figure includes Utility Valuation and Railroad Monies Reimbursements.
- (2) The total bonded debt for general government includes the School District portion.

**Ratio of Net General Obligation Bonded Debt to  
Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Assessed Value (2)</b>	<b>Gross Bonded Debt</b>	<b>Debt Payable from Enterprise Revenues</b>
1994 (3)	101,039	3,708,012,800	175,916,541	64,160,633
1995	100,668	3,669,749,950	183,319,614	81,919,281
1996	101,900	3,611,129,350	201,193,606	83,240,962
1997	102,675	3,624,331,550	185,624,973	79,118,458
1998	103,330	3,664,258,500	196,451,555	75,198,876
1999	105,221	3,739,882,250	303,770,286	196,421,507
2000	106,180	3,797,731,850	381,830,519	254,435,951
2001	107,297	3,831,804,250	371,180,560	260,310,117
2002	108,078	5,155,060,466	467,614,567	331,827,007
2003	108,150	5,131,073,404	439,401,854	320,465,159

Notes

- (1) Population figures acquired from State of New Hampshire, Planning Department.
- (2) From Table IV.
- (3) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.

Net General Obligation Bonded Debt	Ratio of Net General Obligation Bonded Debt to Assessed Value	Net General Obligation Bonded Debt Per Capita
111,755,908	3.01%	1,106
101,400,333	2.76%	1,007
117,952,644	3.27%	1,158
106,506,515	2.94%	1,037
121,252,679	3.31%	1,173
107,348,779	2.87%	1,020
127,394,568	3.35%	1,200
110,870,443	2.89%	1,033
135,787,560	2.63%	1,256
118,936,695	2.32%	1,100

**Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures (1) Last Ten Fiscal Years**

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

<b>Fiscal Year</b>	<b>Total General Governmental Expenditures (City/MSD)</b>	<b>Bonded Debt Expenditures (2)</b>	<b>Ratio of Debt Service to General Governmental Expenditures</b>
1994 (3)	201,144,464	17,505,727	8.70%
1995	135,385,184	15,501,374	11.45%
1996	144,155,013	15,290,065	10.61%
1997	144,426,538	16,872,450	11.68%
1998	154,883,310	16,164,151	10.44%
1999	166,335,378	19,733,680	11.86%
2000	88,823,835	13,522,285	
2000 (4)	<u>100,643,360</u>	<u>8,477,713</u>	
2000	189,467,195	21,999,998	11.61%
2001	92,271,444	13,873,698	
2001 (4)	<u>104,032,817</u>	<u>8,194,461</u>	
2001	196,304,261	22,068,159	11.24%
2002	97,930,452	14,596,362	
2002 (4)	<u>112,773,899</u>	<u>8,439,589</u>	
2002	210,704,351	23,035,951	10.93%
2003	99,031,516	16,072,014	
2003 (4)	<u>119,872,722</u>	<u>9,250,388</u>	
2003	218,904,238	25,322,402	11.57%

**Notes**

- (1) Includes the General Fund only.
- (2) General obligation bonds reported in enterprise funds have been excluded.
- (3) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.
- (4) MSD is included as a governmental discrete component unit beginning in fiscal year 2000.

**DIRECT DEBT:**

School	\$ 38,399,536
Parking Facilities	17,230,045
Urban renewal	2,744,909
Fiscal Year Conversion	6,199,461
Other	<u>54,362,744</u>
	<u>\$ 118,936,695</u>

**OVERLAPPING DEBT:**

<u>Overlapping Entity</u>	<u>Outstanding Debt</u>	<u>City Estimated Share (1)</u>	
		<u>%</u>	<u>\$ Amount</u>
Hillsborough County (2)	\$ -	N/A	N/A

Notes

- (1) Estimated share and dollar amount of outstanding debt based upon City's share of total 2001 assessments to member communities.
- (2) Source: Hillsborough County Treasurer. Share varies on basis of most recent equalized assessed valuation as determined by the State Department of Revenue Administration of New Hampshire. As of June 30, 2003 there is no overlapping debt, and it is not expected that there will be in the foreseeable future

**Revenue Bond Coverage  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Expenses (1)</u>	<u>Net Revenue Available for 1992 Debt Service</u>
1994 (2)	9,143,656	7,276,891	\$ 1,866,765
1995	8,898,791	5,710,017	3,188,774
1996	9,327,954	5,989,549	3,338,405
1997	10,464,648	6,335,497	4,129,151
1998	11,586,104	6,459,977	5,126,127
1999	21,831,476	11,136,557	10,694,919
2000	25,347,377	13,336,522	12,010,855
2001	32,183,363	13,909,243	18,274,120
2002	35,214,341	14,923,309	20,291,032
2003 (4)	38,658,389	20,192,680	N/A

Notes

- (1) Exclusive of depreciation and bond interest.
- (2) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.
- (3) Principal, interest, and O&M reserve required at year end to fund three months of operations and maintenance expense.
- (4) As of fiscal 2003, the 1992 Debt was paid off and there is no 1992 Debt Service coverage required.

REQUIREMENTS		Net Revenue Available for 1998/2000/2001/2002 Debt Service	REQUIREMENTS	
1992 Debt Service Total (3)	Service Coverage		1998/2000/2001/2002 Debt Service Total (3)	Service Coverage
\$ 1,396,743	1.34			
4,015,111	0.79			
3,993,449	0.84			
3,329,084	1.24			
3,308,280	1.55			
3,306,450	3.23			
3,331,255	3.61	\$ 8,679,600	\$ 4,266,791	2.03
3,332,688	5.48	14,941,432	6,866,107	2.18
1,666,233	12.18	18,624,799	8,881,197	2.10
N/A	N/A	18,465,709	11,300,538	1.63

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

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

<b>Fiscal Year</b>	<b>Local Revenues</b>	<b>Bonded Debt Expenditures</b>	<b>Ratio of Bonded Debt Expenditures To Local Revenues</b>
1994 (2)	138,527,744	17,505,727	12.64%
1995	121,695,317	15,501,374	12.74%
1996	128,162,993	15,290,065	11.93%
1997	134,776,108	16,872,450	12.52%
1998	138,476,400	16,164,151	11.67%
1999	149,831,039	19,733,680	13.17%
2000	89,221,685	13,522,285	
2000 (3)	<u>42,251,990</u>	<u>8,477,713</u>	
2000	131,473,675	21,999,998	16.73%
2001	91,157,501	13,873,698	
2001 (3)	<u>44,255,540</u>	<u>8,194,461</u>	
2001	135,413,041	22,068,159	16.30%
2002	93,450,877	14,596,362	
2002 (3)	<u>42,593,088</u>	<u>8,439,589</u>	
2002	136,043,965	23,035,951	16.93%
2003	93,713,751	16,072,014	
2003 (3)	<u>51,332,615</u>	<u>9,250,388</u>	
2003	145,046,366	25,322,402	17.46%

**Notes**

- (1) Includes the General Fund only.
- (2) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.
- (3) MSD is included as a governmental discrete component unit beginning in fiscal year 2000.

Fiscal Year	Population (1)	NH Per Capita Income (2)	School Enrollment (3)	Manchester Unemployment Rate (4)
1994	101,039	23,704	15,032	6.60%
1995	100,668	25,400	15,355	4.60%
1996	101,900	26,526	16,587	4.00%
1997	102,675	26,615	16,791	2.90%
1998	103,330	27,806	17,104	2.70%
1999	105,221	29,303	16,467	2.40%
2000	106,180	31,114	16,693	2.50%
2001	107,006	33,332	16,942	2.80%
2002	108,078	34,138	16,994	4.50%
2003	108,150	35,064	17,172	4.10%

Source

- (1) State of New Hampshire, Planning Department
- (2) U.S. Department of Commerce, Bureau of Economic Analysis, estimated based on most recent data available.
- (3) School Department
- (4) State of New Hampshire, Economic and Labor Market Information Bureau

<u>Fiscal Year</u>	<u>New Commercial Construction Value</u>	<u>New Residential Construction Value</u>	<u>Total Construction Value (1)</u>	<u>Bank Deposits (2)</u>	<u>Airport Tonnage (3)</u>
1994 (4)	7,628,500	12,482,470	20,110,970	8,415,277	68,889
1995	7,904,712	30,400,084	38,304,796	(5)	51,774
1996	32,708,609	31,213,466	63,922,075	(5)	59,736
1997	57,985,836	35,906,571	93,892,407	(5)	57,350
1998	51,086,703	26,496,083	77,582,786	(5)	65,513
1999	22,034,115	16,466,026	38,500,141	(5)	72,135
2000	21,514,398	20,446,608	41,961,006	(5)	83,227
2001	49,137,554	27,493,997	76,631,551	(5)	80,711
2002	23,541,058	20,321,036	43,862,094	(5)	93,570
2003	16,374,751	79,676,760	96,051,511	(5)	84,751

Notes

(1) City of Manchester, Building Department

(2) Source: Sheshunoff Reports and State Banking Commissioner  
1991 and 1992 are Manchester deposits only. 1994 represents state-wide amounts. Individual municipal breakdowns are not available at this time.

(3) City of Manchester, Airport Authority.

(4) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.

(5) Unavailable

<u>Name of Business</u>	<u>Type of Business</u>	<u>Real Property Assessed Value</u>	<u>% of Total Assessed Value</u>
Manchester Mall Realty Trust	Retail Mall	\$ 83,500,000	1.58%
Public Service Co. of NH	Utility	72,151,904	1.36%
Keyspan Energy Delivery	Utility	30,011,700	0.57%
IPC Office Properties, LLC	Utility	22,342,000	0.42%
Manchester Hill Vistas, Inc	Office Condominiums	16,862,600	0.32%
May Center Associates Corp	Retail Store	16,600,000	0.31%
Cotter Company	Warehouse/Distributor	14,799,900	0.28%
BCIA New England Holdings	Office Buildings	14,764,300	0.28%
Portnoy, Barry M. Tee	Medical Insurance	14,665,000	0.28%
The Hitchcock Clinic	Healthcare Facility	<u>14,337,200</u>	<u>0.27%</u>
		<u>\$ 300,034,604</u>	<u>5.67%</u>

Source \_\_\_\_\_  
City of Manchester, Board of Assessor

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

<b>Fiscal Year</b>	<b>Population</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Health and Sanitation</b>	<b>Highway and Streets</b>
1994	(2) 101,039	156	233	24	136
1995	100,668	129	238	24	132
1996	101,900	138	244	23	142
1997	102,675	116	245	24	157
1998	103,330	111	262	25	160
1999	105,221	143	273	19	166
2000	106,180	167	280	22	174
2001	107,006	162	300	24	184
2002	108,078	170	320	25	186
2003	108,150	173	328	23	184

Notes

(1) Includes the General Fund only.

(2) Fiscal 1994 represents an 18 month operating budget to cover the City's fiscal year conversion period.

City of Manchester, New Hampshire  
Table XVI

Welfare	Education	Parks and Recreation	Debt Service	MSD	Total
12	626	25	116		1,328
11	646	11	154		1,345
11	696	11	150		1,415
10	679	11	164		1,406
15	759	11	156		1,499
9	760	23	188		1,581
11	29	26	207	\$ 1,095	2,011
13	20	27	206	1,085	2,021
20	21	28	137	1,189	2,096
13	20	28	149	1,259	2,177

Date of Incorporation	June 1846
Form of Government	Mayoral
Number of employees:	
City	1,272
School	2,567
Area in square miles	33.906
Number of registered voters	45,235
Total population	108,150
Total number of properties	31,420
Total taxable properties	30,046
Total tax-exempt properties	1,374
Manchester, New Hampshire facilities and services:	
Miles of streets	390
Number of street lights	8,822
Culture and recreation:	
Golf course	1
Ski area	1
Parks	73
Park acreage	1,224
Athletic fields, basketball and tennis courts	130
Indoor ice arenas	2
Fire Department:	
Number of stations	9
Number of fire personnel and officers	243
Number of fire/hazardous condition calls	4,369
Number of emergency medical service calls	9,051
Police Protection:	
Number of stations	5
Number of police personnel and officers	288
Number of motorized patrol units	37
Number of bike patrol units	18
Number of mounted patrol units	2
Total number of arrests	5,289
Total number of calls for service	97,128
Sewerage System:	
Miles of sanitary sewers	349
Sewage pumping stations	13
Number of service connections	22,992
Water System:	
Miles of water mains	479
Number of service connections	29,900
Number of fire hydrants	3,212
Daily average consumption in gallons	17,148,000
Education:	
Number of elementary schools	15
Number of secondary schools	8
Number of full time equivalent instructors K-12	1,284
Number of elementary school students	7,246
Number of secondary school students	9,926
Airport:	
Number of employees	62
Number of enplanements	1,712,703
Number of carriers	14