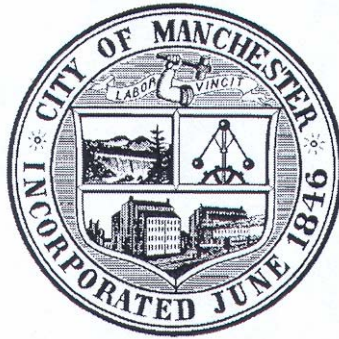


CITY OF MANCHESTER, NEW HAMPSHIRE



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007**

CITY OF MANCHESTER, NEW HAMPSHIRE



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year
July 1, 2006 to June 30, 2007**

Prepared By:
FINANCE DEPARTMENT

William E. Sanders
Finance Officer

CITY OF MANCHESTER, NEW HAMPSHIRE

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2007

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CITY OF MANCHESTER, NEW HAMPSHIRE

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Introductory Section

**City of Manchester
Department of Finance**

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

February 1, 2008

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

The Comprehensive Annual Financial Report (CAFR) for the City of Manchester (the City) for the fiscal year ended June 30, 2007 is hereby submitted. The City's Finance Department prepared this CAFR. The purpose of this report is to provide citizens, investors, grantor agencies, and other interested parties with reliable financial information about the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and changes in financial position of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's activities have been included.

The CAFR is presented in three sections: the introductory section, the financial section, and the statistical section. The introductory section, which is unaudited, includes this letter of transmittal, the City's organizational chart, and a listing of City officials. The financial section includes the independent auditor's report, management's discussion and analysis (MD&A), the basic financial statements, notes to financial statements, and the combining and individual financial statements and schedules. The statistical section, which is unaudited, includes pertinent financial and general information indicating trends for comparative basis fiscal years. The MD&A is management's opportunity to provide an overview and analysis of the City's financial operations. The MD&A should be read in partnership with this transmittal letter.

The City's Charter requires an annual audit by an independent certified public accountant. The City has engaged McGladrey & Pullen, LLP, Certified Public Accountants, to conduct the City's audit for the fiscal year ended June 30, 2007. The auditor's report on the basic financial statements is included in the financial section of this report. In addition to meeting the requirements set forth in State statutes and the Charter, the audit was designed to meet the requirements of the federal Single Audit Act and related OMB Circular 133. The auditor's reports on internal controls and compliance can be found in a separately issued Single Audit report.

The City's basic financial statements include all entities for which the City is financially accountable and other organizations of the City for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The City's financial statements include three discretely presented component units – the Manchester School District, the Manchester Development Corporation, and the Manchester Transit Authority.

General – Manchester, the largest City north of Boston, is located on the Merrimack River in south central New Hampshire. It is bordered by the towns of Hooksett, Bedford, Londonderry, Goffstown, Auburn, Litchfield, and Merrimack. According to a 2006 report on Economic & Labor Market Information by the NH Employment Security Bureau, the City has a population of 109,691 and occupies a land area of 33.9 square miles. The Manchester Metropolitan Area, with a ten mile radius, has a population of over 310,000, and the Manchester Trade Area, with a 20 mile radius, has a population of over 628,000. The Manchester Metropolitan Area and the Manchester Trade Area are areas that the City believes represent key geographic regions for the City's growing economy.

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

Government– The City operates with a strong mayor form of government. The Mayor is the City's full-time chief executive officer. The Mayor has appointment powers and budget line-item veto authority. The City's Charter, approved by the voters in 1996, includes an ethics policy, a local initiative option, and calls for the formation of a Charter Review Committee every ten years.

The City is governed by an elected Mayor and a fourteen member Board of Aldermen (BMA) representing each of the city's twelve wards and two aldermen elected at-large. The BMA approves the City's budget. The Finance Committee, consisting of the entire Board of Mayor and Aldermen, approves labor contracts and also adopts monetary appropriations.

City financial management is the responsibility of the Finance Officer and the Department of Finance. The Finance Officer is responsible for establishing and maintaining a system of controls and financial reporting to ensure that the City's assets are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with law and generally accepted accounting principles (GAAP). The Department of Finance also performs significant and ongoing monitoring of the financial performance of the City's departments and enterprise funds, including monthly and quarterly interim reports and forecasted year-end revenue and expenditure/expense balances for all departments.

As required by City ordinance and by the Charter, interim reports are submitted to the BMA. Interim reports are reviewed with the Committee on Accounts, Enrollment and Revenue

Administration (COA). The COA is a five member standing committee of the Board of Aldermen. The COA meets on a regular basis to review and to discuss financial matters. The City has adopted debt policies and ordinances for the handling of one-time revenues, insurance reserves and undesignated fund balances.

Internal Controls - Management of the City is responsible for establishing and maintaining a system of internal controls over financial reporting to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Controls are designed to provide reasonable, but not absolute assurance regarding (1) the safeguarding of assets against loss from unauthorized use; and (2) the reliability and accuracy of financial statements. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived; and that the evaluation of cost and benefits requires estimates and judgment by management. The City believes that its internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

Appropriation Process and Budget Control - The Charter provides for the Mayor, and such other officials as the Mayor shall select, to prepare a budget for consideration by the Board of Aldermen. The Charter requires budget adoption by the second Tuesday of June. If the BMA fails to adopt appropriation resolutions for the ensuing fiscal year by June 30th, the Mayor’s budget as originally proposed shall prevail. The Charter also provides for supplemental appropriations, reductions of appropriations, transfers of appropriations under certain limited circumstances and allows for the adoption of biennial budgets.

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the BMA. Activities of the general fund are included in the annual appropriated budget. Project-length budgets are prepared for the special revenue and capital projects funds. The level of budgetary control is the departmental level within each fund.

Cash Management - The City has an adopted Investment Policy. The Investment Policy conveys the concept that the preservation of capital and the liquidity requirements are the two primary factors considered in the structure of the portfolio. The Finance Officer reports on investment performance to the Board of Mayor and Aldermen on a quarterly basis.

Excess cash is invested in U.S. Treasury Bills, certificates of deposit, repurchase agreements, and the State of New Hampshire (the State) Investment Pool. The maturities of the investments range from thirty days to six months, with the average maturity closer to the thirty-day range. Between 75% - 80% of the cash and investments held at fiscal year-end in the city-wide statements were collateralized through Joint Custody Accounts at the Federal Reserve Bank of Boston or through perfected collateral arrangements.

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

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

Economy- As the State's largest city and business center, Manchester boasts a diversified economic base. The combination of these new economic projects along with the City's successful investment in the Manchester-Boston Regional Airport, the Verizon Wireless Arena and various Millyard initiatives should help sustain the City's economy for the next decade. The City has made a major effort to diversify its economy. This planned effort has led to the location of an array of businesses and industries within 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.

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

Employment remains strong in the City. The labor force in the Manchester NH MetroNECTA numbers 108,100 while the unemployment rate is 4.0% (June, 2007).

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

As of June 30, 2007 the City has a total outstanding General Obligation debt of \$203,220,110 and authorized and unissued debt of \$52,695,107 for various improvements, infrastructure improvements, and economic development projects.

The City currently retains the following credit ratings; FitchRatings (Fitch), Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (S&P), have assigned the ratings of "AA+," "Aa2," and "AA+," respectively. The MSD was assigned the following credit ratings; Fitch, Moody's and S&P, have assigned the ratings of "AA," "Aa3," and "AA," respectively. The MWW was assigned the

¹ Base valuation for debt limits is provided annually by the State of New Hampshire Department of Revenue Administration as part of the calculations for equalized assessed valuations for each municipality, and amounted to \$1,033,736,702.

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

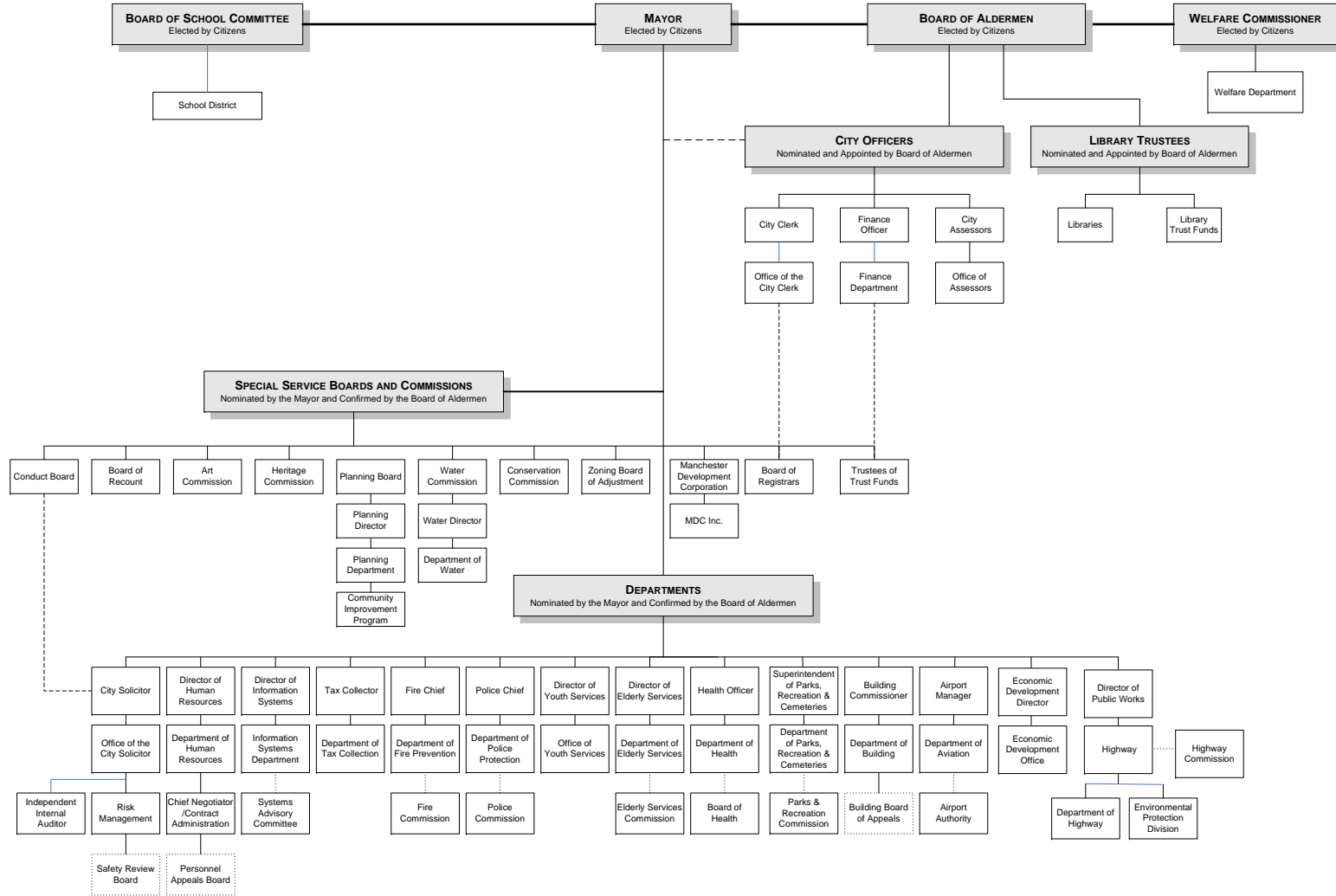
I would like to thank the City's department heads and their hard working staff for their help in the completion of another successful year. I would especially like to thank the employees of the Finance Department for their commitment and dedication.

Respectfully submitted,

A handwritten signature in cursive script, reading "William E. Sanders". The signature is written in black ink and includes a long horizontal flourish at the end.

William E. Sanders
Finance Officer

**CITY OF MANCHESTER NEW HAMPSHIRE
ORGANIZATION CHART**



**List of Principal Officials
in office at the close of fiscal year ended June 30, 2007**

Mayor

Frank C. Guinta

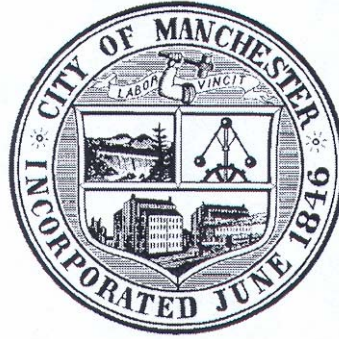
Aldermen

Ward 1	Mark E. Roy	Ward 7	William P. Shea
Ward 2	Theodore L. Gatsas	Ward 8	Betsi L. DeVries
Ward 3	Patrick T. Long	Ward 9	Michael D. Garrity
Ward 4	Jerome Duval	Ward 10	George W. Smith
Ward 5	Ed Osborne	Ward 11	Henry R. Thibault
Ward 6	Real R. Pinard	Ward 12	Armand D. Forest
At-large	Michael J. Lopez *	At-large	Daniel P. O'Neil

* Chairman of the Board

City Departments

Finance Officer	William E. Sanders
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	Timothy Soucy, MPH
Director of Public Works	Frank C. Thomas, P.E.
Director of Parks, Recreation & Cemetery	Unfilled
Director of Economic Development	Jay Minkarah
Building Commissioner	Leon LaFreniere
Airport Director	Unfilled
Director of Water	Thomas M. Bowen, P.E.
Director of Information Systems	Unfilled
Director of City Library	Denise Van Zanten
Director of Planning Board	Robert S. Mackenzie
Superintendent of Schools	Michael Ludwell, Ph.D.
Director of Human Resources	Virginia A. Lamberton
Director of Elderly Services	Barbara A. Vigneault
Director of Youth Services	Martin Boldin
Chairman Board of Assessors	David Cornell
Collector of Taxes	Joan A. Porter



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Financial Section

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, 2007 which collectively comprises the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Manchester School District or the Manchester Transit Authority, component units of the City, which financial statements reflect 100% of the revenues and 96% 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 88% of the assets and 92% of the additions of the pension trust funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to amounts included for the Manchester School District, the Manchester Transit Authority and the City of Manchester Employees' Contributory Retirement System, component units of the City, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the City of Manchester Employees' Contributory Retirement System were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provide a reasonable basis for our opinions.

As described in Note 10 to the basic financial statements, the City accounted for the receipt of title to the Manchester Civic Center in 2001 as a non-exchange transaction. We were not able to obtain sufficient evidence to satisfy ourselves as to the propriety of this accounting treatment of the carrying value of net assets.

In our opinion, except for the effect, if any, of the reporting of the receipt of title to the Manchester Civic Center as a non-exchange transaction of governmental activities, as described in the preceding paragraph, based on our audit and the reports of other auditors the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manchester, New Hampshire, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof, and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis on pages 11 through 22 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with "Government Auditing Standards," we have also issued our report dated February 1, 2008 on our consideration of the City of Manchester, New Hampshire's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, budgetary detail, combining and individual nonmajor fund statements, capital asset schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary detail, combining and individual nonmajor fund statements and capital assets schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them. The prior year comparative information has been derived from the City's 2006 financial statements and, in our report dated October 27, 2006, we expressed unqualified opinions on the respective financial statements of the business-type activities, each major fund and the aggregate remaining fund information, and a qualified opinion on the financial statements of the governmental activities.

McGladrey & Pullen, LLP

New Haven, Connecticut
February 1, 2008

City of Manchester, New Hampshire
Management's Discussion and Analysis
June 30, 2007

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, 2007. We encourage readers to consider the information presented herein along with additional information we have furnished in our letter of transmittal, as well as the City's basic financial statements that follow this section.

Financial Highlights

- ◆ On a government-wide basis of the primary government, the assets of the City exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$501.6 million. Total net assets for Governmental Activities at fiscal year-end were \$129.1 million and total net assets for Business-Type Activities were \$372.5 million.
- ◆ On a government-wide basis, during the fiscal year, the City's net assets increased by \$36.4 million or 7.8%, from \$465.2 million to \$501.6 million. Net assets increased by \$16.0 million for Governmental Activities and net assets increased by \$20.3 million for Business-Type Activities. Government-wide expenses were \$233.6 million, while revenues were \$270.0 million.
- ◆ At the close of the fiscal year, the City's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$66.0 million, an increase of \$22.3 million from the prior fiscal year. Of the total funds, \$28.9 million is available for spending at the government's discretion, which represents the combined unreserved fund balance in the general fund, special revenue funds and permanent funds.
- ◆ At the end of the current fiscal year, the total fund balance for the General Fund was \$25.9 million, an increase of \$.6 million from the prior fiscal year. Included in the fiscal year 2007 budget was an appropriation of \$.5 million of unreserved and undesignated fund balance. As of June 30, 2007, \$.3 million of the total general fund balance represents unreserved general fund balance. Unreserved and undesignated general fund balance at year-end represents .3% of total general fund expenditures and transfers (\$118.2 million).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information as well as the basic financial statements.

Government-Wide Financial Statements

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

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

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

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

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

The government-wide financial statements (statement of net assets and statement of activities) can be found on pages 23-25 of this report.

Fund Financial Statements

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

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

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

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation as Other Governmental Funds. Non-major governmental funds for the City include the United States Department of Housing and Urban Development (DHUD) Section 108 Fund, Cash Special Projects Fund, Community Development Block Grant Fund, Other Grants Fund, Civic Center Fund, and the Revolving Loan Fund. Permanent Funds consist of the Cemetery Fund and the Library Fund. Individual fund data for each of these non-major governmental funds is provided in the combining balance sheets on pages 90-91 and in the combining statement of revenues, expenditures and changes in fund balance on pages 92-93.

The City adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the authorized budget. The statement of revenues, expenditures and changes in fund balance on a budgetary basis can be found on page 29.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on pages 26-27 of this report.

Proprietary funds. The City maintains five proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water Works, Environmental Protection Division, Aviation, Recreation and the Parking Funds. The proprietary fund financial statements provide separate information for the Water Works, Environmental Protection Division and Aviation, which are considered to be major funds of the City. Conversely, both of the remaining funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the Recreation Fund and the Parking Fund is provided on pages 95-97 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 30-33 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 34-35 and 68-69 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-77 of this report.

The notes to this report also contain certain information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. On a government-wide basis, the City's assets exceeded its liabilities by \$501.6 and \$465.2 million at June 30, 2007 and 2006, respectively.

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

	<u>June 30, 2007</u>			<u>June 30, 2006</u>		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Current and Other Assets	\$ 173,785	\$ 107,579	\$ 281,364	\$ 152,343	\$ 116,451	\$ 268,794
Non-Current	19,836	3,855	23,691	20,313	4,037	24,350
Capital Assets	338,195	629,839	968,034	331,705	596,182	927,887
Total Assets	<u>531,816</u>	<u>741,273</u>	<u>1,273,089</u>	<u>504,361</u>	<u>716,670</u>	<u>1,221,031</u>
Current Liabilities	109,486	29,593	139,079	110,465	24,990	135,455
Long-term liabilities outstanding	293,191	339,195	632,386	280,759	339,555	620,314
Total Liabilities	<u>402,677</u>	<u>368,788</u>	<u>771,465</u>	<u>391,224</u>	<u>364,545</u>	<u>755,769</u>
Net Assets:						
Invested in Capital						
Assets, net of related debt	137,363	316,388	453,751	139,340	290,468	429,808
Restricted	22,389	46,944	69,333	20,257	46,926	67,183
Unrestricted	(30,613)	9,153	(21,460)	(46,460)	14,731	(31,729)
Total Net Assets	<u>\$ 129,139</u>	<u>\$ 372,485</u>	<u>\$ 501,624</u>	<u>\$ 113,137</u>	<u>\$ 352,125</u>	<u>\$ 465,262</u>

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

A portion of the City's net assets totaling \$453.8 million reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), net any outstanding debt related to these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The portion of the City's net assets that are restricted, \$69.0 million, represents resources that are subject to external restrictions on how they may be used. Governmental unrestricted net assets (deficit) of (\$21.5) million may not be used to meet the government's ongoing obligations to citizens and creditors, due to the negative balance. The primary reasons for the negative balance are due to the Old System Pension Obligation Bond with an outstanding balance of \$14.6 million, which was issued to properly fund the unfunded amount, the Landfill Closure Project, which has an outstanding balance of \$12.1 million, other landfill closure and post-closure care costs estimated liability with an outstanding balance of \$4.4 million, Urban Renewal Related Projects with outstanding balances of \$1.7 million, Revaluation debt with an outstanding balance of \$.7 million, long-term debt related to insurance claims with an estimated outstanding balance of \$5.5 million, as well as long-term debt related to compensated absences with an estimated

outstanding balance of \$10.5 million at June 30, 2007. The increase in invested capital assets net of related debt is due to major building additions and renovations.

City of Manchester, New Hampshire						
Changes in Net Assets (\$ 000's)						
Primary government						
June 30, 2007			June 30, 2006			
Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total	
Revenues:						
Program Revenues:						
Charges for services	\$ 24,769	\$ 87,637	\$ 112,406	\$ 21,760	\$ 81,516	\$ 103,276
Operating grants and contributions	20,547	4,371	24,918	27,451	4,589	32,040
Capital grants and contributions	4,436	23,251	27,687	-	8,603	8,603
General Revenues:						
Property taxes/auto/franchise fees	89,151	-	89,151	84,289	-	84,289
Unrestricted investment earnings	4,296	3,435	7,731	3,720	4,441	8,161
Transfers and other	9,314	(1,269)	8,045	7,352	941	8,293
Total revenues	152,513	117,425	269,938	144,572	100,090	244,662
Expenses:						
General government	47,027	-	47,027	27,046	-	27,046
Public safety	50,031	-	50,031	49,411	-	49,411
Health and sanitation	4,350	-	4,350	4,650	-	4,650
Highways and streets	15,582	-	15,582	28,344	-	28,344
Welfare	1,445	-	1,445	1,430	-	1,430
Education and library	7,512	-	7,512	4,456	-	4,456
Parks and recreation	6,409	-	6,409	5,155	-	5,155
Cemetery Trust	22	-	22	27	-	27
Investment management fee	39	-	39	37	-	37
Interest expense	4,094	15,692	19,786	4,400	13,410	17,810
Operations	-	81,373	81,373	-	74,151	74,151
Total Expenses	136,511	97,065	233,576	124,956	87,561	212,517
Change in net assets	16,002	20,360	36,362	19,616	12,529	32,145
Net assets - beginning	113,137	352,125	465,262	93,521	339,596	433,117
Net assets - ending	\$ 129,139	\$ 372,485	\$ 501,624	\$ 113,137	\$ 352,125	\$ 465,262

The City's net assets increased by \$36.4 million during the fiscal year, with net assets of Governmental Activities increasing by \$16.0 million, and net assets of Business-Type Activities increasing by \$20.4 million. The general government incurred more expenditures in 2007 than 2006 related to investments in net assets.

Governmental Activities

More than 58.4% of the governmental funds revenues were derived from property taxes, auto registrations and franchise fees, 16.4% from operating grants, then followed by 16.3% from charges for services and finally, about 8.9% of the City's revenue in this fiscal year was derived from a combination of investment earnings, gain (loss) of sales of capital assets, and transfers. Total revenues, excluding transfers and other, increased by \$6.0 million. Property taxes, auto registrations and franchise fees increased by \$4.9 million or 5.8% over last year.

Business-Type Activities

Business-Type activities increased the City's net assets by \$20.4 million, which is an increase of \$7.9 million from an increase of \$12.5 million for last year. See next page for more detail.

- ◆ Water Works net assets increased by \$3.4 million, up \$.2 million from the increase in net assets of \$3.2 million last year. Water usage, service charges and fire protection charges rates increased 9.5% beginning January 1, 2006.
- ◆ EPD net assets increased by \$3.5 million, up \$.7 million from the increase in net assets of \$2.8 million in the previous fiscal year. The most significant change in EPD's fund net assets lies in non-operating revenues and expenses with a \$2.3 million increase from fiscal year 2006. This is mainly due to the transfer of improvements from the General Fund to EPD of \$2.4 million in the current fiscal year.
- ◆ Aviation net assets increased by \$17.0 million. Aviation fund capital contributions amounted to \$20.3 million, an increase from \$4.9 million the previous year. Manchester-Boston Regional Airport experienced a decrease (-8.4%) in passenger enplanements in FY2007, as enplanements decreased by 174,796 from FY 2006.

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 \$66.0 million, an increase from \$43.7 million as reported on June 30, 2006. The increase of \$22.3 in fund balances is mainly due to the receipt of proceeds of refunding bonds which occurred during the fiscal year ended June 30, 2007. Approximately 45.9% 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: \$20.0 million to cemetery, library and other trust funds; \$8.7 million to liquidate contracts and purchase orders of the prior period; \$2.7 million to self-insured workers' compensation claims reserve, \$3.3 million for land held for resale and \$.73 million for inventory.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$.3 million while the total fund balance reached \$25.9 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 16.3% of total general fund expenditures of \$115.2 million, while total fund balance represents 22.5% of that same amount.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Manchester-Boston Regional Airport experienced a decrease (-8.4%) in passenger enplanements in FY2007, as enplanements decreased by 174,796 from FY 2006. This decrease resulted from the ongoing airline industry challenges and high fuel costs. These challenges have resulted in consolidations and significant seat reductions at Manchester Boston-Regional Airport. Operating income decreased from \$1.8 million in FY 2006 to a \$900,000 loss in FY 2007, a decrease of 150%. The operating income decrease was due primarily to increased operating expenses, specifically, law enforcement and fire protection was \$3.1 million in FY 2006 and \$4.7 in FY 2007, a 52% increase. There were also increases in purchased property services, \$15.3 million in FY 2007 versus \$14.5 million in FY 2006, a 5.5% increase. These operating expense increases are attributable to the increased plant size of the facility, both in terms of the Terminal and airfield/runway expansion and increased security requirements.

Net assets of the proprietary fund consisting of the Water Works were \$73.1 million, as compared to \$69.7 million in the prior year. The unrestricted net asset balance of the Water Works was \$4.2 million. The restricted net assets increased from \$11.0 million to \$11.8 million. The Water Works experienced operating revenues of \$16 million from user fees. There was a total net income for the Water Works of \$.8 million before capital contributions of \$2.6 million. The change in net assets for the fiscal year ended June 30, 2007 was \$3.4 million, due mainly to an increase in capital contributions.

Total assets for Environmental Protection Division (EPD) increased from \$140.7 million ending balance at June 30, 2006 to \$145.9 million at June 30, 2007. EPD's cash decreased by \$5.5 million primarily due to paying cash, rather than incurring debt, for the construction and acquisition of capital resources. This contributed to a \$13.9 million increase in investments in capital assets. The fiscal year 2007 ending fund balance (fund net assets) is \$110.76 million. Investments in capital assets accounts for 97.5% of this total fund balance.

The Recreation Fund and the Parking Fund, both non-major funds, reported combined net operating income for FY 2007 of \$1.2 million. At June 30, 2007, \$3.4 million was due to the general fund and is considered to be a short-term liability to be paid in the next year.

General Fund Budgetary Highlights

The City ended Fiscal Year (FY) 2007 with an increase in the general fund balance sheet over FY 2006. The City's "rainy day" Revenue Stabilization fund increased to \$10.9 million at June 30, 2007. The City's unreserved and undesignated fund balance decreased from \$.7 million to \$.3 million, less than the targeted one percent of the FY 2007 tax warrants according to City ordinance which would make it \$1.6 million. In order to fund additional amounts into the Tax Rate Stabilization Reserve, the City has to realize an excess amount past the \$1.5 million. The special revenue account which accounts for one-time revenues, (i.e., property sales, etc.) decreased by \$.3 to \$5.4 million from \$5.7 million. The City's reserves for workers compensation, health insurance, and general liability had an aggregate increase of \$1.0 million or 26.3% from \$3.8 to \$4.8 million.

During the year, actual revenues and other financing sources on a budgetary basis were \$116.6 million, \$1.5 million less than the estimated revenues. Actual tax revenues were over budget by \$202,773. Actual intergovernmental revenue was \$7,012 over budgetary estimates. Investment income was \$4,924 more than the \$2.4 million that had been budgeted. Additional shortfalls of \$.6 resulted in a decrease of building permits included in licenses and permits. Nonenterprise charges for sales and services were \$180,389 more than budgeted. Other revenues were \$978,586

less than budgeted of which approximately \$439 thousand is due a decrease in chargebacks received from the Manchester School District. Transfers in were \$347,053 less than budgeted estimates.

Actual expenditures on a budgetary basis and other financing uses totaled \$114.3 million, \$4,345,501 less than budgeted. The combined net difference of budgeted revenues and expenses on a budgetary basis resulted in a positive variance of \$2,831,063. The fiscal year 2007 budget included a planned appropriation of fund balance of \$500,000.

General Fund Revenues - The following schedule presents a summary of General Fund revenues (GAAP basis) for the years ended June 30, 2007 and 2006.

Revenues	2007 Amount (000's)	2006 Amount (000's)	Amount of Increase (Decrease) (000's)	Percent of Increase (Decrease)
Taxes	\$ 73,363	\$ 69,053	\$ 4,310	6.24 %
Federal and State Grants	9,398	9,510	(112)	(1.18)
Nonenterprise charges for sales and services	2,498	4,812	(2,314)	(48.09)
Licenses and Permits	19,069	21,610	(2,541)	(11.76)
Interest	2,439	2,218	221	9.96
Other	9,399	9,874	(475)	(4.81)
Total	\$ 116,166	\$ 117,077	\$ (911)	(0.78) %

General Fund Expenditures - The following schedule presents a summary of General Fund Expenditures (GAAP basis) for the years ended June 30, 2007 and 2006.

Expenditures	2007 Amount (000's)	2006 Amount (000's)	Amount of Increase (Decrease) (000's)	Percent of Increase (Decrease)
General government	\$ 22,622	\$ 23,061	\$ (439)	(1.90) %
Public safety	47,366	44,980	2,386	5.30
Health and sanitation	3,079	3,125	(46)	(1.47)
Highway and streets	21,280	22,949	(1,669)	(7.27)
Welfare	1,281	1,261	20	1.59
Library	2,647	2,574	73	2.84
Parks and recreation	3,564	3,293	271	8.23
Debt service	13,354	15,466	(2,112)	(13.66)
Total	\$ 115,193	\$ 116,709	\$ (1,516)	(1.30) %

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, 2007, amounts to \$968.0 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 \$40.1 million or 4.3%.

City of Manchester, New Hampshire
Capital Assets (net of depreciation) (000's)
June 30, 2007 and 2006
Primary Government

	2007			2006			Change
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total	
Land	\$ 14,338	\$ 44,655	\$ 58,993	\$ 18,447	\$ 40,159	\$ 58,606	\$ 387
Buildings and improvements	248,453	468,354	716,807	153,974	439,095	593,069	123,738
Infrastructure	35,521	-	35,521	31,885	-	31,885	3,636
Equipment and vehicles	9,391	60,417	69,808	8,909	51,690	60,599	9,209
Construction in progress	30,492	56,413	86,905	118,490	65,238	183,728	(96,823)
Total	\$ 338,195	\$ 629,839	\$ 968,034	\$ 331,705	\$ 596,182	\$ 927,887	\$ 40,147

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

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

Information on the City's capital assets can be found in Note 8 on pages 59-62 of this report.

City of Manchester, New Hampshire
Outstanding Debt
General Obligation and Revenue Bonds (000's) in thousands
June 30, 2007 and 2006

	2007			2006		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
General Obligation Bonds	\$ 161,053	\$ 42,167	\$ 203,220	\$ 148,188	\$ 35,397	\$ 183,585
Revenue Bonds, net of premiums and discounts	111,807	284,669	396,476	114,925	295,580	410,505
Totals	\$ 272,860	\$ 326,836	\$ 599,696	\$ 263,113	\$ 330,977	\$ 594,090

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 \$916.2 million. General obligation debt is backed by the full faith and credit of the City government.

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

The general debt limit of the City is 9.75% of base valuation. Base valuation (\$10,506,331,588) is determined by adding the amount of taxable property lost to the City as a result of the enactment of the State Business Profit Tax Law to the "equalize assessed valuation." Not more than 7% of the base valuation may be incurred for school purposes. Water and sewer projects ordered by the State Water Supply and Pollution Control Commission, self-supporting sewer debt, debt for urban redevelopment and housing purposes, and overlapping debt are excluded from the measure of indebtedness. Other water projects are subject to a separate, special debt limit of 10% of the City's base valuation. Borrowings authorized by legislative acts rather than the general municipal finance statutes are sometimes excluded from the city's debt limit. The Total Equalized Valuation figure includes Utility Valuation and Railroad Monies Reimbursements. Total bonded debt for the general government includes the MSD portion. As of June 30, 2007, the City recorded long-term debt of \$122.2 million related to Governmental Activities, \$132.9 million related to the MSD and \$329.8 million related to Business-Type Activities, well below its statutory debt limit. Information on the City's long-term debt can be found in Note 10 on pages 64-67 of this report.

Fiscal Year 2008 Budget

The fiscal year 2008 combined General Fund budget for the City and the MSD contains an appropriation increase of 2% over the fiscal 2007 budget. Non-property tax revenues are anticipated to be relatively flat as compared to fiscal year 2007. In the formulation of the fiscal 2008 budget, the Board of Mayor and Aldermen, after consultation with the Department of Finance and the City's assessing department, produced a budget to meet all contracted obligations without layoffs or reductions in City services. The Traffic department's parking segment of the General Fund was transformed into a new Parking Enterprise fund in the fiscal 2007 budget. The areas of concern in developing the fiscal year 2008 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 2008 budget.

The following table sets forth the City's General Fund operating budgets for fiscal years 2006-2008. Enterprise funds, the County tax, veteran exemptions and the overlay reserve for abatements are excluded from this table.

BUDGET TRENDS

	2006		2007		2008	
	Amount	%	Amount	%	Amount	%
Education	\$ 142,203,719	54.9%	\$ 145,500,000	55.3%	\$ 147,250,000	54.9%
General Government	23,099,336	8.9%	22,699,058	8.7%	20,773,442	7.8%
Public Safety	42,813,034	16.6%	45,635,644	17.3%	42,177,707	15.7%
Highway and Streets	22,796,144	8.8%	22,418,569	8.6%	20,897,840	7.8%
Health and Welfare	4,661,509	1.8%	4,879,380	1.9%	4,094,685	1.5%
Culture and Recreation	6,083,322	2.3%	6,434,936	2.4%	5,446,906	2.0%
Economic Development	261,449	0.1%	380,823	0.1%	329,799	0.1%
Non-Departmental Benefits	-	-	-	-	11,352,629	4.2%
Motorized Equipment	1,500,000	0.6%	1,330,000	0.5%	1,301,500	0.5%
Debt Service	15,467,725	6.0%	13,783,550	5.2%	14,733,500	5.5%
Total Budget	\$ 258,886,238	100.0%	\$ 263,061,960	100.0%	\$ 268,358,008	100.0%
Less MSD Budget	(142,203,719)		(145,500,000)		(147,250,000)	
General Fund Budget	\$ 116,682,519		\$ 117,561,960		\$ 121,108,008	

Requests for Information

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

Basic Financial Statements

Statement of Net Assets

City of Manchester New Hampshire
June 30, 2007

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Manchester School District	Manchester Transit Authority	Manchester Development Corporation
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 79,453,403	\$ 7,230,039	\$ 86,683,442	\$ 10,663,235	\$ 1,019,918	\$ 1,848,283
Restricted cash	34,057,307	73,689,089	107,746,396	-	-	-
Investments	549,682	-	549,682	2,500,000	-	-
Restricted Investments	23,088,438	3,043,864	26,132,302	-	-	-
Receivables	32,256,610	25,015,366	57,271,976	15,483,814	403,557	785,063
Prepaid expenses	1,067	996,460	997,527	8,909	159,760	-
Internal balances	3,646,977	(3,646,977)	-	-	-	-
Due from City	-	-	-	26,139,706	-	75,000
Inventories	731,730	1,251,662	1,983,392	-	187,462	-
Total current assets	173,785,214	107,579,503	281,364,717	54,795,664	1,770,697	2,708,346
Noncurrent assets:						
Land held for resale	3,332,338	-	3,332,338	-	-	-
Capital assets, net of depreciation	338,194,999	629,838,870	968,033,869	6,417,638	3,849,041	-
Pension asset	14,660,096	-	14,660,096	-	-	-
Deferred charges, net	1,844,263	3,855,009	5,699,272	-	-	-
Total noncurrent assets	358,031,696	633,693,879	991,725,575	6,417,638	3,849,041	-
Total Assets	\$ 531,816,910	\$ 741,273,382	\$ 1,273,090,292	\$ 61,213,302	\$ 5,619,738	\$ 2,708,346
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 16,747,132	\$ 12,274,100	\$ 29,021,232	\$ 1,671,091	\$ 28,759	\$ 3,854
Retainage payable	36,121	2,284,074	2,320,195	-	-	-
Accrued liabilities	9,833,174	14,807,648	24,640,822	18,784,366	175,355	61,941
Other liabilities	496,330	166,595	662,925	-	-	-
Insurance claims payable	967,032	-	967,032	-	-	-
Due to school district	26,139,706	-	26,139,706	-	-	-
Unearned revenue	21,769,444	60,106	21,829,550	33,611,622	7,223	-
Taxes collected in advance	33,497,501	-	33,497,501	-	-	-
Total current liabilities	109,486,440	29,592,523	139,078,963	54,067,079	211,337	65,795
Noncurrent liabilities:						
Due within one year	14,978,516	17,644,377	32,622,893	-	171,746	-
Due in more than one year	257,881,366	313,292,589	571,173,955	8,156,359	-	-
Other liabilities due in more than one year	20,331,109	8,258,545	28,589,654	-	-	-
Total noncurrent liabilities	293,190,991	339,195,511	632,386,502	8,156,359	171,746	-
Total Liabilities	402,677,431	368,788,034	771,465,465	62,223,438	383,083	65,795
NET ASSETS						
Investment in capital assets, net of related debt	137,362,874	316,387,714	453,750,588	6,417,639	3,849,041	-
Restricted for:						
Coverage account	-	6,738,002	6,738,002	-	-	-
PFCs	-	3,493,602	3,493,602	-	-	-
MSDC	-	5,905,819	5,905,819	-	-	-
Revenue bond O&M	-	14,442,000	14,442,000	-	-	-
Revenue bond fund	-	6,951,422	6,951,422	-	-	-
Bond funds - capital improvements	-	8,960,059	8,960,059	-	-	-
Workmen's compensation	2,687,771	111,490	2,799,261	-	-	-
Cemetery and other trust funds	16,563,565	-	16,563,565	-	-	-
Library trust funds	3,138,087	-	3,138,087	-	-	-
Designated for:						
Equipment replacement	-	341,462	341,462	66,104	-	-
Restricted for debt service	-	-	-	8,610,832	-	-
Unrestricted (Deficit)	(30,612,818)	9,153,778	(21,459,040)	(16,104,711)	1,387,614	2,642,551
Total Net Assets	\$ 129,139,479	\$ 372,485,348	\$ 501,624,827	\$ (1,010,136)	\$ 5,236,655	\$ 2,642,551

See accompanying notes.

Statement of Activities

	Expenses	Program Revenues		
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
General government	\$ 47,026,301	\$ 17,997,667	\$ 14,685,507	\$ -
Public safety	50,031,363	1,249,207	1,658,805	-
Health and sanitation	4,349,909	1,788,574	1,423,832	-
Highways and streets	15,581,877	1,873,626	2,154,194	4,436,221
Welfare	1,445,290	74,100	-	-
Education and library	7,512,145	221,469	39,017	-
Parks and recreation	6,408,656	1,564,145	585,536	-
Cemetery Trust	21,802	-	-	-
Investment management fee	38,834	-	-	-
Interest	4,094,284	-	-	-
Total governmental activities	136,510,461	24,768,788	20,546,891	4,436,221
Business-type activities				
Water	15,987,127	16,044,783	-	2,623,529
EPD	13,114,933	13,252,696	663,143	294,953
Aviation	62,213,023	51,829,778	3,707,927	20,333,025
Recreation	3,087,514	1,856,099	-	-
Parking	2,662,454	4,653,498	-	-
Total business-type activities	97,065,051	87,636,854	4,371,070	23,251,507
Total primary government:	\$ 233,575,512	\$ 112,405,642	\$ 24,917,961	\$ 27,687,728
Component units				
Manchester School District	\$ 173,773,355	\$ 24,615,861	\$ 21,924,000	\$ 1,747,511
Manchester Transit Authority	6,488,201	3,259,246	2,599,560	593,330
Manchester Development Corporation	24,568	-	15,000	-
Total component units	\$ 180,286,124	\$ 27,875,107	\$ 24,538,560	\$ 2,340,841
General revenues:				
Property taxes				
Auto registration fees				
Franchise fees				
Unrestricted investment earnings				
Grants and contributions not restricted to specific programs				
Miscellaneous				
Gain (loss) on disposal of assets				
Transfers				
Transfer of Capital Assets				
Transfer of Debt				
Transfers in				
Transfers out				
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, 2007

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	
\$ (14,343,127)	\$ -	\$ (14,343,127)	\$ -	\$ -	\$ -	-
(47,123,351)	-	(47,123,351)	-	-	-	-
(1,137,503)	-	(1,137,503)	-	-	-	-
(7,117,836)	-	(7,117,836)	-	-	-	-
(1,371,190)	-	(1,371,190)	-	-	-	-
(7,251,659)	-	(7,251,659)	-	-	-	-
(4,258,975)	-	(4,258,975)	-	-	-	-
(21,802)	-	(21,802)	-	-	-	-
(38,834)	-	(38,834)	-	-	-	-
(4,094,284)	-	(4,094,284)	-	-	-	-
<u>(86,758,561)</u>	<u>-</u>	<u>(86,758,561)</u>				
	-	2,681,185		-	-	-
	-	1,095,859		-	-	-
	-	13,657,707		-	-	-
	-	(1,231,415)		-	-	-
	-	1,991,044		-	-	-
	-	18,194,380		-	-	-
<u>\$ (86,758,561)</u>	<u>\$ 18,194,380</u>	<u>\$ (68,564,181)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ (125,485,983)	\$ -	\$ -	-
-	-	-	-	(36,065)	-	-
-	-	-	-	-	-	(9,568)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (125,485,983)</u>	<u>\$ (36,065)</u>	<u>\$ -</u>	<u>(9,568)</u>
\$ 72,795,861	\$ -	\$ 72,795,861	\$ 51,419,226	\$ -	\$ -	-
15,286,482	-	15,286,482	-	-	-	-
1,069,452	-	1,069,452	-	-	-	-
4,295,614	3,435,663	7,731,277	950,165	11,866	-	-
4,863,635	-	4,863,635	70,439,236	-	-	-
-	-	-	386,160	-	-	-
-	3,180,298	3,180,298	-	15,702	134,435	-
(3,344,530)	3,344,530	-	-	-	-	-
6,804,300	(6,804,300)	-	-	-	-	-
4,916,661	1,000,000	5,916,661	-	-	-	-
(3,926,630)	(1,990,031)	(5,916,661)	-	-	-	(50,000)
<u>102,760,845</u>	<u>2,166,160</u>	<u>104,927,005</u>	<u>123,194,787</u>	<u>27,568</u>	<u>84,435</u>	
16,002,284	20,360,540	36,362,824	(2,291,196)	(8,497)	74,867	
113,137,195	352,124,808	465,262,003	1,281,060	5,245,152	2,567,684	
<u>\$ 129,139,479</u>	<u>\$ 372,485,348</u>	<u>\$ 501,624,827</u>	<u>\$ (1,010,136)</u>	<u>\$ 5,236,655</u>	<u>\$ 2,642,551</u>	

Balance Sheet
Governmental Funds

City of Manchester, New Hampshire
June 30, 2007

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 74,561,583	\$ 1,375,150	\$ 3,516,670	\$ 79,453,403
Restricted cash and cash equivalents	9,228,443	23,340,866	1,487,998	34,057,307
Restricted investments	-	-	23,088,438	23,088,438
Investments	549,682	-	-	549,682
Receivables, net of allowances for collection losses	22,264,508	15,000	8,069,098	30,348,606
Prepaid items	1,067	-	-	1,067
Due from other funds	5,792,937	-	-	5,792,937
Inventories	731,730	-	-	731,730
Land held for resale	3,332,338	-	-	3,332,338
Total Assets	\$ 116,462,288	\$ 24,731,016	\$ 36,162,204	\$ 177,355,508

Liabilities and Fund Equity

Liabilities

Accounts and warrants payable	\$ 3,603,363	\$ 5,647,894	\$ 7,495,875	\$ 16,747,132
Retainage payable	36,121	-	-	36,121
Accrued liabilities	4,669,914	3,849,554	514,847	9,034,315
Due to other funds	-	38,841	665,823	704,664
Due to Manchester School District	26,139,706	1,260,904	-	27,400,610
Unearned revenue	20,440,093	-	1,329,351	21,769,444
Deferred revenue	2,190,956	-	-	2,190,956
Taxes collected in advance	33,497,501	-	-	33,497,501
Total Liabilities	90,577,654	10,797,193	10,005,896	111,380,743

Fund Balance

Fund balances				
Reserved for				
Encumbrances	375,562	8,113,324	291,778	8,780,664
Library	-	-	3,138,087	3,138,087
Cemetery funds	-	-	16,978,277	16,978,277
Inventory	731,730	-	-	731,730
Workers' compensation	2,687,771	-	-	2,687,771
Land held for resale	3,332,338	-	-	3,332,338
Designated for				
Health insurance	1,500,338	-	-	1,500,338
General liability insurance	603,232	-	-	603,232
Special revenue	5,408,382	-	-	5,408,382
Revenue stabilization	10,939,699	-	-	10,939,699
Unreserved, reported in:				
General fund	305,582	-	-	305,582
Capital projects	-	5,820,499	-	5,820,499
Special revenue	-	-	5,748,166	5,748,166
Total Fund Equity	25,884,634	13,933,823	26,156,308	65,974,765
Total Liabilities and Fund Balances	\$ 116,462,288	\$ 24,731,016	\$ 36,162,204	

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.	338,194,999
Pension asset created in governmental activities is not a financial resource and, therefore, is not reported in the funds.	14,660,096
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	466,708
Deferred Revenue	2,190,956
Long-term liabilities consisting of bonds payable are not due and payable in current period and, therefore, are not reported in the funds.	(293,190,990)
Deferred Issue Costs	1,844,263
Long-term liabilities consisting of accruals are not due and payable in the current period and, therefore, are not reported in the funds	(1,001,318)
	\$ 129,139,479

See accompanying notes.

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

City of Manchester, New Hampshire
Year Ended June 30, 2007

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 73,363,164	\$ -	\$ -	\$ 73,363,164
Federal and state grants and aid	9,397,693	-	15,530,226	24,927,919
Nonenterprise charges for sales and services	2,498,543	-	211,942	2,710,485
Licenses and permits	19,068,754	-	-	19,068,754
Interest	2,438,924	667,583	1,189,106	4,295,613
Contributions	-	-	138,372	138,372
Net appreciation in fair value of securities	-	-	1,191,353	1,191,353
Other	9,398,749	496,987	2,607,854	12,503,590
Total Revenues	116,165,827	1,164,570	20,868,853	138,199,250
Expenditures				
Current:				
General government	22,621,758	9,026,569	9,399,839	41,048,166
Public safety	47,365,916	26,987	1,992,595	49,385,498
Health and sanitation	3,079,173	-	1,368,042	4,447,215
Highway and streets	21,279,800	1,975,801	6,095,449	29,351,050
Welfare	1,281,179	-	140,839	1,422,018
Education	2,647,160	33,152	1,124,212	3,804,524
Parks and recreation	3,563,914	958,458	-	4,522,372
Cemetery Trust	-	-	55,100	55,100
Investment management fee	-	-	38,834	38,834
Debt service:				
Principal retirement	8,209,680	-	-	8,209,680
Interest	5,144,530	-	-	5,144,530
Total Expenditures	115,193,110	12,020,967	20,214,910	147,428,987
Excess (Deficiency) of revenues over expenditures	972,717	(10,856,397)	653,943	(9,229,737)
Other Financing Sources (Uses)				
Proceeds of bonds	-	29,987,518	-	29,987,518
Proceeds from premium of bonds	-	495,728	-	495,728
Transfers in	2,625,048	-	2,291,613	4,916,661
Transfers out	(3,030,090)	-	(896,539)	(3,926,629)
Total Other Financing Sources (Uses)	(405,042)	30,483,246	1,395,074	31,473,278
Net Change in Fund Balances (Deficits)	567,675	19,626,849	2,049,017	22,243,541
Fund Balance (Deficit), beginning	25,316,959	(5,693,026)	24,107,291	43,731,224
Fund Balance, ending	\$ 25,884,634	\$ 13,933,823	\$ 26,156,308	\$ 65,974,765

See accompanying notes.

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

**City of Manchester, New Hampshire
Year Ended June 30, 2007**

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

Net change in fund balance \$ 22,243,541

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 6,490,239

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 461,801

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (9,644,770)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (3,548,527)

Change in net assets of governmental activities \$ 16,002,284

See accompanying notes.

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

**City of Manchester, New Hampshire
Year Ended June 30, 2007**

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Taxes	\$ 70,608,890	\$ 73,378,890	\$ 73,581,663	\$ 202,773
Federal and state grants and aid	7,425,834	7,425,834	7,432,846	7,012
Nonenterprise charges for sales and services	2,316,950	2,316,950	2,497,339	180,389
Licenses and permits	19,703,850	19,653,850	19,069,953	(583,897)
Interest	2,434,000	2,434,000	2,438,924	4,924
Other	11,147,336	10,377,336	9,398,750	(978,586)
Total Revenues	113,636,860	115,586,860	114,419,475	(1,167,385)
<u>Expenditures</u>				
Current:				
General government	23,605,243	23,561,976	21,879,949	1,682,027
Public safety	45,635,644	45,801,194	45,309,651	491,543
Health and sanitation	3,568,561	3,568,561	3,090,589	477,972
Highway and streets	22,418,569	22,373,286	21,340,162	1,033,124
Welfare	1,310,819	1,310,819	1,280,484	30,335
Education	2,780,715	2,780,715	2,647,081	133,634
Parks and recreation	3,654,221	3,654,221	3,586,695	67,526
Debt service:				
Principal retirement	8,341,600	8,341,600	8,209,680	131,920
Interest	5,441,950	5,441,950	5,144,530	297,420
Total Expenditures	116,757,322	116,834,322	112,488,821	4,345,501
Excess of revenues over expenditures	(3,120,462)	(1,247,462)	1,930,654	3,178,116
<u>Other Financing Sources (Uses)</u>				
Transfers in	4,525,100	2,575,100	2,228,047	(347,053)
Transfers out	(1,904,638)	(1,827,638)	(1,827,638)	-
Total Other Financing Sources (Uses)	2,620,462	747,462	400,409	(347,053)
Revenues and Other Financing Sources Over (Under) Other Financing Uses	\$ (500,000)	\$ (500,000)	\$ 2,331,063	\$ 2,831,063

See accompanying notes.

Proprietary Funds
Statement of Net Assets

City of Manchester, New Hampshire
June 30, 2007

	Business-type Activities-Enterprise Funds				
	Major			Non-Major Funds	Total
	Water Works Fund	EPD Fund	Aviation Fund		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,662,426	\$ 1,577,131	\$ 300	\$ 1,990,182	\$ 7,230,039
Restricted cash and cash equivalents	11,823,763	1,200,815	58,864,258	1,800,253	73,689,089
Restricted investments	-	-	3,043,864	-	3,043,864
Receivables, net of allowances for collection losses	3,331,182	8,185,482	13,291,913	206,789	25,015,366
Prepaid items	432,055	17,703	546,702	-	996,460
Inventories	990,193	57,021	204,448	-	1,251,662
Total current assets:	20,239,619	11,038,152	75,951,485	3,997,224	111,226,480
Noncurrent assets:					
Capital assets, net, where applicable, of accumulated depreciation	105,065,011	134,869,403	373,685,701	16,218,755	629,838,870
Deferred charges	815,872	-	2,994,654	44,483	3,855,009
Total noncurrent assets:	105,880,883	134,869,403	376,680,355	16,263,238	633,693,879
Total Assets	\$ 126,120,502	\$ 145,907,555	\$ 452,631,840	\$ 20,260,462	\$ 744,920,359
Liabilities					
Current liabilities					
Accounts and warrants payable	\$ 813,116	\$ 2,755,162	\$ 7,867,706	\$ 838,116	\$ 12,274,100
Retainage payable	959,165	859,353	465,556	-	2,284,074
Accrued liabilities	732,355	324,160	11,390,420	148,260	12,595,195
Due to other funds	-	-	286,015	3,360,962	3,646,977
Unearned revenue	-	-	-	60,106	60,106
Bonds and notes payable	1,326,581	4,577,546	6,695,000	948,898	13,548,025
Due to State of New Hampshire	-	4,096,352	-	-	4,096,352
Compensated absences	1,289,001	277,347	451,713	194,392	2,212,453
Other	51,758	-	103,206	11,631	166,595
Total Current liabilities	5,171,976	12,889,920	27,259,616	5,562,365	50,883,877
Noncurrent liabilities					
Bonds payable	47,876,240	14,003,762	239,551,090	11,856,592	313,287,684
Due to State of New Hampshire	-	8,258,545	-	-	8,258,545
Unearned revenue	-	-	-	4,905	4,905
Total Noncurrent liabilities	47,876,240	22,262,307	239,551,090	11,861,497	321,551,134
Total Liabilities	53,048,216	35,152,227	266,810,706	17,423,862	372,435,011
Net Assets					
Invested in capital assets, net of related debt	57,046,305	108,029,550	146,110,063	5,201,796	316,387,714
Restricted	11,822,172	341,462	34,780,222	-	46,943,856
Unrestricted	4,203,809	2,384,316	4,930,849	(2,365,196)	9,153,778
Total Net Assets	\$ 73,072,286	\$ 110,755,328	\$ 185,821,134	\$ 2,836,600	\$ 372,485,348

See accompanying notes.

Proprietary Funds
Combining Statement of Revenues, Expenses
and Changes in Fund Balance

City of Manchester, New Hampshire
Year Ended June 30, 2007

	Business-type Activities-Enterprise Funds				
	Major				Total
	Water Works Fund	EPD Fund	Aviation Fund	Non-major Funds	
<u>Operating Revenues</u>					
Charges for goods and services	\$ 15,982,477	\$ 13,142,344	\$ 41,617,131	\$ 6,395,259	\$ 77,137,211
Other	62,306	663,143	2,254,643	12,361	2,992,453
Total Operating Revenues	16,044,783	13,805,487	43,871,774	6,407,620	80,129,664
<u>Operating Expenses</u>					
Personnel services	6,002,106	3,112,413	6,374,194	1,988,470	17,477,183
Plant maintenance	709,519	1,174,902	498,089	371,800	2,754,310
Light/heat and power	1,016,866	2,321,397	2,477,192	344,419	6,159,874
General and administrative	3,390,856	591,930	18,945,006	1,779,871	24,707,663
Depreciation and amortization	2,416,549	5,276,885	16,505,920	731,105	24,930,459
Total Operating Expenses	13,535,896	12,477,527	44,800,401	5,215,665	76,029,489
Operating Income (Loss)	2,508,887	1,327,960	(928,627)	1,191,955	4,100,175
<u>Non-Operating Revenues (Expenses), net</u>					
Soundproofing program grant	-	-	3,707,927	-	3,707,927
Soundproofing program expense	-	-	(5,022,884)	-	(5,022,884)
Interest income	777,013	72,106	2,522,716	63,828	3,435,663
Interest expense	(2,451,231)	(637,406)	(12,132,448)	(655,395)	(15,876,480)
Passenger facility charges	-	-	5,399,622	-	5,399,622
Customer facility charges	-	-	2,558,382	-	2,558,382
Rent and other income	-	110,352	-	101,977	212,329
Bond issuance costs	-	-	(257,290)	-	(257,290)
Gain (Loss) on disposal of capital assets	5,171	-	837,705	(27,451)	815,425
Total Non-Operating Revenues (Expenses)	(1,669,047)	(454,948)	(2,386,270)	(517,041)	(5,027,306)
Net income (loss) before capital contributions and transfers	839,840	873,012	(3,314,897)	674,914	(927,131)
Capital Contributions	2,623,529	294,953	20,333,025	-	23,251,507
Transfer to general fund	(62,084)	-	-	(1,927,947)	(1,990,031)
Transfer from general fund	-	-	-	1,000,000	1,000,000
Transfer of Capital Assets	-	2,364,873	-	3,344,530	5,709,403
Transfer of Debt	-	-	-	(6,683,208)	(6,683,208)
Total Transfers	2,561,445	2,659,826	20,333,025	(4,266,625)	21,287,671
Change in Net Assets	3,401,285	3,532,838	17,018,128	(3,591,711)	20,360,540
Fund Net Assets, beginning of year	69,671,001	107,222,490	168,803,006	6,428,311	352,124,808
Fund Net Assets, end of year	\$ 73,072,286	\$ 110,755,328	\$ 185,821,134	\$ 2,836,600	\$ 372,485,348

See accompanying notes.

Proprietary Funds
Statement of Cash Flows

City of Manchester, New Hampshire
Year Ended June 30, 2007

	Business-type Activities-Enterprise Funds				
	Major			Non-Major Funds	Total
	Water Works Fund	EPD Fund	Aviation Fund		
Cash Flows from Operating Activities					
Cash received from customers	\$ 16,192,521	\$ 14,144,935	\$ 43,270,217	\$ 6,448,381	\$ 80,056,054
Cash payments for goods and services	(7,104,986)	(3,786,365)	(16,842,183)	(1,755,623)	(29,489,157)
Cash payments to employees for services	(5,885,773)	(3,109,470)	(6,282,213)	(2,005,799)	(17,283,255)
Other operating revenues	-	-	-	101,977	101,977
Net Cash Provided by Operating Activities	3,201,762	7,249,100	20,145,821	2,788,936	33,385,619
Cash Flows Provided by Non-Capital and Related Financing Activities					
Amounts from federal & state governments for soundproofing	-	-	3,707,927	-	3,707,927
Soundproofing related expenses	-	-	(5,022,884)	-	(5,022,884)
Due to general fund	(66,693)	-	-	(57,697)	(124,390)
Passenger and customer facility charges	-	-	8,732,082	-	8,732,082
Interest paid on cash advances	-	-	-	(93,840)	(93,840)
Long-term cash advance from City	-	-	-	(819,696)	(819,696)
Net Cash Provided by (Used in) Non-Capital & Related Financing Activities	(66,693)	-	7,417,125	(971,233)	6,379,199
Cash Flows from Capital and Related Financing Activities					
Proceeds from bonds	-	-	-	4,937,781	4,937,781
Proceeds from State of New Hampshire Revolving Fund	-	6,840,966	-	-	6,840,966
Reimbursement of bond interest expenses	-	137,344	-	-	137,344
Deferred charges	-	-	-	(16,515)	(16,515)
Payments for State of New Hampshire liability	-	(5,030,816)	-	-	(5,030,816)
Principal paid on bonds and notes	(1,300,967)	(493,508)	(11,400,000)	(801,305)	(13,995,780)
Interest paid on bonds and notes	(2,451,231)	(734,953)	(12,130,510)	(407,921)	(15,724,615)
Contributed capital by federal, state & local governments	2,623,529	294,953	15,470,741	-	18,389,223
Acquisition and construction of capital assets	(4,448,132)	(13,855,365)	(32,944,473)	(1,816,158)	(53,064,128)
Proceeds from sale of capital assets	5,787	-	1,506,055	-	1,511,842
Net Cash Provided by (Used in) Capital & Related Financing Activities	(5,571,014)	(12,841,379)	(39,498,187)	1,895,882	(56,014,698)
Cash Flows from Investing Activities					
Interest and dividends from investments	788,046	99,098	2,522,716	63,828	3,473,688
Net Cash Provided by Investing Activities	788,046	99,098	2,522,716	63,828	3,473,688
Net Increase (Decrease) in Cash and Cash Equivalents	(1,647,899)	(5,493,181)	(9,412,525)	3,777,413	(12,776,192)
Cash and Cash Equivalents at Beginning of Year	17,134,088	8,271,127	71,320,947	13,022	96,739,184
Cash and Cash Equivalents at End of Year	\$ 15,486,189	\$ 2,777,946	\$ 61,908,422	\$ 3,790,435	\$ 83,962,992
Investments, End of Year	\$ -	\$ -	\$ 3,043,864	\$ -	\$ 3,043,864

Proprietary Funds
Statement of Cash Flows

City of Manchester, New Hampshire
Year Ended June 30, 2007

	Business-type Activities-Enterprise Funds				
	Major				Total
	Water Works Fund	EPD Fund	Aviation Fund	Non-Major Funds	
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 2,508,887	\$ 1,327,960	\$ (928,627)	\$ 1,191,955	\$ 4,100,175
Adjustments to reconcile operating income (loss) to cash provided by operating activities:					
Depreciation and amortization	2,416,549	5,276,885	16,505,920	731,105	24,930,459
Non-operating revenue	-	-	-	101,977	101,977
Change in Assets and Liabilities					
Decrease (increase) in receivables	201,136	339,448	(610,001)	967	(68,450)
Increase in inventories	(164,393)	(1,349)	(37,770)	-	(203,512)
Decrease (increase) in prepaid expenses and other assets	(5,555)	4,742	184,142	(44,483)	138,846
Increase (decrease) in accounts payable	(1,825,580)	306,901	1,711,190	745,272	937,783
Increase in accrued liabilities	12,716	42,931	3,298,389	52,311	3,406,347
Increase (decrease) in compensated absences	111,400	(48,418)	85,638	(29,962)	118,658
Increase (decrease) in other liabilities	(53,398)	-	8,444	39,794	(5,160)
Decrease in interfund liabilities	-	-	(71,504)	-	(71,504)
Net Cash Provided by Operating Activities	\$ 3,201,762	\$ 7,249,100	\$ 20,145,821	\$ 2,788,936	\$ 33,385,619
Schedule of Noncash Investing, Capital and Financing Activities					
Disposal of Capital Assets	\$ (6,084)	\$ -	\$ (666,395)	\$ (183,009)	\$ (855,488)
Transfer (to) from general fund	\$ (62,084)	\$ 2,364,873	\$ -	\$ (3,338,678)	\$ (1,035,889)

See accompanying notes.

Fiduciary Funds
Statement of Fiduciary Net Assets

City of Manchester, New Hampshire
Year Ended June 30, 2007

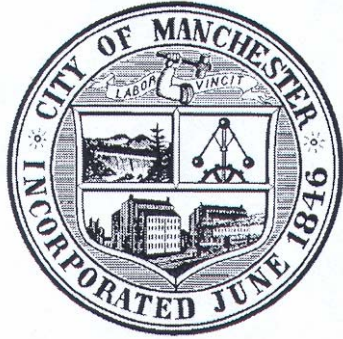
	Pension Trust Funds	Agency Fund
Assets		
Cash and cash equivalents	\$ 2,028,959	\$ -
Investments	148,489,632	-
Receivables, net of allowances for collection losses	1,828,268	1,441,296
Other assets	7,200	-
Capital assets, net, where applicable,	104,120	-
Total Assets	\$ 152,458,179	\$ 1,441,296
Liabilities		
Accounts and warrants payable	\$ 138,044	-
Accrued liabilities	539,332	-
Due to others	-	1,441,296
Total Liabilities	677,376	1,441,296
Total Net Assets Held in Trust for Pension Benefits	\$ 151,780,803	\$ -

Fiduciary Trusts
Statement of Changes in Fiduciary Net Assets

City of Manchester New Hampshire
Year Ended June 30, 2007

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 7,159,272
Plan members	1,932,013
Total Contributions	<u>9,091,285</u>
 Investment Gain	
Net realized and unrealized appreciation in fair value of investments	15,112,733
Interest	2,113,636
Dividends	994,368
Less investment expense	(338,414)
Net Investment Income	<u>17,882,323</u>
 Total Additions	<u>26,973,608</u>
 Deductions	
Benefits paid directly to participants	7,927,089
Refunds of employee contributions	190,981
Administrative expenses	916,618
Total Deductions	<u>9,034,688</u>
 Net Increase	17,938,920
 Net Assets Held in Trust for Pension Benefits	
Beginning of year	133,841,883
End of year	<u>\$ 151,780,803</u>

See accompanying notes.



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Notes to Financial Statements

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

Reporting entity

The City of Manchester, New Hampshire, (the City) was incorporated in June of 1846 and operates as a municipal corporation governed by an elected mayor and a fourteen (14) member aldermanic board. Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Codification Section 2100 have been considered and as a result, the component units discussed below are included in the City's reporting entities because of their operational significance and financial relationship with the City.

Discretely presented component units

Manchester Development Corporation (MDC) - The MDC was created by the Board of Mayor and Aldermen (BMA) as a public corporation for the purpose of developing economic opportunities for the City. The MDC Board of Directors is comprised of twelve (12) members, all of whom shall be nominated by the Mayor and confirmed by the Board of Aldermen of the City. Separate 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 February 14, 2008, 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 October 23, 2007, has been issued under separate cover. The MTA is presented as a proprietary fund type.

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

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Blended Component Unit

City of Manchester Employees' Contributory Retirement System (MECRS) - The MECRS was created by the BMA for the purpose of administering the assets of the employees' contributory retirement system. The MECRS' Board of Trustees consists of seven members, as follows: the City Finance Officer, the Mayor, one person appointed by the Board of Aldermen, two citizens of the City - one appointed by the Mayor, one elected by the MECRS members and two MECRS members also elected by the MECRS members. Other independent auditors audited the MECRS, a December 31 year end, for the year ended December 31, 2006, and their report, dated August 14, 2007 has been issued under separate cover. MECRS is presented as a pension trust fund.

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

City of Manchester Employees'
Contributory Retirement System
1045 Elm Street – Suite 403
Manchester NH 03101-1824

Government-wide and Fund Financial Statements

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

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

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes when levied for intergovernmental revenues when the eligibility requirements have been met, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

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

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

The *Parking Fund* is used to account for the operations of the City's Parking Management and Operations, Established as a division within the Economic Development Office.

Additionally, the City reports the following fund types:

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

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

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for the proprietary funds include the cost of operations and maintenance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

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

Accounting estimates

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

Cash equivalents

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

Investments

Investments are stated at fair value using quoted market prices.

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net interest cost capitalized in the Environmental Protection Division Fund and Aviation Fund amounted to approximately \$88,000 and \$39,000, respectively, for the year ended June 30, 2007.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

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

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

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

Compensated absences

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

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

Long-term obligations

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

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Pension accounting

Pension Trust Funds:

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

Government-wide Statements:

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

Funding Policy:

The City makes annual contributions based upon annual actuarial determinations.

Encumbrances

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

Inventory

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

Land held for resale

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

Fund Equity and Net Assets

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

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

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

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

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

Reserved fund balance - indicates that portion of fund equity which has been legally segregated for specific purposes or is not available for appropriations.

Unreserved designated fund balance - indicates that portion of fund equity for which the City has made tentative plans.

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

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

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

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

Accounts receivable:	
Interest on accounts receivable	\$ 466,708
Deferred charges:	
Cost of Issuance Fees	1,844,263

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

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 \$293,190,990 difference consisting of long-term debt are as follows:

Bonds payable	\$ 255,088,131
Less: Deferred loss on refunding (to be amortized as interest expense)	(922,756)
Add: Deferred charge for refunding premium (to be amortized over life of debt)	1,295,433
Deferred premium on revenue bond obligation (to be amortized as interest expense)	7,973,114
Refunding premium on Series 2003B	161,447
Refunding premium on Series 2003	7,976,181
Refunding premium on Series 2004	825,653
Refunding premium on Series 2007	462,679
Compensated absences	10,494,957
City Retirement Contribution	1,501,368
Insurance claims	3,959,998
Landfill closure and post-closure care	4,374,785
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u><u>\$ 293,190,990</u></u>

The details of the \$1,001,318 difference consisting of current accruals are as follows:

Accrued interest	\$ 1,765,892
Due to School District	<u>(764,574)</u>
Net adjustment to decrease fund balance – total governmental funds to arrive at net assets – governmental activities	<u><u>\$ 1,001,318</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$6,490,239 difference are as follows:

Capital outlay	\$ 27,129,463
Asset transfer, net	(5,709,403)
Asset retirements	(1,027,290)
Depreciation expense	<u>(13,902,531)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 6,490,239</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The detail of this \$9,644,770 difference is as follows:

Principal repayments:	
General obligation debt-City portion	\$ 8,209,680
General obligation debt-MSD portion reimbursed	4,863,636
Less debt transfer to Parking Fund	6,683,208
Debt transfer	(114,380)
Proceeds from bonds	(29,987,518)
Less series 2004 refunding premium	(495,728)
Add bond discounts, COI and premiums amortization	<u>1,196,332</u>
Net adjustment to increase net changes in fund balances - total governmental	<u>\$ (9,644,770)</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$3,548,527 difference are as follows:

Prepaid Pension Asset	\$	818,868
Deferred Professional Fees		92,181
City Retirement Contribution		1,501,368
Long-term liabilities incurred:		
Risk reserve		623,610
Landfill reserve		581,159
Compensated absences		(20,607)
Accrued interest		122,990
Interest receivable from MSD on bonds payable		(171,042)
		<hr/>
Net adjustment to decrease net changes in fund balances - total governmental	\$	<u>3,548,527</u>

Note 3. Stewardship, Compliance and Accountability

Budgets and budgetary accounting

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

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

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

The Finance Committee of the BMA reviews the proposed budget recommendations presented by the Mayor. The BMA may increase, reduce or reject any item in the budget submitted by the Mayor. A public hearing is required to be conducted. A majority vote of the BMA is required to

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

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

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

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

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

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

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

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

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.

Budget/GAAP reconciliation

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

	Revenues	Expenditures	Transfers In	Transfers Out
Statement of revenues and expenditures - budgetary basis	\$ 114,419,475	\$ 112,488,821	\$ 2,228,047	\$ 1,827,638
Central Business District	244,140	244,000	-	-
Transfer to Parking enterprise	-	-	-	1,000,000
Project Adjustment	-	-	2,579	202,452
Current year encumbrances	-	(375,562)	-	-
State retirement contributions	1,964,847	1,964,847	-	-
Tax revenues of 2006 recognized in 2007	838,535	-	-	-
Tax revenues of 2007 deferred until 2008	(1,301,170)	-	-	-
Land held for resale adjustment	-	-	332,338	-
Reimbursement for aggregation program - MWW	-	-	62,084	-
Expenditures of prior year encumbrances	-	871,004	-	-
Statement of revenues and expenditures (in conformity with GAAP)	<u>\$ 116,165,827</u>	<u>\$ 115,193,110</u>	<u>\$ 2,625,048</u>	<u>\$ 3,030,090</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Note 4. Cash, cash equivalents and investments

Deposits: The City has a policy that deposits can include demand and savings accounts and certificates of deposits. The City follows the state of New Hampshire which requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

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

Investments: The City's policy for investments other than pension plan investments, Municipal Revenue Bond Investments under the provisions of Chapter 33-B, and certain other Trust Fund investments follow the provisions of New Hampshire Revised Statutes Annotated (RSA) Chapter 48:16 (RSA 48:16). The City policy allows investments in the following: (1) U.S. Treasury securities maturing in less than one year; (2) fully insured or collateralized certificates of deposit at commercial banks and savings and loan associations (collateral limited to U.S. treasury bills, FNMA and GMNA securities); and (3) repurchase agreements collateralized by U.S. government obligations.

The City's policy for Municipal Revenue Bonds Investments follows Chapter 33-B of the RSA's. The investments under this chapter are governed by a resolution and/or by a trust or security agreement between the municipality and a corporate trustee which restricts the types of securities in which the applicable revenue bond proceeds can be invested. Generally these agreements allow for investments in obligations of the United States government, and certain marketable securities.

The City's policy for investments under the custodianship of the Trustees of Trust Funds include Cemetery Trust Funds RSA 31:25, Capital Reserve Funds RSA 34:5 and the Old System Pension Trust Chapter 98:4 of the Laws of 1999 follow the prudent investor guidelines which allows for various investments as long as these investments would be acquired by prudent persons of discretion and intelligence in investment matters, who are seeking a reasonable income and the preservation of capital.

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

Interest Rate Risk: The City limits its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

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

Concentrations: The City's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific entity.

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

Library Trust Fund

Vanguard Admiral GNMA FD #536	\$	301,374
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Old System Pension Trust Fund

U.S. Treasury Note	\$	929,764
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Cemetery Trust

U.S. Treasury Note	\$	1,388,810
U.S. Treasury Note	\$	990,188
U.S. Treasury Note	\$	1,120,085

Expendable Trust

U.S. Treasury Note	\$	327,677
U.S. Treasury Note	\$	233,626
U.S. Treasury Note	\$	264,274

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

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

MECRS Pension Trust	
Income Research Mgt. (Core Bonds Fund)	\$ 11,641,267
Loomis Sayles (Fixed Income Fund)	11,838,499
Mellon EB (Asset Allocation Fund)	11,702,989
Mellon Capital EB (Global Tactical Assets)	11,669,881
Cadence Capital (US Large Cap Growth)	12,649,679
SSGA (US Large Cap Value Fund)	14,395,644
Vanguard Admiral Fund	6,861,929

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2007, \$11,745 of the City's bank balance of \$196,458,797 cash and cash equivalent total was uninsured and uncollateralized. The City has steadfastly maintained sufficient collateralization of its funds to prevent losses that might be attributable to failures at individual institutions.

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

Foreign currency risk:

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Investment Policy:

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

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

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

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Cash and investments of the City consist of the following at June 30, 2007:

Cash and Cash Equivalents		
Deposits with Financial Institutions	\$	68,490,568
Municipal Backed Investment Fund		23,410,994
Repurchase Investments		103,251,207
CR Pension Cash		1,306,028
Total Cash and Cash Equivalents	<u>\$</u>	<u>196,458,797</u>
Investments		
Corporate Bonds	\$	3,043,864 *
U.S. Government Agencies		549,682 **
Total Investments		3,593,546
Library Trust Funds:		
U.S. Treasury Notes		503,164 ***
U.S. Government Agencies		319,868 ***
Corporate Bonds		348,310 ***
Common Stocks		1,466,697 ***
Equity Mutual Funds		95,413
Fixed Income Mutual Funds		301,374
Total Library Trust Funds		3,034,826
Cemetery Trust Funds:		
U.S. Treasury Notes		4,909,569 ***
Corporate Bonds		869,605 ***
Mutual Funds		10,438,706
Total Cemetery Trust Funds		16,217,880
Expendable Trust Funds:		
U.S. Treasury Notes		1,158,540 ***
Corporate Bonds		205,206 ***
Mutual Funds		2,471,986
Total Expendable Trust Funds		3,835,732
Old System Pension Trust Fund:		
U.S. Treasury Notes		3,385,989 ***
Corporate Bonds		3,367,934 ***
Mortgage Backed		1,709,572 ***
Mutual Funds		9,028,564
Total Old System Pension Trust Fund		17,492,059
City Retirement System Investments, at fair value		
Equity funds		40,289,380
International equity		12,266,826
Alternative equity		1,260,385
Hedge funds		13,257,449
Fixed income		23,479,766
Emerging market funds		8,467,880
Real estate		3,567,857
Timber funds		5,035,160
Specialty investments		23,372,870
Total City Retirement System		130,997,573
Total Investments	<u>\$</u>	<u>175,171,616</u>
Total Cash and Investments	<u>\$</u>	<u>371,630,413</u>

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

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

*** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

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

Statement of Net Assets

Cash and cash equivalents	\$ 86,683,442
Restricted cash	107,746,396
Investments	549,682
Restricted Investments	26,132,302
	<u>221,111,822</u>

Pension Trust Funds

Cash and cash equivalents	2,028,959
Investments	148,489,632
	<u>150,518,591</u>

Total \$ 371,630,413

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the entity's debt type investments to this risk using the segmented time distribution model is as follows:

Type of Investment	Market Value	Investment Maturities (in Years)			
		Less Than 1 Year	5 Years	6 - 10 Years	Over 10 Years
US Treasury Notes	\$ 9,957,262	\$ 510,969	\$ 6,188,863	\$ 3,257,430	\$ -
US Government Agencies	869,550	549,682	196,907	122,961	-
Corporate Bonds	7,834,919	150,475	2,873,775	1,024,479	3,786,190
Mortgage Backed	1,709,572	-	60,121	64,008	1,585,443
Fixed Income Mutual Fund	23,781,140	301,374	23,479,766	-	-
Municipal Backed Investment Fund	23,410,994	23,410,994	-	-	-
Repurchase Investment	103,251,207	103,251,207	-	-	-
Total	<u>\$ 170,814,644</u>	<u>\$ 128,174,701</u>	<u>\$ 32,799,432</u>	<u>\$ 4,468,878</u>	<u>\$ 5,371,633</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Credit Risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the rating for each debt type investment.

Average Rating	Corporate Bonds	Mortgage Backed	US Government Obligations	Repurchase Investment	Fixed Income Mutual fund	Municipal Backed Investment Fund
AAA	\$ 5,372,876	\$ 1,709,572	\$ 10,826,812	\$ 103,251,207	\$ -	\$ 23,410,994
AA	328,400	-	-	-	-	-
AA-	405,242	-	-	-	-	-
Aa1/AA+	-	-	-	-	11,641,267	-
A+	1,044,749	-	-	-	-	-
A	386,982	-	-	-	-	-
A-	245,417	-	-	-	-	-
Baa1	-	-	-	-	11,838,499	-
BBB	51,253	-	-	-	-	-
Unrated	-	-	-	-	301,374	-
	<u>\$ 7,834,919</u>	<u>\$ 1,709,572</u>	<u>\$ 10,826,812</u>	<u>\$ 103,251,207</u>	<u>\$ 23,781,140</u>	<u>\$ 23,410,994</u>

Note 5. Taxes and Abatements

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

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

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

Interest accrues on delinquent taxes at a rate of 12 percent per annum from the due date to the date of payment. During the redemption period, 18 percent interest per annum is charged. Beyond the two-year period of redemption the City has the right to foreclose on properties for

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

which taxes have not been paid. Properties are deeded to the City unless either the lien has been sold by the City, or the City has notified the tax collector that it will not accept the deed because acceptance could result in liability under environmental statutes imposing strict liability on owners. Except for any paramount federal lien and subject to bankruptcy and insolvency laws, tax liens take precedence over all other liens, and tax collector's deeds are free and clear of all encumbrances.

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

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

The primary means of State funding for the Education Trust fund is a uniform statewide property tax under which some of the levies from more prosperous ("property rich" or "donor") communities will be collected by the State and redistributed to less affluent ("property poor" or "recipient") school districts. The law initially established a uniform tax rate of \$6.60 per thousand of total equalized value (not including utility property or local exemptions) but has been adjusted to \$2.24 for 2007. 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.

Note 6. Receivables

Primary government

	General	Capital Projects	Water Works	EPD	Aviation	Nonmajor governmental	Nonmajor business type	Total
Due from Warrants	\$ 18,239,708	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,239,708
Due from State of NH & other local governments	2,432,897	-	-	3,638,467	424,263	-	-	6,495,627
Prior year tax liens	589,783	-	-	-	-	-	-	589,783
Tax titles	1,274,048	-	-	-	-	-	-	1,274,048
Due from federal government	116,804	-	-	61,376	9,882,688	1,899,879	-	11,960,747
Accounts receivable-trade	2,140,040	15,000	3,033,350	4,084,409	2,984,962	36,703	206,789	12,501,253
Notes receivable	-	-	-	-	-	6,112,740	-	6,112,740
Other	22,505	-	297,832	401,230	-	19,776	-	741,343
Total gross receivables	24,815,785	15,000	3,331,182	8,185,482	13,291,913	8,069,098	206,789	57,915,249
Allowance for collection losses	(2,551,277)	-	-	-	-	-	-	(2,551,277)
Total net receivables	\$ 22,264,508	\$ 15,000	\$ 3,331,182	\$ 8,185,482	\$ 13,291,913	\$ 8,069,098	\$ 206,789	\$ 55,363,972

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Note 7. Interfund Receivables, Payables and Transfers

Due from/to other funds consist of the following at June 30, 2007:

Receivable Fund	Payable Fund	Amount
General Fund	Agency	\$ 1,441,296
	Capital projects	38,841
	Special Revenue:	
	HUD Section 108	130,715
	CDBG	391,641
	Other grants	143,467
	Enterprise Funds:	
	Aviation	286,015
	Parking	1,927,947
	Recreation	1,433,015
		<u>\$ 5,792,937</u>

The balance of \$1,433,015 due from the Recreation enterprise as well as the balance of \$38,841 due from Capital Projects to the general fund is the result of short-term advances. The remaining outstanding balances resulted from the time lag between the dates payments occur between funds for various activities, and are expected to be collected within one year.

Interfund transfers during the year ended June 30, 2007 were as follows:

Receivable Entity	Payable Entity	Amount
	General Fund	Other Funds
<u>Transfers</u>		
General Fund	\$ (1,980,062)	\$ 1,980,062
Other Funds	1,395,073	(1,395,073)
Water Fund	62,084	(62,084)
Parking Fund	927,947	(927,947)
Sub-totals	<u>\$ 405,042</u>	<u>\$ (405,042)</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, Continued
June 30, 2007

Note 8. Capital Assets

Governmental activities

Changes in the governmental capital assets for the year ended June 30, 2007, were as follows:

	Balance June 30, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Capital assets, not being depreciated					
Land	\$ 18,446,566	\$ 41,616	\$ (3,012,727)	\$ (1,137,500)	\$ 14,337,955
Construction-in-Progress	118,490,066	14,400,753	-	(102,398,174)	30,492,645
Total capital assets, not being depreciated	136,936,632	14,442,369	(3,012,727)	(103,535,674)	44,830,600
Capital assets, being depreciated					
Buildings	215,353,735	5,998,419	(9,894,349)	101,884,329	313,342,134
Improvements other than buildings	21,833,827	2,970,970	(1,861,648)	1,651,345	24,594,494
Equipment	8,586,953	856,173	(170,427)	-	9,272,699
Vehicles	19,753,717	1,876,191	(1,011,993)	-	20,617,915
Infrastructure	54,260,617	8,013,195	(2,499,487)	-	59,774,325
Total capital assets, being depreciated	319,788,849	19,714,948	(15,437,904)	103,535,674	427,601,567
Less accumulated depreciation					
Buildings	74,967,371	8,956,603	(2,196,935)	-	81,727,039
Improvements other than buildings	8,246,786	938,345	(1,428,637)	-	7,756,494
Equipment	4,779,006	683,736	(2,164)	-	5,460,578
Vehicles	14,651,881	1,325,666	(937,539)	-	15,040,008
Infrastructure	22,375,677	1,998,181	(120,809)	-	24,253,049
Total accumulated depreciation	125,020,721	13,902,531	(4,686,084)	-	134,237,168
Governmental Activities Capital Assets, Net	\$331,704,760	\$ 20,254,786	\$ (13,764,547)	\$ -	\$ 338,194,999

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2007

Business-type activities

Changes in the business-type capital assets for the year ended June 30, 2007, were as follows:

	Balance June 30, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Capital assets, not being depreciated					
Land	\$ 40,159,093	\$ 3,012,727	(723,011)	\$ 2,206,207	\$ 44,655,016
Construction-in-Progress	65,238,652	49,692,736	\$ (67,154)	(58,451,582)	56,412,652
Total capital assets, not being depreciated	105,397,745	52,705,463	(790,165)	(56,245,375)	101,067,668
Capital assets, being depreciated					
Buildings	352,123,998	9,777,285	(5,843,081)	34,898,434	390,956,636
Improvements other than buildings	262,870,929	3,854,358	(1,230,177)	11,845,090	277,340,200
Equipment & vehicles	88,815,095	2,909,903	(1,849,021)	9,501,851	99,377,828
Total capital assets, being depreciated	703,810,022	16,541,546	(8,922,279)	56,245,375	767,674,664
Less accumulated depreciation					
Buildings	108,743,214	12,220,989	(1,151,732)	-	119,812,471
Improvements other than buildings	67,157,313	13,223,827	(250,672)	-	80,130,468
Equipment & vehicles	37,124,827	3,484,613	(1,648,917)	-	38,960,523
Less total accumulated depreciation	213,025,354	28,929,429	(3,051,321)	-	238,903,462
Business-type Total Capital Assets, Net	\$ 596,182,413	\$ 40,317,580	\$ (6,661,123)	\$ -	\$ 629,838,870

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2007

Discretely reported component units

Capital assets activity in the School District at June 30, 2007, consisted of the following:

	Balance July 1, 2006	Increases	Balance July 1, 2007
Capital assets, not being depreciated			
Land	\$ 169,400	-	\$ 169,400
Total capital assets, not being depreciated	169,400	-	169,400
Capital assets, being depreciated			
Portable classrooms	1,047,602	-	1,047,602
Improvements	172,068	-	172,068
Instruments	156,560	26,900	183,460
Other machinery & equipment	12,089,614	718,712	12,808,326
Total capital assets, being depreciated	13,465,844	745,612	14,211,456
Total all capital assets	13,635,244	745,612	14,380,856
Less accumulated depreciation			
Portable classrooms	208,884	34,920	243,804
Improvements	5,736	5,736	11,472
Instruments	24,869	12,680	37,549
Other machinery & equipment	6,487,846	1,182,547	7,670,393
Less total accumulated depreciation	6,727,335	1,235,883	7,963,218
Total Capital Assets being depreciated, Net	\$ 6,907,909	\$ (490,271)	\$ 6,417,638

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Capital asset activity in the MTA at June 30, 2007, consisted of the following:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Capital assets, not being depreciated				
Land	\$ 129,109	-	-	\$ 129,109
Total capital assets, not being depreciated	129,109	-	-	129,109
Capital assets, being depreciated				
Buildings	1,807,598	-	-	1,807,598
Buses	8,539,106	178,360	(1,219,314)	7,498,152
Equipment	1,694,659	76,801	-	1,771,460
Total capital assets being depreciated	12,041,363	255,161	(1,219,314)	11,077,210
Less accumulated depreciation	7,920,077	656,515	(1,219,314)	7,357,278
Total Capital Assets being depreciated, Net	\$ 4,250,395	\$ (401,354)	\$ -	\$ 3,849,041

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

Governmental Activities:

General	\$ 3,574,183
Public safety	998,445
Highways and streets	2,646,873
Health and welfare	34,854
Education and library	4,853,183
Parks	1,733,502
Cemetery	61,491
Total depreciation expense – governmental activities	<u>\$ 13,902,531</u>

Business-type Activities:

Water Works	\$ 2,386,324
EPD	5,276,885
Aviation	15,947,783
Recreation	379,862
Parking	351,243
Total depreciation expense – business-type activities	<u>\$ 24,342,097</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Note 9. Unearned Revenue/Deferred Revenue

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

	Unearned Revenue	Deferred Revenue
	<u> </u>	<u> </u>
General Fund:		
Taxes and accrued interest on delinquent property taxes	\$ -	\$ 1,890,956
Advanced tax collections	17,793,245	-
Gatsas (Livingston Park) receivable	-	300,000
Impact fees	2,646,848	-
Nonmajor funds	<u>1,329,351</u>	<u>-</u>
Total deferred/unearned revenue	<u>\$ 21,769,444</u>	<u>\$ 2,190,956</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Note 10. Long-Term Debt

Primary government

The debt service requirements of the City's outstanding General Obligation (GO) bonds, revenue bonds and notes payable at June 30, 2007 are as follows:

Governmental long-term debt:

Fiscal year	Principal	Interest	Total
2008	\$ 14,978,516	\$ 12,240,827	\$ 27,219,343
2009	15,370,003	11,587,875	26,957,878
2010	13,974,088	10,918,741	24,892,829
2011	14,374,625	10,312,655	24,687,280
2012	12,810,963	9,677,071	22,488,034
2013-2017	68,596,371	38,898,216	107,494,587
2018-2022	61,251,942	22,625,526	83,877,468
2023-2027	42,788,584	9,280,068	52,068,652
2028-2031	10,943,039	695,941	11,638,980
Debt Service Requirement	255,088,131	126,236,920	381,325,051
Add Net Bond Premium	17,771,751	-	17,771,751
Total Governmental Activities	\$ 272,859,882	\$ 126,236,920	\$ 399,096,802

Business-type Activities:

Fiscal year	Principal	Interest	Total
2008	\$ 13,548,025	\$ 15,314,728	\$ 28,862,753
2009	13,127,821	14,826,843	27,954,664
2010	12,153,269	14,319,161	26,472,430
2011	11,293,441	12,829,512	24,122,953
2012	11,530,815	12,341,274	23,872,089
2013-2017	63,112,905	53,343,086	116,455,991
2018-2022	72,755,211	38,732,254	111,487,465
2023-2027	82,968,533	21,523,703	104,492,236
2028-2031	40,831,961	6,431,485	47,263,446
2032-2035	8,435,000	646,375	9,081,375
Debt Service Requirement	329,756,981	190,308,421	520,065,402
Add Net Bond Premium	1,408,297	-	1,408,297
Less Deferred Loss	(4,329,569)	-	(4,329,569)
Total Business-type Activities	\$ 326,835,709	\$ 190,308,421	\$ 517,144,130

Interest rates for the City's outstanding GO bonds range from 3.125% to 7.10%. At June 30, 2007, the City's legal debt limit was \$1,024,367,330. Authorized, unissued financing resolutions as of June 30, 2007 totaled \$52,695,107.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

The largest outstanding balance is represented by EPD Enterprise Funds in the amount of \$47,395,107. The large majority of these funds will be utilized for CSO Projects of various sizes for locations throughout the City, as well as the replacement of the sludge dewatering equipment and secondary clarifier at the treatment plant. These projects will be financed primarily through the State of New Hampshire Department of Environmental Services Sewer Revolving Fund. EPD continues to pursue an aggressive path with the scheduled continuance of these mandated projects.

The remaining outstanding balance will serve to finance new money in the traditional fashion which is the issuance of Public Improvement General Obligation Bonds. This is currently listed in the amount of \$5,300,000 for the City. This City project is Phase 3 of the Reconstruction of Granite Street.

In prior years, the City defeased certain GO and other bonds by placing the securities purchased with the proceeds of new bonds in irrevocable trust accounts to provide for all future debt service payments of the refunded bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. On June 30, 2007, \$23,120,000 of outstanding GO Bonds and \$63,170,000 of School Revenue Bonds are considered defeased.

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007	Due within One year
Governmental activities:					
General Obligation Debt - City	\$ 113,117,686	\$ 23,841,316	\$ 14,778,506	122,180,496	\$ 9,218,984
Revenue Bonds Payable - MSD	96,555,000	-	2,520,000	94,035,000	2,595,000
General Obligation Bonds Payable - MSD	35,070,071	6,146,202	2,343,638	38,872,635	3,164,531
Premiums (Discounts)	18,370,399	495,728	1,094,376	17,771,751	1,094,375
	<u>263,113,156</u>	<u>30,483,246</u>	<u>20,736,520</u>	<u>272,859,882</u>	<u>16,072,890</u>
Compensated absences	10,515,564	-	20,607	10,494,957	2,623,739
Insurance claims	3,336,388	2,124,978	-	5,461,366	5,461,366
Landfill post-closure care	3,793,626	581,159	-	4,374,785	-
	<u>\$ 280,758,734</u>	<u>\$ 33,189,383</u>	<u>\$ 20,757,127</u>	<u>\$ 293,190,990</u>	<u>\$ 24,157,995</u>
Business-type activities					
General Obligation Debt	\$ 35,397,488	\$ 14,510,691	\$ 7,741,198	42,166,981	\$ 6,853,025
Revenue Bonds	298,990,000	-	11,400,000	287,590,000	6,695,000
Premiums (Discounts)	(3,410,506)	522,205	32,971	(2,921,272)	-
	<u>\$ 330,976,982</u>	<u>\$ 15,032,896</u>	<u>\$ 19,174,169</u>	<u>\$ 326,835,709</u>	<u>\$ 13,548,025</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

The EPD Enterprise Fund has seven loan agreements with original principal balances amounting to \$44,583,679 with the State of New Hampshire, State Water Pollution Control Revolving Fund (SRF) program for the purpose of financing certain projects in connection with the expansion of the wastewater treatment facility and water pollution abatement projects.

Additionally, several projects are currently utilizing the services of the SRF. These projects are in various stages of the construction or completion phase of the project. Four DES eligible projects are classified as EPD Enterprise. Total unamortized indebtedness as of June 30, 2007 is \$12,354,897 for EPD and CSO projects.

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, 2007, the swap agreement resulted in a cumulative unfavorable fair value of \$921,888 based on dealer quoted prices, and accordingly, the fair value of the swap was recorded in accrued liabilities and additional interest expense in the related accompanying financial statements.

Manchester Housing and Redevelopment Authority

In March 2000, the Manchester Housing and Redevelopment Authority, New Hampshire the (MHRA) issued \$49,772,909 in revenue bonds (the Bonds) to finance, in part, the construction of the Manchester Civic Center (now the Verizon Wireless Arena) (the Arena). The MHRA is a public body, corporate and politic, established pursuant to Chapter 203 of the New Hampshire Revised Statutes. The MHRA is not a component unit of the City within the meaning of GASB Codification Section 2100.

The Bonds issued by the MHRA to finance the construction of the Arena are secured, to a degree, by revenues to be paid by the City pursuant to a Financing Agreement between the City and the MHRA (the Financing Agreement). At the time of the issuance of the Bonds, MHRA assigned all of its rights under the Financing Agreement to a corporate trustee, to be held, in trust, for the benefit of the holders of the Bonds from time to time. Under the terms of the Financing Agreement, the City is to make payment of meals and rooms tax revenues received by it from the State of New Hampshire, pursuant to RSA 78-A:26, but only to the extent that (i)

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

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. The Financing Agreement stipulates that the Mayor will include an appropriation request in the annual budget submission to the City's Board of Mayor and Aldermen, payable from the meals and rooms tax imposed by the State and paid to the City in excess of \$454,927 in each fiscal year in an amount sufficient to make the payments required under the Financing Agreement. There is, however, no assurance that the BMA will appropriate such funds on an annual basis, or that sufficient meals and rooms tax revenues will be received by the City to make scheduled payments under the Financing Agreement. Pursuant to New Hampshire law, the Bonds do not constitute indebtedness of the City of Manchester.

In the event that either (i) the City does not receive meals and rooms tax revenues sufficient to make payments under the Financing Agreement, or (ii) that the BMA should determine not to appropriate meals and rooms tax revenues to make payments under the Financing Agreement (each an Event of Early Termination), holders of the Bonds may look only to certain reserve funds and to an insurance policy provided by 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.

Title to the facility remains with the City of Manchester. Consequently, the Arena is included as an asset in the City's financial statements. The City treated the donation of the asset from MHRA as a non-exchange transaction and recorded the asset at construction cost as the estimated fair market value at the time of the donation. The recording of the asset and not the revenue bonds discussed above within governmental activities, in the opinion of the auditors is not in accordance with accounting principles generally accepted in United States of America.

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Note 11. Employee Benefit Plans

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

City Plans

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

SCHEDULE OF PLAN NET ASSETS

	MECRS Pension Trust	Old System Pension Trust	Total
Assets			
Cash and cash equivalents	\$ 1,306,028	\$ 722,931	\$ 2,028,959
Investments	130,997,573	17,492,059	148,489,632
Receivables, net of allowances for collection losses	1,711,452	116,816	1,828,268
Other assets	7,200	-	7,200
Property and equipment, net where applicable, of accumulated depreciation	104,120	-	104,120
Total Assets	134,126,373	18,331,806	152,458,179
Liabilities			
Accounts and warrants payable	138,044	-	138,044
Accrued liabilities	539,332	-	539,332
Total Liabilities	677,376	-	677,376
Net Assets Held in Trust for Pension Benefits	\$ 133,448,997	\$ 18,331,806	\$ 151,780,803

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

SCHEDULE OF CHANGES OF PLAN NET ASSETS

	MECRS Pension Trust	Old System Pension Trust	Total
Additions			
Contributions			
Employer	\$ 7,159,272	\$ -	\$ 7,159,272
Plan members	1,932,013	-	1,932,013
Total Contributions	9,091,285	-	9,091,285
Investment Gain (Loss)			
Net realized and unrealized appreciation in fair value of investments	14,142,176	970,557	15,112,733
Interest	1,050,471	1,063,165	2,113,636
Dividends	994,368	-	994,368
Less investment expense	(338,414)	-	(338,414)
Net Investment Income (Loss)	15,848,601	2,033,722	17,882,323
Total Additions (Reductions)	24,939,886	2,033,722	26,973,608
Deductions			
Benefits paid directly to participants	6,091,793	1,835,296	7,927,089
Refunds of employee contributions	190,981	-	190,981
Administrative expenses	842,296	74,322	916,618
Total Deductions	7,125,070	1,909,618	9,034,688
Net Decrease	17,814,816	124,104	17,938,920
Net Assets Held in Trust for Pension Benefits			
Beginning of year	115,634,181	18,207,702	133,841,883
End of year	\$ 133,448,997	\$ 18,331,806	\$ 151,780,803

New System

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

All covered employees hired after January 1, 1974 are required to participate in the MECRS as a condition of employment. Employees are 100% vested after five years of service. The retirement benefit is calculated at 1-1/2% of final average total compensation during the highest three years of service in the last ten years of service (hereafter average compensation), multiplied by the

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

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 60 before retirement or have combined age and years of service over specified amounts. All eligible employees are required to contribute 2-1/2% of their salaries to the MECRS prior to January 1, 1999 and 3-3/4 % of their salaries after January 1, 1999. If an employee leaves covered employment or dies before five years of service, accumulated employee contributions and earnings thereon at rates determined annually by the MECRS Board of Trustees (5%, for the periods ended June 30, 2007 and 2006) are refunded. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees. Benefit provisions and contribution requirements are established by the City and may be amended only by the BMA, subject to approval of the voters of the City through referendum.

Membership in the Plan consisted of the following at December 31, 2006, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	544
Terminated vested members	88
Active members	<u>1,328</u>
Total Participants	<u>1,960</u>

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Year Ended December 31	Year Ended June 30 *	Annual Contribution	Actual Contribution Year Ended December 31	Annual Required Contribution as a Percent of Valuation Payroll
2005	2007	N/A	N/A	10.63 %
2004	2006	N/A	N/A	8.72
2003	2005	\$ 4,083,493	\$ 5,413,826	8.76

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Unfunded		Funded Ratio (a)/(c)	Covered Payroll (prior year)
		Actuarial Accrued Liability (Surplus) (b)	Actuarial Accrued Liability (c)		
12/31/2006 *	\$ 126,293,879	\$ 46,244,869	\$ 172,538,747	73.2 %	\$ 45,027,930
12/31/2006	126,293,879	36,424,102	162,717,981	77.6	47,537,456
12/31/2005	113,856,253	34,059,414	147,915,667	77.0	47,233,321
12/31/2004	103,826,765	22,520,228	126,346,993	82.2	45,027,930
12/31/2003	95,297,689	20,954,959	116,252,648	82.0	41,998,187
12/31/2002	89,755,853	6,364,857	106,120,710	84.6	38,940,104
12/31/2001	94,812,631	1,457,848	96,270,479	98.5	38,692,738

* After phased in COLA increase

Additional information as of the latest actuarial valuation follows:

Valuation Date:	December 31, 2006
Actuarial Cost Method:	Entry Age Normal
Investment Net Rate of Return:	7.5%
Projected Salary Increases:	4.0% - 14.4%
Amortization Method:	Level percent of payroll
Asset Valuation Method:	5 year smoothed market
Inflation Rate:	4.0%
Remaining Amortization Period	27 years

Old System

Prior to January 1, 1974, all eligible City employees participated in the Old System, a single employer contributory public employee retirement system (PERS). All employees hired before January 1, 1974 were given the option to remain in the Old System or participate in the MECRS. The Old System was replaced by the MECRS and only operates to cover the remaining participants. All employees covered under the Old System are fully vested. Benefits under the Old System are limited to retirement benefits without death benefits to survivors. Benefits are recognized as expenditures of the General Fund on a pay-as-you-go basis. At June 30, 2007, the Old System membership consisted of:

Members currently receiving benefits	148
Active Vested Members	<u>17</u>
Total Members	<u>165</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year ended June 30,	Annual required contributions	Percentage contributed
2007	\$ -	0.0 %
2006	124,659	0.0
2005	71,571	0.0

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

Annual required contribution	\$ 48,508
Interest on net pension obligation	(1,160,922)
Adjustment to annual required contribution	1,931,282
Annual pension cost	<u>818,868</u>
Less contributions made	-
Increase in net pension obligation (asset)	<u>818,868</u>
Net pension obligation (asset) beginning of year	(15,478,964)
Net pension obligation (asset) end of year	<u><u>\$ (14,660,096)</u></u>

Three year trend information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2007	\$ 818,868	0.0 %	\$ (14,660,096)
6/30/2006	838,913	0.0 %	(15,478,964)
6/30/2005	731,168	0.0 %	(16,317,877)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Assets	Actuarial Accrued Liability (AAL) P.U.C.	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	\$ 18,331,806	\$ 17,771,369	\$ (560,437)	103.15 %	\$ 907,546	(61.75) %
7/1/2006	18,207,702	18,596,488	388,786	97.91	881,317	44.11
7/1/2005	18,962,145	20,011,713	1,049,568	94.76	1,077,069	97.45
7/1/2004	19,705,567	20,335,101	629,534	96.90	1,047,706	60.09
7/1/2003	18,843,721	20,631,992	1,788,271	91.33	987,984	181.00
7/1/2002	20,126,399	20,955,638	829,239	96.04	1,025,725	80.84

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	11 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.50 %
Projected salary increases	4.50 %

NHRS Related Supplementary Benefits Plan

The City pays supplementary benefits of up to 50% of the last annual wage for any City employee who participates in the NHRS, was hired before June 30, 1972, and does not receive a pension benefit from the NHRS equal to at least 50% of the last annual wage. The unfunded pension obligation related to this benefit at June 30, 2007 was \$260,033.

At June 30, 2007, the membership consisted of:

Members currently receiving benefits	36
--------------------------------------	----

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 9.68% to 14.36% of covered compensation.

The City's contributions to the system, consisting of firefighters and police officers, for the years ended June 30, 2007, 2006 and 2005 were \$3,647,384, \$3,498,933 and \$2,866,242, respectively, and were equal to the required contributions. For the years ended June 30, 2007, 2006 and 2005, the City has recognized both revenue and expenditures of \$1,964,847, \$1,888,062 and \$1,459,031, respectively, on behalf of contributions made by the State to the NHRS.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Note 12. Contingent Liabilities and Risk Management

There are various claims and legal actions pending against the City for which provision has been made in the financial statements. In the opinion of the City Solicitor and other City officials, losses arising from these claims and legal actions, if any, will not have a material adverse effect on the City.

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

The City's insurance coverage consists of both self-insured programs and policies maintained with various carriers. Coverage has not been materially reduced nor 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
2007	\$4,204,947	\$4,993,714	\$6,250,133	\$5,461,366
2006	\$4,446,038	\$4,326,784	\$4,085,693	\$4,204,947

Accident and Health

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

Property

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

General Liability

Liability claims are administered through a private carrier. The City is self-insured under this program, except for the Aviation Fund which maintains a liability insurance policy which provides coverage generally up to \$100,000,000 for each occurrence and in the aggregate in any one annual period of insurance. State law generally limits a city's liability for an incident to

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2007

\$150,000 per individual and \$500,000 per incident. \$833,000 was recorded in the government wide statements for fiscal year 2007 as the City's estimated liabilities for unsettled claims.

Worker's Compensation

Worker's compensation claims are administered through a private carrier. The City is self-insured under this program for all City employees. There is no limit per employee. \$2,970,000 was recorded in the government wide statements as the City's estimated liability for all types of claims incurred in 2007 or prior, which have not been settled.

Department of Aviation

The DA has comprehensive airport liability insurance policies with insurance companies, which provide coverage generally up to \$100,000,000 for each occurrence and in the aggregate in any one annual period of insurance. Claims are subject to a deductible amount of \$1,000 for each occurrence up to a maximum of \$5,000 during any one annual insurance period. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

Regulatory

The City was issued an Administrative Order against it by the United States Environmental Protection Agency (EPA), ordering the City to evaluate and plan for appropriate treatment of combined sewer 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, 2007, there is no pending claim by the EPA or the State.

The EPD completed the Long-Term Control Plan for Combined Sewer Overflows in 1998 and entered into negotiations with EPA. The project is estimated to cost \$85 to \$140 million. The City has signed a consent order with EPA and NHDES to address the first phase of the CSO Remediation over an 11-year period at an estimated cost of \$59 million. EPD has initiated the CSO projects as required by the City's Consent Order. To date, all eligible CSO work has been awarded SRF loans and 20% State grants. At the conclusion of Phase I, the City and EPA will reassess CSO activity and evaluate the need for Phase II.

Note 13. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations required the City to place final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$4,374,785 reported as landfill closure and postclosure care liability at June 30, 2007 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.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

Note 14. Fund Deficits

As of June 30, 2007, the CDBG, Other Grants funds and the Recreation Fund had fund deficits in the amounts of \$131,168, \$32,368 and \$495,309, respectively.

The City anticipates financing the deficits through future revenues.

Note 15. Issued But Not Effective Professional Standards

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

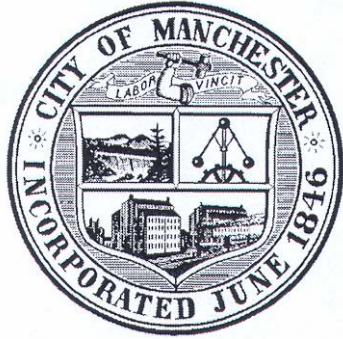
- ◆ GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,” issued June 2004, will be effective for the City beginning with its year ending June 30, 2008. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits, expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.
- ◆ Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,” issued September 2006, is effective for periods beginning after December 15, 2006. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.
- ◆ GASB Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations,” issued December 1, 2006, will be effective for the City beginning with its fiscal year June 30, 2009, but the liability should be measured at July 1, 2008 so that beginning net assets can be restated. This Statement identifies the circumstances under which a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted, if the pollution poses an imminent danger to the public or the environment, if the government has violated a pollution prevention permit or license, if the government has been named as a responsible party for cleaning up the pollution, if the government began to clean up the pollution, and if the government is named in a lawsuit. In addition, it provides disclosure information about their pollution obligations associated with clean-up efforts.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2007

- ◆ GASB Statement No. 50, "Pension Disclosures - an Amendment of GASB Statements No. 25 and No. 27," issued May, 2007. This Statement more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by the Statement amend applicable note disclosure and RSI requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and No. 27, "Accounting for Pensions by State and Local Governmental Employers," to conform with requirements of Statements No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," and No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." This Statement is effective for period beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later.

- ◆ GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," issued June, 2007. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. Intangible assets, and more specifically easements, are referred to in the description of capital assets in Statement No. 34, "Basic Financial Statements - and Management's Discussion and analysis - for State and Local Governments." This reference has created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. An absence of sufficiently specific authoritative guidance that addresses these questions has resulted in inconsistencies in the accounting and financial reporting of intangible assets among state and local governments, particularly in the areas of recognition, initial measurement, and amortization. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.



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

General Fund

General Fund

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

**General Fund
Comparative Balance Sheets**

**City of Manchester, New Hampshire
June 30, 2007**

	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 74,561,583	\$ 58,886,430
Restricted cash and cash equivalents	9,228,443	8,986,380
Investments	549,682	546,173
Receivables, net of allowances for collection losses	22,264,508	21,996,042
Prepaid items	1,067	1,045
Due from other funds	5,792,937	18,529,899
Inventories	731,730	895,312
Land held for resale	3,332,338	3,000,000
Total Assets	\$ 116,462,288	\$ 112,841,281
<u>Liabilities and Fund Equity</u>		
Liabilities		
Accounts and warrants payable	\$ 3,603,363	\$ 4,820,700
Retainage payable	36,121	24,794
Accrued liabilities	3,702,882	3,231,921
Insurance claims payable	967,032	845,167
Due to Manchester School District	26,139,706	27,275,998
Unearned revenue	20,440,093	18,208,912
Deferred revenue	2,190,956	1,713,809
Taxes collected in advance	33,497,501	31,403,021
Total Liabilities	90,577,654	87,524,322
Fund Equity		
Retained earnings		
Fund balances		
Reserved for		
Encumbrances	375,562	1,081,815
Inventory	731,730	895,312
Workers' compensation	2,687,771	2,338,749
Land held for resale	3,332,338	3,000,000
Designated for		
Health insurance	1,500,338	517,333
General liability insurance	603,232	931,926
Special revenue	5,408,382	5,680,848
Revenue stabilization	10,939,699	10,098,845
Unreserved		
Undesignated fund balance	305,582	772,131
Total Fund Equity	25,884,634	25,316,959
Total Liabilities and Fund Equity	\$ 116,462,288	\$ 112,841,281

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

**City of Manchester, New Hampshire
Year Ended June 30, 2007**

	<u>2007</u>	<u>2006</u>
<u>Revenues</u>		
Taxes	\$ 73,363,164	\$ 69,052,574
Federal and state grants and aid	9,397,693	9,509,644
Nonenterprise charges for sales and services	2,498,543	4,812,300
Licenses and permits	19,068,754	21,609,795
Interest	2,438,924	2,218,008
Other	9,398,749	9,874,688
Total Revenues	116,165,827	117,077,009
<u>Expenditures</u>		
Current:		
General government	22,621,758	23,060,587
Public safety	47,365,916	44,979,762
Health and sanitation	3,079,173	3,125,580
Highway and streets	21,279,800	22,948,965
Welfare	1,281,179	1,261,528
Education	2,647,160	2,573,610
Parks and recreation	3,563,914	3,292,841
Debt service:		
Principal retirement	8,209,680	9,986,012
Interest	5,144,530	5,480,168
Total Expenditures	115,193,110	116,709,053
Excess of revenues over expenditures	972,717	367,956
<u>Other Financing Sources (Uses)</u>		
Proceeds from sale of capital assets	-	3,916,500
Transfers in	2,625,048	1,125,422
Transfers out	(3,030,090)	(4,141,812)
Total Other Financing Sources (Uses)	(405,042)	900,110
Net Change in Fund Balance	567,675	1,268,066
Fund Balance, beginning of year	25,316,959	24,048,893
Fund Balance, end of year	\$ 25,884,634	\$ 25,316,959

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

**City of Manchester, New Hampshire
Year Ended June 30, 2007**

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Taxes</u>				
Property tax	\$ 68,873,890	\$ 71,643,890	\$ 71,789,913	\$ 146,023
Boat tax	40,000	40,000	34,656	(5,344)
Cable franchise fee	1,050,000	1,050,000	1,069,452	19,452
Cost on deferred tax	25,000	25,000	32,562	7,562
Cost on tax title	18,000	18,000	16,453	(1,547)
Interest on tax	300,000	300,000	433,535	133,535
Interest on tax lien	240,000	240,000	192,213	(47,787)
Railroad tax	2,000	2,000	2,314	314
Tax lien	60,000	60,000	10,565	(49,435)
Total Taxes	70,608,890	73,378,890	73,581,663	202,773
<u>Federal and State Grants and Aid</u>				
CIP/federal capital	227,000	227,000	191,662	(35,338)
FEMA	-	-	7,599	7,599
Highway block grant	1,744,618	1,744,618	1,664,463	(80,155)
Home Investment Program	-	-	48,250	48,250
Landfill closure	207,576	207,576	207,576	-
Lieu of tax - Carpenter Center	52,000	52,000	59,872	7,872
Lieu of tax - MHRA	199,000	199,000	141,890	(57,110)
Lieu of tax - other	520,000	520,000	651,915	131,915
Medicare reimbursement	10,000	10,000	-	(10,000)
Meals & rooms tax	454,927	454,927	454,927	-
Revenue Sharing Distribution	3,955,713	3,955,713	3,955,713	-
State Grants	35,000	35,000	48,979	13,979
Traffic reimbursement	20,000	20,000	-	(20,000)
Total Federal and State Grants and Aid	7,425,834	7,425,834	7,432,846	7,012
<u>Nonenterprise Charges for</u>				
<u>Sales and Services</u>				
Cemetery - Care of lot and grave	20,295	20,295	20,410	115
Cemetery - Cement container	16,000	16,000	20,870	4,870
Cemetery - Internment	104,750	104,750	123,175	18,425
Cemetery - Sale of mausoleum	18,600	18,600	9,680	(8,920)
City Clerk - Certified record	234,000	234,000	224,716	(9,284)
City Clerk - Certified record, state share	(141,000)	(141,000)	(146,335)	(5,335)
City Clerk - Late fee	3,000	3,000	7,219	4,219
City Clerk - Political filing fee	30	30	4	(26)
City Clerk - UCC financing statement	30,000	30,000	26,755	(3,245)
City Clerk - Vending machine commission	75	75	41	(34)
Finance - Wage assignment fee	2,000	2,000	1,591	(409)
Fire - Alarm permit	289,000	289,000	283,187	(5,813)
Fire - Central station monitoring	22,000	22,000	26,033	4,033
Fire - Day care inspection	2,000	2,000	1,850	(150)
Fire - False alarm	92,000	92,000	95,904	3,904
Fire - Hazardous inspection fee	3,000	3,000	5,630	2,630
Fire - Review of life safety code plan	4,500	4,500	5,854	1,354
Fire - Sprinkler system review	22,000	22,000	17,958	(4,042)

(continued)

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

**City of Manchester, New Hampshire
Year Ended June 30, 2007
(Continued)**

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Nonenterprise Charges for</u>				
<u>Sales and Services (Continued)</u>				
Fire - Standby fee	1,000	1,000	1,230	230
Fire - Telephone dialer fee	700	700	725	25
Health - Day care health inspection	550	550	800	250
Health - Immunization reimbursement	-	-	9,158	9,158
Highway - Bid fee	1,400	1,400	2,150	750
Highway - Delay rent on landfill	30,000	30,000	25,962	(4,038)
Highway - Drop-off Center	515,000	515,000	462,921	(52,079)
Highway - Grade certification	5,000	5,000	2,425	(2,575)
Highway - Inspection fee	40,000	40,000	30,875	(9,125)
Highway - Maintenance	4,000	4,000	17,993	13,993
Highway - Sewer tap fee	90,000	90,000	66,500	(23,500)
Highway - Hackett Hill sewer recovery	-	-	83,956	83,956
Highway - Wellington sewer recovery	-	-	7,351	7,351
Highway - Youngsville sewer recovery	-	-	5,265	5,265
Human resources - Examination fee	10,000	10,000	7,740	(2,260)
Information systems - Department supplies	4,500	4,500	2,998	(1,502)
Parks - Concessions, rentals, bids	200	200	6,606	6,406
Parks- School Athletics	-	-	122,700	122,700
Parks - Baseball, football & softball	-	-	16,645	16,645
Planning - Site plan fee	100,000	100,000	38,506	(61,494)
Planning - Sub-Division fee	18,000	18,000	13,150	(4,850)
Planning - Zoning variance	27,000	27,000	67,844	40,844
Police/Fire - Accident/investigation report	65,000	65,000	54,634	(10,366)
Police - Auction	2,000	2,000	1,532	(468)
Police - Building violation fine	18,000	18,000	12,050	(5,950)
Police - District court fine	65,000	65,000	84,940	19,940
Police - Dog license fee	15,000	15,000	46,086	31,086
Police - Extra detail administrative	100,000	100,000	98,813	(1,187)
Police - Fingerprint	10,000	10,000	9,525	(475)
Police - Photograph sale	2,400	2,400	1,845	(555)
Police - Listed agent fee	17,500	17,500	13,425	(4,075)
Police - Towing fine	-	-	464	464
Police - Witness fee	95,100	95,100	132,012	36,912
Tax collector - auto registration parking	58,000	58,000	55,967	(2,033)
Tax collector - Fee duplicate tax receipt	5,000	5,000	3,376	(1,624)
Tax collector - Motor vehicle title fee	58,000	58,000	54,029	(3,971)
Tax collector - Municipal agent fee	200,000	200,000	188,235	(11,765)
Various - Bounced check fee	10,500	10,500	8,497	(2,003)
Various - Research fee	17,300	17,300	7,195	(10,105)
Various - Photocopy	8,550	8,550	6,672	(1,878)
Total Nonenterprise Charges for Sales and Services	2,316,950	2,316,950	2,497,339	180,389

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

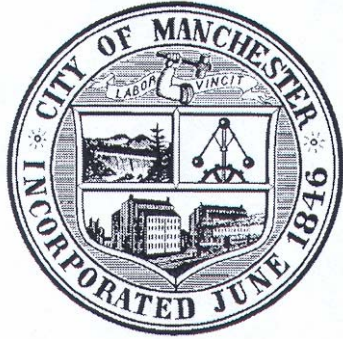
**City of Manchester, New Hampshire
Year Ended June 30, 2007**

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Licenses and Permits</u>				
Tax collector - Auto registration	15,960,000	15,960,000	15,286,482	(673,518)
Building - Certificate of compliance	230,000	230,000	209,970	(20,030)
Building - Building permit	1,350,000	1,300,000	1,451,169	151,169
Building - Electric permit	225,000	225,000	197,174	(27,826)
Building - Elevator permit	2,000	2,000	1,675	(325)
Building - Heating permit	135,000	135,000	170,410	35,410
Building - Plumbing permit	90,000	90,000	62,173	(27,827)
Building - Sign permit	30,000	30,000	25,638	(4,362)
Building - Yard sale permit	5,500	5,500	3,770	(1,730)
City Clerk - Amusement license	25,000	25,000	30,764	5,764
City Clerk - Dog license	52,000	52,000	65,705	13,705
City Clerk - Dog license, state share	(4,700)	(4,700)	(4,792)	(92)
City Clerk - Employment office license	500	500	446	(54)
City Clerk - Marriage license	43,000	43,000	42,210	(790)
City Clerk - Marriage license, state share	(37,000)	(37,000)	(35,378)	1,622
City Clerk - Mechanical device license	185,000	185,000	174,244	(10,756)
City Clerk - Peddler license	15,000	15,000	20,186	5,186
City Clerk - Second hand license	500	500	3,234	2,734
City Clerk - Sunday permit	100,000	100,000	101,418	1,418
City Clerk - Taxi license	10,000	10,000	10,985	985
Fire - Central station annual permit	3,000	3,000	4,000	1,000
Health - Bathing facility permit	8,800	8,800	9,975	1,175
Health - Food permit	175,000	175,000	169,095	(5,905)
Health - Septic permit	4,400	4,400	3,700	(700)
Highway - Encumbrance permit	7,500	7,500	5,450	(2,050)
Highway - Excavation permit	120,000	120,000	96,600	(23,400)
Highway - Pipe layer certification	2,400	2,400	3,250	850
Highway - Reclamation trust fund	302,000	302,000	296,401	(5,599)
Highway - Road Resurfacing	558,000	558,000	560,237	2,237
Police - Alarm permit	57,500	57,500	52,820	(4,680)
Police - Blasting permit	700	700	1,000	300
Police - Game of chance license	500	500	200	(300)
Police - Gun permit	5,000	5,000	7,730	2,730
Police - Place of assembly permit	28,000	28,000	30,200	2,200
Police - Towing license	14,250	14,250	12,517	(1,733)
Traffic - Parking fees	-	-	(705)	(705)
Total Licenses and Permits	19,703,850	19,653,850	19,069,953	(583,897)
<u>Interest</u>				
Income from invested funds	2,434,000	2,434,000	2,438,924	4,924

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

**City of Manchester, New Hampshire
Year Ended June 30, 2007**

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Other Revenues				
Building - Restitution from prior year	4,000	4,000	2,576	(1,424)
Building - Administration	66,260	66,260	64,815	(1,445)
Building - Sale of code	1,550	1,550	460	(1,090)
City Solicitor - Worker's comp. reimb.	324,906	324,906	252,935	(71,971)
Finance - Airport reimbursement	50,000	50,000	14,552	(35,448)
Finance - Debt Recovery Baseball	169,014	169,014	169,014	-
Finance - Debt Recovery Livingston Park	25,000	25,000	25,000	-
Finance - Lease payments - baseball	750,000	750,000	750,000	-
Health - Immunization reimbursement	97,500	97,500	560	(96,940)
Health - Lead Poisoning	35,000	35,000	-	(35,000)
Health - STD reimbursement	25,000	25,000	-	(25,000)
Health - TB reimbursement	31,000	31,000	-	(31,000)
Highway - Fuel reimbursements	25,000	25,000	31,747	6,747
Highway - Lease payments	-	-	26,000	26,000
Highway / Traffic - Scrap metal and salvage	21,000	21,000	11,148	(9,852)
MEDO - Wall St. Tower refinance	71,188	71,188	71,188	-
Parks - Gill Stadium Lights	-	-	15,222	15,222
Police - Cruiser rental	8,000	8,000	17,779	9,779
Police - Extra detail revolving fund	12,000	12,000	(90,241)	(102,241)
Police - Employee benefit reimbursement	-	-	28	28
Tax collector - Excess receipt	-	-	3,882	3,882
Traffic - Repair traffic signals admin.	5,000	5,000	9,070	4,070
Traffic - Repair traffic signals labor	5,000	5,000	644	(4,356)
Various - Data processing	44,000	44,000	34,685	(9,315)
Various - Maps, prints, etc.	6,850	6,850	6,762	(88)
Various - Miscellaneous	207,204	207,204	51,711	(155,493)
Various - Reimbursement - salary	231,706	31,706	27,895	(3,811)
Various - telephone reimb.	1,410	1,410	1,606	196
Welfare - Benefit recoveries	95,000	95,000	74,100	(20,900)
MSD chargebacks	8,834,748	8,264,748	7,825,612	(439,136)
Total Other Revenues	11,147,336	10,377,336	9,398,750	(978,586)
Total Revenues	\$ 113,636,860	\$ 115,586,860	\$ 114,419,475	\$ (1,167,385)
Transfers in	4,525,100	2,575,100	2,228,047	(347,053)
Total Transfers in	4,525,100	2,575,100	2,228,047	(347,053)
Total Revenues and Transfers in	\$ 118,161,960	\$ 118,161,960	\$ 116,647,522	\$ (1,514,438)



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General Fund
Schedule of Expenditures, Encumbrances and
Other Financing Uses - Budget and Actual 2007 (Budget Basis) with comparative totals for 2006

	Salaries & Wages	Employee Benefits	Purchased Professional Services	Purchased Property Services	Other Purchased Services
General Government					
Aldermen	\$ 70,000	\$ 104,593	\$ -	\$ -	\$ -
Assessors	536,516	173,187	-	3,009	\$18,006
Building	1,032,039	400,584	-	5,546	27,687
City Clerk	728,572	241,119	-	15,963	80,961
City Solicitor	814,575	527,940	1,072	-	269,323
Civic Contribution	-	-	-	-	-
Conservation	-	-	835	-	1,010
Economic Development Office	145,298	42,550	-	650	82,098
Elderly Services	184,809	90,115	-	2,296	4,672
Finance	765,750	246,546	132,656	11,786	35,168
Central Purchasing	97,385	27,697	-	-	539
Information Systems	955,144	360,426	14,261	467,223	89,067
Mayor	204,739	74,879	-	-	2,709
MCTV	-	-	-	-	-
Nondepartmental	-	-	-	-	-
Non-city Program	-	-	-	-	-
Human Resources	629,838	(283,273)	44,898	-	26,934
Planning	712,524	228,775	1,046	1,964	5,667
Building Maintenance	1,004,233	414,765	5,048	387,086	4,295,946
Tax Collector	450,026	176,430	13,401	771	35,257
Youth Services	400,909	157,956	1,104	10,286	10,495
Total General Government	8,732,357	2,984,289	214,321	906,580	4,985,539
Public Safety					
Fire	15,711,239	5,554,593	10,625	316,480	131,433
Police	16,034,467	5,418,338	18,276	281,706	457,312
Total Public Safety	31,745,706	10,972,931	28,901	598,186	588,745
Health and Sanitation					
Health	2,096,913	812,329	6,357	6,248	20,639
Total Health and Sanitation	2,096,913	812,329	6,357	6,248	20,639
Highway and Streets					
Highway	8,350,528	3,465,141	7,141	5,773,641	191,745
Traffic	518,536	233,681	-	8,961	9,135
Total Highway and Streets	8,869,064	3,698,822	7,141	5,782,602	200,880
Welfare					
Welfare	525,856	183,475	216,280	2,282	149,090
Total Welfare	525,856	183,475	216,280	2,282	149,090
Education					
MSD	-	-	-	-	-
Library	1,584,391	594,399	-	74,218	36,223
Total Education	1,584,391	594,399	-	74,218	36,223
Parks and Recreation					
Parks & Recreation	2,166,439	669,634	1,173	161,569	54,304
Total Parks and Recreation	2,166,439	669,634	1,173	161,569	54,304
Debt Service					
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Total Debt Service	-	-	-	-	-
Total Expenditures	55,720,726	19,915,879	474,173	7,531,685	6,035,420
Other Financing Uses					
Community improvement program	-	-	-	-	-
Total Other Financing Uses	-	-	-	-	-
Total Expenditures and Other Financing Uses	\$ 55,720,726	\$ 19,915,879	\$ 474,173	\$ 7,531,685	\$ 6,035,420

City of Manchester, New Hampshire
Year Ended June 30, 2007

Supplies & Materials	Capital Outlay	Miscellaneous	2007 Total Commitments	2007 Revised Budget	Variance	2007 Original Budget	2006 Total Commitments
\$ -	\$ -	\$ -	\$ 174,593	\$ 197,127	\$ 22,534	\$ 197,127	\$ 162,334
5,837	875	1,587	739,017	780,553	41,536	780,553	658,277
6,601	-	2,046	1,474,503	1,507,186	32,683	1,507,186	1,510,165
14,489	6,926	33,559	1,121,589	1,158,838	37,249	1,158,838	1,230,267
13,410	-	100,267	1,726,587	1,274,640	(451,947)	1,274,640	1,637,867
-	-	157,708	157,708	157,708	-	152,700	158,472
139	-	1,650	3,634	14,842	11,208	14,842	3,091
2,091	146	2,661	275,494	380,823	105,329	380,823	261,661
42,051	-	75	324,018	324,017	(1)	313,615	303,264
4,956	3,798	6,920	1,207,580	1,304,313	96,733	1,304,313	1,177,619
170	2,205	315	128,311	200,000	71,689	200,000	-
8,807	-	457	1,895,385	2,030,336	134,951	2,030,336	2,109,105
2,424	-	-	284,751	304,231	19,480	304,231	275,501
-	-	396,754	396,754	396,754	-	396,754	455,000
-	-	2,423,594	2,423,594	3,199,608	776,014	3,270,000	2,741,522
-	-	69,149	69,149	69,149	-	68,817	68,817
7,309	-	7,379	433,085	1,011,385	578,300	1,002,385	1,022,771
2,147	-	25	952,148	963,019	10,871	963,019	938,093
416,208	15,703	274,647	6,813,636	6,921,325	107,689	6,921,325	7,105,102
3,035	-	183	679,103	766,812	87,709	766,812	740,005
5,827	5,260	7,473	599,310	599,310	-	596,927	552,317
535,501	34,913	3,486,449	21,879,949	23,561,976	1,682,027	23,605,243	23,111,250
522,243	103,827	21,230	22,371,670	22,840,146	468,476	22,840,146	21,708,530
577,966	22,063	127,853	22,937,981	22,961,048	23,067	22,795,498	21,267,887
1,100,209	125,890	149,083	45,309,651	45,801,194	491,543	45,635,644	42,976,417
113,214	-	34,889	3,090,589	3,568,561	477,972	3,568,561	3,122,661
113,214	-	34,889	3,090,589	3,568,561	477,972	3,568,561	3,122,661
1,429,746	96,686	1,138,341	20,452,969	21,411,073	958,104	21,456,356	19,767,870
115,861	529	490	887,193	962,213	75,020	962,213	2,980,398
1,545,607	97,215	1,138,831	21,340,162	22,373,286	1,033,124	22,418,569	22,748,268
4,751	105	198,645	1,280,484	1,310,819	30,335	1,310,819	1,255,323
4,751	105	198,645	1,280,484	1,310,819	30,335	1,310,819	1,255,323
-	-	-	-	-	-	-	-
357,746	-	105	2,647,081	2,780,715	133,634	2,780,715	2,571,800
357,746	-	105	2,647,081	2,780,715	133,634	2,780,715	2,571,800
426,557	46,609	60,410	3,586,695	3,654,221	67,526	3,654,221	3,281,807
426,557	46,609	60,410	3,586,695	3,654,221	67,526	3,654,221	3,281,807
-	-	8,209,680	8,209,680	8,341,600	131,920	8,341,600	9,986,012
-	-	5,144,530	5,144,530	5,441,950	297,420	5,441,950	5,480,168
-	-	13,354,210	13,354,210	13,783,550	429,340	13,783,550	15,466,180
4,083,585	304,732	18,422,622	112,488,821	116,834,322	4,345,501	116,757,322	114,533,706
-	-	1,827,638	1,827,638	1,827,638	-	1,904,638	2,271,765
-	-	1,827,638	1,827,638	1,827,638	-	1,904,638	2,271,765
\$ 4,083,585	\$ 304,732	\$ 20,250,260	\$ 114,316,459	\$ 118,661,960	\$ 4,345,501	\$ 118,661,960	\$ 116,805,471



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Nonmajor Governmental Funds

Special Revenue Funds

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

HUD Section 108 Fund

To account for Housing and Urban Development Programs that qualify for funding under Section 108.

Cash Special Projects Fund

To account for cash funded special programs, administered by City Departments.

CDBG

To account for various Community Development Block Grant funded programs.

Other Grant Fund

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

Civic Center

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

Revolving Loan Fund

To account for a loan program funded by CDBG funds.

Expendable Trust Fund

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

Permanent Funds

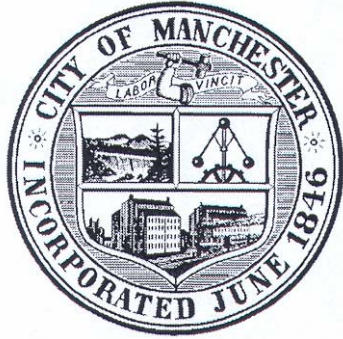
Permanent funds are to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Trust Fund

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

Library Trust Fund

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



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Nonmajor Governmental Funds
Combining Balance Sheet

	Special Revenue			
	HUD Section 108 Fund	Cash Special Projects Fund	CDBG Fund	Other Grants Fund
Assets				
Cash and cash equivalents	\$ 395,920	\$ 1,157,870	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	1,329,351
Restricted investments	-	-	-	-
Receivables, net of allowances for collection losses	5,737,795	-	646,699	1,309,658
Total Assets	6,133,715	1,157,870	646,699	2,639,009
<u>Liabilities and Fund Equity</u>				
Liabilities				
Accounts and warrants payable	6,003,000	191,377	382,014	918,659
Accrued liabilities	-	8,150	4,212	281,485
Due to other funds	130,715	-	391,641	141,882
Unearned revenue	-	-	-	1,329,351
Total Liabilities	6,133,715	199,527	777,867	2,671,377
Fund Equity				
Fund balances				
Reserved for				
Encumbrances	-	8,535	52,633	230,610
Cemetery and other trust funds	-	-	-	-
Library	-	-	-	-
Unreserved				
Undesignated fund balance	-	949,808	(183,801)	(262,978)
Total Fund Equity (Deficit)	-	958,343	(131,168)	(32,368)
Total Liabilities and Fund Equity	6,133,715	1,157,870	646,699	2,639,009

City of Manchester, New Hampshire

June 30, 2007

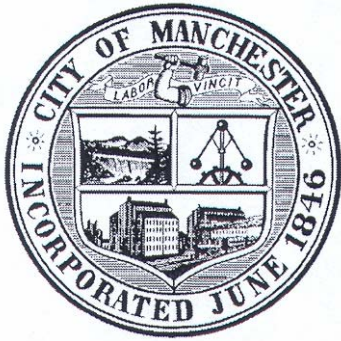
Special Revenue			Permanent Funds		Total
Civic Center Fund	Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	
\$ 1,530,655	\$ -	\$ 53,456	\$ 344,999	\$ 33,770	\$ 3,516,670
-	104,520	-	-	54,127	1,487,998
-	-	3,835,732	16,217,880	3,034,826	23,088,438
-	358,569	327	686	15,364	8,069,098
1,530,655	463,089	3,889,515	16,563,565	3,138,087	36,162,204
825	-	-	-	-	7,495,875
-	221,000	-	-	-	514,847
1,585	-	-	-	-	665,823
-	-	-	-	-	1,329,351
2,410	221,000	-	-	-	10,005,896
-	-	-	-	-	291,778
414,712	-	-	16,563,565	-	16,978,277
-	-	-	-	3,138,087	3,138,087
1,113,533	242,089	3,889,515	-	-	5,748,166
1,528,245	242,089	3,889,515	16,563,565	3,138,087	26,156,308
1,530,655	463,089	3,889,515	16,563,565	3,138,087	36,162,204

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

	Special Revenue			
	HUD Section 108 Fund	Cash Special Projects Fund	CDBG Fund	Other Grant Fund
Revenues				
Federal and state grants and aid	\$ -	\$ -	\$ 3,636,181	\$ 8,092,934
Nonenterprise charges for sales and services	-	-	-	211,942
Interest	-	-	-	2,867
Contributions	-	-	-	-
Net appreciation in fair value of securities	-	-	-	-
Other	-	-	-	440,153
Total Revenues	-	-	3,636,181	8,747,896
Expenditures				
Current:				
General government	-	915,005	2,760,679	1,733,569
Public safety	-	87,041	-	1,905,554
Health and sanitation	-	-	46,030	1,322,012
Highway and streets	-	831,966	731,187	4,532,296
Welfare	-	17,563	-	123,276
Education	-	248,674	176,775	568,413
Pension Benefit Payments	-	-	-	-
Cemetery Trust	-	-	-	-
Investment management fee	-	-	-	-
Total Expenditures	-	2,100,249	3,714,671	10,185,120
Excess (deficiency) of revenues over expenditures	-	(2,100,249)	(78,490)	(1,437,224)
Other Financing Sources (Uses)				
Transfers in	-	2,085,638	3,523	202,452
Transfers out	-	(589,914)	(423)	(6,102)
Total Other Financing Sources (Uses)	-	1,495,724	3,100	196,350
Net Change in Fund Balance	-	(604,525)	(75,390)	(1,240,874)
Fund Balance (Deficit), beginning of year	-	1,562,868	(55,778)	1,208,506
Fund Balance (Deficit), end of year	\$ -	\$ 958,343	\$ (131,168)	\$ (32,368)

City of Manchester, New Hampshire
Year Ended June 30, 2007

Special Revenue			Permanent Funds		Total
Civic Center Fund	Revolving Loan Fund	Expendable Trust	Cemetery Trust	Library Trust	
\$ 3,801,111	\$ -	\$ -	\$ -	\$ -	\$ 15,530,226
-	-	-	-	-	211,942
44,960	25,358	154,898	846,947	114,076	1,189,106
-	-	-	99,355	39,017	138,372
-	-	-	972,654	218,699	1,191,353
316,124	-	1,851,577	-	-	2,607,854
4,162,195	25,358	2,006,475	1,918,956	371,792	20,868,853
3,846,131	-	144,455	-	-	9,399,839
-	-	-	-	-	1,992,595
-	-	-	-	-	1,368,042
-	-	-	-	-	6,095,449
-	-	-	-	-	140,839
17,000	-	-	-	113,350	1,124,212
-	-	-	-	-	-
-	-	-	55,100	-	55,100
-	-	-	20,487	18,347	38,834
3,863,131	-	144,455	75,587	131,697	20,214,910
299,064	25,358	1,862,020	1,843,369	240,095	653,943
-	-	-	-	-	2,291,613
-	-	-	(300,100)	-	(896,539)
-	-	-	(300,100)	-	1,395,074
299,064	25,358	1,862,020	1,543,269	240,095	2,049,017
1,229,181	216,731	2,027,495	15,020,296	2,897,992	24,107,291
\$ 1,528,245	\$ 242,089	\$ 3,889,515	\$ 16,563,565	\$ 3,138,087	\$ 26,156,308



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Nonmajor Proprietary Funds

Enterprise Funds

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

Recreation Fund

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

Parking Fund

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

Nonmajor Proprietary Funds
Combining Statement of Net Assets

City of Manchester, New Hampshire
June 30, 2007

	Business-type Activities-Enterprise Funds		
	Non-Major		Total
	Recreation Fund	Parking Fund	
Assets			
Current assets:			
Cash and cash equivalents	\$ 350	\$ 1,989,832	\$ 1,990,182
Restricted cash and cash equivalents	1,800,253	-	1,800,253
Receivables, net of allowances for collection losses	59,054	147,735	206,789
Total current assets:	1,859,657	2,137,567	3,997,224
Noncurrent assets:			
Capital assets, net, where applicable, of accumulated depreciation	6,765,880	9,452,875	16,218,755
Deferred charges	44,483	-	44,483
Total noncurrent assets:	6,810,363	9,452,875	16,263,238
Total Assets	\$ 8,670,020	\$ 11,590,442	\$ 20,260,462
Liabilities			
Current liabilities			
Accounts and warrants payable	\$ 736,961	\$ 101,155	\$ 838,116
Accrued liabilities	110,728	37,532	148,260
Due to other funds	1,433,015	1,927,947	3,360,962
Unearned revenue	60,106	-	60,106
Bonds and notes payable	400,467	548,431	948,898
Compensated absences	194,392	-	194,392
Other	11,631	-	11,631
Total Current liabilities	2,947,300	2,615,065	5,562,365
Noncurrent liabilities			
Bonds payable	6,213,124	5,643,468	11,856,592
Deferred Revenue	4,905	-	4,905
Total Noncurrent liabilities	6,218,029	5,643,468	11,861,497
Total Liabilities	9,165,329	8,258,533	17,423,862
Net Assets			
Invested in Capital Assets, net of related debt	1,940,820	3,260,976	5,201,796
Unrestricted	(2,436,129)	70,933	(2,365,196)
Total Net Assets	\$ (495,309)	\$ 3,331,909	\$ 2,836,600

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

City of Manchester, New Hampshire
 Year Ended June 30, 2007

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Recreation Fund</u>	<u>Parking Fund</u>	<u>Total</u>
<u>Operating Revenues</u>			
Charges for goods and services	\$ 1,753,042	\$ 4,642,217	\$ 6,395,259
Other	1,080	11,281	12,361
Total Operating Revenues	1,754,122	4,653,498	6,407,620
<u>Operating Expenses</u>			
Personnel services	1,461,738	526,732	1,988,470
Plant maintenance	354,313	17,487	371,800
Light/heat and power	312,378	32,041	344,419
General and administrative	321,689	1,458,182	1,779,871
Depreciation and amortization	379,862	351,243	731,105
Total Operating Expenses	2,829,980	2,385,685	5,215,665
Operating Income (Loss)	(1,075,858)	2,267,813	1,191,955
<u>Non-Operating Revenues (Expenses), net</u>			
Interest income	-	63,828	63,828
Interest expense	(257,534)	(397,861)	(655,395)
Rent and other income	101,977	-	101,977
Loss on disposal of fixed assets	(27,451)	-	(27,451)
Total Non-operating Revenues (Expenses)	(183,008)	(334,033)	(517,041)
Net Income (Loss)	(1,258,866)	1,933,780	674,914
Transfer to general fund	-	(1,927,947)	(1,927,947)
Transfer from general fund	-	1,000,000	1,000,000
Transfer of Capital Assets	(5,664,754)	9,009,284	3,344,530
Transfer of Debt	-	(6,683,208)	(6,683,208)
Total Transfers	(5,664,754)	1,398,129	(4,266,625)
Change in Net Assets	(6,923,620)	3,331,909	(3,591,711)
Fund Net Assets, beginning of year	6,428,311	-	6,428,311
Fund Net Assets (Deficit), end of year	\$ (495,309)	\$ 3,331,909	\$ 2,836,600

**Nonmajor Proprietary Funds
Statement of Cash Flows**

**City of Manchester, New Hampshire
Year Ended June 30, 2007**

	Business-type Activities-Enterprise Funds		
	Recreation	Parking	Total
	Fund	Fund	
<u>Cash Flows from Operating Activities</u>			
Cash received from customers	\$ 1,942,618	\$ 4,505,763	\$ 6,448,381
Cash payments for goods and services	(370,991)	(1,384,632)	(1,755,623)
Cash payments to employees for services	(1,494,676)	(511,123)	(2,005,799)
Other operating revenues	101,977	-	101,977
Net Cash Provided by Operating Activities	178,928	2,610,008	2,788,936
<u>Cash Flows from Non-Capital and Related Financing Activities</u>			
Due from general fund	(57,697)	-	(57,697)
Interest paid on cash advances	(93,840)	-	(93,840)
Short-term cash advance from (to) City	(1,819,696)	1,000,000	(819,696)
Net Cash (Used in) Provided by Non-Capital & Related Financing Activities	(1,971,233)	1,000,000	(971,233)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Proceeds from bonds	4,937,781	-	4,937,781
Payments for deferred professional fees	(16,515)	-	(16,515)
Principal paid on bonds	(309,996)	(491,309)	(801,305)
Interest paid on bonds	(131,152)	(276,769)	(407,921)
Acquisition and construction of capital assets	(900,232)	(915,926)	(1,816,158)
Net Cash Provided by (Used in) Capital & Related Financing Activities	3,579,886	(1,684,004)	1,895,882
<u>Cash Flows from Investing Activities</u>			
Interest and dividends from investments	-	63,828	63,828
Net Cash Provided by Investing Activities	-	63,828	63,828
Net Increase in Cash and Cash Equivalents	1,787,581	1,989,832	3,777,413
Cash and Cash Equivalents at Beginning of Year	13,022	-	13,022
Cash and Cash Equivalents at End of Year	\$ 1,800,603	\$ 1,989,832	\$ 3,790,435
Reconciliation of operating profit (loss) to net cash provided by operating activities			
Operating profit (loss)	\$ (1,075,858)	\$ 2,267,813	\$ 1,191,955
Adjustments to reconcile operating profit (loss) to cash provided by operating activities:			
Depreciation and amortization	379,862	351,243	731,105
Non-operating revenue	101,977	-	101,977
Change in Assets and Liabilities			
(Increase) decrease in receivables	148,702	(147,735)	967
Increase in prepaid expenses and other assets	(44,483)	-	(44,483)
Increase in accounts payable	644,117	101,155	745,272
Increase in accrued liabilities	14,779	37,532	52,311
Decrease in compensated absences	(29,962)	-	(29,962)
Increase in unearned revenue	39,794	-	39,794
Net Cash Provided by Operating Activities	\$ 178,928	\$ 2,610,008	\$ 2,788,936
Schedule of Noncash Investing, Capital and Financing Activities			
Disposal of Capital Assets	\$ (183,009)	\$ -	\$ (183,009)
Transfer (to) from general fund	\$ (5,664,754)	\$ 2,326,076	\$ (3,338,678)



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Governmental Capital Assets

Governmental Capital Assets

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

Governmental Capital Assets
Schedule of Capital Assets - By Source

City of Manchester, New Hampshire
June 30, 2007

Capital Assets

Land	\$ 14,337,955
Buildings	313,342,134
Improvements other than buildings	24,594,494
Equipment	9,272,699
Work-in-Process	30,492,645
Vehicles	20,617,915
Infrastructure	59,774,325

Total Capital Assets **\$ 472,432,167**

Investments in Capital Assets

Capital project funds	\$ 409,716,606
General fund revenues	32,570,349
Special revenue funds	30,145,212

Total Investments in Capital Assets **\$ 472,432,167**

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

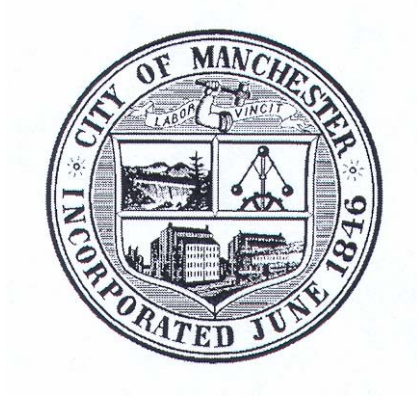
City of Manchester, New Hampshire
 June 30, 2007

	Land	Buildings	Other Than Buildings	Equipment	Vehicles	Infrastructure	Total
General Government							
Baseball stadium	\$ -	\$ 24,658,502	\$ -	\$ -	\$ -	\$ -	\$ 24,658,502
Building	-	-	-	5,985	153,793	-	159,778
City Clerk	-	-	-	89,650	45,548	-	135,198
City Solicitor	-	-	-	5,115	-	-	5,115
Civic Center	2,960,900	62,739,798	-	-	-	-	65,700,698
Economic Development Office	-	-	-	-	-	-	-
Office	2,971,931	-	-	5,294	-	-	2,977,225
Elderly Services	-	3,069,617	-	-	-	-	3,069,617
Finance	240,833	3,770,053	-	25,775	-	-	4,036,661
Information Systems	-	-	-	1,096,875	14,375	-	1,111,250
Mayor	-	-	-	-	20,158	-	20,158
Personnel	-	-	-	8,354	23,898	-	32,252
Planning	44,714	768,974	-	35,511	-	-	849,199
Public Buildings	437,250	7,992,769	\$ 115,084	30,955	249,476	-	8,825,534
Total General Government	6,655,628	102,999,713	115,084	1,303,514	507,248	-	111,581,187
Public Safety							
Fire Protection	661,290	10,605,332	126,285	556,303	8,453,218	-	20,402,428
Police Protection	96,115	3,863,437	52,716	305,324	1,532,377	-	5,849,969
Total Public Safety	757,405	14,468,769	179,001	861,627	9,985,595	-	26,252,397
Health and Sanitation							
Cemetery	71,255	298,604	234,209	362,027	555,384	-	1,521,479
Health	-	-	-	164,530	227,559	-	392,089
Total Health and Sanitation	71,255	298,604	234,209	526,557	782,943	-	1,913,568
Highway and Streets							
Highway	108,104	1,270,028	2,900,109	1,556,697	8,197,852	58,007,197	72,039,987
Traffic	-	-	-	-	-	-	-
Total Highway and Streets	108,104	1,270,028	2,900,109	1,556,697	8,197,852	58,007,197	72,039,987
Welfare							
Welfare	27,489	109,955	-	-	-	-	137,444
Total Welfare	27,489	109,955	-	-	-	-	137,444
Education							
Library	72,270	4,421,430	-	73,775	-	-	4,567,475
School	1,602,542	178,812,283	3,416,390	67,634	-	-	183,898,849
Total Education	1,674,812	183,233,713	3,416,390	141,409	-	-	188,466,324
Parks and Recreation							
Parks & Recreation	5,043,262	10,961,352	17,749,701	4,882,895	1,144,277	1,767,128	41,548,615
Total Parks and Recreation	5,043,262	10,961,352	17,749,701	4,882,895	1,144,277	1,767,128	41,548,615
Construction in Progress	-	16,964,500	2,654,735	-	-	10,873,410	30,492,645
Total General Fixed Assets	\$ 14,337,955	\$ 330,306,634	\$ 27,249,229	\$ 9,272,699	\$ 20,617,915	\$ 70,647,735	\$ 472,432,167
Allocated to Functions							

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

City of Manchester, New Hampshire
 Year Ended June 30, 2007

	Capital Assets				Capital Assets End of Year
	Beginning of Year	Additions	Deductions	Transfers	
<u>General Government</u>					
Baseball stadium	\$ 24,658,502	\$ -	\$ -	\$ -	\$ 24,658,502
Building	183,782	10,317	(11,333)	(22,988)	159,778
City Clerk	135,198	-	-	-	135,198
City Solicitor	5,115	-	-	-	5,115
Civic Center	65,700,698	-	-	-	65,700,698
Economic Development Office	4,114,725	-	(1,137,500)	-	2,977,225
Elderly Services	3,069,617	-	-	-	3,069,617
Finance	9,491,739	-	(5,455,078)	-	4,036,661
Information Systems	1,098,955	18,525	(6,230)	-	1,111,250
Mayor	20,158	-	-	-	20,158
Personnel	32,252	-	-	-	32,252
Planning	838,999	10,200	-	-	849,199
Public Buildings	8,802,344	-	-	23,190	8,825,534
Total General Government	118,152,084	39,042	(6,610,141)	202	111,581,187
<u>Public Safety</u>					
Fire Protection	18,023,104	1,156,311	(368,380)	1,591,393	20,402,428
Police Protection	5,551,674	249,749	(86,936)	135,482	5,849,969
Total Public Safety	23,574,778	1,406,060	(455,316)	1,726,875	26,252,397
<u>Health and Sanitation</u>					
Cemetery	1,187,845	220,905	-	112,729	1,521,479
Health	392,089	-	-	-	392,089
Total Health and Sanitation	1,579,934	220,905	-	112,729	1,913,568
<u>Highway and Streets</u>					
Highway	66,189,675	8,380,055	(2,676,629)	146,886	72,039,987
Traffic	8,594,785	-	(8,614,362)	19,577	-
Total Highway and Streets	74,784,460	8,380,055	(11,290,991)	166,463	72,039,987
<u>Welfare</u>					
Welfare	137,444	-	-	-	137,444
Total Welfare	137,444	-	-	-	137,444
<u>Education</u>					
Library	1,662,255	-	-	2,905,220	4,567,475
School	86,342,250	-	-	97,556,599	183,898,849
Total Education	88,004,505	-	-	100,461,819	188,466,324
<u>Parks and Recreation</u>					
Parks & Recreation	32,002,210	9,710,502	(94,183)	(69,914)	41,548,615
Total Parks and Recreation	32,002,210	9,710,502	(94,183)	(69,914)	41,548,615
Construction in Progress	118,490,066	14,400,753	-	(102,398,174)	30,492,645
Total General Fixed Assets Allocated to Functions	\$ 456,725,481	\$ 34,157,317	\$ (18,450,631)	\$ -	\$ 472,432,167



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Statistical Section

Statistical Section

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

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Financial Trends

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Revenue Capacity

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Debt Capacity

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Demographic and Economic Information

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Operating Information

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

City of Manchester, New Hampshire
Table I

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities:					
Invested in capital assets, net of related debt	\$ 84,480,112	\$ 94,437,831	\$ 114,061,411	\$ 139,339,868	\$ 137,362,874
Restricted	17,545,325	19,161,857	19,438,394	20,257,037	22,389,423
Unrestricted	(30,311,548)	(30,880,302)	(39,978,617)	(46,459,710)	(30,612,818)
Total governmental activities net assets	\$ 71,713,889	\$ 82,719,386	\$ 93,521,188	\$ 113,137,195	\$ 129,139,479
Business-type activities:					
Invested in capital assets, net of related debt	\$ 225,163,369	\$ 243,639,543	\$ 278,806,782	\$ 290,467,921	\$ 316,387,714
Restricted	41,757,605	38,493,475	42,328,192	46,926,306	46,943,856
Unrestricted	44,380,257	42,445,613	18,460,983	14,730,581	9,153,778
Total business-type activities net assets	\$ 311,301,231	\$ 324,578,631	\$ 339,595,957	\$ 352,124,808	\$ 372,485,348
Primary government:					
Invested in capital assets, net of related debt	\$ 309,643,481	\$ 338,077,374	\$ 392,868,193	\$ 429,807,789	\$ 453,750,588
Restricted	59,302,930	57,655,332	61,766,586	67,183,343	69,333,279
Unrestricted	14,068,709	11,565,311	(21,517,634)	(31,729,129)	(21,459,040)
Total primary government net assets	\$ 383,015,120	\$ 407,298,017	\$ 433,117,145	\$ 465,262,003	\$ 501,624,827

GASB Statement No. 34 Implemented in Fiscal Year 2003

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

City of Manchester, New Hampshire
Table II

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses:					
Governmental activities:					
General government	\$ 32,560,283	\$ 39,884,738	\$ 39,257,227	\$ 27,046,192	\$ 47,026,301
Public safety	37,765,649	38,959,705	44,575,376	49,410,627	50,031,363
Health and sanitation	4,196,162	5,446,491	5,043,862	4,649,675	4,349,909
Highways and streets	28,905,257	23,004,043	21,018,167	28,343,982	15,581,877
Welfare	1,404,958	1,325,442	1,345,172	1,430,019	1,445,290
Education and library	3,816,562	3,035,765	3,466,500	4,456,108	7,512,145
Parks and recreation	4,724,302	5,259,212	5,190,321	5,155,343	6,408,656
Cemetery Trust	36,037	32,627	26,100	27,163	21,802
Investment management fee	23,511	29,071	30,823	36,920	38,834
Interest	-	-	5,359,441	4,399,559	4,094,284
Total governmental activities expenses	113,432,721	116,977,094	125,312,989	124,955,588	136,510,461
Business-type activities:					
Water	9,796,790	12,349,266	13,461,136	14,795,858	15,987,127
EPD	11,308,620	12,222,211	12,403,517	13,120,698	13,114,933
Aviation	50,322,106	45,468,710	57,832,875	56,203,377	62,213,023
Recreation	2,353,924	2,860,922	2,967,744	3,363,302	3,087,514
Aggregation	134,986	173,941	75,465	77,900	-
Parking	-	-	-	-	2,662,454
Total business-type activities expenses	73,916,426	73,075,050	86,740,737	87,561,135	97,065,051
Total primary government expenses	187,349,147	190,052,144	212,053,726	212,516,723	233,575,512
Program revenue:					
Governmental activities:					
Charges for services:					
General government	10,097,598	9,316,439	14,043,476	12,632,653	17,997,667
Public safety	2,161,469	2,802,949	2,586,789	2,670,102	1,249,207
Health and sanitation	1,375,369	1,533,303	1,584,228	1,730,138	1,788,574
Highways and streets	6,288,694	6,363,098	5,846,363	4,046,571	1,873,626
Welfare	107,019	93,813	94,465	78,928	74,100
Education and library	-	204,659	27,420	(12,894)	221,469
Parks and recreation	835,795	2,469,182	1,404,382	614,752	1,564,145
Operating grants and contributions:					
General government	11,429,867	15,902,634	13,272,378	14,546,757	14,685,507
Public safety	1,376,437	1,492,792	1,375,203	2,450,968	1,658,805
Health and sanitation	1,203,218	2,441,513	1,815,446	1,510,875	1,423,832
Highways and streets	6,199,844	3,680,818	3,766,747	7,302,015	2,154,194
Education and library	8,965	13,240	27,777	52,022	39,017
Parks and recreation	605,682	595,552	506,398	1,587,946	585,536
Capital grants and contributions:					
Highways and streets	-	-	-	-	4,436,221
Total governmental activities program revenue	41,689,957	46,909,992	46,351,072	49,210,833	49,751,900

(Continued)

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

City of Manchester, New Hampshire
Table II

	Fiscal Year				
	2003	2004	2005	2006	2007
Business-type activities:					
Charges for services:					
Water	9,989,204	12,139,084	13,546,594	15,489,946	16,044,783
EPD	11,332,387	11,393,713	11,148,848	12,154,804	13,252,696
Aviation	42,050,284	45,183,565	51,657,611	51,750,393	51,829,778
Recreation	2,274,829	2,256,001	2,317,267	2,121,088	1,856,099
Aggregation	182,090	55,661	82,938	-	-
Parking	-	-	-	-	4,653,498
Operating grants and contributions:					
Water					
EPD	325,855	959,284	2,377,826	1,935,899	663,143
Aviation	6,768,504	3,228,931	3,229,750	2,652,613	3,707,927
Recreation	-	-	18,000	-	-
Capital grants and contributions:					
Water	2,673,613	1,611,168	2,451,261	2,096,454	2,623,529
EPD	997,522	2,019,325	679,713	1,503,330	294,953
Aviation	25,527,921	817,782	13,914,058	4,902,721	20,333,025
Recreation	-	189,019	902,731	100,753	-
Total business-type activities program revenues	102,122,209	79,853,533	102,326,597	94,708,001	115,259,431
Total primary government program revenues	143,812,166	126,763,525	148,677,669	143,918,834	115,259,431
Net (expense) revenue:					
Governmental activities	(71,742,764)	(70,067,102)	(78,961,917)	(75,744,755)	(86,758,561)
Business-type activities	28,205,783	6,778,483	15,585,860	7,146,866	18,194,380
Total primary government net expense	(43,536,981)	(63,288,619)	(63,376,057)	(68,597,889)	(68,564,181)
General revenues and other changes in net assets:					
Governmental activities:					
Property taxes	58,168,059	61,894,928	64,709,146	67,924,107	72,795,861
Auto registration fees	13,873,904	14,399,844	15,194,741	15,377,773	15,286,482
Franchise fees	995,354	1,033,635	1,158,850	987,449	1,069,452
Unrestricted investment earnings programs	1,087,525	2,606,687	2,890,053	3,719,822	4,295,614
Miscellaneous	-	-	-	-	4,863,635
Debt reimbursement from MSD	5,985,063	5,797,821	6,697,790	6,569,723	-
Transfer from capital projects fund	-	(5,346,517)	-	-	-
Transfer of debt	-	-	-	-	6,804,300
Transfer of capital assets	-	-	-	-	(3,344,530)
Transfers in (out)	-	-	-	(1,412,528)	990,031
Gain (Loss) on disposal of assets	(147,804)	686,201	(886,861)	2,194,416	-
Total governmental activities	79,962,101	81,072,599	89,763,719	95,360,762	102,760,845
Business-type activities:					
Unrestricted investment earnings programs	2,626,689	2,177,409	2,455,431	4,440,863	3,435,663
Transfer from capital projects fund	-	5,346,517	-	-	-
Transfer of capital assets	-	-	-	-	3,344,530
Transfer of debt	-	-	-	-	(6,804,300)
Transfers in (out)	-	-	-	1,412,528	(990,031)
Donation of land	(723,590)	(478,250)	(167,778)	-	-
Gain (loss) on disposal of assets	(940,727)	(546,759)	(2,856,187)	(471,406)	3,180,298
Total business-type activities	962,372	6,498,917	(568,534)	5,381,985	2,166,160
Total primary government	80,924,473	87,571,516	89,195,185	100,742,747	104,927,005
Changes in net assets:					
Governmental activities	8,219,337	11,005,497	10,801,802	19,616,007	16,002,284
Business-type activities	29,168,155	13,277,400	15,017,326	12,528,851	20,360,540
Total primary government	\$ 37,387,492	\$ 24,282,897	\$ 25,819,128	\$ 32,144,858	\$ 36,362,824

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

City of Manchester, New Hampshire
Table III

Function / Program	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities:					
General government	\$ 21,527,465	\$ 25,219,073	\$ 27,315,854	\$ 27,179,410	\$ 32,683,174
Public safety	3,537,906	4,295,741	3,961,992	5,121,070	2,908,012
Health and sanitation	2,578,587	3,974,816	3,399,674	3,241,013	3,212,406
Highways and streets	12,488,538	10,043,916	9,613,110	11,348,586	8,464,041
Welfare	107,019	93,813	94,465	78,928	74,100
Education and library	8,965	217,899	55,197	39,128	260,486
Parks and recreation	1,441,477	3,064,734	1,910,780	2,202,698	2,149,681
Total governmental activities	41,689,957	46,909,992	46,351,072	49,210,833	49,751,900
Business-type activities:					
Water	12,662,817	13,750,252	15,997,855	17,586,400	18,668,313
EPD	12,655,764	14,372,322	14,206,387	15,594,033	14,210,792
Aviation	74,346,709	49,230,278	68,801,419	59,305,727	75,870,730
Recreation	2,274,829	2,445,020	3,237,998	2,221,841	1,856,099
Aggregation	182,090	55,661	82,938	-	-
Parking	-	-	-	-	4,653,498
Total business-type activities	102,122,209	79,853,533	102,326,597	94,708,001	115,259,432
Total government	\$ 143,812,166	\$ 126,763,525	\$ 148,677,669	\$ 143,918,834	\$ 165,011,332

GASB Statement No. 34 implemented in fiscal year 2003.



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

	1998	1999	2000	2001
General Fund:				
Reserved	\$ 4,104,214	\$ 2,924,922	\$ 3,310,928	\$ 12,226,672
Designated	6,048,569	6,976,137	10,309,252	3,688,065
Unreserved	433,610	466,223	2,221,288	3,777,077
Total General Fund	\$ 10,586,393	\$ 10,367,282	\$ 15,841,468	\$ 19,691,814
All Other Governmental Funds:				
Reserved	\$ 4,118,631	\$ 144,121	\$ 3,002,877	\$ 11,950,554
Unreserved, reported in:				
Special revenue funds	5,886,589	4,449,686	5,148,170	2,970,878
Capital projects funds	4,657,422	(11,549,935)	6,103,187	(11,721,942)
Designated				
Permanent funds (1)	14,101,559	14,921,848	15,354,789	15,196,208
Total all other government funds	\$ 28,764,201	\$ 7,965,720	\$ 29,609,023	\$ 18,395,698

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

Manchester, New Hampshire
Table IV

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 4,133,044	\$ 6,449,829	\$ 6,437,435	\$ 8,738,265	\$ 7,315,876	\$ 7,127,401
12,988,760	15,054,664	17,271,800	14,187,935	17,228,952	18,451,651
4,683,957	1,304,404	1,356,227	1,122,693	772,131	305,582
<u>\$ 21,805,761</u>	<u>\$ 22,808,897</u>	<u>\$ 25,065,462</u>	<u>\$ 24,048,893</u>	<u>\$ 25,316,959</u>	<u>\$ 25,884,634</u>
\$ 2,090,618	\$ 1,864,721	\$ 7,020,587	\$ 7,498,404	\$ 3,023,718	\$ 11,543,189
3,116,253	2,483,422	3,516,922	4,835,218	5,333,550	5,748,166
1,851,937	(9,674,249)	102,401,303	14,009,088	(8,265,253)	5,820,499
<u>14,517,533</u>	<u>14,581,214</u>	<u>16,446,853</u>	<u>17,167,013</u>	<u>18,322,250</u>	<u>16,978,277</u>
<u>\$ 21,576,341</u>	<u>\$ 9,255,108</u>	<u>\$ 129,385,665</u>	<u>\$ 43,509,723</u>	<u>\$ 18,414,265</u>	<u>\$ 40,090,131</u>

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

	Fiscal Year			
	1998	1999	2000	2001
Revenues:				
Taxes	\$ 107,359,690	\$ 117,505,991	\$ 60,190,452	\$ 58,628,056
Federal and state grants and aid	34,680,796	29,805,166	18,982,898	15,298,293
Nonenterprise charges for sales and services	14,886,383	15,458,756	3,697,605	4,085,355
Licenses and permits	14,129,835	14,969,847	16,212,440	18,432,863
Interest	2,316,103	2,175,621	3,095,541	2,730,004
Contributions	177,497	3,204,578	1,956,968	2,008,672
Net Gain (Loss) on sale of securities	523,560	-	(8,558)	(11,146)
Other	2,070,418	1,580,128	10,287,908	10,555,772
Total revenues	176,144,282	184,700,087	114,415,254	111,727,869
Expenditures:				
General government	19,854,780	29,025,690	27,987,865	35,970,970
Public safety	29,211,320	30,118,247	31,034,706	33,771,397
Health and sanitation	3,096,121	2,605,332	2,898,910	3,244,673
Highway and streets	25,372,331	22,753,307	21,300,011	23,630,644
Welfare	1,699,227	1,084,317	1,280,695	1,452,181
Education	94,652,023	95,720,849	3,655,827	3,362,722
Parks and recreation	2,654,263	3,853,518	3,264,218	5,881,406
Pension Benefit Payments	-	-	-	-
Cemetery Trust	364,864	28,500	771,000	60,384
Investment management fee	10,156	2,272	15,993	9,989
Capital Outlay	-	-	16,155,441	-
Debt service:				
Principal retirement	11,320,483	13,893,514	9,370,788	10,287,693
Interest	4,843,668	5,840,166	3,967,702	3,586,005
Issue Costs	-	-	183,795	-
Total expenditures	193,079,236	204,925,712	121,886,951	121,258,064
Excess of expenditures over revenues	(16,934,954)	(20,225,625)	(7,471,697)	(9,530,195)
Other financing sources (uses):				
Proceeds of refunding bonds	-	-	4,286,068	-
Payment to refunded bond escrow agent	-	-	(4,252,111)	-
Proceeds from premium of refunding bonds	-	-	-	-
Deferred cost of issuance	-	-	-	-
Proceeds from pension obligation bonds	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Bond proceeds	25,956,000	-	35,916,751	-
Transfers in	1,402,201	1,677,826	6,144,438	2,882,700
Transfers out	(1,402,201)	(1,677,826)	(6,144,438)	(2,582,600)
Total other financing sources	25,956,000	-	35,950,708	300,100
Net changes in fund balance	\$ 9,021,046	\$ (20,225,625)	\$ 28,479,011	\$ (9,230,095)
Debt service as a percentage of noncapital expenditures	8.37%	9.63%	11.09%	11.44%

City of Manchester, New Hampshire
Table V

		Fiscal Year									
		2002	2003	2004	2005	2006	2007				
\$	59,020,928	\$	59,369,549	\$	62,989,526	\$	65,843,620	\$	69,052,574	\$	73,363,164
	21,468,082		20,755,631		23,031,879		20,647,964		27,016,053		24,927,919
	4,583,544		4,613,875		4,831,694		4,700,155		4,908,852		2,710,485
	19,744,630		20,521,738		21,452,411		21,964,114		21,609,795		19,068,754
	2,122,188		1,087,525		2,606,686		2,890,054		3,706,927		4,295,613
	135,318		117,529		1,094,669		109,069		434,529		138,372
	(1,466,788)		75,061		2,307,874		453,314		139,631		1,191,353
	10,725,919		9,335,188		10,383,875		13,652,248		12,208,823		12,503,590
	116,333,821		115,876,096		128,698,614		130,260,538		139,077,184		138,199,250
	38,919,296		30,723,093		75,458,238		109,422,862		54,219,429		41,048,166
	37,289,258		38,907,268		40,896,490		42,965,272		47,901,463		49,385,498
	3,519,618		3,952,571		4,816,844		4,842,162		4,596,652		4,447,215
	26,216,184		29,136,467		26,989,382		28,759,534		32,024,811		29,351,050
	2,243,862		1,373,226		1,341,846		1,321,072		1,421,506		1,422,018
	3,057,941		2,265,134		2,538,230		3,430,734		2,643,102		3,804,524
	6,773,394		4,712,978		8,941,058		8,942,033		7,072,385		4,522,372
	18,960,260		-		-		-		-		-
	25,309		34,000		30,889		26,100		26,100		55,100
	19,704		23,511		29,071		30,823		36,920		38,834
	-		-		-		-		-		-
	11,030,422		10,890,802		9,630,629		9,832,097		9,986,012		8,209,680
	3,565,940		5,181,212		10,083,141		7,721,471		5,480,168		5,144,530
	158,662		-		-		-		-		-
	151,779,850		127,200,262		180,755,818		217,294,160		165,408,548		147,428,987
	(35,446,029)		(11,324,166)		(52,057,204)		(87,033,622)		(26,331,364)		(9,229,737)
	14,150,020		-		24,490,273		73,516,645		-		29,987,518
	(13,996,706)		-		(24,276,368)		(82,354,058)		-		-
	-		-		-		10,059,239		-		495,728
	-		-		-		(1,087,631)		-		-
	18,960,260		-		-		-		-		-
	-		-		3,300,000		-		3,916,500		-
	23,055,000		-		170,930,421		-		-		-
	2,390,019		2,587,754		2,832,843		9,940,580		3,518,731		4,916,661
	(2,390,019)		(2,581,685)		(2,832,843)		(9,933,664)		(4,931,259)		(3,926,629)
	42,168,574		6,069		174,444,326		141,111		2,503,972		31,473,278
\$	6,722,545	\$	(11,318,097)	\$	122,387,122	\$	(86,892,511)	\$	(23,827,392)	\$	22,243,541
	9.72%		12.64%		10.91%		8.08%		9.35%		9.06%

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

Fiscal Year	Property Tax	Boat Tax	Fee	Deferred Tax	Cost on Tax Title	Interest on Tax
1998	\$ 105,463,981	\$ 48,195	\$ 408,336	\$ 42,702	\$ 39,688	\$ 446,387
1999	115,549,278	48,195	472,471	41,799	33,782	396,821
2000	58,481,561	60,556	552,896	30,313	18,491	331,569
2001	56,334,823	42,713	1,018,892	35,195	33,316	299,559
2002	56,855,455	40,478	1,106,312	3,312	26,044	286,151
2003	57,498,621	44,192	995,354	33,546	24,211	292,380
2004	61,051,554	35,257	1,033,635	29,345	22,917	279,527
2005	63,751,881	38,103	1,158,850	27,340	20,316	304,394
2006	67,172,767	35,223	987,449	27,371	16,568	309,529
2007	71,327,274	34,656	1,069,452	32,562	16,453	433,535
Change from first year on record versus 2007	-32.37%	-28.09%	161.90%	-23.75%	-58.54%	-2.88%

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

City of Manchester, New Hampshire
Table VI

	Lien	Railroad Tax	Tax Lien	Miscellaneous tax	District	Total
\$	689,685	\$ 5,203	\$ 33,070	\$ 15,268	\$ 167,175	\$ 107,359,690
	680,596	5,672	53,700	(33)	223,710	117,505,991
	432,512	5,182	56,004	66	221,302	60,190,452
	577,493	5,693	73,645	3,593	203,134	58,628,056
	469,252	5,313	20,379	707	207,495	59,020,898
	217,968	4,633	33,777	-	224,867	59,369,549
	264,729	3,250	44,464	-	224,848	62,989,526
	224,613	3,610	86,845	-	227,668	65,843,620
	229,189	7,373	30,470	-	236,637	69,052,576
	192,213	6,666	6,213	-	244,140	73,363,164
	-72.13%	28.12%	-81.21%	-100.00%	46.04%	-31.67%

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

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

Fiscal Year	Residential Property	Non-Residential Property	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
1998	2,259,471,600	1,465,117,900	3,724,589,500	0.86%	31.16	3,664,258,500	98.38%
1999	2,282,638,700	1,521,938,800	3,804,577,500	2.15%	32.55	3,739,882,250	98.30%
2000	2,304,804,600	1,557,536,400	3,862,341,000	1.52%	30.49	3,797,731,850	98.33%
2001	2,336,235,300	1,560,443,200	3,896,678,500	0.89%	30.68	3,831,804,250	98.34%
2002	3,144,786,262	2,123,426,704	5,268,212,966	35.20%	23.82	5,155,060,466	97.85%
2003	3,176,542,062	2,088,003,742	5,264,545,804	-0.07%	25.68	5,131,073,404	97.46%
2004	3,225,785,062	2,095,599,838	5,321,384,900	1.08%	26.40	5,182,805,100	97.40%
2005	3,279,018,462	2,140,996,138	5,420,014,600	2.95%	27.92	5,277,932,600	97.38%
2006	3,335,718,150	2,153,215,350	5,488,933,500	4.26%	28.36	5,342,561,400	97.33%
2007	6,310,723,491	3,563,065,605	9,873,789,096	85.55%	16.85	9,589,899,446	97.12%

Source: City of Manchester Building Department

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

REAL PROPERTY TAX RATES

Fiscal Year	Rate per thousand (1)				
	City	School Local	School State	County	Total
1998	\$ 11.88	\$ 17.31	\$ -	\$ 1.97	\$ 31.16
1999	12.17	18.47	-	1.91	32.55
2000	15.53	6.10	6.94	1.92	30.49 ⁽²⁾
2001	14.74	7.04	6.86	2.04	30.68
2002	11.26	5.25	5.66	1.65	23.82 ⁽³⁾
2003	11.51	6.73	5.83	1.61	25.68
2004	12.19	7.07	5.49	1.65	26.40
2005	12.38	9.47	4.34	1.73	27.92
2006	12.91	9.21	4.35	1.89	28.36
2007	7.96	5.36	2.48	1.05	16.85

Notes

- (1) Rates are based on assessed value of property.
Assessment rate for real property is 100% percent.
- (2) Beginning in 2000, Rate includes Statewide tax for education.
- (3) 2002 tax rate reflects the new assessed valuation determined through a Citywide valuation.

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

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

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Manchester Mall Realty Trust	\$ 155,000,000	1	1.61%	\$ 68,500,000	1	1.80%
Public Service Co. of NH	107,302,500	2	1.11%	56,160,400	2	1.48%
SRP6 NH LLC	46,000,000	3	0.48%	-	-	-
Brady Sullivan Plaza, LLC	39,114,600	4	0.41%	-	-	-
Fairfield Countryside, LLC	38,000,000	5	0.39%	14,514,500	6	0.38%
Manchester Hill Vistas, Inc	37,940,600	6	0.39%	-	-	-
Energy North Natural Gas, Inc.	36,423,700	7	0.38%	32,397,500	3	0.85%
IPC Office Properties, LLC	34,723,200	8	0.36%	21,253,600	4	0.56%
1200 Elm Street, LLC	33,635,700	9	0.35%	-	-	-
Farley White Manchester, LLC	29,530,100	10	0.31%	-	-	0.00%
New England Mutual Life Insurance Company	-	-	-	16,954,000	5	0.45%
New England Telephone & Telegraph Co.	-	-	-	14,480,100	7	0.38%
NH Vermont Blue Cross Blue Shield	-	-	-	13,412,400	8	0.35%
Washington Park Associates	-	-	-	13,079,700	9	0.34%
May Center Associates, Corp.	-	-	-	13,063,700	10	0.34%
Total	<u>\$ 557,670,400</u>		<u>5.78%</u>	<u>\$ 263,815,900</u>		<u>6.93%</u>

Source: City of Manchester, Board of Assessor

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

City of Manchester, New Hampshire
Table X

Fiscal Year Ended June 30:	Tax Year	Taxes Levied for the Tax Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
1998	1997	114,851,627	112,425,511	97.89%	2,869,480	115,294,991	100.39%
1999	1998	120,680,494	117,945,857	97.73%	4,035,991	121,981,848	101.08%
2000	1999	115,618,982	113,614,291	98.27%	2,539,282	116,153,573	100.46%
2001	2000	116,223,505	114,648,459	98.64%	2,355,346	117,003,805	100.67%
2002	2001	121,622,119	120,213,115	98.84%	2,188,790	122,401,905	100.64%
2003	2002	130,564,737	129,134,168	98.90%	1,506,291	130,640,459	100.06%
2004	2003	135,723,211	134,487,059	99.09%	1,446,467	135,933,526	100.15%
2005	2004	146,102,564	144,769,852	99.09%	1,136,723	145,906,575	99.87%
2006	2005	150,136,969	148,899,897	99.18%	1,700,746	150,600,643	100.31%
2007	2006	160,204,056	158,203,828	98.75%	741,173	158,945,001	99.21%

Note:

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

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

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

Fiscal Year	Governmental Activities			Business-Type Activities			
	General Obligation Bonds	Percentage of Actual Property Value (1)	Debt Per Capita (2)	General Obligation Bonds	Total Primary Government	Percentage of Per Capita Income	Per Capita (2)
1998	121,252,679	3.31%	1,173	35,726,510	156,979,189	0.0177%	1,519
1999	107,348,779	2.87%	1,020	35,536,295	142,885,074	0.0205%	1,358
2000	127,394,568	3.35%	1,200	37,655,951	165,050,519	0.0189%	1,554
2001	110,870,443	2.89%	1,036	46,575,117	157,445,560	0.0212%	1,471
2002	135,787,560	2.63%	1,256	50,927,008	186,714,568	0.0183%	1,728
2003	118,936,695	2.32%	1,100	44,030,159	162,966,854	0.0215%	1,507
2004	177,585,333	3.43%	1,626	46,301,010	223,886,343	0.0159%	2,050
2005	162,273,490	3.07%	1,478	43,579,428	205,852,918	0.0179%	1,875
2006	148,187,757	2.77%	1,348	35,397,488	183,585,245	0.0218%	1,669
2007	161,053,131	1.68%	1,473	42,166,979	203,220,110	0.0206%	1,858

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

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

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

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

City of Manchester, New Hampshire
Table XII

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
CITY										
Debt limit	\$ 350,955	\$ 384,098	\$ 430,726	\$ 500,533	\$ 580,323	\$ 686,468	\$ 815,916	\$ 941,161	\$ 1,033,737	\$ 1,024,367
Total net debt applicable to limit	83,194	75,179	99,060	89,165	102,487	85,125	155,233	100,178	91,518	112,405
Legal debt margin	\$ 267,761	\$ 308,919	\$ 331,666	\$ 411,368	\$ 477,836	\$ 601,343	\$ 660,683	\$ 840,983	\$ 942,219	\$ 911,962
Total net debt applicable to the limit as a percentage of debt limit	23.71%	19.57%	23.00%	17.81%	17.66%	12.40%	19.03%	10.64%	8.85%	10.97%

Legal Debt Margin Calculation for Fiscal Year 2007

Base valuation - real estate	\$ 10,506,332
Debt limit (9.75% of base valuation)	1,024,367
Debt applicable to limit:	
Total bonded debt for general government	123,506
Recreation enterprise debt	6,536
Less debt for urban redevelopment	(1,678)
Less debt for pension obligation bonds	(15,958)
Total net debt applicable to limit	112,406
Legal debt margin	\$ 911,961

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
SCHOOL										
Debt limit	\$ 251,968	\$ 275,763	\$ 309,239	\$ 359,357	\$ 416,642	\$ 492,849	\$ 585,786	\$ 675,706	\$ 742,170	\$ 735,443
Total net debt applicable to limit	30,288	27,517	36,700	34,755	42,554	38,400	43,056	39,134	35,070	38,873
Legal debt margin	\$ 221,680	\$ 248,246	\$ 272,539	\$ 324,602	\$ 374,088	\$ 454,449	\$ 542,730	\$ 636,572	\$ 707,100	\$ 696,570
Total net debt applicable to the limit as a percentage of debt limit	12.02%	9.98%	11.87%	9.67%	10.21%	7.79%	7.35%	5.79%	4.73%	5.29%

Legal Debt Margin Calculation for Fiscal Year 2007

Base valuation - real estate	\$ 10,506,332
Debt limit (7% of base valuation)	735,443
Debt applicable to limit:	
Total bonded debt for school district	132,908
Less debt for facilities revenue bond	(94,035)
Total net debt applicable to limit	38,873
Legal debt margin	\$ 696,570

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Water and Waste Water										
Debt limit	\$ 359,954	\$ 393,947	\$ 441,770	\$ 513,367	\$ 595,203	\$ 704,070	\$ 836,837	\$ 965,294	\$ 1,060,243	\$ 1,050,633
Total net debt applicable to limit	35,477	32,283	36,215	45,296	49,804	43,084	43,885	41,211	31,883	28,114
Legal debt margin	\$ 324,477	\$ 361,664	\$ 405,555	\$ 468,071	\$ 545,399	\$ 660,986	\$ 792,952	\$ 924,083	\$ 1,028,360	\$ 1,022,519
Total net debt applicable to the limit as a percentage of debt limit	9.86%	8.19%	8.20%	8.82%	8.37%	6.12%	5.24%	4.27%	3.01%	2.68%

Legal Debt Margin Calculation for Fiscal Year 2007

Base valuation - real estate	\$ 10,506,332
Debt limit (10% of base valuation)	1,050,633
Debt applicable to limit:	
Total bonded debt for water projects	47,878
Less debt for revenue bonds	(38,345)
Total bonded debt for sewer projects	18,581
Total net debt applicable to limit	28,114
Legal debt margin	\$ 1,022,519

Aviation Revenue Bond Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Revenue Credit From Prior Year ⁽⁴⁾</u>	<u>Coverage Amount From Prior Year ⁽⁴⁾</u>	<u>Expenses ⁽¹⁾</u>
1998	\$ 11,586,104	\$ -	\$ -	\$ 6,459,977
1999	21,831,476	-	-	11,136,557
2000	25,347,377	-	-	13,336,522
2001	32,183,363	844,000	1,206,000	13,909,243
2002	35,214,341	2,036,240	1,724,000	14,923,309
2003 ⁽³⁾	38,658,389	2,467,415	2,236,000	20,192,680
2004	41,424,013	3,093,467	2,825,135	21,673,975
2005	47,157,125	3,678,923	2,774,395	24,838,364
2006	48,357,684	5,514,506	2,880,378	25,777,902
2007	48,682,443	6,012,000	3,000,053	28,480,391

Notes

⁽¹⁾ Exclusive of depreciation and bond interest.

⁽²⁾ Principal, interest, and O&M reserve required at year end to fund three months of operations and maintenance expense.

⁽³⁾ As of fiscal 2003, the 1992 Debt was paid off and there is no 1992 Debt Service coverage required.

⁽⁴⁾ Provided by Leigh Fisher Associates, Aviation Consultants

Net Revenue Available for 1992 Debt Service	REQUIREMENTS		Net Revenue Available for 1998/2000/2001/2002 Debt Service	REQUIREMENTS		Coverage ratio
	1992 Debt Service Total ⁽²⁾	Coverage		1998/2000/2001/2002 Debt Service Total ⁽²⁾	Debt Service O & M Reserve ⁽⁴⁾	
\$ 5,126,127	\$ 3,308,280	1.55	\$ -	\$ -	\$ -	-
10,694,919	3,306,450	3.23	-	-	-	-
12,010,855	3,331,255	3.61	8,679,600	4,266,791	2,082,000	1.37
18,274,120	3,332,688	5.48	20,324,120	6,866,107	1,249,500	2.50
20,291,032	1,666,233	12.18	24,051,272	8,881,197	458,000	2.58
N/A	N/A	N/A	23,169,124	11,300,538	953,835	1.89
N/A	N/A	N/A	25,668,640	11,767,527	434,000	2.10
N/A	N/A	N/A	28,772,079	11,521,512	334,000	2.43
N/A	N/A	N/A	30,974,666	12,000,213	562,000	2.47
N/A	N/A	N/A	29,214,105	12,690,960	410,000	2.23

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

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

MWW Fiscal Year December 31	Gross Revenue	Expenses ⁽¹⁾	Net Revenue Available for Debt Service	REQUIREMENTS	
				Revenue Bonds Section 705	
				Total	Coverage Ratio
2002	\$ -	\$ -	\$ -	N/A	N/A
2003	10,315,059	7,140,275	3,174,784	1,389,966	2.28
2004	12,704,122	7,646,598	5,057,524	2,209,159	2.29
2005	14,375,241	8,340,821	6,034,420	3,491,659	1.73
2006	15,526,230	9,438,425	6,087,805	3,564,464	1.71

Note

⁽¹⁾ Exclusive of depreciation and bond interest.

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

City of Manchester, New Hampshire
Table XV

Fiscal Year Ended June 30	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Income ⁽²⁾	Median Age	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾
1998	103,330		27,806		17,104	2.70%
1999	105,221		29,303		16,467	2.40%
2000	106,180		31,114	34.9	16,693	2.50%
2001	107,006		33,332		16,942	2.80%
2002	108,078		34,138		16,994	4.50%
2003	108,150	14,345	35,064		17,172	4.10%
2004	109,234	15,343	35,500		17,431	4.60%
2005	109,761	16,053	36,858		17,818	3.50%
2006	109,966	16,875	40,004		17,597	3.50%
2007	109,364		41,895		17,325	3.30%

Sources:

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

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

City of Manchester, New Hampshire
Table XVI

Employer	2007			1998		
	Employees ⁽¹⁾	Rank ⁽¹⁾	Percentage of Total City Employment ⁽²⁾	Employees ⁽³⁾	Rank ⁽³⁾	Percentage of Total City Employment ⁽⁴⁾
Hannaford Brothers	4,663	1	6.98%			
Home Depot	3,100	2	4.64%			
Elliot Hospital	2,821	3	4.22%			
Catholic Medical Center	1,700	4	2.54%			
Verizon Communications, formerly NYNEX	1,650	5	2.47%			
Public Service of New Hampshire	1,250	6	1.87%	1,300	2	2.08%
Citizens Bank	1,175	7	1.76%			
TD Banknorth, formerly Bank of NH	1,150	8	1.72%			
Anthem Blue Cross & Blue Shield, formerly BC/BS NH	753	9	1.13%	744	3	1.19%
Southern NH University	700	10	1.05%			
FCI USA, Inc				600	4	0.96%
Velcro				501	5	0.80%
Jac Pac				500	6	0.80%
Sanmina SCI Corp				455	7	0.73%
Associated Grocers				500	8	0.80%
Jewel Electronic Equipment				450	9	0.72%
Harvey Industries				400	10	0.64%
Catholic Medical Center/Elliot Hospital includes St. Joseph's in Nashua				5,561	1	8.91%

Sources:

⁽¹⁾ 2007 Book of Lists, NH Business Review

⁽²⁾ NH Employment Security, Economic and Labor Market Bureau - 12/31/2005 figure used.

⁽³⁾ 1998 Book of Lists, NH Business Review

⁽⁴⁾ NH Employment Security, Economic and Labor Market Bureau - 12/31/1998 figure used.

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

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

<u>Functions/Program</u>	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government:										
Aldermen	14	14	14	14	14	14	14	14	14	14
Assessors	7	7	7	7	7	7	9	9	9	9
Building	18	19	19	19	19	19	20	20	20	18
Building Maintenance	13	14	14	14	14	14	18	18	19	19
City Clerk	13	14	14	14	18	18	18	18	18	15
City Solicitor	10	11	11	11	12	12	12	12	13	12
Economic Development Office	3	3	3	3	3	3	3	3	4	4
Elderly Services	5	5	5	5	5	5	4	4	4	4
Finance	15	15	15	15	15	15	13	14	13	12
Human Resources	7	13	15	14	14	12	11	11	11	10
Information Systems	18	18	19	19	19	19	19	19	19	13
Mayor	4	4	4	4	4	4	4	4	4	4
MCTV	4	4	4	6	6	6	6	6	5	5
Office of Youth Services	7	9	8	8	9	9	9	10	10	10
Planning	13	13	13	13	13	13	15	15	14	11
Tax Collector	11	13	13	13	14	14	12	12	11	11
Traffic	17	18	18	17	17	17	15	16	16	11
Parks and Recreation:										
Cemetery Care	16	16	16	16	16	16	16	16	16	15
Derryfield Golf Course	4	4	4	4	4	4	4	4	4	4
Forestry	2	2	2	2	2	2	2	2	2	2
General & Administrative	9	9	10	10	10	10	10	10	10	10
Gill Stadium	2	2	2	2	2	2	2	2	2	2
McIntyre Ski Area	1	1	1	1	1	1	1	1	1	1
Public Swimming Pools	1	1	1	1	1	1	1	1	1	1
Parks Maintenance	18	18	17	18	18	18	18	18	18	17
Recreation	1	1	1	1	1	1	1	1	1	1
Skating Arenas	7	7	7	6	6	6	6	6	6	5
Police:										
Officers	193	193	195	198	204	199	202	200	199	206
Civilians	65	67	69	68	71	65	65	64	66	64
Fire:										
Firefighters and Officers	236	236	235	235	234	250	250	250	250	249
Civilians	8	8	8	8	8	8	8	8	8	7
Public Works:										
Administration	N/A	N/A	N/A	14	14	13	13	13	13	14
Street Maintenance/Const.	N/A	N/A	N/A	61	62	62	62	62	63	62
Street Sweeping	N/A	N/A	N/A	4	4	4	4	4	4	4
Refuse Collection	N/A	N/A	N/A	33	33	32	32	32	32	35
Vehicle Maintenance	N/A	N/A	N/A	20	20	20	20	20	20	21
Drain/Sewer Repair/Const.	N/A	N/A	N/A	22	21	21	21	21	21	20
Engineering	N/A	N/A	N/A	20	20	20	20	20	20	20
Parking:										
Administration	-	-	-	-	-	-	-	-	-	3
Meters	-	-	-	-	-	-	-	-	-	2
Victory Garage	-	-	-	-	-	-	-	-	-	4
PCO's	-	-	-	-	-	-	-	-	-	7
Water:										
Administration & Financial	20	19	19	19	19	19	19	18	17	17
Water Distribution	41	42	43	43	44	44	45	45	46	45
Water Supply	24	24	24	24	24	24	25	24	25	24
Sewer:										
Administration & Financial	8	8	9	9	9	9	10	10	10	10
Monitoring	2	2	2	2	2	2	2	2	2	2
Sewer Plant Operation	16	16	16	16	16	16	16	16	16	14
Maintenance	16	16	16	16	16	16	16	16	16	15
Airport - total										
Administration & Financial	18	20	23	23	23	25	27	27	29	27
Airfield Maintenance	24	21	23	23	25	26	26	27	26	20
Terminal Maintenance	8	9	9	10	14	15	20	21	24	28
Other Programs/Functions:										
Aggregation	2	2	1	1	1	1	1	1	1	-
Health	62	63	66	64	64	64	69	71	71	61
Library	37	40	40	40	40	40	38	38	38	39
Welfare	10	11	11	11	11	11	11	11	11	11
Total	1,030	1,052	1,066	1,241	1,263	1,268	1,285	1,287	1,293	1,271

N/A = Not Available.

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

Function/Program	Calendar Year			
	1998	1999	2000	2001
Police:				
Physical arrests	3,805	3,892	4,094	4,077
Parking Violations	63,000	70,000	69,700	73,244
Traffic citations	10,303	12,698	11,784	11,100
Fire:				
Number of calls answered	12,344	12,728	12,815	13,519
Inspections	463	498	532	563
Property loss	\$ 3,433,255	\$ 3,553,520	\$ 2,283,535	\$ 2,587,531
Building safety:				
Total building permits	2,061	2,626	1,551	1,680
Total value all permits	\$ 80,977,014	\$ 90,577,116	\$ 144,233,715	\$ 88,604,851
Library, volumes in collection	332,891	308,036	311,661	315,676
Public service:				
Garbage collected (ton)	38,834	41,363	43,691	44,208
Recycle collected (ton)	5,102	5,028	4,642	5,352
Streets paved resurf (miles)	12	5.61	22.55	15.64
Streets Reconstructed (miles)	1	1.81	0.62	0.61
Drain Reconstruction (miles)	3	0.52	4.78	3.18
Sewer Reconstruction(miles)	1	2.95	6.66	1.59
Airport:				
Enplane	971,821	1,412,769	1,588,320	1,631,331
Deplane	966,356	1,396,320	1,580,981	1,602,224
Total Passengers	1,938,177	2,809,089	3,169,301	3,233,555
Cargo (in pounds)	133,927,872	159,825,171	166,936,519	166,519,494
Air Mail (in pounds)	2,083,681	4,962,485	5,120,279	952,984
Parks and Recreation:				
Public Skating Attendance	20,546	12,772	10,916	7,737
Aquatics program attendance	N/A	N/A	N/A	44,910
Golf rounds played	46,909	43,100	33,901	41,977
Ski passes sold	295	229	222	358
Street trees maintained	40,000	40,000	40,000	40,000

Note: The figures in column 2007 are January thru June only.

N/A = Not Available.

City of Manchester, New Hampshire
Table XVIII

Calendar Year						
2002	2003	2004	2005	2006	2007	
5,390	5,389	5,645	5,505	5,662	2,513	
86,826	66,757	81,225	78,253	58,298	25,335	
11,788	9,654	11,224	10,993	9,573	3,933	
13,420	14,595	15,200	16,202	17,012	8,653	
576	578	676	732	2,640	1,300	
\$ 7,031,664	\$ 2,694,680	\$ 2,985,889	\$ 3,997,307	\$ 2,887,571	\$ 2,232,281	
2,042	2,554	2,794	2,616	2,312	1,063	
\$ 134,604,022	\$ 136,690,830	\$ 159,902,113	\$ 155,661,840	\$ 154,384,899	\$ 50,345,519	
325,967	264,183	233,331	236,312	246,939	246,398	
45,866	46,181	48,323	46,662	49,693	21,458	
4,308	4,301	4,278	4,159	4,751	4,289	
13.83	15.43	10.99	12.23	9.27	4.53	
0.40	1.05	4.48	5.51	0.87	1.04	
4.22	1.23	0.53	0.28	0.50	0.11	
1.65	0.36	0.89	1.00	0.46	0.04	
1,690,158	1,802,385	2,004,122	2,168,258	1,952,277	914,124	
1,676,676	1,799,276	1,999,185	2,164,449	1,944,255	917,989	
3,366,834	3,601,661	4,003,307	4,332,707	3,896,532	1,832,113	
181,342,300	161,093,039	162,080,948	155,503,955	176,382,468	96,237,731	
40,959	14,842	5,767	3,798	503	118	
8,386	7,545	6,745	6,135	7,381	4,581	
55,670	37,988	62,143	77,330	76,630	8,291	
43,158	38,054	40,679	35,029	38,294	11,199	
292	305	279	196	143	74	
40,000	40,000	40,000	40,000	40,000	40,000	

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

City of Manchester, New Hampshire
Table XIX

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police:										
Facilities	5	5	5	5	5	5	5	5	5	5
Marked Patrol Vehicles	37	37	37	37	36	36	39	35	35	35
Unmarked Vehicles	17	17	17	17	18	18	17	19	19	19
Specialty Vehicles	13	13	13	13	6	6	8	15	15	15
Bikes for bike patrols	17	17	17	17	18	18	18	21	21	21
Motorcycles	3	3	3	3	3	3	3	4	4	4
Horses	0	2	2	2	2	2	2	2	2	2
Canine	9	9	9	9	9	9	9	8	6	6
Fire:										
Fire Stations	9	9	9	9	9	9	10	10	10	10
Refuse Collection:										
Collection Trucks	15	15	15	15	14	14	14	14	14	14
Other Public Works:										
Streets (Miles)	381.50	387.34	387.60	388.21	388.30	289.49	389.78	391.20	393.00	394.00
Street Lights	N/A	N/A	N/A	8,745	8,790	8,792	8,792	8,803	8,788	8,772
Traffic Signals	145.7	146.2	151.0	154.1	157.4	159.6	160.1	160.4	160.4	152.0
Parks & Recreation:										
Acreage	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073
Parks	55	55	55	55	55	55	55	55	55	55
Golf Course	1	1	1	1	1	1	1	1	1	1
Baseball/Softball Diamonds	44	44	44	44	44	44	44	44	44	44
Walking Trail(s)	N/A	N/A	N/A	N/A	N/A	N/A	1	1	2	2
Soccer/Football Fields	16	16	16	16	16	17	17	17	17	18
Indoor Ice Rinks	2	2	2	2	2	2	2	2	2	2
Basketball Courts	26	25	24	23	22	22	22	21	21	21
Tennis Courts	4	4	4	4	4	4	4	4	4	4
Swimming pools	4	4	4	4	4	4	4	4	4	4
Parks with Playground Equipment	4	4	4	4	4	4	4	4	4	5
Public Beaches	1	1	1	1	1	1	1	1	1	1
Library:										
Facilities	2	2	2	2	2	2	2	2	2	2
Volumes	332,891	308,036	311,661	315,676	325,967	264,183	233,331	236,312	246,939	246,398
Water:										
Source of water supply										
Finished water storage capacity (MG)	44.0	35.8	35.8	35.8	37.8	37.8	37.8	37.8	37.8	37.8
Average Daily Consumption (MGD)	15.938	17.183	16.912	17.363	17.148	16.483	16.644	17.057	17.454	16.931
Peak Consumption (MGD)	26.106	31.230	26.416	28.583	30.852	28.685	26.295	26.739	27.169	27.298
Municipal Fire Hydrants	3,090	3,124	3,164	3,173	3,212	3,240	3,267	3,294	3,304	3,309
Water main in system (million feet)	2	2	2	2	3	3	3	3	3	3
Wastewater:										
Sanitary Sewers (miles)	330.92	333.87	340.53	342.12	343.77	344.13	345.02	345.02	345.02	350.60
Maximum daily treatment capacity (MGPD)	34	34	34	34	34	34	34	34	34	34
Information Systems Department										
PC's	575	600	630	650	771	749	761	864	905	1,034
Miles of Fiber Optic Cabling	11.50	12.50	13.00	13.50	16.00	28.00	28.00	28.00	39.00	48.00
Airport:										
Runways	2	2	2	2	2	2	2	2	2	2
Terminals	1	1	1	1	1	1	1	1	1	1
Buildings - square footage	158,000	228,000	228,000	228,000	228,000	228,000	332,600	332,600	332,600	332,600

N/A = Not Available.