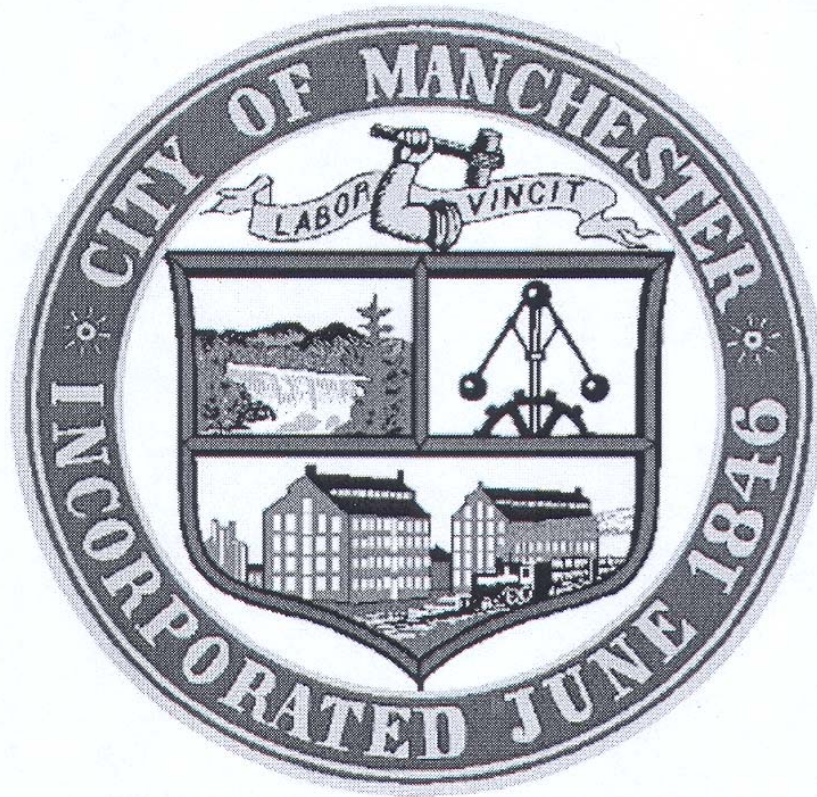


# **CITY OF MANCHESTER, NEW HAMPSHIRE**



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2011**



# **CITY OF MANCHESTER, NEW HAMPSHIRE**

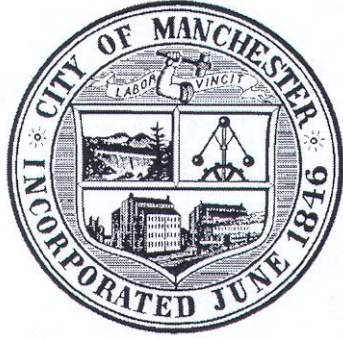


## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year  
July 1, 2010 to June 30, 2011**

Prepared By:  
FINANCE DEPARTMENT

William E. Sanders  
Finance Officer



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**CITY OF MANCHESTER, NEW HAMPSHIRE**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended June 30, 2011**

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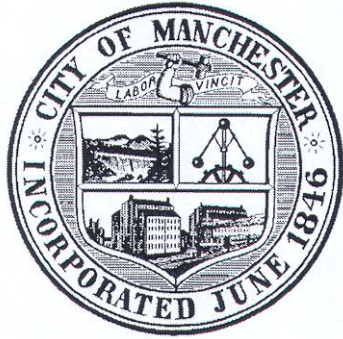
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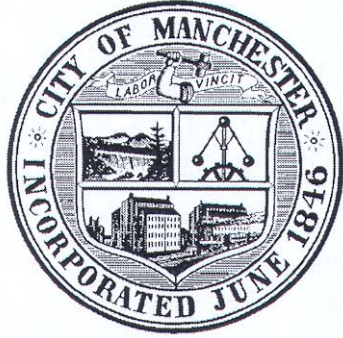
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## **Introductory Section**



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**City of Manchester  
Department of Finance**

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

March 27, 2012

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, 2011 is hereby submitted. The City's Finance Department prepared this CAFR. The purpose of this report is to provide citizens, investors, grantor agencies, and other interested parties with reliable financial information about the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and changes in financial position of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's activities have been included.

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

The City's Charter requires an annual audit by an independent certified public accountant. The City has engaged McGladrey & Pullen, LLP, Certified Public Accountants, to conduct the City's audit for the fiscal year ended June 30, 2011. The auditor's report on the basic financial statements is included in the financial section of this report. In addition to meeting the requirements set forth in State statutes and the Charter, the audit was designed to meet the requirements of the federal Single Audit Act and related OMB Circular 133. The auditor's reports on internal controls and compliance can be found in a separately issued Single Audit report.

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

**General** – Manchester, the largest City north of Boston, is located on the Merrimack River in south central New Hampshire. It is bordered by the towns of Hooksett, Bedford, Londonderry, Goffstown, Auburn, Litchfield, and Merrimack. According to a 2010 report of the New Hampshire Office of Energy and Planning, the City has a population of 109,565 and occupies a land area of 33.0 square miles. The Manchester Metropolitan Area, with a ten mile radius, has a population of over 400,000. The Manchester Metropolitan Area is an area that the City believes to represent a key geographic region for the City's economy.

The City provides general governmental services for the territory within its boundaries, including police and fire protection, collection and disposal of garbage and rubbish, water and sewer services, highways, and street and sidewalk maintenance, public health and welfare, and code compliance. Public education is provided through the MSD for grades kindergarten through twelve and vocational education is available in grades nine through twelve. In addition, the City maintains 55 parks, two ice-skating coliseums, the McIntyre Ski Area, the Derryfield Country Club, four municipal pools, a minor league baseball stadium and a 10,000 seat civic arena. The City also owns and operates the Manchester-Boston Regional Airport.

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

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

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

As required by City ordinance and by the Charter, interim reports are submitted to the BMA. Interim reports are reviewed with the Committee on Accounts, Enrollment and Revenue Administration (COA). The COA is a five member standing committee of the Board of

Aldermen. The COA meets on a regular basis to review and to discuss financial matters. The City has adopted debt policies and ordinances for the handling of one-time revenues, insurance reserves and undesignated fund balances.

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

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

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

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

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

Excess cash is invested in U.S. Treasury Bills, certificates of deposit, repurchase agreements, and the State of New Hampshire (the State) Investment Pool. The maturities of the investments range from thirty days to three years, with the average maturity closer to the thirty-day range. Between 65% - 70% of the cash and investments held at fiscal year-end in the city-wide statements were collateralized through Joint Custody Accounts at the Federal Reserve Bank of Boston or through perfected collateral arrangements.

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

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

**Economy-** As the State’s largest city and business center, Manchester enjoys a diversified economic base. The combination of this diversified base along with the City’s investment in the Manchester-Boston Regional Airport, the Verizon Wireless Arena and various Millyard initiatives should help sustain the City during this challenging economic period. This effort has led to the location of a broad array of businesses and industries within the City, and has provided a base for future economic development. Much of this diversification was accomplished through redevelopment projects, which required public and private cooperation.

The City’s current economy appears generally steady with property tax collections rates remaining consistent with prior year. In addition, the Board of Mayor and Aldermen have adopted policies and capital initiatives to further strengthen the City’s financial condition and the local economy during this period of economic slowdown.

The labor force in the Manchester NH MetroNECTA numbers 98,200 at October 31, 2011 while the unemployment rate is 4.8% at October 31, 2011.

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

As of June 30, 2011 the City has a total outstanding General Obligation debt of \$239,791,559 for various improvements, infrastructure improvements, and economic development projects. There are no authorized, unissued debt obligations as of June 30, 2011.

The City currently retains the following credit ratings; FitchRatings ("Fitch"), Moody’s Investors Service, Inc. ("Moody’s") and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned the ratings of "AA+" "Aa1" and "AA+," respectively. The MSD was assigned the following credit ratings; Fitch, Moody’s and S&P, have assigned the ratings of "AA," "Aa3," and "AA," respectively. The MWW was assigned the following credit ratings; Fitch, Moody’s and S&P, have assigned the ratings of "AA," "Aa3," and "AA," respectively.

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<sup>1</sup> Base valuation for debt limits is provided annually by the State of New Hampshire Department of Revenue Administration as part of the calculations for equalized assessed valuations for each municipality, and amounted to \$822,217,000.

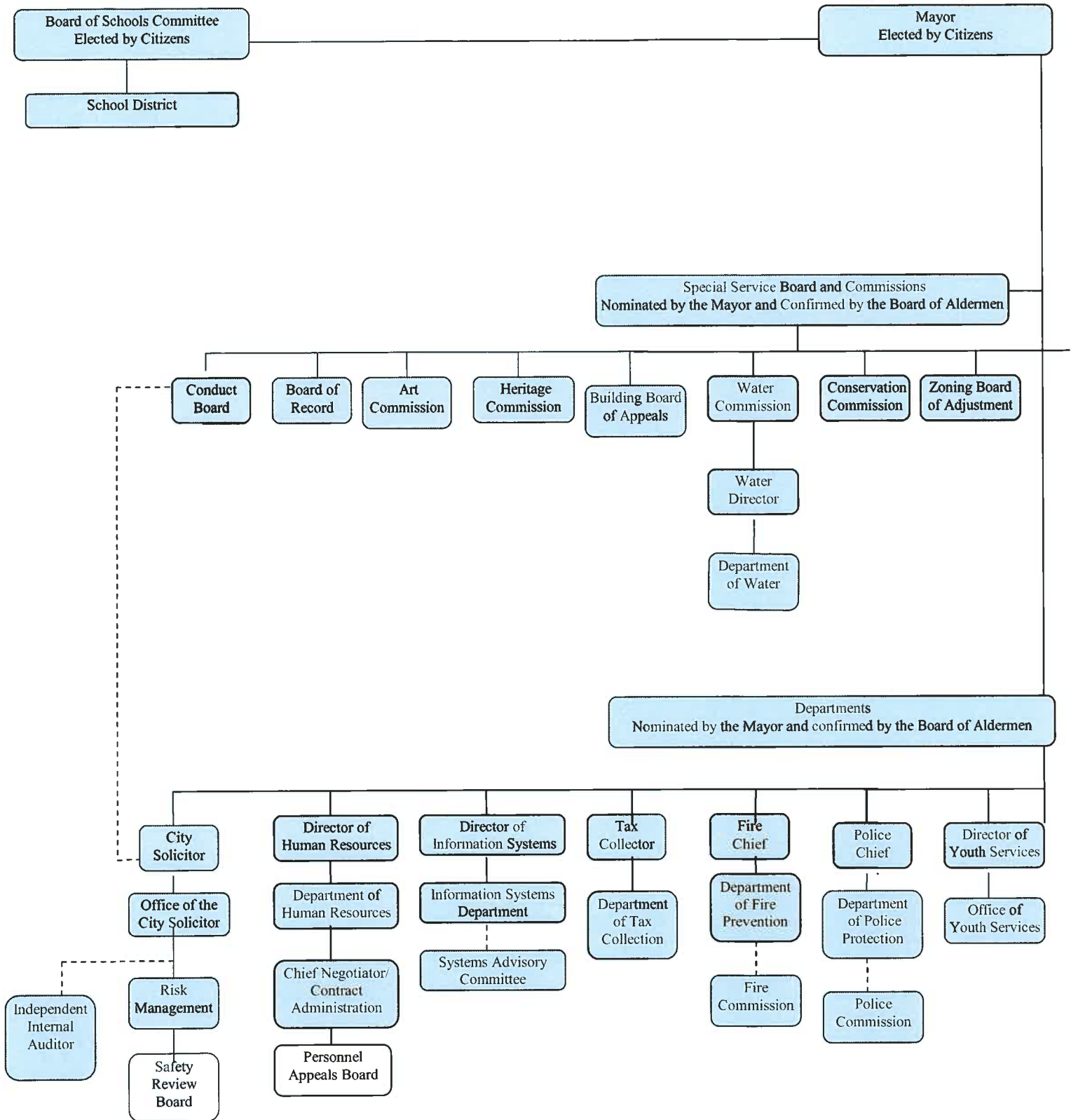
I would like to thank the City's department heads and their hard working staff for their help in the completion of another successful year. I would especially like to thank the employees of the Finance Department for their commitment and dedication.

Respectfully submitted,

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

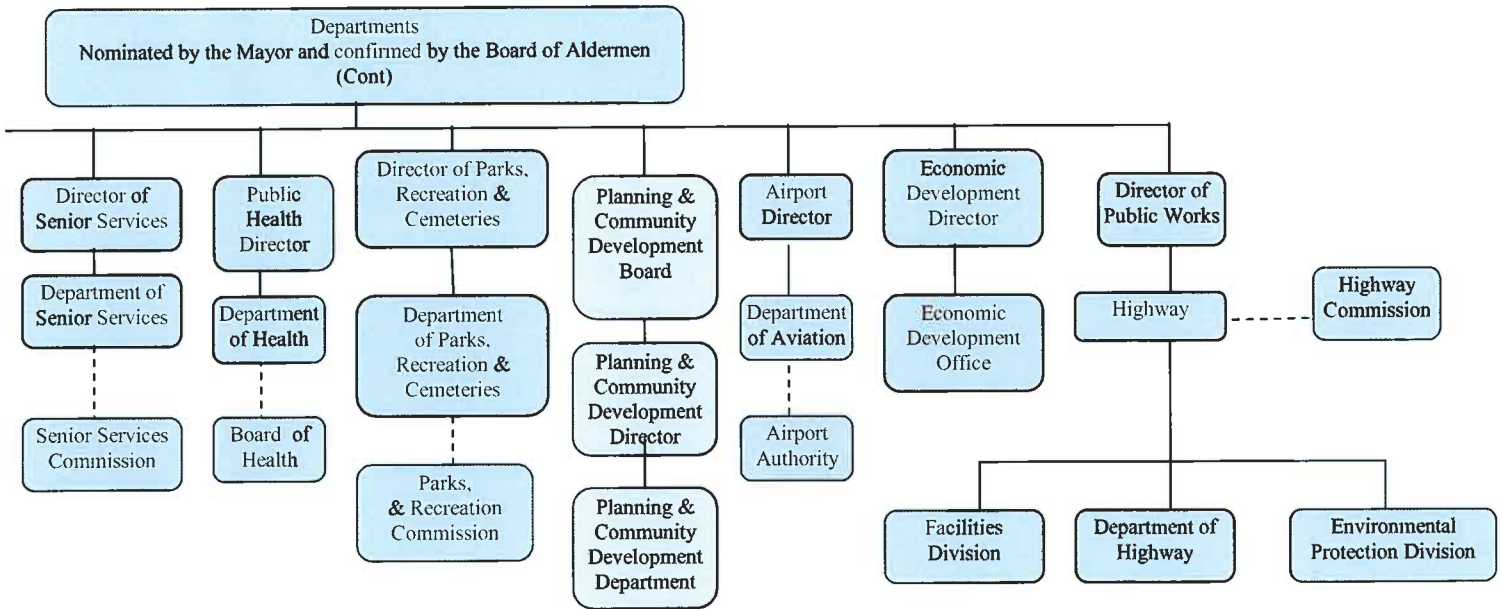
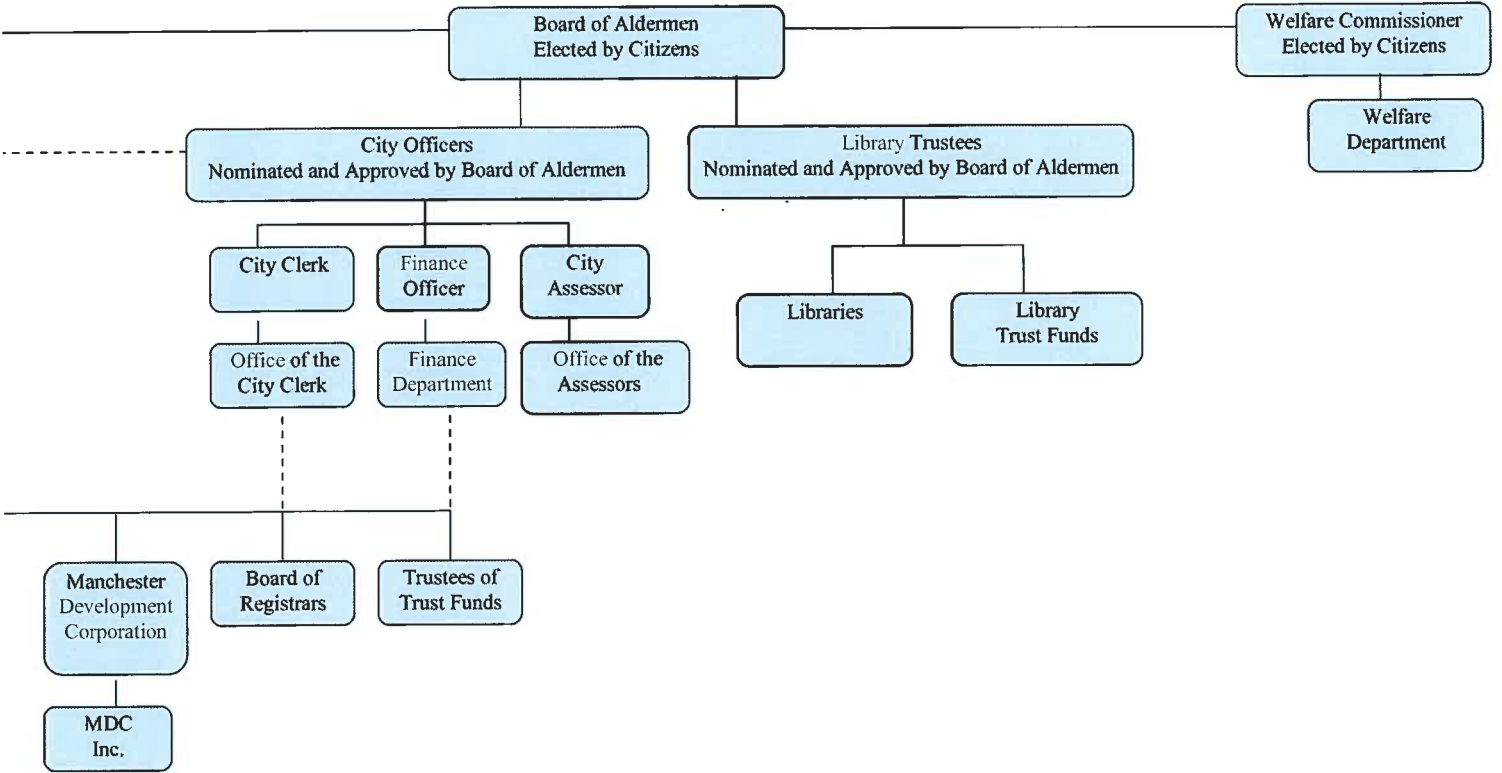
*William E. Sanders*  
*Finance Officer*

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





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



**List of Principal Officials  
in office at the close of fiscal year ended June 30, 2011**

**Mayor**

Theodore L. Gatsas

**Aldermen**

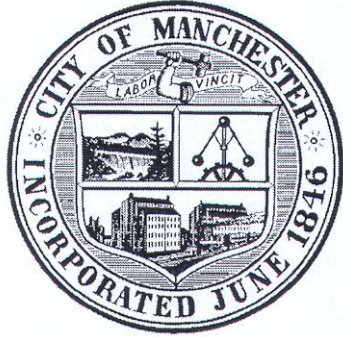
Ward 1	Joyce Craig	Ward 7	William P. Shea
Ward 2	Ron Ludwig	Ward 8	Betsi L. DeVries
Ward 3	Patrick Long	Ward 9	Barbara E. Shaw
Ward 4	Jim Roy	Ward 10	Phil Greazzo
Ward 5	Ed Osbome	Ward 11	Russ Ouellette
Ward 6	Garth Corriveau	Ward 12	Patrick Arnold
At-large	Michael J. Lopez *	At-large	Daniel P. O'Neil

\* Chairman of the Board

**City Departments**

Finance Officer	William E. Sanders
City Clerk	Matthew Normand
City Solicitor	Thomas R. Clark
Commissioner of Welfare	Paul R. R. Martineau
Chief of Police	David Mara
Fire Chief	James Burkush
Public Health Director	Timothy Soucy, MPH
Director of Public Works	Kevin Sheppard, P.E.
Chief of Parks, Recreation & Cemetery	Peter Capano
Director of Economic Development	Jay Minkarah
Airport Director	Mark Brewer
Director of Water	Thomas M. Bowen, P.E.
Director of Information Systems	Jennie Angell
Director of City Library	Denise Van Zanten
Director of Planning & Community Development	Leon LaFreniere
Superintendent of Schools	Thomas Brennan
Director of Human Resources	Jane Gile
Director of Senior Services	Barbara A. Vigneault
Director of Youth Services	Martin Boldin
Chairman Board of Assessors	Robert Gagne
Collector of Taxes	Patricia Harte

**Financial Section**



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manchester, New Hampshire ("the City") as of and for the year ended June 30, 2011 which collectively comprises the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Manchester, New Hampshire's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Manchester School District or the Manchester Transit Authority, component units of the City, which financial statements reflect 99% of the revenues and 93% of the assets of the discretely presented component units. We also did not audit the City of Manchester Employees' Contributory Retirement System, a pension trust fund and a blended component unit of the City, which represents 68% of the assets and 43% of the revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports have been furnished to us, insofar as it relates to amounts included for the Manchester School District, the Manchester Transit Authority discretely presented component units and the City of Manchester Employees' Contributory Retirement System, a blended component unit of the City, is based solely on the reports of other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As explained in Notes 17 and 18 to the basic financial statements, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed its method of accounting of governmental funds' fund balance classifications and restated the General Fund and Nonmajor Governmental Funds' beginning fund balances.

As discussed in Note 12 of the financial statements, the net assets of the governmental activities, as of June 30, 2010, has been restated. We audited the adjustments necessary to restate the 2010 financial statements as disclosed in Note 12. In our opinion, such adjustments are appropriate and have been properly applied. With respect to items addressed in note 12, the previously-issued auditors' report dated February 4, 2011 is not to be relied on because the previously-issued financial statements were materially misstated as described in Note 12 and the previously-issued auditors' report is replaced by the auditors' report on the restated financial statements.

In accordance with "Government Auditing Standards," we have also issued our report dated March 27, 2012 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.

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

*McGladrey & Pullen, LLP*

New Haven, Connecticut  
March 27, 2012

**City of Manchester, New Hampshire  
Management's Discussion and Analysis  
June 30, 2011**

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, 2011. 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 \$537.5 million. Total net assets for Governmental Activities at fiscal year-end were \$134.7 million and total net assets for Business-Type Activities were \$402.8 million.
- ◆ On a government-wide basis, during the fiscal year, the City's net assets increased by \$18.1 million or 3.4%, from \$519.4 million to \$537.5 million. Net assets increased by \$7.8 million for Governmental Activities and net assets increased by \$10.3 million for Business-Type Activities. Government-wide expenses were \$253.9 million, while revenues were \$272.0 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 \$95.0 million, an increase of \$42.9 million from the prior fiscal year. The increase is mainly due to proceeds from an issuance of General Obligation Public Improvement Bonds on December 16, 2010. See Note 10 of this report for further detail.
- ◆ At the end of the current fiscal year, the total fund balance for the General Fund was \$23.0 million, an increase of \$1.6 million from the prior fiscal year. As of June 30, 2011, the general fund had an unassigned fund balance of \$2.9 million which represents 1.7% of total FY 11 General Fund expenditures and transfers (\$165.2 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 four legally separate component units, the Manchester School District (MSD), the Manchester Transit Authority (MTA), and the Manchester Public Television Service, Inc. (MPTS) and the Manchester Development Corporation (MDC).

The government-wide financial statements (statement of net assets and statement of activities) can be found on pages 22-24 of this report.



## Fund Financial Statements

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

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

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

The City maintains 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, 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 97-98 and in the combining statement of revenues, expenditures and changes in fund balance on pages 99-100.

The City adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the authorized budget. The statement of revenues, expenditures and changes in fund balance on a budgetary basis can be found on page 28.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on pages 25-26 of this report.

**Proprietary funds.** The City maintains five proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water Works, Environmental Protection Division, Aviation, Recreation and the Parking Funds. The proprietary fund financial statements provide separate information for the Water Works, Environmental Protection Division and Aviation, which are considered to be major funds of the City. Conversely, both of the remaining funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the Recreation Fund and the Parking Fund is provided on pages 101-102 in the form of combining statements elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 29-30 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to provide services to the City's constituency. The City has two pension trust funds and one agency fund. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 33-34 and 67-68 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-88 of this report.

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

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. On a government-wide basis, the City's assets exceeded its liabilities by \$537.5 and \$519.4 million at June 30, 2011 and 2010, respectively.

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

	<b>June 30, 2011</b>			<b>June 30, 2010</b>		
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>	<b>Governmental Activities *</b>	<b>Business Type Activities</b>	<b>Total</b>
Current and Other Assets	\$ 164,551	\$ 125,726	\$ 290,277	\$ 163,160	\$ 116,058	\$ 279,218
Non-Current	55,851	2,871	58,722	13,194	3,361	16,555
Capital Assets	342,335	608,111	950,446	336,606	612,086	948,692
<b>Total Assets</b>	<b>562,737</b>	<b>736,708</b>	<b>1,299,445</b>	<b>512,960</b>	<b>731,505</b>	<b>1,244,465</b>
Current Liabilities	109,881	15,501	125,382	107,147	18,228	125,375
Long-term liabilities outstanding	318,126	318,441	636,567	278,904	320,802	599,706
<b>Total Liabilities</b>	<b>428,007</b>	<b>333,942</b>	<b>761,949</b>	<b>386,051</b>	<b>339,030</b>	<b>725,081</b>
Net Assets:						
Invested in Capital						
Assets, net of related debt	140,218	306,967	447,185	134,654	304,238	438,892
Restricted	18,991	63,087	82,078	19,466	59,496	78,962
Unrestricted	(24,479)	32,712	8,233	(27,211)	28,741	1,530
<b>Total Net Assets</b>	<b>\$ 134,730</b>	<b>\$ 402,766</b>	<b>\$ 537,496</b>	<b>\$ 126,909</b>	<b>\$ 392,475</b>	<b>\$ 519,384</b>

\* Amount restated for OPEB accrual.

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 \$447.2 million reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), net any outstanding debt related to these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The portion of the City's net assets that are restricted, \$82.1 million, represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets of \$8.2 million may not be used to meet the government's ongoing obligations to citizens and creditors, due to the negative balance in Governmental activities. The primary reasons for that negative balance in governmental activities are due to the Old System Pension Obligation Bond with an outstanding balance of \$11.8 million, which was issued to properly fund the unfunded amount, the Landfill Closure Project, which has an outstanding balance of \$9.0 million, other landfill closure and post-closure care costs estimated liability with an outstanding balance of \$5.0 million, Urban Renewal Related Projects with outstanding balances of \$.8 million, long-term debt related to insurance claims with an estimated outstanding balance of \$4.8 million, as well as long-term debt related to compensated absences with an estimated outstanding balance of \$11.2 million at June 30, 2011. The increase in invested

capital assets net of related debt is due to the recent General Obligation bond sale and the related unspent bond proceeds.

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

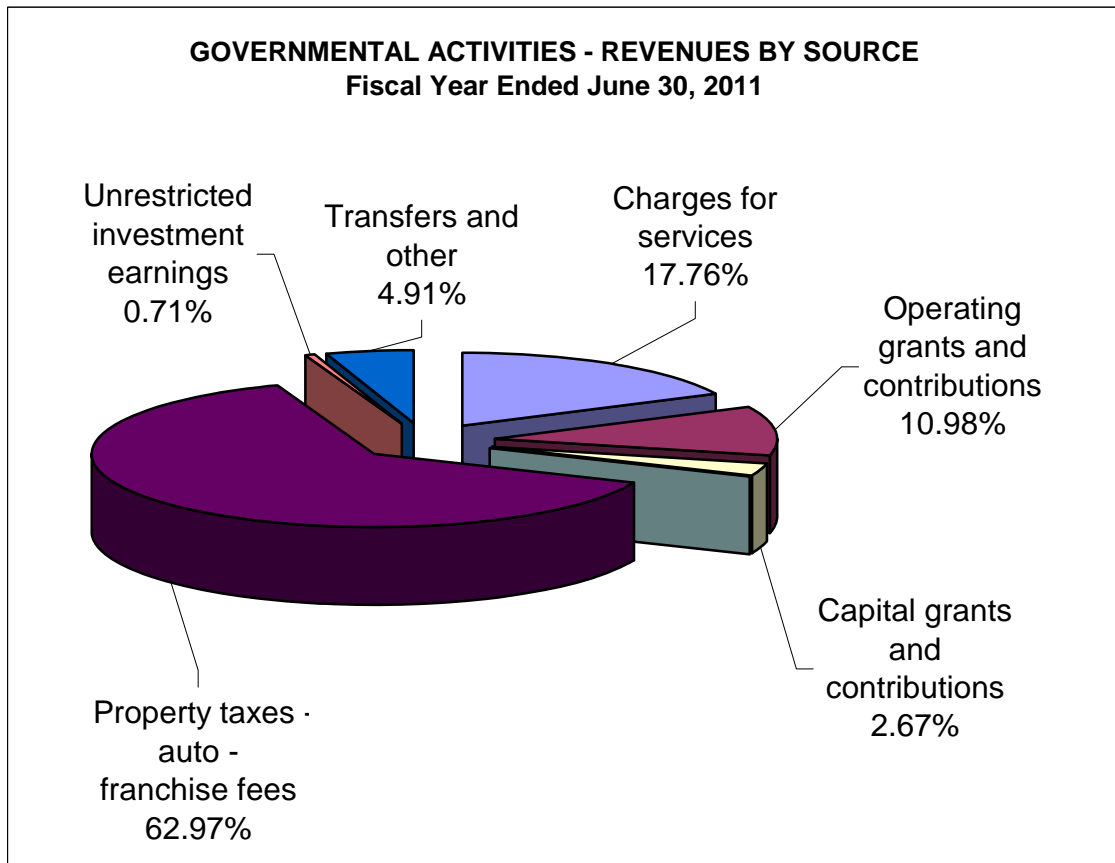
	June 30, 2011			June 30, 2010		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 29,953	\$ 90,996	\$ 120,949	\$ 22,402	\$ 89,718	\$ 112,120
Operating grants and contributions	18,506	144	18,650	22,653	1,872	24,525
Capital grants and contributions	4,507	13,043	17,550	1,223	6,969	8,192
General Revenues:						
Property taxes/auto/franchise fees	106,166	-	106,166	104,828	-	104,828
Unrestricted investment earnings	1,203	872	2,075	1,187	1,032	2,219
Transfers and other	8,272	(1,686)	6,586	9,664	(2,460)	7,204
<b>Total revenues</b>	<b>168,607</b>	<b>103,369</b>	<b>271,976</b>	<b>161,957</b>	<b>97,131</b>	<b>259,088</b>
<b>Expenses:</b>						
General government	43,126	-	43,126	44,072	-	44,072
Public safety	61,213	-	61,213	56,344	-	56,344
Health and sanitation	5,868	-	5,868	5,776	-	5,776
Highways and streets	29,261	-	29,261	28,612	-	28,612
Welfare	1,343	-	1,343	1,478	-	1,478
Education and library	8,680	-	8,680	8,319	-	8,319
Parks and recreation	5,738	-	5,738	5,538	-	5,538
Cemetery Trust	36	-	36	79	-	79
Investment management fee	55	-	55	58	-	58
Interest expense	5,466	12,623	18,089	3,895	14,651	18,546
Operations	-	80,455	80,455	-	82,162	82,162
<b>Total Expenses</b>	<b>160,786</b>	<b>93,078</b>	<b>253,864</b>	<b>154,171</b>	<b>96,813</b>	<b>250,984</b>
Change in net assets	7,821	10,291	18,112	7,786	318	8,104
<b>Net assets - beginning</b>	<b>126,909</b>	<b>392,475</b>	<b>519,384</b>	<b>119,123</b> *	<b>392,157</b>	<b>511,280</b>
<b>Net assets - ending</b>	<b>\$ 134,730</b>	<b>\$ 402,766</b>	<b>\$ 537,496</b>	<b>\$ 126,909</b>	<b>\$ 392,475</b>	<b>\$ 519,384</b>

\* As restated for OPEB accrual.

The City's net assets increased by \$18.1 million during the fiscal year, with net assets of Governmental Activities increasing by \$7.8 million, and net assets of Business-Type Activities increasing by \$10.3 million. The public safety incurred more expenditures in 2011 than 2010 related to investments in net assets.

## Governmental Activities

More than 62.97% of the governmental funds revenues were derived from property taxes, auto registrations and franchise fees, 13.65% from operating and capital grants and contributions, then followed by 17.76% from charges for services and finally, about 5.62% 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 \$8.0 million. Property taxes, auto registrations and franchise fees increased by \$1.3 million or 1.2% over last year. The chart below identifies revenues by source for governmental activities:



## **Business-Type Activities**

Business-Type activities increased the City's net assets by \$10.3 million, which is an increase of \$10.0 million from an increase of \$.3 million for last year. See next page for more detail.

- ◆ Water Works net assets increased by \$2.4 million, up \$1.9 million from the increase in net assets of \$.5 million last year. Capital contributions were \$3.5 million for the current fiscal year as compared to \$1.0 million during the fiscal year ended June 30, 2010.
- ◆ EPD net assets increased by \$7.3 million in FY 2011, compared to an increase of \$7.4 million in FY 2010. This nearly identical increase was driven by slightly higher revenues, offset by a similar increase in total expenditures. Capital Contributions were \$.8 million for the current fiscal year as compared to \$1.1 million in the prior fiscal year.
- ◆ Aviation net assets increased by \$1.6 million. Aviation fund capital contributions amounted to \$8.8 million, an increase from \$4.1 million in the previous year. Manchester-Boston Regional Airport experienced a decrease (5.0%) in passenger enplanements in FY2011, as enplanements decreased by 69,366 from FY 2010.

## **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 \$95.0 million, an increase from \$52.1 million as reported on June 30, 2010. The increase of \$42.9 million in fund balances is mainly due to the bond sale in December 2010 and related proceeds. Approximately .6% of this total amount constitutes unassigned fund balance. The remainder of the fund balance is considered either nonspendable, restricted, committed, or assigned as defined by the new GASB 54 fund balance definitions. These new fund balance definitions can be found in note 1 in the notes to the financial statements.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$2.9 million while the total fund balance reached \$23.0 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and operating transfers. Unassigned fund balance represents 2.2% of total general fund expenditures of \$130.4 million, while total fund balance represents 17.6% of that same amount.

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

Manchester-Boston Regional Airport experienced a decrease of (5.0%) in passenger enplanements in FY2011, as enplanements decreased by 69,366 from FY2010. Manchester-Boston Regional Airport is not alone in this decrease, as many airports in the small and medium hub categories experienced reductions in capacity, either from the airlines substituting regional jets for mainline jets or by the airlines eliminating service all together.

Operating loss increased from (\$5,289,822) in FY2010 to (\$5,992,723), an increase of 13% over FY2010. The operating loss increase was due primarily to increased depreciation expense. Due to active airport management the operating expenses for FY 2011 (net of depreciation expense) decreased by approximately \$325,566 or 1%.

Net assets of the proprietary fund consisting of the Water Works were \$78.3 million, as compared to \$75.9 million in the prior year. The unrestricted net asset balance of the Water Works was \$3.8 million. The restricted net assets increased from \$13.0 million to \$13.7 million. The Water Works experienced operating revenues of \$17.0 million from user fees. The total net loss for the Water Works was (\$1.0) million before capital contributions of \$3.5 million. The change in net assets for the fiscal year ended June 30, 2011 was \$2.4 million, due mainly to an increase in operating income and capital contributions from the prior year.

Total assets for Environmental Protection Division (EPD) increased from \$165.1 million at June 30, 2010 to \$179.4 million at June 30, 2011, an increase of \$14.3 million. The unrestricted net asset balance for EPD increased by \$7.8 million in fiscal year 2011 which was offset by an increase of \$6.7 million in long-term debt owed to the State of New Hampshire under the State Revolving Loan Fund.

Capital expenditures increased from \$6.1 million in 2010 to \$12.8 million in FY 2011, with construction culminating on the Incinerator upgrade, continuing on Cohas Brook Interceptor (CBI), and beginning on Sewer & Pump Station Infrastructure projects. Work on Combined Sewer Overflow to resume in the near to intermediate future.

### **General Fund Budgetary Highlights**

During the year, actual revenues and other financing sources on a budgetary basis were \$129.3 million, \$1,286,274 more than the estimated revenues. Actual tax revenues were less than budgeted by \$117,919. Actual intergovernmental revenue was \$149,585 over budgetary estimates. Investment income was \$151,364 more than the \$580,000 that had been budgeted. An additional positive outcome of \$1,222,685 resulted from an increase in auto registrations over the revised budgeted amount. Nonenterprise charges for sales and services were \$33,402 more than budgeted. Other revenues were \$138,929 less than budgeted. Transfers in were \$13,914 less than budgeted estimates.

Actual expenditures on a budgetary basis and other financing uses totaled \$129.2 million, \$1,175,997 more than budgeted. Highlights in expenditures variances include the following: General Government expenditures were \$1,668,825 more than budgeted primarily due to a MECRS prepayment of \$1,208,899 for FY 2012 which was approved by the BMA and to increases in health insurance. Expenditures in Highway and Streets ended in a positive variance of \$115,994 resulting from decreases in actual salaries and contracts spent. Other departments resulted in positive variances due to attrition and savings in effective budget maintenance. The combined net difference of budgeted revenues and expenses on a budgetary basis resulted in a positive variance of \$110,277.

### **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, 2011, amounts to \$950 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 \$1.8 million or .1%.

**City of Manchester, New Hampshire**  
**Capital Assets (net of depreciation) (000's)**  
**June 30, 2011 and 2010**  
**Primary Government**

	2011			2010			Change
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total	
Land	14,386	50,118	64,504	14,338	50,007	64,345	\$ 159
Buildings and improvements	241,872	470,664	712,536	234,708	484,386	719,094	(6,558)
Infrastructure	62,910	-	62,910	60,316	-	60,316	2,594
Interceptors	-	55,817	55,817	-	50,256	50,256	5,561
Equipment and vehicles	15,008	17,701	32,709	13,785	14,970	28,755	3,954
Construction in progress	8,159	13,811	21,970	13,459	12,467	25,926	(3,956)
<b>Total</b>	<b>\$ 342,335</b>	<b>\$ 608,111</b>	<b>\$ 950,446</b>	<b>\$ 336,606</b>	<b>\$ 612,086</b>	<b>\$ 948,692</b>	<b>\$ 1,754</b>

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

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

Information on the City's capital assets can be found in Note 8 on pages 57-60 of this report.



**City of Manchester, New Hampshire**  
**Outstanding Debt**  
**General Obligation and Revenue Bonds (000's) in thousands**  
**June 30, 2011 and 2010**

	2011			2010		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
General Obligation Bonds	205,802	49,922	\$ 255,724	150,689	42,191	\$ 192,880
Revenue Bonds, net of premiums and discounts	82,810	257,295	340,105	101,292	265,683	366,975
Totals	<u>\$ 288,612</u>	<u>\$ 307,217</u>	<u>\$ 595,829</u>	<u>\$ 251,981</u>	<u>\$ 307,874</u>	<u>\$ 559,855</u>

**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 \$873.5 million. General obligation debt is backed by the full faith and credit of the City government.

As of December 31, 2011, the City was assigned the following credit ratings; Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., have assigned the ratings of "AA+," "Aa1," and "AA+," respectively.

The general debt limit of the City is 9.75% of base valuation. Base valuation (\$8,432,994,000) is determined by adding the amount of taxable property lost to the City as a result of the enactment of the State Business Profit Tax Law to the "equalize assessed valuation." Not more than 7% of the base valuation may be incurred for school purposes. Water and sewer projects ordered by the State Water Supply and Pollution Control Commission, self-supporting sewer debt, debt for urban redevelopment and housing purposes, and overlapping debt are excluded from the measure of indebtedness. Other water projects are subject to a separate, special debt limit of 10% of the City's base valuation. Borrowings authorized by legislative acts rather than the general municipal finance statutes are sometimes excluded from the city's debt limit. The Total Equalized Valuation figure includes Utility Valuation and Railroad Monies Reimbursements. Total bonded debt for the general government includes the MSD portion. As of June 30, 2011, the City recorded long-term debt of \$288.6 million related to Governmental Activities, \$120.6 million related to the MSD and \$307.2 million related to Business-Type Activities, well below its statutory debt limit. Information on the City's long-term debt can be found in Note 10 on pages 62-66 of this report.

**Requests for Information**

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



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Statement of Net Assets

City of Manchester New Hampshire  
June 30, 2011

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Manchester School District	Manchester Transit Authority	Manchester Public Television Service, Inc.	Manchester Development Corporation
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 88,888,037	\$ 21,839,175	\$ 110,727,212	\$ 7,277,128	\$ 337,033	\$ 27,052	\$ -
Restricted cash	17,415,873	85,447,729	102,863,602	-	-	-	2,185,433
Investments	561,943	-	561,943	-	-	-	-
Restricted Investments	21,623,306	-	21,623,306	-	-	-	-
Receivables	26,059,800	20,669,824	46,729,624	15,542,054	331,113	-	1,504,083
Prepaid expenses	1,986,216	1,094,464	3,080,680	39,349	34,554	2,370	285
Internal balances	4,890,278	(4,890,278)	-	-	-	-	-
Due from other Governments	2,430,678	-	2,430,678	-	-	-	-
Due from Primary Government	-	-	-	29,539,171	-	-	-
Inventories	695,419	1,564,774	2,260,193	-	284,672	-	-
<b>Total current assets</b>	<b>164,551,550</b>	<b>125,725,688</b>	<b>290,277,238</b>	<b>52,397,702</b>	<b>987,372</b>	<b>29,422</b>	<b>3,689,801</b>
Noncurrent assets:							
Land held for resale	-	-	-	-	-	-	620,240
Capital assets, net of depreciation	342,334,900	608,110,761	950,445,661	4,979,663	3,922,950	159,768	-
Pension asset	10,214,992	-	10,214,992	-	-	-	-
Deferred charges, net	2,550,302	2,871,445	5,421,747	-	-	-	-
Restricted Cash	43,085,650	-	43,085,650	-	-	-	-
<b>Total noncurrent assets</b>	<b>398,185,844</b>	<b>610,982,206</b>	<b>1,009,168,050</b>	<b>4,979,663</b>	<b>3,922,950</b>	<b>159,768</b>	<b>620,240</b>
<b>Total Assets</b>	<b>\$ 562,737,394</b>	<b>\$ 736,707,894</b>	<b>\$ 1,299,445,288</b>	<b>\$ 57,377,365</b>	<b>\$ 4,910,322</b>	<b>\$ 189,190</b>	<b>\$ 4,310,041</b>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ 13,717,129	\$ 4,284,439	\$ 18,001,568	\$ 1,032,587	\$ 95,350	\$ 11,807	\$ 2,710
Retainage payable	55,166	646,259	701,425	-	-	-	-
Accrued liabilities	4,335,881	10,332,072	14,667,953	16,135,250	168,660	787	-
Other liabilities	4,166,028	203,240	4,369,268	-	-	-	-
Insurance claims payable	756,296	-	756,296	-	-	-	-
Due to school district	29,539,171	-	29,539,171	-	-	-	-
Unearned revenue	14,323,702	34,355	14,358,057	31,989,638	19,025	-	-
Taxes collected in advance	42,988,511	-	42,988,511	-	-	-	-
<b>Total current liabilities</b>	<b>109,881,884</b>	<b>15,500,365</b>	<b>125,382,249</b>	<b>49,157,475</b>	<b>283,035</b>	<b>12,594</b>	<b>2,710</b>
Noncurrent liabilities:							
Due within one year	26,968,195	14,323,464	41,291,659	2,515,109	-	-	-
OPEB obligation	7,489,734	-	7,489,734	10,080,042	452,950	-	-
Due in more than one year	283,667,813	304,117,660	587,785,473	9,535,980	138,659	-	-
<b>Total noncurrent liabilities</b>	<b>318,125,742</b>	<b>318,441,124</b>	<b>636,566,866</b>	<b>22,131,131</b>	<b>591,609</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>428,007,626</b>	<b>333,941,489</b>	<b>761,949,115</b>	<b>71,288,606</b>	<b>874,644</b>	<b>12,594</b>	<b>2,710</b>
<b>NET ASSETS</b>							
Investment in capital assets, net of related debt	140,218,259	306,967,260	447,185,519	4,979,663	3,922,950	159,768	-
Restricted for:							
Coverage account	-	7,225,449	7,225,449	-	-	-	-
PFCs	-	4,302,121	4,302,121	-	-	-	-
MSDC	-	6,743,162	6,743,162	-	-	-	-
Revenue bond O&M	-	13,521,000	13,521,000	-	-	-	-
Revenue bond fund	-	9,101,187	9,101,187	-	-	-	-
Bond funds - capital improvements	-	20,862,796	20,862,796	-	-	-	-
Workmen's compensation	1,127,897	1,031,447	2,159,344	-	-	-	-
Cemetery and other trust funds	15,057,510	-	15,057,510	-	-	-	-
Library trust funds	2,805,176	-	2,805,176	-	-	-	-
Equipment replacement	-	300,299	300,299	-	-	-	-
Land held for resale	-	-	-	-	-	-	620,240
Restricted for debt & food service	-	-	-	3,435,039	-	-	-
Unrestricted (Deficit)	(24,479,074)	32,711,684	8,232,610	(22,325,943)	112,728	16,828	3,687,091
<b>Total Net Assets (Deficit)</b>	<b>\$ 134,729,768</b>	<b>\$ 402,766,405</b>	<b>\$ 537,496,173</b>	<b>\$ (13,911,241)</b>	<b>\$ 4,035,678</b>	<b>\$ 176,596</b>	<b>\$ 4,307,331</b>

See accompanying notes.

**Statement of Activities**

	Expenses	Program Revenues		
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
General government	\$ 43,125,554	\$ 20,430,052	\$ 10,852,586	\$ 406,928
Public safety	61,213,077	1,601,622	2,678,785	-
Health and sanitation	5,867,746	2,212,021	1,918,638	-
Highways and streets	29,260,549	1,572,687	2,304,118	4,099,925
Welfare	1,343,084	21,544	-	-
Education and library	8,680,202	441,807	55,380	-
Parks and recreation	5,737,764	3,673,131	696,688	-
Cemetery Trust	36,359	-	-	-
Investment management fee	55,407	-	-	-
Interest	5,466,279	-	-	-
<b>Total governmental activities</b>	<b>160,786,021</b>	<b>29,952,864</b>	<b>18,506,195</b>	<b>4,506,853</b>
<b>Business-type activities</b>				
Water	18,455,490	16,987,128	-	3,470,596
EPD	15,127,410	21,558,040	49,906	761,826
Aviation	54,480,487	46,497,429	94,541	8,810,475
Recreation	2,431,535	1,587,848	-	-
Parking	2,582,954	4,365,668	-	-
<b>Total business-type activities</b>	<b>93,077,876</b>	<b>90,996,113</b>	<b>144,447</b>	<b>13,042,897</b>
<b>Total primary government:</b>	<b>\$ 253,863,897</b>	<b>\$ 120,948,977</b>	<b>\$ 18,650,642</b>	<b>\$ 17,549,750</b>
<b>Component units</b>				
Manchester School District	\$ 184,695,475	\$ 16,461,288	\$ 29,731,145	\$ 2,037,326
Manchester Transit Authority	7,787,546	3,812,173	2,768,034	140,160
Manchester Public Television Service, Inc.	549,851	-	500,000	-
Manchester Development Corporation	28,673	-	-	-
<b>Total component units</b>	<b>\$ 193,061,545</b>	<b>\$ 20,273,461</b>	<b>\$ 32,999,179</b>	<b>\$ 2,177,486</b>
<b>General revenues:</b>				
Property taxes				
Auto registration fees				
Franchise fees				
Unrestricted investment earnings				
Grants and contributions not restricted to specific programs				
Miscellaneous				
Debt reimbursement from MSD				
Gain (loss) on disposal of assets				
Transfers in (out)				
<b>Total general revenues and transfers</b>				
<b>Change in net assets</b>				
Net assets (deficits) - beginning, as restated (Note 12)				
Net assets (deficits) - ending				
See accompanying notes.				

**City of Manchester New Hampshire**  
**For the Fiscal Year Ended June 30, 2011**

Net (Expense) Revenue and Changes in Net Assets (Deficits)								
Primary Government			Component Units					
Governmental Activities	Business-type Activities	Total	Manchester School District	Manchester Transit Authority	Manchester Public Television Service, Inc.	Manchester Development Corporation		
\$ (11,435,988)	\$ -	\$ (11,435,988)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(56,932,670)	-	(56,932,670)	-	-	-	-	-	-
(1,737,087)	-	(1,737,087)	-	-	-	-	-	-
(21,283,819)	-	(21,283,819)	-	-	-	-	-	-
(1,321,540)	-	(1,321,540)	-	-	-	-	-	-
(8,183,015)	-	(8,183,015)	-	-	-	-	-	-
(1,367,945)	-	(1,367,945)	-	-	-	-	-	-
(36,359)	-	(36,359)	-	-	-	-	-	-
(55,407)	-	(55,407)	-	-	-	-	-	-
(5,466,279)	-	(5,466,279)	-	-	-	-	-	-
<u>(107,820,109)</u>	<u>-</u>	<u>(107,820,109)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	2,002,234	-	-	-	-	-	-
	-	7,242,362	-	-	-	-	-	-
	-	921,958	-	-	-	-	-	-
	-	(843,687)	-	-	-	-	-	-
	-	1,782,714	-	-	-	-	-	-
	-	11,105,581	-	-	-	-	-	-
<u>\$ (107,820,109)</u>	<u>\$ 11,105,581</u>	<u>\$ (96,714,528)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (136,465,716)	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	(1,067,179)	-	-	-	-
-	-	-	-	-	(49,851)	-	-	-
-	-	-	-	-	-	-	(28,673)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (136,465,716)</u>	<u>\$ (1,067,179)</u>	<u>\$ (49,851)</u>	<u>\$ -</u>	<u>\$ (28,673)</u>	<u>\$ -</u>
\$ 90,457,552	\$ -	\$ 90,457,552	\$ 53,047,469	\$ -	\$ -	\$ -	\$ -	\$ -
13,953,158	-	13,953,158	-	-	-	-	-	-
1,755,899	-	1,755,899	-	-	-	-	-	-
1,202,692	872,337	2,075,029	177,559	902	165	61,301	-	-
-	-	-	77,554,497	-	-	-	-	-
-	-	-	1,498,201	-	4,455	-	-	-
6,162,664	-	6,162,664	-	-	-	-	-	-
129,107	293,198	422,305	-	-	-	-	-	-
1,979,574	(1,979,574)	-	(221,827)	-	221,827	(16,314)	-	-
<u>115,640,646</u>	<u>(814,039)</u>	<u>114,826,607</u>	<u>132,055,899</u>	<u>902</u>	<u>226,447</u>	<u>44,987</u>	<u>-</u>	<u>-</u>
7,820,537	10,291,542	18,112,079	(4,409,817)	(1,066,277)	176,596	16,314	-	-
126,909,231	392,474,863	519,384,094	(9,501,424)	5,101,955	-	4,291,017	-	-
<u>\$ 134,729,768</u>	<u>\$ 402,766,405</u>	<u>\$ 537,496,173</u>	<u>\$ (13,911,241)</u>	<u>\$ 4,035,678</u>	<u>\$ 176,596</u>	<u>\$ 4,307,331</u>	<u>\$ -</u>	<u>\$ -</u>

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

City of Manchester, New Hampshire  
June 30, 2011

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 82,377,080	\$ 183,550	\$ 6,327,406	\$ 88,888,036
Restricted cash and cash equivalents	9,205,192	48,823,427	2,472,905	60,501,524
Restricted investments	-	-	21,623,305	21,623,305
Investments	561,943	-	-	561,943
Receivables, net of allowances for collection losses	18,592,987	-	6,810,106	25,403,093
Prepaid expenses	1,986,216	-	-	1,986,216
Due from other funds	9,788,803	-	-	9,788,803
Inventories	695,419	-	-	695,419
<b>Total Assets</b>	<b>\$ 123,207,640</b>	<b>\$ 49,006,977</b>	<b>\$ 37,233,722</b>	<b>\$ 209,448,339</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts and warrants payable	\$ 3,255,398	\$ 3,174,428	\$ 7,287,303	\$ 13,717,129
Retainage payable	40,865	14,300	-	55,165
Accrued liabilities	5,234,472	164,261	41,253	5,439,986
Other liabilities	-	-	935,882	935,882
Insurance claims payable	756,296	-	-	756,296
Due to other funds	-	1,313,668	1,154,179	2,467,847
Due to Manchester School District	30,468,838	-	-	30,468,838
Unearned revenue	14,186,077	-	137,625	14,323,702
Deferred revenue	3,272,228	-	-	3,272,228
Taxes collected in advance	42,988,511	-	-	42,988,511
<b>Total Liabilities</b>	<b>100,202,685</b>	<b>4,666,657</b>	<b>9,556,242</b>	<b>114,425,584</b>
<b>Fund Balances (deficits)</b>				
Nonspendable	10,493,541	-	17,862,686	28,356,227
Restricted	1,127,897	43,085,650	6,030,517	50,244,064
Committed	3,386,978	-	6,050,816	9,437,794
Assigned	376,310	1,254,670	-	1,630,980
Unassigned	7,620,229	-	(2,266,539)	5,353,690
<b>Total Fund Balances</b>	<b>23,004,955</b>	<b>44,340,320</b>	<b>27,677,480</b>	<b>95,022,755</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 123,207,640</b>	<b>\$ 49,006,977</b>	<b>\$ 37,233,722</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<b>342,334,900</b>
Pension asset created in governmental activities is not a financial resource and, therefore, is not reported in the funds.	<b>10,214,992</b>
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<b>656,707</b>
Deferred Revenue are not available and therefore not recognized in the funds.	<b>3,272,228</b>
Long-term liabilities consisting of accruals are not due and payable in current period and, therefore, are not reported in the funds.	<b>(1,952,668)</b>
Deferred charges, net	<b>2,550,302</b>
Long-term liabilities consisting of bonds payable and accruals are not due and payable in the current period and, therefore, are not reported in the funds	<b>(317,369,448)</b>
See accompanying notes.	<b>\$ 134,729,768</b>



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

**City of Manchester, New Hampshire  
Year Ended June 30, 2011**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 92,102,359	\$ -	\$ -	\$ 92,102,359
Federal and state grants and aid	5,848,303	-	16,291,476	22,139,779
Nonenterprise charges for sales and services	2,277,246	-	-	2,277,246
Licenses and permits	17,505,243	-	-	17,505,243
Interest	731,364	54,670	416,659	1,202,693
Contributions	-	-	4,803,681	4,803,681
Net appreciation in fair value of securities	-	-	3,491,857	3,491,857
Other	10,915,165	-	5,406,679	16,321,844
<b>Total Revenues</b>	<b>129,379,680</b>	<b>54,670</b>	<b>30,410,352</b>	<b>159,844,702</b>
<b>Expenditures</b>				
Current:				
General government	22,798,832	999,811	12,456,378	36,255,021
Public safety	56,537,291	3,678	2,796,550	59,337,519
Health and sanitation	3,961,237	-	1,789,413	5,750,650
Highway and streets	24,687,830	-	-	24,687,830
Welfare	1,215,501	-	145,191	1,360,692
Education	2,880,827	-	-	2,880,827
Parks and recreation	3,691,910	18,469	156,712	3,867,091
Cemetery Trust	-	-	36,358	36,358
Investment management fee	-	-	55,407	55,407
Capital Outlay	126,796	14,606,510	5,351,971	20,085,277
Debt service:				
Principal retirement	9,330,350	-	-	9,330,350
Interest	5,170,992	-	-	5,170,992
<b>Total Expenditures</b>	<b>130,401,566</b>	<b>15,628,468</b>	<b>22,787,980</b>	<b>168,818,014</b>
<b>Excess (Deficiency) of revenues over expenditures</b>	<b>(1,021,886)</b>	<b>(15,573,798)</b>	<b>7,622,372</b>	<b>(8,973,312)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of bonds	-	49,360,000	-	49,360,000
Payment to refunded bond escrow agent	(34,440,529)	-	-	(34,440,529)
Proceeds of refunding bonds	31,584,742	-	-	31,584,742
Cost of issuance	(292,322)	(641,141)	-	(933,463)
Premium on bonds Payable	3,156,993	1,427,505	-	4,584,498
Transfers in	2,688,249	-	25,000	2,713,249
Transfers out	(25,000)	-	(968,099)	(993,099)
<b>Total Other Financing Sources</b>	<b>2,672,133</b>	<b>50,146,364</b>	<b>(943,099)</b>	<b>51,875,398</b>
<b>Net Change in Fund Balances</b>	<b>1,650,247</b>	<b>34,572,566</b>	<b>6,679,273</b>	<b>42,902,086</b>
<b>Fund Balance, beginning, as restated (Note 18)</b>	<b>21,354,708</b>	<b>9,767,754</b>	<b>20,998,207</b>	<b>52,120,669</b>
<b>Fund Balance, ending</b>	<b>\$ 23,004,955</b>	<b>\$ 44,340,320</b>	<b>\$ 27,677,480</b>	<b>\$ 95,022,755</b>

See accompanying notes.

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

**City of Manchester, New Hampshire  
Year Ended June 30, 2011**

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

Net change in fund balance \$ 42,902,086

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 5,728,473

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,952

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. (35,927,785)

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. (4,884,189)

Change in net assets of governmental activities \$ 7,820,537

See accompanying notes.

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

City of Manchester, New Hampshire  
Year Ended June 30, 2011

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 91,433,532	\$ 91,899,047	\$ 91,781,128	\$ (117,919)
Federal and state grants and aid	3,723,695	3,723,695	3,873,280	149,585
Nonenterprise charges for sales and services	2,204,578	2,238,578	2,271,980	33,402
Licenses and permits	16,303,102	16,304,102	17,526,787	1,222,685
Interest	755,000	580,000	731,364	151,364
Other	10,798,491	11,037,817	10,898,888	(138,929)
<b>Total Revenues</b>	<b>125,218,398</b>	<b>125,783,239</b>	<b>127,083,427</b>	<b>1,300,188</b>
<b>Expenditures</b>				
Current:				
General government	47,980,198	47,871,616	49,540,441	(1,668,825)
Public safety	37,487,081	37,745,346	37,745,346	
Health and sanitation	2,621,823	2,621,823	2,544,277	77,546
Highway and streets	19,444,884	19,295,201	19,179,207	115,994
Welfare	1,098,342	1,098,342	933,560	164,782
Education	2,045,609	2,045,609	2,015,392	30,217
Parks and recreation	2,767,477	2,767,477	2,711,846	55,631
Debt service:				
Principal retirement	9,150,000	9,150,000	9,330,350	(180,350)
Interest	5,400,000	5,400,000	5,170,992	229,008
<b>Total Expenditures</b>	<b>127,995,414</b>	<b>127,995,414</b>	<b>129,171,411</b>	<b>(1,175,997)</b>
<b>Excess (Deficiency) of revenues under expenditures</b>	<b>(2,777,016)</b>	<b>(2,212,175)</b>	<b>(2,087,984)</b>	<b>124,191</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,777,016	2,212,175	2,198,261	(13,914)
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>2,777,016</b>	<b>2,212,175</b>	<b>2,198,261</b>	<b>(13,914)</b>
<b>Revenues and Other Financing Sources Over Expenses and Other Financing Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 110,277</b>	<b>\$ 110,277</b>

See accompanying notes.

Proprietary Funds  
Statement of Net Assets

City of Manchester, New Hampshire  
June 30, 2011

	Business-type Activities-Enterprise Funds				
	Major			Non-Major Funds	Total
	Water Works Fund	EPD Fund	Aviation Fund		
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 889,276	\$ 20,948,049	\$ 400	\$ 1,450	\$ 21,839,175
Restricted cash and cash equivalents	15,725,529	710,811	68,788,058	223,331	85,447,729
Receivables, net of allowances for collection losses	5,263,007	8,973,102	6,246,844	186,871	20,669,824
Prepaid items	488,759	-	605,705	-	1,094,464
Due from other funds	142,224	59,557	191,364	-	393,145
Inventories	989,974	121,654	453,146	-	1,564,774
Total current assets:	23,498,769	30,813,173	76,285,517	411,652	131,009,111
Noncurrent assets:					
Capital assets, net, where applicable, of accumulated depreciation	106,668,755	148,553,444	337,806,738	15,081,824	608,110,761
Deferred charges	695,083	-	2,118,935	57,427	2,871,445
Total noncurrent assets:	107,363,838	148,553,444	339,925,673	15,139,251	610,982,206
<b>Total Assets</b>	<b>\$ 130,862,607</b>	<b>\$ 179,366,617</b>	<b>\$ 416,211,190</b>	<b>\$ 15,550,903</b>	<b>\$ 741,991,317</b>
<b>Liabilities</b>					
Current liabilities					
Accounts and warrants payable	\$ 559,708	\$ 1,011,113	\$ 2,591,192	\$ 122,426	\$ 4,284,439
Retainage payable	83,499	410,512	152,248	-	646,259
Accrued liabilities	962,904	1,156,595	5,388,048	226,367	7,733,914
Due to other funds	-	-	-	5,283,423	5,283,423
Unearned revenue	-	-	-	34,355	34,355
Bonds and notes payable	1,071,755	3,291,879	8,035,000	814,132	13,212,766
Compensated Absences	1,365,151	378,360	618,826	235,821	2,598,158
Other liabilities	68,981	-	36,316	97,943	203,240
Total Current liabilities	4,111,998	6,248,459	16,821,630	6,814,467	33,996,554
Noncurrent liabilities					
Bonds payable	47,581,851	27,217,586	211,171,363	8,033,979	294,004,779
Due to State of New Hampshire	846,582	10,376,997	-	-	11,223,579
Total Noncurrent liabilities	48,428,433	37,594,583	211,171,363	8,033,979	305,228,358
<b>Total Liabilities</b>	<b>52,540,431</b>	<b>43,843,042</b>	<b>227,992,993</b>	<b>14,848,446</b>	<b>339,224,912</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	60,775,485	107,666,982	132,208,799	6,315,994	306,967,260
Restricted	13,722,330	300,299	49,064,832	-	63,087,461
Unrestricted (Deficit)	3,824,361	27,556,294	6,944,566	(5,613,537)	32,711,684
<b>Total Net Assets</b>	<b>\$ 78,322,176</b>	<b>\$ 135,523,575</b>	<b>\$ 188,218,197</b>	<b>\$ 702,457</b>	<b>\$ 402,766,405</b>

See accompanying notes.

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

City of Manchester, New Hampshire  
 Year Ended June 30, 2011

	Business-type Activities-Enterprise Funds				
	Major				Total
	Water Works Fund	EPD Fund	Aviation Fund	Non-major Funds	
<b>Operating Revenues</b>					
Charges for goods and services	\$ 16,504,012	\$ 18,775,259	\$ 36,986,907	\$ 5,821,337	78,087,515
Other	483,116	2,470,884	1,932,075	5,106	4,891,181
<b>Total Operating Revenues</b>	<b>16,987,128</b>	<b>21,246,143</b>	<b>38,918,982</b>	<b>5,826,443</b>	<b>82,978,696</b>
<b>Operating Expenses</b>					
Personnel services	6,608,947	3,950,736	7,519,571	2,403,026	20,482,280
Plant maintenance	1,422,032	1,392,892	1,181,190	135,251	4,131,365
Light/heat and power	1,170,794	1,895,176	2,295,640	298,141	5,659,751
General and administrative	3,492,228	209,431	14,265,417	928,118	18,895,194
Depreciation and amortization	3,518,478	6,702,954	19,649,887	825,004	30,696,323
<b>Total Operating Expenses</b>	<b>16,212,479</b>	<b>14,151,189</b>	<b>44,911,705</b>	<b>4,589,540</b>	<b>79,864,913</b>
<b>Operating Income (Loss)</b>	<b>774,649</b>	<b>7,094,954</b>	<b>(5,992,723)</b>	<b>1,236,903</b>	<b>3,113,783</b>
<b>Non-Operating Revenues (Expenses), net</b>					
Soundproofing program grant	-	-	94,541	-	94,541
Interest income	174,330	27,013	667,128	3,866	872,337
Interest expense	(2,243,011)	(976,220)	(8,978,540)	(424,949)	(12,622,720)
Passenger facility charges	-	-	5,742,260	-	5,742,260
Customer facility charges	-	-	1,836,186	-	1,836,186
Rent and other income	-	311,896	-	127,073	438,969
Reimbursement of Interest Expenses	-	49,906	-	-	49,906
Bond issuance costs	-	-	(590,241)	-	(590,241)
Loss on disposal of capital assets	290,148	-	3,050	-	293,198
<b>Total Non-Operating Expenses</b>	<b>(1,778,533)</b>	<b>(587,405)</b>	<b>(1,225,616)</b>	<b>(294,010)</b>	<b>(3,885,564)</b>
<b>Net income (loss) before capital contributions and transfers</b>	<b>(1,003,884)</b>	<b>6,507,549</b>	<b>(7,218,339)</b>	<b>942,893</b>	<b>(771,781)</b>
<b>Capital Contributions and Transfers</b>					
Capital Contributions	3,470,596	761,826	8,810,475	-	13,042,897
Transfer to general fund	(20,690)	-	-	(1,699,460)	(1,720,150)
Transfer of Capital Assets	-	-	-	(2,272,735)	(2,272,735)
Transfer of Liability	-	-	-	2,013,311	2,013,311
<b>Total Capital Contributions and Transfers</b>	<b>3,449,906</b>	<b>761,826</b>	<b>8,810,475</b>	<b>(1,958,884)</b>	<b>11,063,323</b>
<b>Change in Net Assets</b>	<b>2,446,022</b>	<b>7,269,375</b>	<b>1,592,136</b>	<b>(1,015,991)</b>	<b>10,291,542</b>
<b>Fund Net Assets, beginning of year</b>	<b>75,876,154</b>	<b>128,254,200</b>	<b>186,626,061</b>	<b>1,718,448</b>	<b>392,474,863</b>
<b>Fund Net Assets, end of year</b>	<b>\$ 78,322,176</b>	<b>\$ 135,523,575</b>	<b>\$ 188,218,197</b>	<b>\$ 702,457</b>	<b>\$ 402,766,405</b>

See accompanying notes.

**Proprietary Funds**  
**Statement of Cash Flows**

**City of Manchester, New Hampshire**  
**Year Ended June 30, 2011**

	<b>Business-type Activities-Enterprise Funds</b>				
	<b>Major</b>			<b>Non-Major</b>	<b>Total</b>
	<b>Water Works</b>	<b>EPD</b>	<b>Aviation</b>		
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>	
<b><u>Cash Flows from Operating Activities</u></b>					
Cash received from customers	\$ 15,175,469	\$ 22,553,276	\$ 38,166,855	\$ 5,928,778	\$ 81,824,378
Cash payments for goods and services	(6,426,024)	(3,573,982)	(18,969,091)	(1,386,088)	(30,355,185)
Cash payments to employees for services	(6,790,028)	(3,998,170)	(7,577,366)	(2,436,261)	(20,801,825)
Other operating revenues	-	-	-	127,073	127,073
<b>Net Cash Provided by Operating Activities</b>	<b>1,959,417</b>	<b>14,981,124</b>	<b>11,620,398</b>	<b>2,233,502</b>	<b>30,794,441</b>
<b><u>Cash Flows Provided by Non-Capital and Related Financing Activities</u></b>					
Amounts from federal & state governments for soundproofing	-	-	94,541	-	94,541
Cash (paid) received from general fund	-	-	-	719,266	719,266
Passenger and customer facility charges	-	-	7,677,595	-	7,677,595
Cash Payment to the City	(20,690)	-	-	(1,746,601)	(1,767,291)
Interest paid on cash advances	-	-	-	(9,751)	(9,751)
<b>Net Cash Provided by (Used in) Non-Capital &amp; Related Financing Activities</b>	<b>(20,690)</b>	<b>-</b>	<b>7,772,136</b>	<b>(1,037,086)</b>	<b>6,714,360</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>					
Payments to State of New Hampshire	(1,805,131)	-	-	-	(1,805,131)
Proceeds from State of New Hampshire Revolving Fund	2,003,988	10,631,580	-	-	12,635,568
Reimbursement of bond interest expenses	-	65,570	-	-	65,570
Deferred charges	615	-	(379,840)	(23,234)	(402,459)
Proceeds from premiums	138,540	-	-	280,894	419,434
Payments on revolving loan fund	-	(3,291,879)	-	-	(3,291,879)
Principal paid on bonds and notes	(892,688)	(10,631,580)	(8,035,000)	(814,132)	(20,373,400)
Proceeds from refunding bond	-	-	-	2,810,258	2,810,258
Proceeds from bonds	1,875,000	-	-	-	1,875,000
Proceeds from notes	-	10,555,020	-	-	10,555,020
Interest paid on bonds and notes	(2,246,763)	(1,035,993)	(9,814,020)	(429,581)	(13,526,357)
Proceeds from sale of capital assets	415,469	-	-	-	415,469
Contributed capital by federal, state & local governments	3,470,596	761,826	8,810,475	-	13,042,897
Acquisition and construction of capital assets	(4,615,375)	(13,219,426)	(10,241,510)	(853,174)	(28,929,485)
Payment to escrow agent for refunding	-	-	-	(3,064,351)	(3,064,351)
<b>Net Cash Used in Capital &amp; Related Financing Activities</b>	<b>(1,655,749)</b>	<b>(6,164,882)</b>	<b>(19,659,895)</b>	<b>(2,093,320)</b>	<b>(29,573,846)</b>
<b><u>Cash Flows from Investing Activities</u></b>					
Interest and dividends from investments	174,330	-	667,128	3,866	845,324
<b>Net Cash Provided by Investing Activities</b>	<b>174,330</b>	<b>-</b>	<b>667,128</b>	<b>3,866</b>	<b>845,324</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>457,308</b>	<b>8,816,242</b>	<b>399,767</b>	<b>(893,038)</b>	<b>8,780,279</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>16,157,497</b>	<b>12,842,618</b>	<b>68,388,691</b>	<b>1,117,819</b>	<b>98,506,625</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 16,614,805</b>	<b>\$ 21,658,860</b>	<b>\$ 68,788,458</b>	<b>\$ 224,781</b>	<b>\$ 107,286,904</b>

Proprietary Funds  
Statement of Cash Flows

City of Manchester, New Hampshire  
Year Ended June 30, 2011

	Business-type Activities-Enterprise Funds				
	Major				Total
	Water Works Fund	EPD Fund	Aviation Fund	Non-Major Funds	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>					
Operating income (loss)	\$ 774,649	\$ 7,094,954	\$ (5,992,723)	\$ 1,236,903	\$ 3,113,783
Adjustments to reconcile operating income (loss) to cash provided by operating activities:					
Depreciation and amortization	3,518,478	6,702,954	19,649,887	825,004	30,696,323
Non-operating revenue	-	-	-	127,073	127,073
<b>Change in Assets and Liabilities</b>					
Decrease (increase) in receivables	(1,838,899)	1,307,132	(675,588)	69,511	(1,137,844)
Decrease (increase) in inventories	32,732	(56,407)	(72,246)	-	(95,921)
Decrease (increase) in prepaid expenses and other assets	(31,791)	15,874	92,432	12,553	89,068
Increase (decrease) in accounts & retainage payable	(503,835)	(103,511)	(574,593)	(103,361)	(1,285,300)
Increase (decrease) in accrued liabilities	303,509	(29,620)	(589,101)	79,790	(235,422)
Increase (decrease) in compensated absences	9,672	49,748	(57,795)	12,130	13,755
Increase (decrease) in other liabilities	(119,168)	-	(76,540)	(31,371)	(227,079)
Increase (decrease) in unearned revenue	-	-	-	5,270	5,270
Increase (decrease) in interfund liabilities	(185,930)	-	(83,335)	-	(269,265)
<b>Net Cash Provided by Operating Activities</b>	<b>1,959,417</b>	<b>14,981,124</b>	<b>11,620,398</b>	<b>2,233,502</b>	<b>30,794,441</b>
<b>Schedule of Noncash Investing, Capital and Financing Activities</b>					
Disposal of Capital Assets	\$ 290,148	\$ -	\$ -	\$ -	\$ 290,148
Transfer of Capital Assets	\$ -	\$ -	\$ -	\$ (2,272,735)	\$ (2,272,735)
Transfer of Liability	\$ -	\$ -	\$ -	\$ 2,013,311	\$ 2,013,311

**Fiduciary Funds**

**City of Manchester, New Hampshire**

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

**Year Ended June 30, 2011**

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,941,733	\$ -
Investments	158,338,555	-
Receivables, net of allowances for collection losses	177,312	2,430,678
Other assets	4,900	-
Capital assets, net, where applicable, of accumulated depreciation	3,248	-
<b>Total Assets</b>	<b><u>\$ 163,465,748</u></b>	<b><u>\$ 2,430,678</u></b>
<b>Liabilities</b>		
Accounts and warrants payable	\$ 200,999	\$ -
Accrued liabilities	729,116	-
Due to other funds	-	2,430,678
<b>Total Liabilities</b>	<b><u>930,115</u></b>	<b><u>2,430,678</u></b>
<b>Total Net Assets Held in Trust for Pension Benefits</b>	<b><u>\$ 162,535,633</u></b>	<b><u>\$ -</u></b>

See accompanying notes.

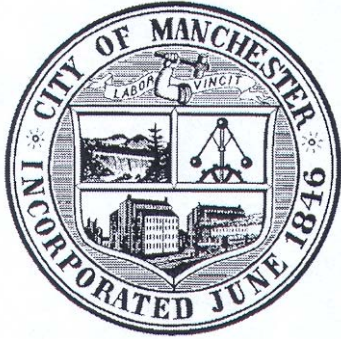


**Fiduciary Trusts**  
**Statement of Changes in Fiduciary Net Assets - Pension Trust**

**City of Manchester New Hampshire**  
**Year Ended June 30, 2011**

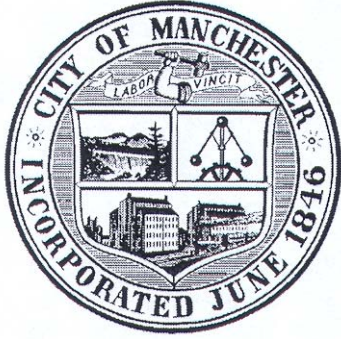
	<u>Pension Trust Funds</u>
<b>Additions</b>	
Contributions	
Employer	\$ 9,725,384
Plan members	2,933,174
<b>Total Contributions</b>	<u>12,658,558</u>
Investment Gain	
Net realized and unrealized appreciation in fair value of investments	19,380,064
Interest	346,516
Dividends	1,007,186
Other income	15,446
Less investment expense	(501,477)
<b>Net Investment Income</b>	<u>20,247,735</u>
 <b>Total additions</b>	 <u>32,906,293</u>
<b>Deductions</b>	
Benefits paid directly to participants	10,542,605
Refunds of employee contributions	649,998
Administrative expenses	876,083
<b>Total Deductions</b>	<u>12,068,686</u>
 <b>Net Increase</b>	 20,837,607
<b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of year	141,698,026
End of year	<u>\$ 162,535,633</u>

See accompanying notes.



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## **Notes to Financial Statements**



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**Note 1. Summary of Significant Accounting Policies**

**Reporting entity**

The City of Manchester, New Hampshire, (the City) was incorporated in June of 1846 and operates as a municipal corporation governed by an elected mayor and a fourteen (14) member aldermanic board. Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (4) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Codification Section 2100 have been considered and as a result, the component units discussed below are included in the City's reporting entities because of their operational significance and financial relationship with the City.

**Discretely presented component units**

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

Manchester Public Television Service, Inc. (MPTS) - The MPTS was created by the Board of Mayor and Aldermen (BMA) as a nonprofit organization whose mission is to develop, promote and facilitate, access and training for any Manchester resident to create television programs and have those programs cablecast throughout the City of Manchester. The MPTS Board of Directors is comprised of five (5) voting members. Three (3) directors shall be appointed by a majority vote of the Aldermen; the other two (2) directors shall be nominated by the Mayor and confirmed by a majority vote of the aldermen. Separate audited financial statements are not available. MPTS is presented as a governmental fund type.

Manchester School District ( District or MSD ) - The MSD is responsible for elementary and secondary education within the government's jurisdiction. The fourteen (14) members of the school board are elected by the voters. However, the District is fiscally dependent upon the government as the government's BMA approves the District's budget, levies taxes (if necessary) and must approve any debt issuances. Other independent auditors audited the MSD, a June 30 year-end, and their report, dated March 12, 2012, and has been issued under separate cover. The District is presented as a governmental fund type.

Manchester Transit Authority ( MTA ) - The MTA was created by the BMA to provide a public transportation system for the citizens of the City. A five-member board appointed by the BMA oversees the MTA. Other independent auditors audited the MTA, a June 30 year-end, and their report, dated October 12, 2011, and has been issued under separate cover. The MTA is presented as a proprietary fund type.

## CITY OF MANCHESTER, NEW HAMPSHIRE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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

Manchester Public Television Service, Inc.  
1045 Elm Street, 3<sup>rd</sup> Floor  
Manchester NH 03101

Manchester Transit Authority  
110 Elm Street  
Manchester NH 03101 - 2799

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

### **Blended Component Unit**

City of Manchester Employees' Contributory Retirement System (MECRS ) - The MECRS was created by the BMA for the purpose of administering the assets of the employees' contributory retirement system. The MECRS' Board of Trustees consists of seven members, as follows: the City Finance Officer, the Mayor, one person appointed by the Board of Aldermen, two citizens of the City - one appointed by the Mayor, one elected by the MECRS members and two MECRS members also elected by the MECRS members. Other independent auditors audited the MECRS, a December 31 year end, for the year ended December 31, 2010, and their report; dated June 24, 2011 has been issued under separate cover. MECRS is presented as a pension trust fund.

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

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

### **Government-wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

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

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

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

The *Agency Fund* accounts for monies held as a custodian for outside groups and agencies.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for the proprietary funds include the cost of operations and maintenance and depreciation on capital assets. All



## CITY OF MANCHESTER, NEW HAMPSHIRE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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

#### Accounting estimates

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

#### Cash equivalents

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

#### Investments

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

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

#### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide and proprietary fund financial statements.

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life equal to or in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net interest cost capitalized in the Environmental Protection Division Fund amounted to \$95,000 for the year ended June 30, 2011. There was no capitalized interest for the Aviation fund for the year ended June 30, 2011.

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

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

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

Compensated absences

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

No liability is recorded for nonvesting accumulating rights to receive sick-pay benefits. However, a liability is recognized for that portion of accumulated sick-leave benefits that it is estimated will be taken as terminal leave prior to retirement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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Long-term obligations

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

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

Pension accounting

**Pension Trust Funds:**

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

**Government-wide Statements:**

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

**Funding Policy:**

The City makes annual contributions based upon annual actuarial determinations.

OPEB accounting

**Governmental funds/activities:**

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

**Funding policy:**

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

Encumbrances

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

Inventory

Inventory is stated at the lower of cost using the moving average method or market.

Fund Equity and Net Assets

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

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**Committed Fund Balance** – This represents amounts constrained prior to year-end for a specific purpose by a government using its highest level of decision-making authority (Board of Mayor and Aldermen).

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

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

**Note 2. Reconciliation of Government-Wide and Fund Financial Statements**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

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

Other long term assets that are not available to pay for current period expenditures and, therefore are deferred in the funds	\$ 656,707
Deferred charges:	
Cost of Debt Issuance Fees	2,550,302

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 \$317,369,448 difference consisting of long-term debt are as follows:

Bonds payable	\$ 272,679,045
Less: Deferred loss on refunding (to be amortized as interest expense)	(574,721)
Deferred loss on Refunding Series 2010 F	(3,145,023)
Add: Net bond premium	19,652,943
Capital lease	213,748
Compensated absences	11,217,262
OPEB payable	7,489,734
Insurance claims	4,848,721
Landfill closure and post-closure care	4,987,739
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u><u>\$ 317,369,448</u></u>

CITY OF MANCHESTER, NEW HAMPSHIRE

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The details of the \$1,952,668 difference consisting of current accruals are as follows:

Accrued interest	\$ 2,882,335
Due from School District	<u>(929,667)</u>
Net adjustment to decrease fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 1,952,668</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$5,728,473 difference are as follows:

Capital outlay	\$ 21,059,904
Asset transfer, net from Recreation Enterprise	2,272,735
Asset retirements	(49,102)
Depreciation expense	<u>(17,555,064)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 5,728,473</u>

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

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The detail of this \$35,927,785 difference is as follows:

Long-term liabilities issued or incurred:	
Proceeds from General Obligation Bond	\$ (49,360,000)
Proceeds from Refunding Bond	(31,584,742)
Capital lease	(213,748)
Series 2010 C, D & E premium	(1,427,505)
Refunding premium on Series 2010 F	(3,156,993)
Liability transfer from Recreation Enterprise	(2,013,311)
Principal repayments:	
General obligation debt-City portion	9,330,350
General obligation debt-MSD portion reimbursed	6,162,664
Payment to Escrow on Refunding	34,440,529
Series 2010 discounts and COI	933,463
Bond discounts, COI and premiums amortization	<u>961,508</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (35,927,785)</u></u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$4,884,189 difference are as follows:

Prepaid Pension Asset	\$ 1,246,750
Deferred Professional Fees	123,267
OPEB	1,948,860
Risk reserve	14,724
Landfill reserve	421,221
Compensated absences	(2,112)
Accrued interest	1,235,998
Interest receivable from MSD on bonds payable	<u>(104,519)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 4,884,189</u></u>

**Note 3. Stewardship, Compliance and Accountability**

Budgets and budgetary accounting

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

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

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

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

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

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

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

Pursuant to the state level requirements, the budgetary level of control is established by object categories within the departmental budgets. Departmental budget transfers from one object category to another must be approved by the Finance Officer prior to approval of the BMA. The



**CITY OF MANCHESTER, NEW HAMPSHIRE**

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Finance Officer is responsible for establishing controls related to the management and monitoring of the budget to prevent expenditures from exceeding budgeted appropriations.

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

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

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

- (a) Tax revenues are recorded when invoiced (budgetary), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no firm liability exists.
- (c) State retirement contributions are paid by the State on behalf of the City and represent differences for both revenues and expenditures. The MECRS prepayment is a budgetary prepayment for FY 2012 which was approved by the BMA.

The following departments overspent its budget:

Non-departmental	\$2,080,571
Debt service – Principal retirement	\$180,350

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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	Net Change
Statement of revenues and expenditures -					
budgetary basis	\$ 127,083,427	\$ 129,171,411	\$ 2,198,261	\$ -	\$ 110,277
Central Business District	258,000	257,801	-	-	199
Transfer to Special Revenue Fund	-	-	-	25,000	(25,000)
Adjustment to project	-	-	1,299	-	1,299
State retirement contributions	1,975,023	1,975,023	-	-	-
Tax revenues of 2010 recognized in 2011	2,591,222	-	-	-	2,591,222
Tax revenues of 2011 deferred until 2012	(2,527,992)	-	-	-	(2,527,992)
Payment - Refunded Debt Escrow Agent	-	34,440,529	-	-	(34,440,529)
Underwriter's Discount & Reimbursement of COI	-	292,322	-	-	(292,322)
Proceeds of Refunding Debt	31,584,742	-	-	-	31,584,742
Premium on Bonds Payable	3,156,993	-	-	-	3,156,993
Health Insurance Fund Transfer	-	-	467,999	-	467,999
MECRS prepayment for FY 2012	-	(1,208,899)	-	-	1,208,899
Current year encumbrances	-	(374,845)	-	-	374,845
Prior years & balance sheet encumbrances	-	161,243	-	-	(161,243)
Expenditures of cash projects	-	70,917	-	-	(70,917)
Reimbursement for aggregation program - MWW	-	-	20,690	-	20,690
Expenditures of prior year encumbrances	-	348,915	-	-	(348,915)
Statement of revenues and expenditures (in conformity with GAAP)	\$ 164,121,415	\$ 165,134,417	\$ 2,688,249	\$ 25,000	\$ 1,650,247

**Note 4. Cash, cash equivalents and investments**

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

At times the MECRS maintains cash balances in excess of the amount insured by FDIC. The MECRS has not experienced any losses in such accounts and cannot avoid at least temporary exposure to such risk when it holds cash deposits in anticipation of monthly annuity payroll obligations. The MECRS believes it is not exposed to any significant risk with respect to these accounts. At any given time, only the \$250,000 limit specified by the FDIC is guaranteed against loss.

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

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

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

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

Interest Rate Risk: The City limits its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, certificates of deposits, and repurchase agreements.

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

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

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

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

**MECRS Pension Trust**

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

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2011, \$12,135 of the City's bank balance of \$246,464,787 deposits total was uninsured and uncollateralized. The City has steadfastly maintained sufficient collateralization of its funds to prevent losses that might be attributable to failures at individual institutions.

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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Foreign currency risk:

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

Investment Policy:

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

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

	<u>Policy Mix</u>	<u>Current Mix</u>		<u>Policy Mix</u>	<u>Current Mix</u>
GAA	12.00%	14.70%	Alternatives	15.00%	10.20%
Domestic Equity	27.00%	27.50%	Real Estate/Asset	10.00%	10.10%
International Equity	13.00%	13.60%	Cash	2.00%	3.20%
Fixed Income	21.00%	20.70%			

Custodial Credit Risk:

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Cash and investments of the City consist of the following at June 30, 2011:

<b>Cash and Cash Equivalents</b>		
Deposits with Financial Institutions	\$	154,568,409
Municipal Backed Investment Fund		15,430,478
Repurchase Investments		86,832,985
CR Pension Cash		4,786,324
<b>Total Cash and Cash Equivalents</b>		<u>\$ 261,618,196</u>
<b>General Fund Investments</b>		
U.S. Government Agencies		561,943 **
Total General Fund Investments		<u>561,943</u>
<b>Library Trust Funds:</b>		
U.S. Treasury Notes		389,425 ***
U.S. Government Agencies		326,314 ***
Corporate Bonds		426,513 ***
Municipal Obligations		150,868 ***
Common Stocks		1,169,360 ***
Equity Mutual Funds		762,083
Total Library Trust Funds		<u>3,224,563</u>
<b>Cemetery Trust Funds:</b>		
U.S. Treasury Notes		4,704,041 ***
Corporate Bonds		399,516 ***
Mutual Funds		11,579,358
Total Cemetery Trust Funds		<u>16,682,915</u>
<b>Expendable Trust Funds:</b>		
U.S. Treasury Notes		1,581,510 ***
Corporate Bonds		134,318 ***
Total Expendable Trust Funds		<u>1,715,828</u>
<b>Old System Pension Trust Fund:</b>		
U.S. Treasury Notes		1,704,141 ***
Corporate Bonds		3,255,365 ***
Mortgage Backed		1,100,116 ***
Mutual Funds		7,212,769
Total Old System Pension Trust Fund		<u>13,272,391</u>
<b>City Retirement System Investments, at fair value</b>		
Equity funds		34,237,167
International equity		12,252,254
Alternative equity		1,378,749
Hedge funds		14,024,450
Fixed income		30,992,758
Emerging market funds		8,035,683
Real estate		2,753,968
Timber funds		5,256,850
Specialty investments		36,134,286
Total City Retirement System		<u>145,066,165</u>
<b>Total Investments</b>	\$	<u>180,523,805</u>
<b>Total Cash, Cash Equivalents and Investments</b>	\$	<u>442,142,001</u>

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

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

CITY OF MANCHESTER, NEW HAMPSHIRE

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

**Statement of Net Assets**

Cash and cash equivalents	\$ 110,727,212
Restricted cash	145,949,252
Investments	561,943
Restricted Investments	21,623,306
	<u>278,861,713</u>

**Pension Trust Funds**

Cash and cash equivalents	4,941,733
Investments	158,338,555
	<u>163,280,288</u>

**Total** \$ 442,142,001

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

Type of Investment	Market Value	Investment Maturities (in Years)			
		Less Than 1 Year	1 - 5 Years	6 - 10 Years	Over 10 Years
US Treasury Notes	\$ 8,379,117	\$ -	\$ 4,023,288	\$ 4,355,829	\$ -
US Government Agencies	\$ 888,257	561,943	326,314	-	-
Corporate Bonds	\$ 4,215,712	1,084,360	1,824,165	693,405	613,782
Municipal Obligations	\$ 150,868	-	-	150,868	-
Mortgage Backed	\$ 1,100,116	-	-	-	1,100,116
Fixed Income Funds	\$ 30,992,758	-	21,319,353	9,673,405	-
Municipal Backed Investment Fund	\$ 15,430,478	15,430,478	-	-	-
Repurchase Investment	\$ 86,832,985	86,832,985	-	-	-
<b>Total</b>	<u>\$ 147,990,291</u>	<u>\$ 103,909,766</u>	<u>\$ 27,493,120</u>	<u>\$ 14,873,507</u>	<u>\$ 1,713,898</u>

**CITY OF MANCHESTER, NEW HAMPSHIRE**

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

Average Rating	Corporate Bonds	Mortgage Backed	Municipal Obligations	Repurchase Investment	Municipal Backed Investment Fund	Fixed Income Funds
AAA	\$ 2,073,896	\$ 663,825	\$ -	\$ 86,832,985	\$ 15,430,478	\$ -
AA	96,797	-	100,057	-	-	15,111,558
AA+	201,058	-	-	-	-	-
AA-	265,794	-	-	-	-	-
A+	447,888	92,340	-	-	-	-
A	929,449	-	-	-	-	-
A-	178,364	-	-	-	-	-
BBB+	-	165,011	-	-	-	-
BBB-	-	-	-	-	-	6,207,795
Unrated	22,466	178,940	50,811	-	-	9,673,405
	<u>\$ 4,215,712</u>	<u>\$ 1,100,116</u>	<u>\$ 150,868</u>	<u>\$ 86,832,985</u>	<u>\$ 15,430,478</u>	<u>\$ 30,992,758</u>

**Note 5. Taxes and Abatements**

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

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

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

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



**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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 \$2.19 for 2011. This state aid property tax is assessed and collected in virtually the same manner in which property taxes have been administered in the past with one primary exception, donor communities will be required to send amounts in excess of what is required locally for an adequate education to the State for redistribution to recipient districts. The MSD is a donor district.

**Note 6. Receivables**

Primary government

	General	Water Works	EPD	Aviation	Nonmajor governmental	Nonmajor business type	Total
Due from Property Taxes	\$ 11,878,976	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,878,976
Due from State of NH & other local governments	455,791	-	1,297,569	124,462	124,453	-	2,002,275
Prior year tax liens	544,236	-	-	-	-	-	544,236
Tax titles	2,564,829	-	-	-	-	-	2,564,829
Due from federal government	-	-	13,062	2,552,664	559,259	-	3,124,985
Accounts receivable-trade	2,370,745	3,014,539	6,280,366	3,569,718	46,300	186,871	15,468,539
Notes receivable	-	-	-	-	6,069,120	-	6,069,120
MSD Book Loan	2,531,358	-	-	-	-	-	2,531,358
Other	259,508	2,248,468	1,382,105	-	10,974	-	3,901,055
<b>Total gross receivables</b>	<b>20,605,443</b>	<b>5,263,007</b>	<b>8,973,102</b>	<b>6,246,844</b>	<b>6,810,106</b>	<b>186,871</b>	<b>48,085,373</b>
Allowance for collection losses	(2,012,456)	-	-	-	-	-	(2,012,456)
<b>Total net receivables</b>	<b>\$ 18,592,987</b>	<b>\$ 5,263,007</b>	<b>\$ 8,973,102</b>	<b>\$ 6,246,844</b>	<b>\$ 6,810,106</b>	<b>\$ 186,871</b>	<b>\$ 46,072,917</b>

**CITY OF MANCHESTER, NEW HAMPSHIRE**

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On July 1, 2010, the Manchester School District (MSD) accepted a promissory note from the City in the amount of \$3,200,000, with an interest rate of 1%. The note will be repaid over a period of eight years starting in fiscal year 2012. The note was issued for the purpose of purchasing textbooks and classroom technology. The City will reimburse the MSD for eligible expenditures as they are made. The balance of this receivable at June 30, 2011 was \$2,531,358.

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

Due from/to other funds consist of the following at June 30, 2011:

Receivable Fund	Payable Fund	Amount
General Fund	Agency	\$ 2,430,678
	Capital projects	1,313,668
	Special Revenue:	
	Other grants	1,154,179
	Enterprise Funds:	
	Water	(142,224)
	Aviation	(191,364)
	EPD	(59,557)
	Recreation	5,280,548
	Parking	2,875
		<u>9,788,803</u>
		<u>\$ 9,788,803</u>

The balance of \$1,313,668 due from Capital Projects to the general fund is the result of a short-term advance. The balance of \$5,280,548 due from the Recreation Fund is a long-term advance as it will not be paid to the General Fund in the short-term. The remaining outstanding balances resulted from the time lag between the dates payments occur between funds for various activities, and are expected to be collected within one year.

Interfund transfers during the year ended June 30, 2011 were as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 2,688,249	\$ 25,000
Other Funds	25,000	968,099
Water Fund	-	20,690
Parking Fund	-	1,699,460
Sub-totals	<u>\$ 2,713,249</u>	<u>\$ 2,713,249</u>

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Major interfund transfers include the following:

Transfer from the Parking Fund to the General Fund in the amount of \$1,699,460 for the annual dividend. Transfer from the Other Funds (Other Grant Fund) to the General Fund is to fund the Health Insurance Reserve in the amount of \$467,999. Transfer from the Cemetery Trust Fund to the General Fund of \$500,100 for the annual contribution into the general fund operating budget.

**Note 8. Capital Assets**

Governmental activities

Changes in the governmental capital assets for the year ended June 30, 2011, were as follows:

	Balance June 30, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
Capital assets, not being depreciated					
Land	\$ 14,337,955	\$ 48,075	\$ -	\$ -	\$ 14,386,030
Construction-in-Progress	13,458,994	11,237,481	-	(16,537,103)	8,159,372
Total capital assets, not being depreciated	27,796,949	11,285,556	-	(16,537,103)	22,545,402
Capital assets, being depreciated					
Buildings	329,606,616	1,254,713	(817,129)	16,374,015	346,418,215
Improvements other than buildings	25,724,712	1,169,172	-	-	26,893,884
Equipment	12,231,705	3,775,036	(48,138)	163,088	16,121,691
Vehicles	24,249,231	2,193,083	(1,417,793)	-	25,024,521
Infrastructure	93,668,372	6,228,191	-	-	99,896,563
Total capital assets, being depreciated	485,480,636	14,620,195	(2,283,060)	16,537,103	514,354,874
Less accumulated depreciation					
Buildings	110,182,074	10,200,050	(808,951)	-	119,573,173
Improvements other than buildings	10,441,653	1,426,266	-	-	11,867,919
Equipment	7,311,225	2,977,631	(48,138)	-	10,240,718
Vehicles	15,384,670	1,888,857	(1,376,869)	-	15,896,658
Infrastructure	33,351,536	3,635,372	-	-	36,986,908
Total accumulated depreciation	176,671,158	20,128,176	(2,233,958)	-	194,565,376
Governmental Activities Capital Assets, Net	\$336,606,427	\$ 5,777,575	\$ (49,102)	\$ -	\$ 342,334,900

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Business-type activities

Changes in the business-type capital assets for the year ended June 30, 2011, were as follows:

	Balance June 30, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
Capital assets, not being depreciated					
Land	\$ 50,007,165	\$ 273,856	\$ (163,075)	\$ -	\$ 50,117,946
Construction-in-Progress	12,466,941	26,756,912	-	(25,413,251)	13,810,602
Total capital assets, not being depreciated	62,474,106	27,030,768	(163,075)	(25,413,251)	63,928,548
Capital assets, being depreciated					
Buildings	413,081,823	1,293,677	(1,306,316)	11,832,654	424,901,838
Improvements other than buildings	345,531,733	42,376	(1,150,017)	1,734,941	346,159,033
Interceptors	74,317,721	114,795	-	7,031,272	81,463,788
Equipment & vehicles	38,221,393	604,076	(3,508,279)	4,814,384	40,131,574
Total capital assets, being depreciated	871,152,670	2,054,924	(5,964,612)	25,413,251	892,656,233
Less accumulated depreciation					
Buildings	150,695,932	11,356,077	(183,810)	-	161,868,199
Improvements other than buildings	123,532,544	15,458,326	(461,875)	-	138,528,995
Interceptors	24,061,567	1,585,239	-	-	25,646,806
Equipment & vehicles	23,250,958	2,263,009	(3,083,947)	-	22,430,020
Less total accumulated depreciation	321,541,001	30,662,651	(3,729,632)	-	348,474,020
Business-type Total Capital Assets, Net	\$ 612,085,775	\$ (1,576,959)	\$ (2,398,055)	\$ -	\$ 608,110,761

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

Discretely reported component units

Capital assets activity in the School District at June 30, 2011, consisted of the following:

	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
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	1,147,602	62,916	-	1,210,518
Improvements	320,521	-	(136,953)	183,568
Instruments	248,671	28,682	-	277,353
Other machinery & equipment	16,114,891	1,006,837	(200,328)	16,921,400
Total capital assets, being depreciated	17,831,685	1,098,435	(337,281)	18,592,839
Total all capital assets	18,001,085	1,098,435	(337,281)	18,762,239
Less accumulated depreciation				
Portable classrooms	348,564	40,969	-	389,533
Improvements	32,128	8,037	(4,251)	35,914
Instruments	64,070	15,910	-	79,980
Other machinery & equipment	11,790,786	1,597,566	(111,203)	13,277,149
Less total accumulated depreciation	12,235,548	1,662,482	(115,454)	13,782,576
Total Capital Assets being depreciated, Net	\$ 5,765,537	\$ (564,047)	\$ (221,827)	\$ 4,979,663

Capital asset activity in the MTA at June 30, 2011, consisted of the following:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
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	73,421	-	1,881,019
Buses	9,349,327	68,050	(150,144)	9,267,233
Equipment	1,776,139	71,918	(1,562)	1,846,495
Total capital assets being depreciated	12,933,064	213,389	(151,706)	12,994,747
Less accumulated depreciation	8,296,469	1,041,123	(136,686)	9,200,906
Total Capital Assets being depreciated, Net	\$ 4,765,704	\$ (827,734)	\$ (15,020)	\$ 3,922,950

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

Capital asset activity in the MPTS at June 30, 2011, consisted of the following:

	Balance			Balance		
	June 30, 2010	Additions	Retirements	June 30, 2011		
Capital assets, being depreciated						
Equipment	\$ -	\$ 89,125	\$ -	\$ 89,125		
Improvements	-	132,702	-	132,702		
Total capital assets being depreciated	-	221,827	-	221,827		
Less accumulated depreciation						
Equipment	-	17,825		17,825		
Improvements	-	44,234		44,234		
Less total accumulated depreciation	-	62,059	-	62,059		
Total Capital Assets being depreciated, Net	\$ -	\$ 159,768	\$ -	\$ 159,768		

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

<b>Governmental Activities:</b>		
General		\$ 3,584,356
Public safety		1,526,583
Highways and streets		4,613,033
Health and welfare		137,820
Education and library		5,734,276
Parks		1,958,996
Total depreciation expense – governmental activities		<u>\$ 17,555,064</u>
<b>Business-type Activities:</b>		
Water Works		\$ 3,485,683
EPD		6,702,954
Aviation		19,649,010
Recreation		391,576
Parking		433,428
Total depreciation expense – business-type activities		<u>\$ 30,662,651</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**Note 9. Unearned Revenue/Deferred Revenue**

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

	Unearned Revenue	Deferred Revenue	Taxes Collected in Advance
<b>General Fund:</b>			
Taxes and accrued interest on delinquent property taxes	\$ -	\$ 3,072,228	\$ -
Unearned property taxes	11,850,710	-	42,988,511
Gatsas (Livingston Park) receivable	-	200,000	-
Impact fees	2,335,367	-	-
<b>Nonmajor funds</b>	137,625	-	-
<b>Total deferred/unearned revenue</b>	<b>\$ 14,323,702</b>	<b>\$ 3,272,228</b>	<b>\$ 42,988,511</b>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**Note 10. Long-Term Debt**

Below is a listing of all the debt outstanding at June 30, 2011:

Issuer	Date of Issue	Interest Rate(s)(%)	Original Amounts	Maturity Dates	Annual Payment	Balance June 30, 2011
SRF 1995	October-94	4.168	20,840,578	2012 - 2015	1,321,840 - 1,494,111	\$ 5,627,219
Airport Series 1998 A	March-98	4.375 - 5.25	99,055,000	2016 - 2026	4,275,000 - 6,910,000	61,205,000
GO Series 2001 A	November-01	4.30	23,415,000	2014	70,000	70,000
GO Series 2001 B	November-01	3.85 - 4.50	16,565,000	2012 - 2016	1,051,178 - 1,631,577	6,730,000
POB Series 2001 C	November-01	6.22	20,810,000	2012 - 2031	320,000 - 846,488	12,770,000
Airport Series 2002 A	June-02	4.40 - 5.125	35,740,000	2012 - 2030	895,000 - 2,380,000	29,655,000
Airport Series 2002 B	June-02	5.00	7,010,000	2030 - 2032	1,610,000 - 2,765,000	7,010,000
School Series 2003	July-03	3.875 - 5.25	101,410,000	2012 - 2028	1,445,000 - 4,565,000	22,025,000
SRF Landfill	July-03	3.728	13,221,166	2012 - 2024	661,058	8,593,758
Water Series 2003	November-03	4.00 - 5.00	38,345,000	2012 - 2035	305,000 - 2,950,000	37,945,000
GO Series 2003 A	December-03	4.00	34,265,000	2013	329,818	330,000
GO Series 2003 B	December-03	4.00 - 5.00	25,495,000	2012 - 2020	1,380,000 - 2,690,000	19,630,000
GO Series 2003 C	December-03	4.75 - 5.75	27,760,000	2012 - 2029	79,516 - 3,140,000	8,140,000
GO Series 2004	September-04	4.00 - 5.25	11,730,000	2012 - 2019	996,220 - 2,040,240	9,300,000
School Series 2004	October-04	3.60 - 5.50	61,970,000	2011 - 2028	2,000,000 - 5,745,000	60,785,000
Airport Series 2005 A	July-05	4.00 - 5.00	17,110,000	2012 - 2027	165,000 - 3,135,000	16,120,000
SRF 2007	December-05	3.27	2,970,000	2012 - 2021	183,877 - 245,638	2,134,348
GO Series 2007	February-07	4.00 - 5.00	34,845,000	2012 - 2022	2,088,444 - 3,200,000	27,660,000
SRF 2008 1	July-07	1.09	2,453,435	2012	490,687	490,687
SRF 2008 2	July-07	3.488	3,426,462	2012 - 2028	171,323	2,912,492
SRF 2008 3	January-08	3.488	4,412,033	2012 - 2028	220,602	3,750,228
SRF 2008 4	July-08	3.488	4,881,959	2012 - 2027	244,098	4,149,665
SRF 2009	September-08	4.208	4,147,317	2012 - 2028	207,366	3,525,220
Airport Series 2008	June-08	1.00	30,255,000	2012 - 2022	1,815,000 - 2,855,000	25,315,000
Airport Series 2009 A	December-09	4.00 - 5.00	64,830,000	2012 - 2030	580,000 - 10,865,000	64,275,000
Airport Series 2009 B	December-09	5.00	20,705,000	2012 - 2015	1,470,000 - 5,365,000	16,795,000
GO Series 2010 A	June-10	2.00 - 4.00	15,388,591	2012 - 2017	2,161,869 - 2,326,593	13,750,000
GO Series 2010 B	June-10	4.00 - 5.40	12,454,634	2018 - 2030	536,660 - 1,649,642	12,540,000
GO Series 2010 C	December-11	2.00 - 4.00	16,755,000	2012 - 2018	1,820,000 - 2,665,000	16,755,000
GO Series 2010 D	December-11	4.00 - 4.50	4,765,000	2019 - 2023	1,145,000 - 1,240,000	4,765,000
GO Series 2010 E	December-11	4.75 - 6.125	29,715,000	2023 - 2040	1,220,591 - 2,587,561	29,715,000
GO Series 2010 F	December-11	3.00 - 5.00	34,395,000	2012 - 2029	1,215,000 - 2,877,347	34,395,000
SRF 2011 1	March-10	2.864	3,321,513	2012 - 2030	166,076	3,155,438
SRF 2011 2	September-10	2.864	2,733,457	2012 - 2030	136,673	2,596,784
SRF 2011 3	July-10	1.790	920,948	2012 - 2020	92,095	828,853
SRF 2011 4	April-10	2.864	3,655,662	2012 - 2020	182,783	3,472,879
SRF 2011 5	July-10	2.864	205,000	2012 - 2020	8,228 - 13,678	203,988
SRF 2011 6	February-09	2.864	1,800,000	2012 - 2031	31,136 - 50,320	1,800,000
						580,921,559
Less amount representing business-type activities						(308,242,514)
						\$ 272,679,045



CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Primary government

The following schedule of debt maturities for the business type activities is based upon the terms of the various debt agreements and assumes that the 2008 airport variable rate demand bonds in the amount of \$25,315,000 are remarketed and the Letter of Credit is renewed over the term of the bonds. The Letter of Credit expires in June 2013 and if not renewed the bonds would be payable at that time. The debt service requirements of the City's outstanding General Obligation (GO) bonds, revenue bonds and notes payable at June 30, 2011 are as follows:

Governmental long-term debt:

Fiscal year	Principal	Interest	Total
2012	\$ 17,577,726	\$ 12,920,272	\$ 30,497,998
2013	18,401,610	12,097,828	30,499,438
2014	18,625,620	11,346,071	29,971,691
2015	18,099,047	10,639,572	28,738,619
2016	17,756,237	9,827,900	27,584,137
2017-2021	79,013,152	37,277,107	116,290,259
2022-2026	56,403,213	20,683,580	77,086,793
2027-2031	28,332,440	8,417,137	36,749,577
2032-2036	8,500,000	4,305,950	12,805,950
2037-2041	9,970,000	1,567,387	11,537,387
Debt Service Requirement	272,679,045	129,082,804	401,761,849
Add Net Bond Premium	15,933,199	-	15,933,199
Total Governmental Activities	\$ 288,612,244	\$ 129,082,804	\$ 417,695,048

Business-type Activities:

Fiscal year	Principal	Interest	Total
2012	\$ 14,628,983	\$ 13,287,215	\$ 27,916,198
2013	13,782,057	12,721,178	26,503,235
2014	14,287,929	12,169,561	26,457,490
2015	14,797,016	11,605,159	26,402,175
2016	13,818,695	11,008,118	24,826,813
2017-2021	77,468,321	46,474,075	123,942,396
2022-2026	86,935,172	29,942,562	116,877,734
2027-2031	58,794,342	10,119,305	68,913,647
2032-2035	13,730,000	1,269,625	14,999,625
Debt Service Requirement	308,242,515	148,596,798	456,839,313
Add Net Bond Premium	1,153,514	-	1,153,514
Less Net Bond Discount	(1,329,156)	-	(1,329,156)
Less Deferred Loss	(849,328)	-	(849,328)
Total Business-type Activities	\$ 307,217,545	\$ 148,596,798	\$ 455,814,343

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

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

Interest rates for the City's outstanding GO bonds range from 1.00% to 6.125%. At June 30, 2011, the City's legal debt limit was \$822,217,000. There were no Authorized, unissued financing resolutions as of June 30, 2011.

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, 2011, \$33,935,000 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, 2011 was as follows:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011	Due within One year
<b>Governmental activities:</b>					
General Obligation Debt - City	\$ 115,955,257	\$ 76,730,558	\$ 40,528,278	\$ 152,157,537	\$ 11,434,283
Revenue Bonds Payable - MSD	85,835,000	-	3,025,000	82,810,000	3,180,000
General Obligation Bonds Payable - MSD	34,734,183	6,114,988	3,137,664	37,711,507	2,963,443
Premiums (Discounts)	15,456,662	1,438,045	961,508	15,933,199	981,137
	<u>251,981,102</u>	<u>84,283,591</u>	<u>47,652,450</u>	<u>288,612,243</u>	<u>18,558,863</u>
Compensated absences	11,219,374	1,133,511	1,135,623	11,217,262	2,804,316
Insurance claims	5,596,685	15,389,178	15,380,847	5,605,016	5,605,016
Capital Lease	-	213,748	-	213,748	-
OPEB obligations *	5,540,874	1,948,860	-	7,489,734	-
Landfill post-closure care	4,566,518	421,221	-	4,987,739	-
	<u>\$ 278,904,553</u>	<u>\$ 103,390,109</u>	<u>\$ 64,168,920</u>	<u>\$ 318,125,742</u>	<u>\$ 26,968,195</u>
<b>Business-type activities</b>					
General Obligation Debt	\$ 42,191,320	\$ 14,584,765	\$ 6,853,570	\$ 49,922,515	\$ 6,017,068
Revenue Bonds	266,580,000	-	8,260,000	258,320,000	\$ 8,740,000
Premiums (Discounts)	(896,998)	(22,902)	105,070	(1,024,970)	(433,604)
Due to State of New Hampshire	12,927,215	10,555,020	12,258,656	11,223,579	-
	<u>\$ 320,801,537</u>	<u>\$ 25,116,883</u>	<u>\$ 27,477,296</u>	<u>\$ 318,441,124</u>	<u>\$ 14,323,464</u>

\* Balance at June 30, 2010 restated for correction of error of omission of OPEB accrual.

The EPD Enterprise Fund has ten loan agreements with original principal balances amounting to \$50,793,363 with the State of New Hampshire, State Water Pollution Control Revolving Fund (SRF) program for the purpose of financing certain projects in connection with the expansion of the wastewater treatment facility and water pollution abatement projects. The balance at June 30, 2011 totaled \$30,509,465; this amount is included in the \$49,922,515 General Obligation Debt for business-type activities.

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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Additionally, several projects are currently utilizing the services of the SRF. These projects are in various stages of the construction or completion phase of the project. Total unamortized indebtedness as of June 30, 2011 is \$10,453,557 for EPD and Combined Sewer Overflow projects. The \$10,453,557 is included in the Due to State of New Hampshire line.

The City has pledged future airport revenues, net of specified operating expenses, to repay \$220,375,000 in airport revenue bonds. Pledged revenues total \$40,801,960 and include certain operating and non-operating revenues and account balances under restricted assets. Proceeds from the bonds were used for various airport construction projects. The bonds are payable solely from the airport net revenues and are payable through 2032. The current year coverage ratio is 1.98. The total principal and interest remaining to be paid on the bonds is \$326,398,681. Principal and interest paid for the current year was \$17,013,540.

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

Included in long-term debt is \$25,315,000 of General Airport Revenue Demand Bonds maturing serially through January 1, 2022 secured by a pledge of and lien on Revenues, subject to the payment of Operations and Maintenance Expenses, and the provisions of the Resolution regarding the application of Revenues. The Bonds were issued pursuant to certain proceedings of the City, RSA Chapter 33-B and the General Airport Revenue Bond Resolutions of the City, adopted as of October 1, 1998, as amended, and as adopted as of June 26, 2008. The proceeds of the bonds were used to (a) refund \$30,255,000 outstanding principal amount of the City's General Airport Revenue Bonds, Series 2001 maturing January 1, 2022 and (b) pay costs incurred to issue the bonds.

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

Under an irrevocable letter of credit issued by Citizens Bank, the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The letter of credit is valid through June 26, 2013 and carries a variable interest rate equal to 1% plus the institution's prime lending rate and the rate payable on the bonds.

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

On December 16, 2010 the City closed on a \$51,235,000 issue of General Obligation Public Improvement Bonds and a \$34,395,000 issue of General Obligation Refunding Bonds. The bonds were issued in four series: \$16,755,000 of 2010C (Tax-Exempt) Bonds, \$4,765,000 of 2010D (Federally Taxable – Issuer Subsidy – Build America Bonds), \$29,715,000 of 2010E (Federally Taxable – Issuer Subsidy – Recovery Zone Economic Development Bonds) and \$34,395,000 of 2010F (Tax-Exempt) Refunding Bonds. The Series 2010C, D & E comprised a new money issuance which will be used to finance various projects within the City, consisting primarily of a new Public Safety Complex, School Facility Improvement/Energy Efficiency/Administrative Offices Projects, Water Distribution System Improvements and the McIntyre Ski Lodge Reconstruction. The Series 2010F were issued to advance refund a portion of the outstanding 2003A (Tax-Exempt) Bonds. The True Interest Cost (TIC) on the new money portion was 2.97%, while the TIC on the refunding piece was 2.99%. This represented a 3.46% percentage savings on the refunded bonds with a cash flow savings totaling \$1,175,631 on a present value basis and a cash flow savings totaling \$1,430,321 in debt service.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**Note 11. Employee Benefit Plans**

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

*City Plans*

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

**SCHEDULE OF PLAN NET ASSETS**

	<b>MECRS Pension Trust</b>	<b>Old System Pension Trust</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,786,324	\$ 155,408	\$ 4,941,732
Investments	145,066,165	13,272,391	158,338,556
Receivables, net of allowances for collection losses	112,663	64,649	177,312
Other assets	4,900	-	4,900
Property and equipment, net where applicable, of accumulated depreciation	3,248	-	3,248
<b>Total Assets</b>	<b>149,973,300</b>	<b>13,492,448</b>	<b>163,465,748</b>
<b>Liabilities</b>			
Accounts and warrants payable	200,999	-	200,999
Accrued liabilities	729,116	-	729,116
<b>Total Liabilities</b>	<b>930,115</b>	<b>-</b>	<b>930,115</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 149,043,185</b>	<b>\$ 13,492,448</b>	<b>\$ 162,535,633</b>

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

## SCHEDULE OF CHANGES OF PLAN NET ASSETS

	MECRS Pension Trust	Old System Pension Trust	Total
<b>Additions</b>			
Contributions			
Employer	\$ 9,725,384	\$ -	\$ 9,725,384
Plan members	2,933,174	-	2,933,174
<b>Total Contributions</b>	<b>12,658,558</b>	<b>-</b>	<b>12,658,558</b>
Investment Gain			
Net realized and unrealized appreciation in fair value of investments	17,312,652	2,067,412	19,380,064
Interest	4,806	341,710	346,516
Dividends	1,007,186	-	1,007,186
Other income	15,446	-	15,446
Less investment expense	(501,477)	-	(501,477)
<b>Net Investment Income</b>	<b>17,838,613</b>	<b>2,409,122</b>	<b>20,247,735</b>
<b>Total Additions</b>	<b>30,497,171</b>	<b>2,409,122</b>	<b>32,906,293</b>
<b>Deductions</b>			
Benefits paid directly to participants	8,903,489	1,639,116	10,542,605
Refunds of employee contributions	649,998	-	649,998
Administrative expenses	831,574	44,509	876,083
<b>Total Deductions</b>	<b>10,385,061</b>	<b>1,683,625</b>	<b>12,068,686</b>
<b>Net Increase</b>	<b>20,112,110</b>	<b>725,497</b>	<b>20,837,607</b>
<b>Net Assets Held in Trust for Pension Benefits</b>			
Beginning of year	128,931,075	12,766,951	141,698,026
End of year	\$ 149,043,185	\$ 13,492,448	\$ 162,535,633

*New System*

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

All covered employees hired after January 1, 1974 are required to participate in the MECRS as a condition of employment. Employees are 100% vested after five years of service. The retirement benefit is calculated at 1-1/2% of final average total compensation during the highest three years of service in the last ten years of service (hereafter average compensation), multiplied by the years of service prior to January 1, 1999 plus 2% after January 1, 1999 of average compensation multiplied by the years of service after January 1, 1999. There is a minimum benefit of 50% of

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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, 2011 and 2010) 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, 2010, the date of the last actuarial valuation:

	Pension	Health Subsidy
Retirees and beneficiaries receiving benefits	638	177
Terminated vested members	98	98
Active members	1,285	1,285
Total Participants	2,021	1,560

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

**THREE YEAR TREND INFORMATION**

**PENSION BENEFITS**

Valuation December 31	Fiscal Year Ended June 30	Annual Required	
		Contribution (ARC) as a Percentage of Valuation	Actual Contributions
2009	2011	17.65%	\$8,508,451
2008	2010	17.17%	7,062,994
2007	2009	13.84%	6,646,801

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**HEALTH SUBSIDY PROGRAM**

Valuation December 31	Fiscal Year Ended June 30	Annual Required	
		Contribution (ARC) as a Percentage of Valuation	Actual Contributions
2009	2011	0.93%	\$461,074
2008	2010	0.93%	487,909
2007	2009	0.91%	641,197

**SCHEDULE OF FUNDING PROGRESS - PENSION TRUSTS**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Unfunded Actuarial Accrued Liability (Surplus) (b)	Actuarial Accrued Liability (c)	Funded Ratio (a)/(c)	Annual Covered Payroll	Unfunded Liability to Covered Payroll
12/31/2010	\$145,933,282	\$88,105,802	\$234,039,084	62.4%	\$51,399,670	171.4%

**SCHEDULE OF FUNDING PROGRESS - HEALTH TRUST**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Unfunded Actuarial Accrued Liability (Surplus) (b)	Actuarial Accrued Liability (c)	Funded Ratio (a)/(c)	Annual Covered Payroll	Unfunded Liability to Covered Payroll
12/31/2010	\$4,875,596	\$9,219,533	\$14,095,129	34.6%	\$51,399,670	17.9%

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

Additional information as of the latest actuarial valuation follows:

Valuation Date:	December 31, 2010
Actuarial Cost Method:	Entry Age Normal
Investment Net Rate of Return:	7.5%
Projected Salary Increases:	3.5% - 9.3%
Amortization Method:	Level percent of payroll
Asset Valuation Method:	5 year smoothed market
Inflation Rate:	3.5%
Remaining Amortization Period	29 years



NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

***Medical Sub-Trust Section 401(h) Benefits***

Beginning in 2006, following the November 2005 ratification by City referendum of Chapter 41 Laws of 2005, the Retirement System began operating a Retiree Health Insurance Trust pursuant to the provisions of Internal Revenue Code Section 401(h). In March of 2006, the member contribution rate increased by 1.25% to accumulate assets from which to pay benefits and on July 1, 2006, the System began providing health insurance subsidies to both new and existing retirees based upon their creditable service at retirement. The benefit is limited to members who continue to obtain their health insurance through the City's health insurance plan after they retire. The benefit amount for those already retired on March 1, 2006 was equal to 50% of the amount paid to those retiring after that date. As of July 1, 2007, the City's employer contribution rate which helps fund the benefit decreased from 1.41% to 1.24% based upon revised assumptions.

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

***Old System***

Prior to January 1, 1974, all eligible City employees participated in the Old System, a single employer contributory public employee retirement system (PERS). All employees hired before January 1, 1974 were given the option to remain in the Old System or participate in the MECRS. The Old System was replaced by the MECRS and only operates to cover the remaining participants. All employees covered under the Old System are fully vested. Benefits under the Old System are limited to retirement benefits without death benefits to survivors. Benefits are recognized as expenditures of the General Fund on a pay-as-you-go basis. Eligible employees who retire from active employment with the City after completing at least 20 years of service may receive a lifetime annuity equal to 50% of final year's pay.

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

At June 30, 2011, the Old System membership consisted of:

Members currently receiving benefits	121
Active Vested Members	<u>13</u>
Total Members	<u>134</u>

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Plan Year ended June 30,	Annual Required Contributions	Percentage contributed
2011	\$ 494,816	0.0%
2010	551,988	0.0%
2009	61,292	0.0%

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

Annual required contribution	\$ 494,816
Interest on net pension obligation	(859,632)
Adjustment to annual required contribution	<u>1,611,565</u>
Annual pension cost	1,246,749
Less contributions made	<u>-</u>
Decrease in net pension asset	1,246,749
Net pension asset beginning of year	<u>(11,461,742)</u>
Net pension asset end of year	<u><u>\$ (10,214,993)</u></u>

Three year trend information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation (Asset)</u>
6/30/2011	\$1,246,749	0.0 %	\$(10,214,993)
6/30/2010	1,395,471	0.0 %	(11,461,742)
6/30/2009	968,299	0.0 %	(12,857,213)

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Assets	Actuarial Accrued Liability (AAL) P.U.C.	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2011	\$ 13,492,366	\$ 15,751,302	\$ 2,258,936	85.66 %	\$ 771,056	292.97 %

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Remaining amortization period	10 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.50 %
Projected salary increases	4.50 %

***NHRS Related Supplementary Benefits Plan***

The City pays supplementary benefits of up to 50% of the last annual wage for any City employee who participates in the NHRS, was hired before June 30, 1972, and does not receive a pension benefit from the NHRS equal to at least 50% of the last annual wage. The unfunded pension obligation related to this benefit at June 30, 2011 was \$413,229.

At June 30, 2011, the membership consisted of:

Members currently receiving benefits	23
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***New Hampshire Retirement System***

The City contributes to the NHRS a cost-sharing, multiple-employer defined benefit pension plan administered by the state retirement board. The NHRS provides retirement and disability and death benefits to plan members and beneficiaries. Revised Statutes Annotated 100-A:16 of New Hampshire Law assigns the system the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The NHRS issues a publicly available financial report which can be obtained through the New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301-8509.

NHRS members are required to contribute 9.30% of annual covered compensation to the pension plan. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16 and ranges from 14.63% to 18.52% of covered compensation.

The City's contributions to the system, consisting of firefighters and police officers, for the years ended June 30, 2011, 2010 and 2009 were \$5,924,955, \$5,185,321, and \$4,537,401, respectively, and were equal to the required contributions. For the years ended June 30, 2011, 2010 and 2009, the City has recognized both revenue and expenditures of \$1,975,023, \$2,222,242, and \$2,441,926, respectively, on behalf of contributions made by the State to the NHRS.

**Note 12. Other Post Employment Benefits**

**CITY**

**Plan Descriptions and background**

The City of Manchester provides postemployment medical benefits to City retirees and their covered dependents. The City provides benefits for any employee who retires under the eligibility requirements. Medical coverage continues to the spouse after the death of the retiree provided the spouse makes the required contributions.

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

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

**Actuarial Valuation**

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

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

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

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

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

**Annual OPEB Costs and Net OPEB Obligations**

Under GASB 45, the Annual Required Contribution (ARC) of the employer equals the Normal Cost plus a provision for amortizing the Unfunded Actuarial Accrued Liability. The ARC represents a level dollar amortization over the maximum acceptable amortization period of 30 years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2011 and the amount actually contributed to the plan.

Normal cost	\$ 1,341,778
Amortization of Unfunded Accrued Liability (UAL)	1,928,892
Interest on net OPEB Obligation	130,827
Annual OPEB Cost and Net OPEB Obligation	<u>3,401,497</u>
Less Employer contributions made	<u>(1,452,637)</u>
Change in OPEB Obligation	1,948,860
Net OPEB obligation beginning of year	<u>5,540,874 *</u>
Net OPEB obligation end of year	<u><u>\$ 7,489,734</u></u>

\* In the current year, the City corrected the recording of the liabilities associated with other post employment benefits to be in accordance with GASB No. 45. The implicit rate subsidy was omitted in error in the previous fiscal years. As such the long-term liabilities in the Governmental Activities Statement of Net Assets were understated by \$5,540,874. This error decreased net assets as previously reported, June 30, 2010 from \$132.4 million to \$126.9 million. In addition, the City has added required disclosure for other post employment benefits.

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

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
6/30/2011	\$ 3,401,497	\$ 1,452,637	43%	\$ 7,489,734
6/30/2010	3,143,223	1,357,605	43%	5,540,874
6/30/2009	3,150,293	1,268,790	40%	3,659,371

As of July 1, 2010, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$35,360,617, with an actuarial value of assets of \$679,124, resulting in an unfunded actuarial liability (UAAL) of \$34,681,493. The covered payroll (annual payroll of active employees covered by the plan) was \$82,294,233 during fiscal year 2011, and the ratio of the UAAL to the covered payroll was 42.1%.

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

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

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

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**MSD**

The School District provides postemployment benefit options for health care, life insurance, and disability income to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the School District's agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The School District funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the School District subsidizing the remaining costs. There are 2,653 participants currently eligible. Expenses for the post retirement health care benefits are recognized as eligible employee claims are paid.

The School District has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC). The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2011:

Annual required contribution/OPEB cost	\$ 5,762,297
Contributions made (pay-as-you-go)	<u>(3,295,747)</u>
Increase in net OPEB obligation	2,466,550
Net OPEB obligation, beginning	<u>7,613,492</u>
Net OPEB obligation, ending	<u><u>\$ 10,080,042</u></u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
6/30/2011	\$ 5,762,297	\$ 3,295,747	57%	\$ 10,080,042

As of July 1, 2010, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$44,066,160, with an actuarial value of assets of \$519,178, resulting in an unfunded actuarial liability (UAAL) of \$43,546,982. The covered payroll (annual payroll of active employees covered by the plan) was \$82,057,735 during fiscal year 2011, and the ratio of the UAAL to the covered payroll was 53.1%

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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Net assets at July 1, 2010 was restated as follows:

	Government - Wide Statements
To record the beginning balance of other postemployment benefits in accordance with GASB Statement No. 45	\$ (7,613,492)
Net assets, as previously reported	(1,887,932)
Net assets, as restated	<u>\$ (9,501,424)</u>

**MTA**

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

**Plan Descriptions**

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

**Funding Policy and Annual OPEB Cost**

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

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

Normal cost	\$ 126,704
Amortization of Unfunded	178,384
Interest	16,780
Annual required contribution	<u>321,868</u>
Less actual contribution	<u>(97,286)</u>
Increase in net OPEB Obligation	224,582
Net OPEB obligation beginning of year	228,368
Net OPEB obligation end of year	<u>\$ 452,950</u>



CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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**Funding Status and Funding Progress**

MTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2011 were as follows:

Annual required contribution	\$ 321,868
Actual contribution	97,286
Percent contributed	30%
Actuarial accrued liability	\$ 3,539,602
Plan assets	-
Unfunded actuarial accrued liability	<u>\$ 3,539,602</u>
Covered payroll	\$ 2,133,598
Unfunded actuarial accrued liability as a percentage of covered payroll	60%

Significant methods and assumptions were as follows:

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

**Note 13. Contingent Liabilities and Risk Management**

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

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

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

**CITY OF MANCHESTER, NEW HAMPSHIRE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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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
2011	\$5,596,685	\$15,389,178	\$15,380,847	\$5,605,016
2010	\$5,090,458	\$15,022,504	\$14,516,277	\$5,596,685

**Accident and Health**

Accident and health claims are administered through a private carrier. The City is self-insured under this program. The City maintains a stop-loss policy with limits of \$210,000 per year, per claim.

**Property**

Property insurance is maintained with a commercial insurer and provides for a deductible of \$100,000 for each claim and an overall coverage limit of \$35,000,000.

**General Liability**

Liability claims are administered through a private carrier. The City is self-insured under this program, except for the Aviation Fund which maintains a liability insurance policy which provides coverage generally up to \$100,000,000 for each occurrence and in the aggregate in any one annual period of insurance. State law generally limits a city's liability for an incident to \$275,000 per individual and \$925,000 per incident. \$394,802 was recorded in the government wide statements for fiscal year 2011 as the City's estimated liabilities for unsettled claims.

**Worker's Compensation**

Worker's compensation claims are administered through a private carrier. The City is self-insured under this program for all City employees. There is no limit per employee. \$4,053,000 was recorded in the government wide statements as the City's estimated liability for all types of claims incurred in 2011 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.

NOTES TO FINANCIAL STATEMENTS

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**Regulatory**

The City was issued an Administrative Order in 1998 by the United States Environmental Protection Agency (EPA), requiring the City to evaluate and plan for appropriate treatment of Combined Sewer Overflows (CSOs) pursuant to the Federal Clean Water Act. The City completed all work required by the Administrative Order on schedule completing it in 2010. As of June 30, 2011, there is no pending claim by the EPA or the State. To date, all eligible CSO work has been awarded SRF loans and 20% State grants.

The City is now preparing a Phase II Long-Term Control Plan to address the CSOs on the City's East Side. The City submitted its proposed Phase II CSO abatement program to the EPA in March 2010 which recommends \$165 million in environmental infrastructure improvements over 20 years to the City's east side.

**Note 14. Landfill Closure and Postclosure Care Costs**

State and federal laws and regulations required the City to place final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$4,987,739 reported as landfill closure and postclosure care liability at June 30, 2011 represents the cumulative amount reported to date based on use of 100 percent of the estimated capacity of the landfill. The City closed the landfill on June 28, 1996. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**Note 15. Fund Deficits**

As of June 30, 2011, the CDBG Fund, Other Grants fund and the Recreation Fund had fund deficits in the amounts of \$206,680, \$2,059,859 and \$4,245,265, respectively.

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**Note 16. Restricted Net Assets**

Below is a listing of restricted net assets at June 30, 2011:

	Aviation	EPD	Water Works
Revenue fund	\$ 2,964,033	-	-
Bond fund	9,427,709	-	-
Customer facility charge reserve account	986,194	-	-
Operations and maintenance reserve account	9,832,000	-	-
Passenger facility charges	4,302,121	-	-
Coverage account	3,275,222	-	-
Capital improvement account	20,862,796	\$ 300,299	-
Revenue credit account	2,024,000	-	-
Workers compensation	-	-	-
Cemetery and other trust funds	-	-	-
Revenue reserve fund	-	-	\$ 500,000
Merrimack source development	-	-	6,743,162
Operating reserve fund	-	-	1,665,000
Insurance reserve fund	-	-	1,031,447
Debt service fund	-	-	3,782,721
Total Restricted Net Assets	<u>53,674,075</u>	<u>300,299</u>	<u>13,722,330</u>
Less accrued bond interest	(4,609,243)	-	-
Total Restricted Net Assets, net of related debt	<u>\$ 49,064,832</u>	<u>\$ 300,299</u>	<u>\$ 13,722,330</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**Note 17. Fund Balances**

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

	General Fund	Capital Projects	Other Governmental Funds
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepaid expenses	\$ 1,986,216	-	-
Inventories	695,419	-	-
MSD Book Loan	2,531,358	-	-
Advance To Other Funds	5,280,548	-	-
Principal	-	-	\$ 17,862,686
Total nonspendable	<u>10,493,541</u>	-	<u>17,862,686</u>
<b>Restricted:</b>			
Capital outlay	-	\$ 43,085,650	-
Worker's Compensation	1,127,897	-	-
Highway and streets	-	-	-
Parks and Recreation	-	-	-
Cemetery Trust	-	-	2,940,030
General government	-	-	3,090,487
Total restricted	<u>1,127,897</u>	<u>43,085,650</u>	<u>6,030,517</u>
<b>Committed:</b>			
Health insurance	2,956,674	-	-
General liability insurance	334,820	-	-
General government	57,137	-	6,050,816
Highway and streets	24,554	-	-
Parks and Recreation	13,793	-	-
Total committed	<u>3,386,978</u>	-	<u>6,050,816</u>
<b>Assigned:</b>			
General government - encumbrances	113,796	-	-
Public Safety - encumbrances	174,918	-	-
Health and sanitation - encumbrances	3,855	-	-
Highway and streets - encumbrances	62,118	-	-
Parks and Recreation - encumbrances	21,623	-	-
General government	-	1,254,670	-
Total assigned	<u>376,310</u>	<u>1,254,670</u>	-
<b>Unassigned:</b>			
Unassigned	<u>7,620,229</u>	-	<u>(2,266,539)</u>
Total unassigned	<u>7,620,229</u>	-	<u>(2,266,539)</u>
Total fund balance	<u>\$ 23,004,955</u>	<u>\$ 44,340,320</u>	<u>\$ 27,677,480</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**Note 18. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassification is as follows:

	General Fund	Other Governmental Funds
Fund balance, June 30, 2010, as previously reported	\$ 21,186,841	\$ 21,166,074
Change in fund type classification per implementation of GASB Statement No. 54	167,867	(167,867)
Fund balance, July 1, 2010, as restated	<u>\$ 21,354,708</u>	<u>\$ 20,998,207</u>

**Note 19. Subsequent Events**

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

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

### **Budget Control Charter Amendment**

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

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

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

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

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

**Note 20. Governmental Accounting Standards Board (GASB) Statements**

The City adopted the following statements during the year ended June 30, 2011:

- ◆ GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. As explained in Notes 17 and 18 to the basic financial statements, the City reclassified the fund balances for governmental funds and restated the General Fund and the Nonmajor Governmental Funds fund balance by \$167,867 as a result of the implementation of this Statement.
- ◆ GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, Accounting and Financial Reporting for Derivative Instruments, and applying the reporting provisions for interest-earning investment contracts of GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

- ◆ GASB Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, was issued in December 2009. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This Statement amends Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, to permit certain OPEB plans to use an alternative measurement method. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, requirement that a defined benefit OPEB plan obtain an actuarial valuation. In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a



NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2012.

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

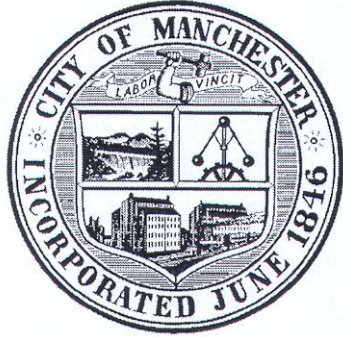
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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- ◆ GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.
- ◆ GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53)*, issued July 2011, will be effective for the City beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectability of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

**Required Supplementary Information**



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

**SCHEDULE OF FUNDING PROGRESS - PENSION TRUSTS**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Unfunded Actuarial Liability (Surplus) (b)	Actuarial Accrued Liability (c)	Funded Ratio (a)/(c)	Annual Covered Payroll	Unfunded Liability to Covered Payroll
12/31/2010	\$145,933,282	\$88,105,802	\$234,039,084	62.4%	\$51,399,670	171.4%
12/31/2009	134,782,503	88,122,131	222,904,634	60.5%	50,547,690	174.3%
12/31/2008	125,991,904	75,447,113	201,439,017	62.5%	50,740,516	148.7%
12/31/2007 *	139,962,942	59,347,157	199,370,099	70.2%	48,556,218	122.2%
12/31/2006	126,293,879	46,244,869	172,538,747	73.2%	47,537,456	97.3%
12/31/2005	113,856,253	34,059,414	147,915,666	77.0%	47,233,321	72.1%

\* After phased in COLA increase

**SCHEDULE OF FUNDING PROGRESS - HEALTH TRUST**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Unfunded Actuarial Liability (Surplus) (b)	Actuarial Accrued Liability (c)	Funded Ratio (a)/(c)	Annual Covered Payroll	Unfunded Liability to Covered Payroll
12/31/2010	\$4,875,596	\$9,219,533	\$14,095,129	34.6%	\$51,399,670	17.9%
12/31/2009	3,748,342	9,342,146	13,090,488	28.6%	50,547,690	18.5%
12/31/2008	2,605,141	9,820,788	12,425,929	21.0%	50,740,516	19.4%
12/31/2007	1,908,457	9,398,059	11,306,516	16.9%	48,556,218	19.4%
12/31/2006	782,281	10,962,034	11,744,315	6.7%	47,537,456	23.1%

**PENSION BENEFITS**

Valuation December 31	Fiscal Year Ended June 30	Annual Required Contribution (ARC) as a Percentage of Valuation	
		Payroll-Pension	Actual Contributions
2009	2011	17.65%	\$8,508,451
2008	2010	17.17%	7,062,994
2007	2009	13.84%	6,646,801
2006	2008	13.27%	6,760,377
2005	2007	10.63%	5,413,826
2004	2006	8.72%	3,950,981

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

**HEALTH SUBSIDY PROGRAM**

Valuation December 31	Fiscal Year Ended June 30	Annual Required Contribution (ARC) as a Percentage of Valuation	Actual Contributions
Payroll-Health			
2009	2011	0.93%	\$461,074
2008	2010	0.93%	487,909
2007	2009	0.91%	641,197
2006	2008	1.24%	333,028

## Required Supplementary Information Old System Pension Trust

### SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Assets	Actuarial Accrued Liability (AAL) P.U.C.	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2011	\$ 13,492,366	\$ 15,751,302	\$ 2,258,936	85.66 %	\$ 771,056	292.97 %
6/30/2010	12,766,951	16,286,171	3,519,220	78.39	756,205	465.38
6/30/2009	12,959,248	16,885,092	3,925,844	76.75	785,075	500.06
6/30/2008	16,210,784	16,646,708	435,924	97.38	882,731	49.38
6/30/2007	18,331,806	17,771,369	(560,437)	103.15	907,546	(61.75)
6/30/2006	18,207,702	18,596,488	388,786	97.91	881,317	44.11

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year ended June 30,	Annual Required Contributions	Percentage contributed
2011	\$ 494,816	0.0%
2010	551,988	0.0%
2009	61,292	0.0%
2008	-	0.0%
2007	48,508	0.0%
2006	124,659	0.0%

## Required Supplementary Information Other Post-Employment Benefits

### SCHEDULE OF FUNDING PROGRESS - CITY - OPEB

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

### SCHEDULE OF ANNUAL OPEB COST - CITY

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

### SCHEDULE OF FUNDING PROGRESS - MSD - OPEB

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

### SCHEDULE OF ANNUAL OPEB COST - MSD

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

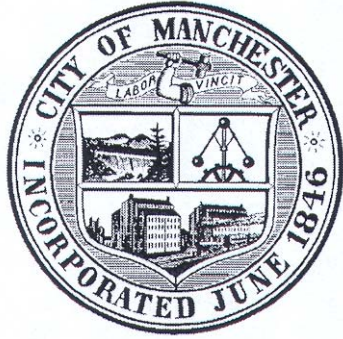
\* 7/01/2010 data was used and rolled back to prior years.



## Required Supplementary Information Other Post-Employment Benefits

### SCHEDULE OF FUNDING PROGRESS - MTA - OPEB

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a)/(b)	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2011	\$ -	\$ 3,539,602	\$ 3,539,602	0.0%	\$ 2,133,598	60%
6/30/2010	-	3,539,602	3,539,602	0.0%	1,946,074	55%



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



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**General Fund**

## ***General Fund***

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



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

**City of Manchester, New Hampshire  
Year Ended June 30, 2011**

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Taxes</u></b>				
Property tax	\$ 89,088,532	\$ 89,554,047	\$ 88,888,382	\$ (665,665)
Miscellaneous taxes	45,000	45,000	44,897	(103)
Interest and penalties	700,000	700,000	1,248,328	548,328
Cable franchise fees	1,600,000	1,600,000	1,599,521	(479)
<b>Total Taxes</b>	<b>91,433,532</b>	<b>91,899,047</b>	<b>91,781,128</b>	<b>(117,919)</b>
<b><u>Federal and State Grants and Aid</u></b>				
Federal grants	345,000	345,000	410,760	65,760
Payments in lieu of taxes	727,000	727,000	797,622	70,622
State Grants	2,651,695	2,651,695	2,664,898	13,203
<b>Total Federal and State Grants and Aid</b>	<b>3,723,695</b>	<b>3,723,695</b>	<b>3,873,280</b>	<b>149,585</b>
<b><u>Nonenterprise Charges for Sales and Services</u></b>				
General revenues	121,603	171,603	151,390	(20,213)
Public safety	143,700	141,700	145,414	3,714
Highway	521,000	521,000	554,688	33,688
Sanitation	39,000	39,000	12,523	(26,477)
Health	14,000	14,000	14,398	398
Cemetery, Parks & Recreation	183,125	183,125	195,707	12,582
Zoning board	37,000	37,000	40,506	3,506
Parking violations	11,000	11,000	11,250	250
Court fines	42,000	28,000	20,121	(7,879)
Fees	997,150	997,150	1,031,789	34,639
Witness fees	95,000	95,000	94,194	(806)
<b>Total Nonenterprise Charges for Sales and Services</b>	<b>2,204,578</b>	<b>2,238,578</b>	<b>2,271,980</b>	<b>33,402</b>



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

**City of Manchester, New Hampshire  
Year Ended June 30, 2011**

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Licenses and Permits</u></b>				
Auto registrations	13,550,000	13,550,000	14,697,512	1,147,512
Licenses	489,802	489,802	566,104	76,302
Permits	2,263,300	2,264,300	2,263,171	(1,129)
<b>Total Licenses and Permits</b>	<b>16,303,102</b>	<b>16,304,102</b>	<b>17,526,787</b>	<b>1,222,685</b>
<b><u>Interest</u></b>				
Income from invested funds	<b>755,000</b>	<b>580,000</b>	<b>731,364</b>	<b>151,364</b>
<b><u>Other Revenues</u></b>				
Reimbursements	1,292,556	1,531,882	1,333,044	(198,838)
Rentals & Leases	889,100	889,100	843,544	(45,556)
School chargebacks	8,603,335	8,603,335	8,640,512	37,177
Miscellaneous	13,500	13,500	81,788	68,288
<b>Total Other Revenues</b>	<b>10,798,491</b>	<b>11,037,817</b>	<b>10,898,888</b>	<b>(138,929)</b>
<b>Total Revenues</b>	<b>\$ 125,218,398</b>	<b>\$ 125,783,239</b>	<b>\$ 127,083,427</b>	<b>\$ 1,300,188</b>
Transfers in	2,777,016	2,212,175	2,198,261	(13,914)
<b>Total Transfers in</b>	<b>2,777,016</b>	<b>2,212,175</b>	<b>2,198,261</b>	<b>(13,914)</b>
<b>Total Revenues and Transfers in</b>	<b>\$ 127,995,414</b>	<b>\$ 127,995,414</b>	<b>\$ 129,281,688</b>	<b>\$ 1,286,274</b>

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

City of Manchester, New Hampshire  
Year Ended June 30, 2011

	2011 Original Budget	2011 Revised Budget	2011 Total Commitments	Commitments vs Revised Budget Variance
<b>General Government</b>				
Aldermen	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
Assessors	612,320	612,320	498,770	113,550
City Clerk	1,008,800	1,008,800	902,471	106,329
City Solicitor	1,069,839	1,090,924	1,090,924	-
Civic Contribution	144,773	144,773	121,196	23,577
Economic Development Office	284,342	284,342	264,390	19,952
Senior Services	260,326	260,326	251,799	8,527
Finance	913,992	913,992	893,332	20,660
Information Systems	1,478,104	1,478,104	1,476,669	1,435
Mayor	220,548	223,120	223,120	-
MCTV/MCAM	500,000	500,850	500,850	-
Nondepartmental	31,484,352	31,351,263	33,431,834	(2,080,571)
Non-city Program	68,406	68,406	68,137	269
Human Resources	709,981	709,981	686,116	23,865
Planning and Community Development	1,881,408	1,881,408	1,861,495	19,913
Facilities Division	6,241,165	6,241,165	6,240,420	745
Tax Collector	526,867	526,867	492,284	34,583
Youth Services	504,975	504,975	466,634	38,341
<b>Total General Government</b>	<b>47,980,198</b>	<b>47,871,616</b>	<b>49,540,441</b>	<b>(1,668,825)</b>
<b>Public Safety</b>				
Fire	18,486,979	18,895,155	18,895,155	-
Police	19,000,102	18,850,191	18,850,191	-
<b>Total Public Safety</b>	<b>37,487,081</b>	<b>37,745,346</b>	<b>37,745,346</b>	<b>-</b>
<b>Health and Sanitation</b>				
Health	2,621,823	2,621,823	2,544,277	77,546
<b>Total Health and Sanitation</b>	<b>2,621,823</b>	<b>2,621,823</b>	<b>2,544,277</b>	<b>77,546</b>
<b>Highway and Streets</b>				
Highway	19,444,884	19,295,201	19,179,207	115,994
<b>Total Highway and Streets</b>	<b>19,444,884</b>	<b>19,295,201</b>	<b>19,179,207</b>	<b>115,994</b>
<b>Welfare</b>				
Welfare	1,098,342	1,098,342	933,560	164,782
<b>Total Welfare</b>	<b>1,098,342</b>	<b>1,098,342</b>	<b>933,560</b>	<b>164,782</b>
<b>Education</b>				
Library	2,045,609	2,045,609	2,015,392	30,217
<b>Total Education</b>	<b>2,045,609</b>	<b>2,045,609</b>	<b>2,015,392</b>	<b>30,217</b>
<b>Parks and Recreation</b>				
Parks & Recreation	2,767,477	2,767,477	2,711,846	55,631
<b>Total Parks and Recreation</b>	<b>2,767,477</b>	<b>2,767,477</b>	<b>2,711,846</b>	<b>55,631</b>
<b>Debt Service</b>				
Principal retirement	9,150,000	9,150,000	9,330,350	(180,350)
Interest	5,400,000	5,400,000	5,170,992	229,008
<b>Total Debt Service</b>	<b>14,550,000</b>	<b>14,550,000</b>	<b>14,501,342</b>	<b>48,658</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 127,995,414</b>	<b>\$ 127,995,414</b>	<b>\$ 129,171,411</b>	<b>\$ (1,175,997)</b>

**Nonmajor Governmental Funds**

## ***Special Revenue Funds***

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

### **HUD Section 108 Fund**

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

### **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***

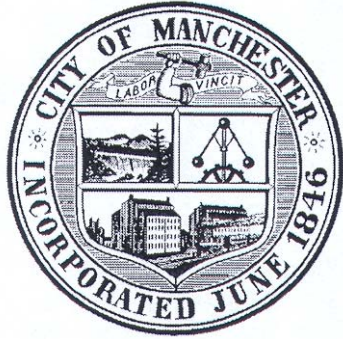
Permanent funds are to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

### **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**

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	<u>Special Revenue</u>		
	<b>HUD Section 108 Fund</b>	<b>CDBG Fund</b>	<b>Other Grants Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 565,078	\$ 63,417	\$ -
Restricted cash and cash equivalents	-	-	137,625
Restricted investments	-	-	-
Receivables, net of allowances for collection losses	5,334,922	46,519	683,493
<b>Total Assets</b>	<b>5,900,000</b>	<b>109,936</b>	<b>821,118</b>
<b>Liabilities and Fund Equity</b>			
<b>Liabilities</b>			
Accounts and warrants payable	5,900,000	310,096	1,077,207
Accrued liabilities	-	6,520	34,733
Other liabilities	-	-	477,233
Due to other Funds	-	-	1,154,179
Unearned Revenue	-	-	137,625
<b>Total Liabilities</b>	<b>5,900,000</b>	<b>316,616</b>	<b>2,880,977</b>
<b>Fund balances (deficits)</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Unassigned	-	(206,680)	(2,059,859)
<b>Total Fund balances (deficits)</b>	<b>-</b>	<b>(206,680)</b>	<b>(2,059,859)</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 5,900,000</b>	<b>\$ 109,936</b>	<b>\$ 821,118</b>

City of Manchester, New Hampshire

June 30, 2011

Special Revenue			Permanent Funds		Total
Civic Center Fund	Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	
\$ -	\$ 4,067	\$ 5,382,191	\$ 267,396	\$ 45,257	\$ 6,327,406
2,114,341	41,179	-	-	179,760	2,472,905
-	-	668,603	17,730,140	3,224,562	21,623,305
-	734,199	22	4	10,947	6,810,106
<b>2,114,341</b>	<b>779,445</b>	<b>6,050,816</b>	<b>17,997,540</b>	<b>3,460,526</b>	<b>37,233,722</b>
-	-	-	-	-	7,287,303
-	-	-	-	-	41,253
-	458,649	-	-	-	935,882
-	-	-	-	-	1,154,179
-	-	-	-	-	137,625
-	<b>458,649</b>	-	-	-	<b>9,556,242</b>
-	-	-	15,057,510	2,805,176	17,862,686
2,114,341	320,796	-	2,940,030	655,350	6,030,517
-	-	6,050,816	-	-	6,050,816
-	-	-	-	-	(2,266,539)
<b>2,114,341</b>	<b>320,796</b>	<b>6,050,816</b>	<b>17,997,540</b>	<b>3,460,526</b>	<b>27,677,480</b>
<b>\$ 2,114,341</b>	<b>\$ 779,445</b>	<b>\$ 6,050,816</b>	<b>\$ 17,997,540</b>	<b>\$ 3,460,526</b>	<b>\$ 37,233,722</b>

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

	<u>Special Revenue</u>		
	HUD		Other
	Section 108 Fund	CDBG Fund	Grant Fund
<b><u>Revenues</u></b>			
Federal and state grants and aid	\$ -	\$ 3,178,813	\$ 8,745,939
Interest	-	-	-
Contributions	-	-	-
Net appreciation (depreciation) in fair value of securities	-	-	-
Other	-	-	5,354,376
<b>Total Revenues</b>	<b>-</b>	<b>3,178,813</b>	<b>14,100,315</b>
<b><u>Expenditures</u></b>			
Current:			
General government	-	2,038,524	5,730,215
Public safety	-	84,556	2,711,994
Health and sanitation	-	124,839	1,664,574
Welfare	-	-	145,191
Parks and recreation	-	131,444	25,268
Cemetery Trust	-	-	-
Investment management fee	-	-	-
Capital Outlay	-	303,328	5,048,643
<b>Total Expenditures</b>	<b>-</b>	<b>2,682,691</b>	<b>15,325,885</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>496,122</b>	<b>(1,225,570)</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	-	-	25,000
Transfers out	-	-	(467,999)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(442,999)</b>
Net Change in Fund Balance	-	496,122	(1,668,569)
<b>Fund Balance (Deficit), beginning, as restated (Note 18)</b>	<b>-</b>	<b>(702,802)</b>	<b>(391,290)</b>
<b>Fund Balance (Deficit), end of year</b>	<b>\$ -</b>	<b>\$ (206,680)</b>	<b>\$ (2,059,859)</b>



City of Manchester, New Hampshire  
Year Ended June 30, 2011

Special Revenue			Permanent Funds		
Civic Center Fund	Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	Total
\$ 4,366,724	\$ -	\$ -	\$ -	\$ -	\$ 16,291,476
2,014	9,307	21,154	294,389	89,795	416,659
-	-	4,682,176	66,125	55,380	4,803,681
-	-	(2,154)	3,052,204	441,807	3,491,857
52,303	-	-	-	-	5,406,679
<b>4,421,041</b>	<b>9,307</b>	<b>4,701,176</b>	<b>3,412,718</b>	<b>586,982</b>	<b>30,410,352</b>
4,530,975	-	42,253	-	114,411	12,456,378
-	-	-	-	-	2,796,550
-	-	-	-	-	1,789,413
-	-	-	-	-	145,191
-	-	-	-	-	156,712
-	-	-	36,358	-	36,358
-	-	-	37,181	18,226	55,407
-	-	-	-	-	5,351,971
<b>4,530,975</b>	<b>-</b>	<b>42,253</b>	<b>73,539</b>	<b>132,637</b>	<b>22,787,980</b>
<b>(109,934)</b>	<b>9,307</b>	<b>4,658,923</b>	<b>3,339,179</b>	<b>454,345</b>	<b>7,622,372</b>
-	-	-	-	-	25,000
-	-	-	(500,100)	-	(968,099)
-	-	-	<b>(500,100)</b>	-	<b>(943,099)</b>
(109,934)	9,307	4,658,923	2,839,079	454,345	<b>6,679,273</b>
<b>2,224,275</b>	<b>311,489</b>	<b>1,391,893</b>	<b>15,158,461</b>	<b>3,006,181</b>	<b>20,998,207</b>
<b>\$ 2,114,341</b>	<b>\$ 320,796</b>	<b>\$ 6,050,816</b>	<b>\$ 17,997,540</b>	<b>\$ 3,460,526</b>	<b>\$ 27,677,480</b>



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**Nonmajor Proprietary Funds**

## ***Enterprise Funds***

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

### **Recreation Fund**

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

### **Parking Fund**

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



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

**City of Manchester, New Hampshire**  
**June 30, 2011**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Non-Major</b>		<b>Total</b>
	<b>Recreation Fund</b>	<b>Parking Fund</b>	
<b>Assets</b>			
Current assets:			
Cash and Cash Equivalents	\$ 350	\$ 1,100	\$ 1,450
Restricted cash and cash equivalents	94,572	128,759	223,331
Receivables, net of allowances for collection losses	47,285	139,586	186,871
<b>Total current assets:</b>	<b>142,207</b>	<b>269,445</b>	<b>411,652</b>
Noncurrent assets:			
Capital assets, net, where applicable, of accumulated depreciation	5,801,184	9,280,640	15,081,824
Deferred charges	35,161	22,266	57,427
<b>Total noncurrent assets:</b>	<b>5,836,345</b>	<b>9,302,906</b>	<b>15,139,251</b>
<b>Total Assets</b>	<b>\$ 5,978,552</b>	<b>\$ 9,572,351</b>	<b>\$ 15,550,903</b>
<b>Liabilities</b>			
Current liabilities			
Accounts and warrants payable	\$ 39,220	\$ 83,206	\$ 122,426
Accrued liabilities	182,809	43,558	226,367
Due to other funds	5,280,548	2,875	5,283,423
Unearned revenue	34,355	-	34,355
Bonds and notes payable	294,556	519,576	814,132
Compensated absences	183,121	52,700	235,821
Other liabilities	12,291	85,652	97,943
<b>Total Current liabilities</b>	<b>6,026,900</b>	<b>787,567</b>	<b>6,814,467</b>
Noncurrent liabilities			
Bonds payable	4,196,917	3,837,062	8,033,979
<b>Total Noncurrent liabilities</b>	<b>4,196,917</b>	<b>3,837,062</b>	<b>8,033,979</b>
<b>Total Liabilities</b>	<b>10,223,817</b>	<b>4,624,629</b>	<b>14,848,446</b>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	1,391,992	4,924,002	6,315,994
Unrestricted	(5,637,257)	23,720	(5,613,537)
<b>Total Net Assets (Deficit)</b>	<b>\$ (4,245,265)</b>	<b>\$ 4,947,722</b>	<b>\$ 702,457</b>

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

**City of Manchester, New Hampshire  
Year Ended June 30, 2011**

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Recreation Fund</u>	<u>Parking Fund</u>	<u>Total</u>
<b><u>Operating Revenues</u></b>			
Charges for goods and services	\$ 1,458,506	\$ 4,362,831	\$ 5,821,337
Other	2,269	2,837	5,106
<b>Total Operating Revenues</b>	<b>1,460,775</b>	<b>4,365,668</b>	<b>5,826,443</b>
<b><u>Operating Expenses</u></b>			
Personnel services	1,294,260	1,108,766	2,403,026
Plant maintenance	35,609	99,642	135,251
Light/heat and power	256,491	41,650	298,141
General and administrative	231,745	696,373	928,118
Depreciation and amortization	391,576	433,428	825,004
<b>Total Operating Expenses</b>	<b>2,209,681</b>	<b>2,379,859</b>	<b>4,589,540</b>
<b>Operating Income (Loss)</b>	<b>(748,906)</b>	<b>1,985,809</b>	<b>1,236,903</b>
<b><u>Non-Operating Revenues (Expenses), net</u></b>			
Interest income	-	3,866	3,866
Interest expense	(221,854)	(203,095)	(424,949)
Rent and other income	127,073	-	127,073
<b>Total Non-operating Revenues (Expenses)</b>	<b>(94,781)</b>	<b>(199,229)</b>	<b>(294,010)</b>
<b>Net income (loss) before capital contributions and transfers</b>	<b>(843,687)</b>	<b>1,786,580</b>	<b>942,893</b>
<b><u>Capital Contributions and Transfers</u></b>			
Transfer to general fund	-	(1,699,460)	(1,699,460)
Transfer of capital assets	(2,272,735)	-	(2,272,735)
Transfer of liability	2,013,311	-	2,013,311
<b>Total Capital Contributions and Transfers</b>	<b>(259,424)</b>	<b>(1,699,460)</b>	<b>(1,958,884)</b>
<b>Change in Net Assets</b>	<b>(1,103,111)</b>	<b>87,120</b>	<b>(1,015,991)</b>
<b>Fund Net Assets (Deficit), beginning of year</b>	<b>(3,142,154)</b>	<b>4,860,602</b>	<b>1,718,448</b>
<b>Fund Net Assets (Deficit), end of year</b>	<b>\$ (4,245,265)</b>	<b>\$ 4,947,722</b>	<b>\$ 702,457</b>

Nonmajor Proprietary Funds  
Statement of Cash Flows

City of Manchester, New Hampshire  
Year Ended June 30, 2011

	Business-type Activities-Enterprise Funds		
	Recreation Fund	Parking Fund	Total
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 1,515,447	\$ 4,413,331	\$ 5,928,778
Cash payments for goods and services	(556,759)	(829,329)	(1,386,088)
Cash payments to employees for services	(1,312,707)	(1,123,554)	(2,436,261)
Other operating revenues	127,073	-	127,073
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(226,946)</b>	<b>2,460,448</b>	<b>2,233,502</b>
<b>Cash Flows from Non-Capital and Related Financing Activities</b>			
Due to general fund	716,391	2,875	719,266
Cash payment to the City	-	(1,746,601)	(1,746,601)
Interest paid on cash advances	(9,751)	-	(9,751)
<b>Net Cash (Used in) Provided by Non-Capital &amp; Related Financing Activities</b>	<b>706,640</b>	<b>(1,743,726)</b>	<b>(1,037,086)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Payments to escrow agent for refunding	(328,571)	(2,735,780)	(3,064,351)
Deferred charges	-	(23,234)	(23,234)
Principal paid on bonds	(294,556)	(519,576)	(814,132)
Interest paid on bonds	(224,001)	(205,580)	(429,581)
Proceeds from refunding bonds	301,327	2,508,931	2,810,258
Acquisition and construction of capital assets	(840,523)	(12,651)	(853,174)
Proceeds from premiums	30,119	250,775	280,894
<b>Net Cash Provided by (Used in) Capital &amp; Related Financing Activities</b>	<b>(1,356,205)</b>	<b>(737,115)</b>	<b>(2,093,320)</b>
<b>Cash Flows from Investing Activities</b>			
Interest and dividends from investments	-	3,866	3,866
<b>Net Cash Provided by Investing Activities</b>	<b>-</b>	<b>3,866</b>	<b>3,866</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(876,511)</b>	<b>(16,527)</b>	<b>(893,038)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>971,433</b>	<b>146,386</b>	<b>1,117,819</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 94,922</b>	<b>\$ 129,859</b>	<b>\$ 224,781</b>
<b>Reconciliation of operating profit (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ (748,906)	\$ 1,985,809	\$ 1,236,903
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:			
Depreciation and amortization	391,576	433,428	825,004
Non-operating revenue	127,073	-	127,073
<b>Change in Assets and Liabilities</b>			
(Increase) decrease in receivables	39,122	30,389	69,511
(Increase) decrease in prepaid expenses and other assets	10,262	2,291	12,553
Increase (decrease) in accounts payable	(108,038)	4,677	(103,361)
Increase (decrease) in accrued liabilities	75,761	4,029	79,790
Increase (decrease) in compensated absences	8,007	4,123	12,130
Increase (decrease) in other liabilities	(27,073)	(4,298)	(31,371)
Increase (decrease) in unearned revenue	5,270	-	5,270
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>\$ (226,946)</b>	<b>\$ 2,460,448</b>	<b>\$ 2,233,502</b>
<b>Schedule of Noncash Investing, Capital and Financing Activities</b>			
Transfer of Capital Assets	\$ (2,272,735)	\$ -	\$ (2,272,735)
Transfer of Liability	\$ 2,013,311	\$ -	\$ 2,013,311



**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, 2011**

**Capital Assets**

Land	\$ 14,386,030
Buildings	346,418,215
Improvements other than buildings	26,893,884
Equipment	16,121,691
Work-in-Process	8,159,372
Vehicles	25,024,521
Infrastructure	99,896,563

**Total Capital Assets** **\$ 536,900,276**

**Investments in Capital Assets**

Capital project funds	\$ 382,936,735
General fund revenues	34,014,768
Special revenue funds	119,948,773

**Total Investments in Capital Assets** **\$ 536,900,276**

## Schedule of Capital Assets - By Function and Activity

June 30, 2011

	Land	Buildings	Other Than Buildings	Equipment	Vehicles	Infrastructure	Total
<b>General Government</b>							
Baseball stadium	\$ -	\$ 24,658,502	\$ -	\$ -	\$ -	\$ -	\$ 24,658,502
Building	-	-	-	-	161,358	-	161,358
City Clerk	-	-	-	82,461	64,710	-	147,171
Civic Center	2,960,900	62,739,798	-	-	-	-	65,700,698
Economic Development							
Office	2,971,931	-	-	5,294	-	-	2,977,225
Elderly Services	-	3,627,637	-	-	-	-	3,627,637
Finance	240,833	3,770,053	-	18,912	-	-	4,029,798
Information Systems	-	143,709	-	1,197,833	21,253	-	1,362,795
Mayor	-	-	-	13,989	-	-	13,989
Personnel	-	-	-	8,354	20,058	-	28,412
Planning	44,714	968,974	-	35,511	26,808	-	1,076,007
Public Buildings	437,250	6,071,659	\$ 115,084	31,345	284,388	-	6,939,726
Tax Collector	-	-	-	136,187	-	-	136,187
<b>Total General Government</b>	<b>6,655,628</b>	<b>101,980,332</b>	<b>115,084</b>	<b>1,529,886</b>	<b>578,575</b>	<b>-</b>	<b>110,859,505</b>
<b>Public Safety</b>							
Fire Protection	661,290	10,823,949	126,285	1,505,448	10,480,322	-	23,597,294
Police Protection	96,115	4,199,763	52,716	330,362	1,896,936	-	6,575,892
<b>Total Public Safety</b>	<b>757,405</b>	<b>15,023,712</b>	<b>179,001</b>	<b>1,835,810</b>	<b>12,377,258</b>	<b>-</b>	<b>30,173,186</b>
<b>Health and Sanitation</b>							
Cemetery	71,255	626,736	348,293	976,703	572,373	-	2,595,360
Health	-	5,301,803	-	164,530	204,351	-	5,670,684
<b>Total Health and Sanitation</b>	<b>71,255</b>	<b>5,928,539</b>	<b>348,293</b>	<b>1,141,233</b>	<b>776,724</b>	<b>-</b>	<b>8,266,044</b>
<b>Highway and Streets</b>							
Highway	108,104	1,626,127	2,969,359	3,774,951	9,721,464	96,807,942	115,007,947
<b>Total Highway and Streets</b>	<b>108,104</b>	<b>1,626,127</b>	<b>2,969,359</b>	<b>3,774,951</b>	<b>9,721,464</b>	<b>96,807,942</b>	<b>115,007,947</b>
<b>Welfare</b>							
Welfare	27,489	109,955	-	-	-	-	137,444
<b>Total Welfare</b>	<b>27,489</b>	<b>109,955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137,444</b>
<b>Education</b>							
Library	72,270	4,647,814	-	73,775	-	-	4,793,859
School	1,602,542	204,272,339	3,416,390	92,261	-	-	209,383,532
<b>Total Education</b>	<b>1,674,812</b>	<b>208,920,153</b>	<b>3,416,390</b>	<b>166,036</b>	<b>-</b>	<b>-</b>	<b>214,177,391</b>
<b>Parks and Recreation</b>							
Parks & Recreation	5,091,337	12,829,397	19,865,757	7,673,775	1,570,500	3,088,621	50,119,387
<b>Total Parks and Recreation</b>	<b>5,091,337</b>	<b>12,829,397</b>	<b>19,865,757</b>	<b>7,673,775</b>	<b>1,570,500</b>	<b>3,088,621</b>	<b>50,119,387</b>
Construction in Progress	-	6,636,296	546,842	-	-	976,234	8,159,372
<b>Total General Fixed Assets</b>							
Allocated to Functions	\$ 14,386,030	\$ 353,054,511	\$ 27,440,726	\$ 16,121,691	\$ 25,024,521	\$ 100,872,797	\$ 536,900,276

**Statistical Section**

## *Statistical Section*

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

### **Contents**

#### *Financial Trends*

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. 106

#### *Revenue Capacity*

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 112

#### *Debt Capacity*

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. 120

#### *Demographic and Economic Information*

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. 125

#### *Operating Information*

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. 128

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

City of Manchester, New Hampshire  
 Table I

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010 *	2011
Governmental activities:									
Invested in capital assets, net of related debt	\$ 84,480,112	\$ 94,437,831	\$ 114,061,411	\$ 139,339,868	\$ 137,362,874	\$ 130,205,321	\$ 144,179,247	\$ 134,654,018	\$ 140,218,259
Restricted	17,545,325	19,161,857	19,438,394	20,257,037	22,389,423	22,171,646	18,254,369	19,466,347	18,990,583
Unrestricted	(30,311,548)	(30,880,302)	(39,978,617)	(46,459,710)	(30,612,818)	(22,179,743)	(37,769,673)	(27,211,134)	(24,479,074)
<b>Total governmental activities net assets</b>	<b>\$ 71,713,889</b>	<b>\$ 82,719,386</b>	<b>\$ 93,521,188</b>	<b>\$ 113,137,195</b>	<b>\$ 129,139,479</b>	<b>\$ 130,197,224</b>	<b>\$ 124,663,943</b>	<b>\$ 126,909,231</b>	<b>\$ 134,729,768</b>
Business-type activities:									
Invested in capital assets, net of related debt	\$ 225,163,369	\$ 243,639,543	\$ 278,806,782	\$ 290,467,921	\$ 316,387,714	\$ 326,272,247	\$ 315,979,117	\$ 304,237,386	\$ 306,967,260
Restricted	41,757,605	38,493,475	42,328,192	46,926,306	46,943,856	56,532,400	59,319,350	59,496,926	63,087,461
Unrestricted	44,380,257	42,445,613	18,460,983	14,730,581	9,153,778	12,377,354	16,858,763	28,740,551	32,711,684
<b>Total business-type activities net assets</b>	<b>\$ 311,301,231</b>	<b>\$ 324,578,631</b>	<b>\$ 339,595,957</b>	<b>\$ 352,124,808</b>	<b>\$ 372,485,348</b>	<b>\$ 395,182,001</b>	<b>\$ 392,157,230</b>	<b>\$ 392,474,863</b>	<b>\$ 402,766,405</b>
Primary government:									
Invested in capital assets, net of related debt	\$ 309,643,481	\$ 338,077,374	\$ 392,868,193	\$ 429,807,789	\$ 453,750,588	\$ 456,477,568	\$ 460,158,364	\$ 438,891,404	\$ 447,185,519
Restricted	59,302,930	57,655,332	61,766,586	67,183,343	69,333,279	78,704,046	77,573,719	78,963,273	82,078,044
Unrestricted	14,068,709	11,565,311	(21,517,634)	(31,729,129)	(21,459,040)	(9,802,389)	(20,910,910)	1,529,417	8,232,610
<b>Total primary government net assets</b>	<b>\$ 383,015,120</b>	<b>\$ 407,298,017</b>	<b>\$ 433,117,145</b>	<b>\$ 465,262,003</b>	<b>\$ 501,624,827</b>	<b>\$ 525,379,225</b>	<b>\$ 516,821,173</b>	<b>\$ 519,384,094</b>	<b>\$ 537,496,173</b>

GASB Statement No. 34 Implemented in Fiscal Year 2003

\* As restated for OPEB accrual.

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

City of Manchester, New Hampshire  
 Table II

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:									
Governmental activities:									
General government	\$ 32,560,283	\$ 39,884,738	\$ 39,257,227	\$ 27,046,192	\$ 47,026,301	\$ 39,763,033	\$ 42,805,918	\$ 44,072,312	\$ 43,125,554
Public safety	37,765,649	38,959,705	44,575,376	49,410,627	50,031,363	52,318,965	53,056,030	56,344,474	61,213,077
Health and sanitation	4,196,162	5,446,491	5,043,862	4,649,675	4,349,909	5,046,882	5,050,940	5,775,524	5,867,746
Highways and streets	28,905,257	23,004,043	21,018,167	28,343,982	15,581,877	26,607,881	28,332,502	28,611,754	29,260,549
Welfare	1,404,958	1,325,442	1,345,172	1,430,019	1,445,290	1,313,418	1,290,779	1,478,191	1,343,084
Education and library	3,816,562	3,035,765	3,466,500	4,456,108	7,512,145	7,791,145	8,183,872	8,318,868	8,680,202
Parks and recreation	4,724,302	5,259,212	5,190,321	5,155,343	6,408,656	6,767,095	6,229,200	5,538,284	5,737,764
Cemetery Trust	36,037	32,627	26,100	27,163	21,802	60,000	125,855	79,055	36,359
Investment management fee	23,511	29,071	30,823	36,920	38,834	55,177	56,649	57,695	55,407
Interest	-	-	5,359,441	4,399,559	4,094,284	4,409,099	4,042,827	3,895,389	5,466,279
<b>Total governmental activities expenses</b>	<b>113,432,721</b>	<b>116,977,094</b>	<b>125,312,989</b>	<b>124,955,588</b>	<b>136,510,461</b>	<b>144,132,695</b>	<b>149,174,572</b>	<b>154,171,546</b>	<b>160,786,021</b>
Business-type activities:									
Water	9,796,790	12,349,266	13,461,136	14,795,858	15,987,127	16,781,801	17,756,287	17,507,643	18,455,490
EPD	11,308,620	12,222,211	12,403,517	13,120,698	13,114,933	13,538,731	14,429,389	14,564,969	15,127,410
Aviation	50,322,106	45,468,710	57,832,875	56,203,377	62,213,023	65,814,560	66,214,304	59,678,505	54,480,487
Recreation	2,353,924	2,860,922	2,967,744	3,363,302	3,087,514	2,737,979	3,190,810	2,724,185	2,431,535
Aggregation	134,986	173,941	75,465	77,900	-	-	-	-	-
Parking	-	-	-	-	2,662,454	3,093,657	2,938,857	2,337,593	2,582,954
<b>Total business-type activities expenses</b>	<b>73,916,426</b>	<b>73,075,050</b>	<b>86,740,737</b>	<b>87,561,135</b>	<b>97,065,051</b>	<b>101,966,728</b>	<b>104,529,647</b>	<b>96,812,895</b>	<b>93,077,876</b>
<b>Total primary government expenses</b>	<b>187,349,147</b>	<b>190,052,144</b>	<b>212,053,726</b>	<b>212,516,723</b>	<b>233,575,512</b>	<b>246,099,423</b>	<b>253,704,219</b>	<b>250,984,441</b>	<b>253,863,897</b>
Program revenue:									
Governmental activities:									
Charges for services:									
General government	10,097,598	9,316,439	14,043,476	12,632,653	17,997,667	12,964,400	11,269,228	15,431,257	20,430,052
Public safety	2,161,469	2,802,949	2,586,789	2,670,102	1,249,207	1,455,129	1,360,027	1,273,527	1,601,622
Health and sanitation	1,375,369	1,533,303	1,584,228	1,730,138	1,788,574	1,834,023	1,954,809	2,010,744	2,212,021
Highways and streets	6,288,694	6,363,098	5,846,363	4,046,571	1,873,626	1,738,416	1,610,511	1,579,244	1,572,687
Welfare	107,019	93,813	94,465	78,928	74,100	44,825	47,925	31,092	21,544
Education and library	-	204,659	27,420	(12,894)	221,469	-	-	121,260	441,807
Parks and recreation	835,795	2,469,182	1,404,382	614,752	1,564,145	689,115	547,336	1,955,050	3,673,131
Operating grants and contributions:									
General government	11,429,867	15,902,634	13,272,378	14,546,757	14,685,507	14,851,309	18,508,228	15,433,226	10,852,586
Public safety	1,376,437	1,492,792	1,375,203	2,450,968	1,658,805	983,941	738,082	2,416,018	2,678,785
Health and sanitation	1,203,218	2,441,513	1,815,446	1,510,875	1,423,832	1,439,145	1,621,655	1,891,185	1,918,638
Highways and streets	6,199,844	3,680,818	3,766,747	7,302,015	2,154,194	2,055,444	2,264,109	2,039,904	2,304,118
Education and library	8,965	13,240	27,777	52,022	39,017	125,820	154,977	57,045	55,380
Parks and recreation	605,682	595,552	506,398	1,587,946	585,536	1,561,614	662,097	815,756	696,688
Capital grants and contributions:									
General government	-	-	-	-	-	-	-	-	406,928
Highways and streets	-	-	-	-	4,436,221	6,201,812	2,690,181	908,525	4,099,925
Parks and recreation	-	-	-	-	-	-	-	315,029	-
<b>Total governmental activities program revenue</b>	<b>41,689,957</b>	<b>46,909,992</b>	<b>46,351,072</b>	<b>49,210,833</b>	<b>49,751,900</b>	<b>45,944,993</b>	<b>43,429,165</b>	<b>46,278,862</b>	<b>52,965,912</b>



Changes In Net Assets (Continued)

City of Manchester, New Hampshire

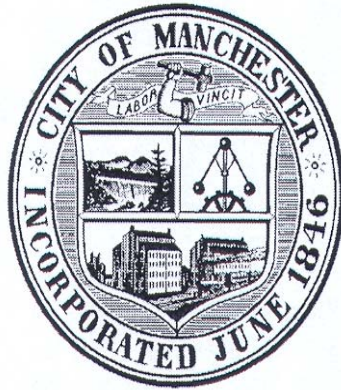
Last Nine Fiscal Years

Table II

(accrual basis of accounting)

(Unaudited)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business-type activities:									
Charges for services:									
Water	9,989,204	12,139,084	13,546,594	15,489,946	16,044,783	16,316,339	15,706,634	15,855,099	16,987,128
EPD	11,332,387	11,393,713	11,148,848	12,154,804	13,252,696	16,645,295	18,947,577	21,103,987	21,558,040
Aviation	42,050,284	45,183,565	51,657,611	51,750,393	51,829,778	55,359,856	50,879,087	46,551,051	46,497,429
Recreation	2,274,829	2,256,001	2,317,267	2,121,088	1,856,099	2,102,962	2,117,984	1,673,650	1,587,848
Aggregation	182,090	55,661	82,938	-	-	-	-	-	-
Parking	-	-	-	-	4,653,498	4,892,834	4,849,094	4,534,452	4,365,668
Operating grants and contributions:									
EPD	325,855	959,284	2,377,826	1,935,899	663,143	983,903	-	-	49,906
Aviation	6,768,504	3,228,931	3,229,750	2,652,613	3,707,927	4,844,795	4,049,880	1,871,938	94,541
Recreation	-	-	18,000	-	-	-	-	-	-
Capital grants and contributions:									
Water	2,673,613	1,611,168	2,451,261	2,096,454	2,623,529	1,588,069	732,896	1,029,149	3,470,596
EPD	997,522	2,019,325	679,713	1,503,330	294,953	389,462	1,520,198	1,192,828	761,826
Aviation	25,527,921	817,782	13,914,058	4,902,721	20,333,025	17,325,965	2,962,441	4,747,164	8,810,475
Recreation	-	189,019	902,731	100,753	-	-	120,200	-	-
<b>Total business-type activities program revenues</b>	<b>102,122,209</b>	<b>79,853,533</b>	<b>102,326,597</b>	<b>94,708,001</b>	<b>115,259,431</b>	<b>120,449,480</b>	<b>101,885,991</b>	<b>98,559,318</b>	<b>104,183,457</b>
<b>Total primary government program revenues</b>	<b>143,812,166</b>	<b>126,763,525</b>	<b>148,677,669</b>	<b>143,918,834</b>	<b>168,225,343</b>	<b>166,394,473</b>	<b>145,315,156</b>	<b>144,838,180</b>	<b>157,149,369</b>
Net (expense) revenue:									
Governmental activities	(71,742,764)	(70,067,102)	(78,961,917)	(75,744,755)	(86,758,561)	(98,187,702)	(105,745,407)	(107,892,684)	(107,820,109)
Business-type activities	28,205,783	6,778,483	15,585,860	7,146,866	18,194,380	18,482,752	(2,643,656)	1,746,423	11,105,581
<b>Total primary government net expense</b>	<b>(43,536,981)</b>	<b>(63,288,619)</b>	<b>(63,376,057)</b>	<b>(68,597,889)</b>	<b>(68,564,181)</b>	<b>(79,704,950)</b>	<b>(108,389,063)</b>	<b>(106,146,261)</b>	<b>(96,714,528)</b>
General revenues and other changes in net assets:									
Governmental activities:									
Property taxes	58,168,059	61,894,928	64,709,146	67,924,107	72,795,861	73,227,606	77,269,610	89,492,106	90,457,552
Auto registration fees	13,873,904	14,399,844	15,194,741	15,377,773	15,286,482	14,936,473	13,958,285	13,644,776	13,953,158
Franchise fees	995,354	1,033,635	1,158,850	987,449	1,069,452	1,127,631	1,224,321	1,692,256	1,755,899
Unrestricted investment earnings programs	1,087,525	2,606,687	2,890,053	3,719,822	4,295,614	2,465,960	(1,006,154)	1,187,001	1,202,692
Miscellaneous	-	-	-	-	4,863,635	-	-	-	-
Debt reimbursement from MSD	5,985,063	5,797,821	6,697,790	6,569,723	-	5,759,531	5,900,612	6,001,664	6,162,664
Transfer from capital projects fund	-	(5,346,517)	-	-	-	-	-	-	-
Transfer of debt	-	-	-	-	6,804,300	-	-	-	-
Transfer of capital assets	-	-	-	-	(3,344,530)	31,071	(75,000)	-	-
Transfers in (out)	-	-	-	(1,412,528)	990,031	1,633,821	1,339,474	1,971,376	1,979,574
Wall Street Tower Recovery	-	-	-	-	-	-	1,600,978	-	-
Gain (Loss) on disposal of assets	(147,804)	686,201	(886,861)	2,194,416	-	63,354	-	1,689,667	129,107
<b>Total governmental activities</b>	<b>79,962,101</b>	<b>81,072,599</b>	<b>89,763,719</b>	<b>95,360,762</b>	<b>102,760,845</b>	<b>99,245,447</b>	<b>100,212,126</b>	<b>115,678,846</b>	<b>115,640,646</b>
Business-type activities:									
Unrestricted investment earnings programs	2,626,689	2,177,409	2,455,431	4,440,863	3,435,663	3,313,981	824,396	1,032,108	872,337
Miscellaneous	-	-	-	-	-	-	89,096	-	-
Transfer from capital projects fund	-	5,346,517	-	-	-	-	-	-	-
Transfer of capital assets	-	-	-	-	3,344,530	(31,071)	-	-	-
Transfer of debt	-	-	-	-	(6,804,300)	-	-	-	-
Transfers in (out)	-	-	-	1,412,528	(990,031)	(1,633,821)	(1,339,474)	(1,971,376)	(1,979,574)
Donation of land	(723,590)	(478,250)	(167,778)	-	-	-	-	-	-
Gain (loss) on disposal of assets	(940,727)	(546,759)	(2,856,187)	(471,406)	3,180,298	2,564,812	44,867	(489,522)	293,198
<b>Total business-type activities</b>	<b>962,372</b>	<b>6,498,917</b>	<b>(568,534)</b>	<b>5,381,985</b>	<b>2,166,160</b>	<b>4,213,901</b>	<b>(381,115)</b>	<b>(1,428,790)</b>	<b>(814,039)</b>
<b>Total primary government</b>	<b>80,924,473</b>	<b>87,571,516</b>	<b>89,195,185</b>	<b>100,742,747</b>	<b>104,927,005</b>	<b>103,459,348</b>	<b>99,831,011</b>	<b>114,250,056</b>	<b>114,826,607</b>
Changes in net assets:									
Governmental activities	8,219,337	11,005,497	10,801,802	19,616,007	16,002,284	1,057,745	(5,533,281)	7,786,162	7,820,537
Business-type activities	29,168,155	13,277,400	15,017,326	12,528,851	20,360,540	22,696,653	(3,024,771)	317,633	10,291,542
<b>Total primary government</b>	<b>\$ 37,387,492</b>	<b>\$ 24,282,897</b>	<b>\$ 25,819,128</b>	<b>\$ 32,144,858</b>	<b>\$ 36,362,824</b>	<b>\$ 23,754,398</b>	<b>\$ (8,558,052)</b>	<b>\$ 8,103,795</b>	<b>\$ 18,112,079</b>



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

City of Manchester, New Hampshire  
 Table III

Function / Program	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:									
General government	\$ 21,527,465	\$ 25,219,073	\$ 27,315,854	\$ 27,179,410	\$ 32,683,174	\$ 27,815,709	\$ 29,777,456	\$ 30,864,483	\$ 31,689,566
Public safety	3,537,906	4,295,741	3,961,992	5,121,070	2,908,012	2,439,070	2,098,109	3,689,545	4,280,407
Health and sanitation	2,578,587	3,974,816	3,399,674	3,241,013	3,212,406	3,273,168	3,576,464	3,901,929	4,130,659
Highways and streets	12,488,538	10,043,916	9,613,110	11,348,586	8,464,041	9,995,672	6,564,801	4,527,673	7,976,730
Welfare	107,019	93,813	94,465	78,928	74,100	44,825	47,925	31,092	21,544
Education and library	8,965	217,899	55,197	39,128	260,486	125,820	154,977	178,305	497,187
Parks and recreation	1,441,477	3,064,734	1,910,780	2,202,698	2,149,681	2,250,729	1,209,433	3,085,835	4,369,819
<b>Total governmental activities</b>	<b>41,689,957</b>	<b>46,909,992</b>	<b>46,351,072</b>	<b>49,210,833</b>	<b>49,751,900</b>	<b>45,944,993</b>	<b>43,429,165</b>	<b>46,278,862</b>	<b>52,965,912</b>
Business-type activities:									
Water	12,662,817	13,750,252	15,997,855	17,586,400	18,668,313	17,904,408	16,439,530	16,884,248	20,457,724
EPD	12,655,764	14,372,322	14,206,387	15,594,033	14,210,792	18,018,660	20,467,775	22,296,815	22,369,772
Aviation	74,346,709	49,230,278	68,801,419	59,305,727	75,870,730	77,530,616	57,891,408	53,170,153	55,402,445
Recreation	2,274,829	2,445,020	3,237,998	2,221,841	1,856,099	2,102,962	2,238,184	1,673,650	1,587,848
Aggregation	182,090	55,661	82,938	-	-	-	-	-	-
Parking	-	-	-	-	4,653,498	4,892,834	4,849,094	4,534,452	4,365,668
<b>Total business-type activities</b>	<b>102,122,209</b>	<b>79,853,533</b>	<b>102,326,597</b>	<b>94,708,001</b>	<b>115,259,432</b>	<b>120,449,480</b>	<b>101,885,991</b>	<b>98,559,318</b>	<b>104,183,457</b>
<b>Total government</b>	<b>\$ 143,812,166</b>	<b>\$ 126,763,525</b>	<b>\$ 148,677,669</b>	<b>\$ 143,918,834</b>	<b>\$ 165,011,332</b>	<b>\$ 166,394,473</b>	<b>\$ 145,315,156</b>	<b>\$ 144,838,180</b>	<b>\$ 157,149,369</b>

GASB Statement No. 34 implemented in fiscal year 2003.

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

	2002	2003	2004	2005
General Fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	4,133,044	6,449,829	6,437,435	8,738,265
Designated	12,988,760	15,054,664	17,271,800	14,187,935
Unreserved	4,683,957	1,304,404	1,356,227	1,122,693
<b>Total General Fund</b>	<b>\$ 21,805,761</b>	<b>\$ 22,808,897</b>	<b>\$ 25,065,462</b>	<b>\$ 24,048,893</b>
All Other Governmental Funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	2,090,618	1,864,721	7,020,587	7,498,404
Unreserved, reported in:				
Special revenue funds	3,116,253	2,483,422	3,516,922	4,835,218
Capital projects funds	1,851,937	(9,674,249)	102,401,303	14,009,088
Designated				
Permanent funds	14,517,533	14,581,214	16,446,853	17,167,013
<b>Total all other government funds</b>	<b>\$ 21,576,341</b>	<b>\$ 9,255,108</b>	<b>\$ 129,385,665</b>	<b>\$ 43,509,723</b>

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

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

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,493,541
-	-	-	-	-	1,127,897
-	-	-	-	-	3,386,978
-	-	-	-	-	376,310
-	-	-	-	-	7,620,229
7,315,876	7,127,401	9,293,045	6,085,726	7,282,959	-
17,228,952	18,451,651	12,890,049	14,656,303	18,601,566	-
772,131	305,582	(757,981)	(4,292,560)	(4,697,684)	-
<u>\$ 25,316,959</u>	<u>\$ 25,884,634</u>	<u>\$ 21,425,113</u>	<u>\$ 16,449,469</u>	<u>\$ 21,186,841</u>	<u>\$ 23,004,955</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,862,686
-	-	-	-	-	49,116,167
-	-	-	-	-	6,050,816
-	-	-	-	-	1,254,670
-	-	-	-	-	(2,266,539)
3,023,718	8,405,102	1,456,645	4,775,205	1,303,620	-
5,333,550	5,748,166	6,249,863	1,132,950	2,496,791	-
(8,265,253)	5,820,499	6,103,294	(8,227,489)	8,968,775	-
18,322,250	20,116,364	19,596,479	16,952,664	18,164,642	-
<u>\$ 18,414,265</u>	<u>\$ 40,090,131</u>	<u>\$ 33,406,281</u>	<u>\$ 14,633,330</u>	<u>\$ 30,933,828</u>	<u>\$ 72,017,800</u>

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

	Fiscal Year			
	2002	2003	2004	2005
<b>Revenues:</b>				
Taxes	\$ 59,020,928	\$ 59,369,549	\$ 62,989,526	\$ 65,843,620
Federal and state grants and aid	21,468,082	20,755,631	23,031,879	20,647,964
Nonenterprise charges for sales and services	4,583,544	4,613,875	4,831,694	4,700,155
Licenses and permits	19,744,630	20,521,738	21,452,411	21,964,114
Interest	2,122,188	1,087,525	2,606,686	2,890,054
Contributions	135,318	117,529	1,094,669	109,069
Net Gain (Loss) on sale of securities	(1,466,788)	75,061	2,307,874	453,314
Wall Street Tower Recovery	-	-	-	-
Other	10,725,919	9,335,188	10,383,875	13,652,248
<b>Total revenues</b>	<b>116,333,821</b>	<b>115,876,096</b>	<b>128,698,614</b>	<b>130,260,538</b>
<b>Expenditures:</b>				
General government	38,919,296	30,723,093	75,458,238	109,422,862
Public safety	37,289,258	38,907,268	40,896,490	42,965,272
Health and sanitation	3,519,618	3,952,571	4,816,844	4,842,162
Highway and streets	26,216,184	29,136,467	26,989,382	28,759,534
Welfare	2,243,862	1,373,226	1,341,846	1,321,072
Education	3,057,941	2,265,134	2,538,230	3,430,734
Parks and recreation	6,773,394	4,712,978	8,941,058	8,942,033
Pension Benefit Payments	18,960,260	-	-	-
Cemetery Trust	25,309	34,000	30,889	26,100
Investment management fee	19,704	23,511	29,071	30,823
Capital Outlay	-	-	-	-
<b>Debt service:</b>				
Principal retirement	11,030,422	10,890,802	9,630,629	9,832,097
Interest	3,565,940	5,181,212	10,083,141	7,721,471
Issue Costs	158,662	-	-	-
<b>Total expenditures</b>	<b>151,779,850</b>	<b>127,200,262</b>	<b>180,755,818</b>	<b>217,294,160</b>
<b>Excess of expenditures over revenues</b>	<b>(35,446,029)</b>	<b>(11,324,166)</b>	<b>(52,057,204)</b>	<b>(87,033,622)</b>
<b>Other financing sources (uses):</b>				
Proceeds of refunding bonds	14,150,020	-	24,490,273	73,516,645
Payment to refunded bond escrow agent	(13,996,706)	-	(24,276,368)	(82,354,058)
Proceeds from premium of refunding bonds	-	-	-	10,059,239
Deferred cost of issuance	-	-	-	(1,087,631)
Proceeds from pension obligation bonds	18,960,260	-	-	-
Proceeds from sale of capital assets	-	-	3,300,000	-
Bond proceeds	23,055,000	-	170,930,421	-
Transfers in	2,390,019	2,587,754	2,832,843	9,940,580
Transfers out	(2,390,019)	(2,581,685)	(2,832,843)	(9,933,664)
<b>Total other financing sources</b>	<b>42,168,574</b>	<b>6,069</b>	<b>174,444,326</b>	<b>141,111</b>
<b>Net changes in fund balance</b>	<b>\$ 6,722,545</b>	<b>\$ (11,318,097)</b>	<b>\$ 122,387,122</b>	<b>\$ (86,892,511)</b>
Debt service as a percentage of noncapital expenditures	9.72%	12.64%	10.91%	8.08%

City of Manchester, New Hampshire  
Table V

Fiscal Year						
	2006	2007	2008	2009	2010	2011
\$	69,052,574	\$ 73,363,164	\$ 74,336,731	\$ 77,904,205	\$ 90,436,153	\$ 92,102,359
	27,016,053	24,927,919	23,305,609	26,231,368	23,095,722	22,139,779
	4,908,852	2,710,485	2,429,468	2,368,050	2,165,049	2,277,246
	21,609,795	19,068,754	18,313,330	17,115,452	17,617,599	17,505,243
	3,706,927	4,295,613	4,445,436	1,814,972	1,187,000	1,202,693
	434,529	138,372	985,543	402,087	135,880	4,803,681
	139,631	1,191,353	-	(3,637,617)	1,458,322	3,491,857
	-	-	-	1,600,978	-	-
	12,208,823	12,503,590	11,150,475	11,647,136	15,072,675	16,321,844
	139,077,184	138,199,250	134,966,592	135,446,631	151,168,400	159,844,702
	54,219,429	41,048,166	30,981,002	38,316,759	39,216,341	36,255,021
	47,901,463	49,385,498	51,736,764	51,665,596	54,795,033	59,337,519
	4,596,652	4,447,215	4,908,827	4,887,210	5,527,220	5,750,650
	32,024,811	29,351,050	24,334,488	24,601,891	23,418,349	24,687,830
	1,421,506	1,422,018	1,301,558	1,249,651	1,436,588	1,360,692
	2,643,102	3,804,524	2,508,754	2,609,605	2,809,571	2,880,827
	7,072,385	4,522,372	3,973,816	4,075,944	3,939,829	3,867,091
	-	-	-	-	-	-
	26,100	55,100	60,000	125,855	79,055	36,358
	36,920	38,834	55,179	56,649	57,695	55,407
	-	-	13,578,094	18,682,024	16,344,382	20,085,277
	9,986,012	8,209,680	9,218,984	9,469,389	7,972,425	9,330,350
	5,480,168	5,144,530	5,518,191	5,131,797	4,742,047	5,170,992
	-	-	-	-	-	-
	165,408,548	147,428,987	148,175,657	160,872,370	160,338,535	168,818,014
	(26,331,364)	(9,229,737)	(13,209,065)	(25,425,739)	(9,170,135)	(8,973,312)
	-	29,987,518	-	-	25,758,915	49,360,000
	-	-	-	-	-	(34,440,529)
	-	495,728	-	-	801,754	31,584,742
	-	-	-	-	-	(933,463)
	-	-	-	-	-	-
	3,916,500	-	431,873	412,670	1,562,670	4,584,498
	-	-	-	-	-	-
	3,518,731	4,916,661	4,462,992	3,252,946	3,818,579	2,713,249
	(4,931,259)	(3,926,629)	(2,829,171)	(1,988,472)	(1,733,913)	(993,099)
	2,503,972	31,473,278	2,065,694	1,677,144	30,208,005	51,875,398
\$	(23,827,392)	\$ 22,243,541	\$ (11,143,371)	\$ (23,748,595)	\$ 21,037,870	\$ 42,902,086
	9.35%	9.06%	9.95%	9.08%	7.93%	8.59%

**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
2002	56,855,455	40,478	1,106,312	3,312	26,044	286,151
2003	57,498,621	44,192	995,354	33,546	24,211	292,380
2004	61,051,554	35,257	1,033,635	29,345	22,917	279,527
2005	63,751,881	38,103	1,158,850	27,340	20,316	304,394
2006	67,172,767	35,223	987,449	27,371	16,568	309,529
2007	71,327,274	34,656	1,069,452	32,562	16,453	433,535
2008	71,914,352	-	1,127,633	40,981	30,692	453,840
2009	75,500,428	-	1,224,321	41,577	24,019	491,936
2010	87,560,329	-	1,523,139	44,385	29,022	498,715
2011	88,951,612	-	1,599,521	41,904	40,447	514,970
Change from first year on record versus 2011	56.45%	-100.00%	44.58%	1165.22%	55.30%	79.96%



City of Manchester, New Hampshire  
Table VI

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Lien	Railroad Tax	Tax Lien	Yield / Miscellaneous tax	Central Business District	Total
469,252	5,313	20,379	707	207,495	59,020,898
217,968	4,633	33,777	-	224,867	59,369,549
264,729	3,250	44,464	-	224,848	62,989,526
224,613	3,610	86,845	-	227,668	65,843,620
229,189	7,373	30,470	-	236,637	69,052,576
192,213	6,666	6,213	-	244,140	73,363,164
390,181	-	131,358	3,694	244,000	74,336,731
332,065	715	41,430	2,123	245,591	77,904,205
470,802	3,644	43,193	4,834	258,090	90,436,153
651,006	2,147	28,222	14,529	258,001	92,102,359
38.73%	-59.59%	38.49%	1955.02%	24.34%	56.05%

**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
2002	3,144,786,262	2,123,426,704	5,268,212,966	35.20%	23.82	5,155,060,466	97.85%
2003	3,176,542,062	2,088,003,742	5,264,545,804	-0.07%	25.68	5,131,073,404	97.46%
2004	3,225,785,062	2,095,599,838	5,321,384,900	1.08%	26.40	5,182,805,100	97.40%
2005	3,279,018,462	2,140,996,138	5,420,014,600	1.85%	27.92	5,277,932,600	97.38%
2006	3,335,718,150	2,153,215,350	5,488,933,500	1.27%	28.36	5,342,561,400	97.33%
2007	6,310,723,491	3,563,065,605	9,873,789,096	79.89%	16.85	9,589,899,446	97.12%
2008	6,423,511,790	3,516,127,810	9,939,639,600	0.67%	16.57	9,631,808,500	96.90%
2009	6,448,737,925	3,576,246,275	10,024,984,200	0.86%	17.35	9,718,783,150	96.95%
2010	6,480,845,279	3,560,911,021	10,041,756,300	0.17%	17.85	9,752,599,500	97.12%
2011	6,488,365,904	3,603,925,896	10,092,291,800	0.67%	17.81	9,807,261,625	97.18%

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

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

**Property Tax Rates  
Last Ten Fiscal Years**

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

**REAL PROPERTY TAX RATES**

DRA	Fiscal Year	Rate per thousand (1)				Total
		City	School Local	School State	County	
2001	2002	11.26	5.25	5.66	1.65	23.82 <sup>(1)</sup>
2002	2003	11.51	6.73	5.83	1.61	25.68
2003	2004	12.19	7.07	5.49	1.65	26.40
2004	2005	12.38	9.47	4.34	1.73	27.92
2005	2006	12.91	9.21	4.35	1.89	28.36
2006	2007	7.96	5.36	2.48	1.05	16.85 <sup>(1)</sup>
2007	2008	7.84	5.29	2.42	1.02	16.57
2008	2009	8.05	5.98	2.28	1.04	17.35
2009	2010	9.27	5.34	2.22	1.02	17.85
2010	2011	9.28	5.41	2.16	0.96	17.81

Notes

<sup>(1)</sup> 2002 and 2007 tax rates reflect the new assessed valuation determined through a Citywide valuation.

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

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

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Manchester Mall Realty Trust	\$ 155,000,000	1	1.58%	\$ 83,500,000	1	2.20%
Public Service Co. of NH	119,776,900	2	1.22%	70,582,096	2	1.86%
Energy North Natural Gas, Inc.	58,467,700	3	0.60%	40,011,700	3	1.05%
SRP6 NH LLC	46,000,000	4	0.47%	-	-	-
Fairfield Countryside, LLC	38,000,000	5	0.39%	-	-	-
Manchester Hill Vistas, Inc	33,311,800	6	0.34%	18,973,700	5	0.50%
IPC Office Properties, LLC	33,223,200	7	0.34%	22,342,000	4	0.59%
1200 Elm Street, LLC	31,434,200	8	0.32%	-	-	-
Brady Sullivan Plaza, LLC	29,448,700	9	0.30%	-	-	-
Farley White Manchester, LLC	25,000,000	10	0.25%	14,764,300	8	0.39%
May Center Associates, Corp.	-	-	-	16,600,000	6	0.44%
Cotter Company	-	-	-	14,799,900	7	0.39%
NH Vermont Blue Cross Blue Shield	-	-	-	14,665,000	9	0.39%
The Hitchcock Clinic	-	-	-	14,337,200	10	0.38%
<b>Total</b>	<u>\$ 569,662,500</u>		<u>5.81%</u>	<u>\$ 310,575,896</u>		<u>8.19%</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
2002	2001	121,622,119	120,213,115	98.84%	2,188,790	122,401,905	100.64%
2003	2002	130,564,737	129,134,168	98.90%	1,506,291	130,640,459	100.06%
2004	2003	135,723,211	134,487,059	99.09%	1,446,467	135,933,526	100.15%
2005	2004	146,102,564	144,769,852	99.09%	1,136,723	145,906,575	99.87%
2006	2005	150,136,969	148,899,897	99.18%	1,700,746	150,600,643	100.31%
2007	2006	160,204,056	158,203,828	98.75%	741,173	158,945,001	99.21%
2008	2007	157,734,927	155,578,438	98.63%	2,674,305	158,252,743	100.33%
2009	2008	166,837,817	163,671,486	98.10%	1,778,931	165,450,417	99.17%
2010	2009	172,560,076	169,338,645	98.13%	2,391,041	171,729,686	99.52%
2011	2010	173,060,676	170,247,675	98.37%	2,864,001	173,111,676	100.03%

**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)
	2002	135,787,560	2.63%	1,256	50,927,008	186,714,568	0.0197%
2003	118,936,695	2.32%	1,100	44,030,159	162,966,854	0.0225%	1,507
2004	177,585,333	3.43%	1,626	46,301,010	223,886,343	0.0165%	2,050
2005	162,273,490	3.07%	1,478	43,579,428	205,852,918	0.0183%	1,875
2006	148,187,757	2.77%	1,348	35,397,488	183,585,245	0.0218%	1,669
2007	161,053,131	1.68%	1,473	42,166,979	203,220,110	0.0198%	1,858
2008	148,669,615	1.54%	1,369	45,115,198	193,784,813	0.0220%	1,785
2009	136,029,614	1.40%	1,258	46,667,578	182,697,192	0.0245%	1,689
2010	150,689,440	1.55%	1,387	42,191,320	192,880,760	0.0236%	1,776
2011	189,869,044	1.94%	1,733	49,922,515	239,791,559	0.0191%	2,189

**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**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>CITY</b>										
Debt limit	\$ 580,323	\$ 686,468	\$ 815,916	\$ 941,161	\$ 1,033,737	\$ 1,024,367	\$ 1,003,185	\$ 954,056	\$ 834,777	\$ 822,217
Total net debt applicable to limit	102,487	85,125	155,233	100,178	91,518	112,405	103,739	94,848	108,476	143,510
Legal debt margin	\$ 477,836	\$ 601,343	\$ 660,683	\$ 840,983	\$ 942,219	\$ 911,962	\$ 899,446	\$ 859,208	\$ 726,301	\$ 678,707
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	17.66%	12.40%	19.03%	10.64%	8.85%	10.97%	10.34%	9.94%	12.99%	17.45%

**Legal Debt Margin Calculation for Fiscal Year 2011**

Base equalized valuation - real estate	\$ 8,432,994
Debt limit (9.75% of base valuation)	<u>822,217</u>
Debt applicable to limit:	
Total bonded debt for general government	152,609
Recreation enterprise debt	4,453
Less debt for urban redevelopment	(782)
Less debt for pension obligation bonds	<u>(12,770)</u>
Total net debt applicable to limit	<u>143,510</u>
Legal debt margin	<u>\$ 678,707</u>

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>SCHOOL</b>										
Debt limit	\$ 416,642	\$ 492,849	\$ 585,786	\$ 675,706	\$ 742,170	\$ 735,443	\$ 720,236	\$ 684,963	\$ 599,327	\$ 590,310
Total net debt applicable to limit	42,554	38,400	43,056	39,134	35,070	38,873	35,708	32,538	34,734	37,712
Legal debt margin	\$ 374,088	\$ 454,449	\$ 542,730	\$ 636,572	\$ 707,100	\$ 696,570	\$ 684,528	\$ 652,425	\$ 564,593	\$ 552,598
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	10.21%	7.79%	7.35%	5.79%	4.73%	5.29%	4.96%	4.75%	5.80%	6.39%

**Legal Debt Margin Calculation for Fiscal Year 2011**

Base valuation - real estate	\$ 8,432,994
Debt limit (7% of base valuation)	<u>590,310</u>
Debt applicable to limit:	
Total bonded debt for school district	120,522
Less debt for facilities revenue bond	<u>(82,810)</u>
Total net debt applicable to limit	<u>37,712</u>
Legal debt margin	<u>\$ 552,598</u>

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Water and Waste Water</b>										
Debt limit	\$ 595,203	\$ 704,070	\$ 836,837	\$ 965,294	\$ 1,060,243	\$ 1,050,633	\$ 1,028,908	\$ 978,519	\$ 856,182	\$ 843,299
Total net debt applicable to limit	49,804	43,084	43,885	41,211	31,883	28,114	32,098	34,660	30,710	40,182
Legal debt margin	\$ 545,399	\$ 660,986	\$ 792,952	\$ 924,083	\$ 1,028,360	\$ 1,022,519	\$ 996,810	\$ 943,859	\$ 825,472	\$ 803,117
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	8.37%	6.12%	5.24%	4.27%	3.01%	2.68%	3.12%	3.54%	3.59%	4.76%

**Legal Debt Margin Calculation for Fiscal Year 2011**

Base valuation - real estate	\$ 8,432,994
Debt limit (10% of base valuation)	<u>856,182</u>
Debt applicable to limit:	
Total bonded debt for water projects	47,618
Less debt for revenue bonds	<u>(37,945)</u>
Total bonded debt for sewer projects	<u>30,509</u>
Total net debt applicable to limit	<u>40,182</u>
Legal debt margin	<u>\$ 816,000</u>

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

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<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Revenue Credit From Prior Year <sup>(4)</sup></b>	<b>Coverage Amount From Prior Year <sup>(4)</sup></b>	<b>Expenses <sup>(1)</sup></b>
2002	35,214,341	2,036,240	1,724,000	14,923,309
2003 <sup>(3)</sup>	38,658,389	2,467,415	2,236,000	20,192,680
2004	41,424,013	3,093,467	2,825,135	21,673,975
2005	47,157,125	3,678,923	2,774,395	24,838,364
2006	48,357,684	5,514,506	2,880,378	25,777,902
2007	48,682,443	6,012,000	3,000,053	28,480,391
2008	49,821,503	5,076,000	3,172,740	31,143,159
2009	44,732,558	3,987,000	3,037,745	27,790,716
2010	40,739,466	2,485,000	3,275,222	25,547,284
2011	40,820,451	1,909,000	3,275,222	25,234,918

Notes

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



Net Revenue Available for 1992 Debt Service	REQUIREMENTS		Net Revenue Available for 1998/2000/2001/2002 Debt Service	REQUIREMENTS		Coverage ratio
	1992 Debt Service Total <sup>(2)</sup>	Coverage		1998/2000/2001/2002 Debt Service Total <sup>(2)</sup>	Debt Service O & M Reserve <sup>(4)</sup>	
20,291,032	1,666,233	12.18	24,051,272	8,881,197	458,000	2.58
N/A	N/A	N/A	23,169,124	11,300,538	953,835	1.89
N/A	N/A	N/A	25,668,640	11,767,527	434,000	2.10
N/A	N/A	N/A	28,772,079	11,521,512	334,000	2.43
N/A	N/A	N/A	30,974,666	12,000,213	562,000	2.47
N/A	N/A	N/A	29,214,105	12,690,960	410,000	2.23
N/A	N/A	N/A	26,927,084	12,150,980	1,521,600	1.97
N/A	N/A	N/A	23,966,587	12,671,309	609,400 <sup>(5)</sup>	1.89
N/A	N/A	N/A	20,952,405	11,872,671	-	1.76
N/A	N/A	N/A	20,769,755	10,515,216	-	1.98

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

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

MWW Fiscal Year December 31	Gross Revenue	Expenses <sup>(1)</sup>	Net Revenue Available for Debt Service	REQUIREMENTS	
				Revenue Bonds Section 705	
				Total	Coverage Ratio
2002	\$ -	\$ -	\$ -	N/A	N/A
2003	10,315,059	7,140,275	3,174,784	1,389,966	2.28
2004	12,704,122	7,646,598	5,057,524	2,209,159	2.29
2005	14,375,241	8,340,821	6,034,420	3,491,659	1.73
2006	15,526,230	9,438,425	6,087,805	3,564,464	1.71
2007	19,696,493	9,572,908	10,123,585	3,696,275	2.74
2008	15,118,063	9,830,727	5,287,336	3,504,758	1.51
2009	14,316,685	10,391,946	3,924,739	3,336,488	1.18
2010	15,347,925	10,758,562	4,589,363	3,186,496	1.44

Note

<sup>(1)</sup> Exclusive of depreciation and bond interest.

**Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)**

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

Fiscal Year Ended June 30	Population <sup>(1)</sup>	Per Capita Income <sup>(2)</sup>	School Enrollment <sup>(3)</sup>	Monthly Unemployment Rate <sup>(4)</sup>
2002	108,078	36,794	16,994	4.9%
2003	108,150	36,731	17,172	4.9%
2004	109,234	36,842	17,431	4.3%
2005	109,761	37,640	17,818	3.9%
2006	109,966	39,940	17,597	3.9%
2007	109,364	40,284	17,325	4.1%
2008	108,580	42,704	16,476	4.1%
2009	108,154	44,726	16,159	7.5%
2010	108,625	45,432	16,153	6.5%
2011	109,565	45,892	16,117	5.2%

**Sources:**

- <sup>(1)</sup> NH Office of Energy and Planning, using most recent data available up through 2010.
- <sup>(2)</sup> U.S. Department of Commerce, BEA (Bureau of Economic Analysis), using Manchester-Nashua MSA, based on most recent data available up through 2010.
- <sup>(3)</sup> City of Manchester, NH School Department
- <sup>(4)</sup> State of New Hampshire, Economic and Labor Market Information Bureau

**Principal Employers**  
**Current Year and Nine Years Ago**  
**(Unaudited)**

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

Employer	2011			2002		
	Employees <sup>(1)</sup>	Rank <sup>(1)</sup>	Percentage of Total average City Employment <sup>(2)</sup>	Employees <sup>(3)</sup>	Rank <sup>(3)</sup>	Percentage of Total average City Employment <sup>(3)</sup>
Elliot Hospital	3,375	1	5.19%	2,145	1	3.25%
Catholic Medical Center	2,100	2	3.23%	1,400	3	2.12%
Public Service of New Hampshire	1,500	3	2.31%	1,250	4	1.89%
FairPoint Comms. (formerly Verizon)	1,300	4	2.00%	2,100	2	3.18%
United Parcel Service	1,131	5	1.74%			
TD Bank, formerly Bank of NH	1,100	6	1.69%	1,080	6	1.63%
Citizens Bank	1,100	7	1.69%	1,200	5	1.82%
Southern NH University	1,000	8	1.54%			
Veterans Affairs Medical Center	700	9	1.08%			
Saint Anselm College	663	10	1.02%			
Anthem Blue Cross & Blue Shield				801	7	1.21%
Shop 'N Save				725	8	1.10%
Osram Sylvania				675	9	1.02%
Freudenberg NOK				550	10	0.83%

**Sources:**

<sup>(1)</sup> NH Business Review Book of Lists 2012.

<sup>(2)</sup> NH Employment Security, Economic and Labor Market Bureau - 2011 figures used.

<sup>(3)</sup> NH Employment Security, Economic and Labor Market Bureau - 2002 figures used.

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

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

Functions/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Government:</b>										
Aldermen	14	14	14	14	14	14	14	14	14	14
Assessors	7	7	9	9	9	9	8	8	8	7
Building	19	19	20	20	20	18	18	19	-	-
Building Maintenance	14	14	18	18	19	19	19	18	18	20
City Clerk	18	18	18	18	18	15	15	15	16	17
City Solicitor	12	12	12	12	13	12	13	13	13	13
Economic Development Office	3	3	3	3	4	4	4	4	4	3
Elderly Services	5	5	4	4	4	4	4	4	4	4
Finance	15	15	13	14	13	12	10	12	12	11
Human Resources	14	12	11	11	11	10	8	8	9	9
Information Systems	19	19	19	19	19	13	15	15	15	15
Mayor	4	4	4	4	4	4	4	4	4	4
MCAM/MPTS	6	6	6	6	5	5	5	5	5	5
Office of Youth Services	9	9	9	10	10	10	9	10	12	10
Planning & Community Develop	13	13	15	15	14	11	9	10	30	32
Tax Collector	14	14	12	12	11	12	11	12	11	10
<b>Parks and Recreation:</b>										
Cemetery Care	16	16	16	16	16	15	14	12	9	11
Derryfield Golf Course	4	4	4	4	4	4	4	4	4	3
Forestry	2	2	2	2	2	2	2	2	2	2
General & Administrative	10	10	10	10	10	10	9	8	10	8
Gill Stadium	2	2	2	2	2	2	2	2	2	-
McIntyre Ski Area	1	1	1	1	1	1	1	1	-	-
Public Swimming Pools	1	1	1	1	1	1	1	1	1	1
Parks Maintenance	18	18	18	18	18	17	17	16	12	15
Recreation	1	1	1	1	1	1	1	1	1	1
Skating Arenas	6	6	6	6	6	5	6	6	6	5
<b>Police:</b>										
Officers	204	199	202	200	199	206	214	215	217	206
Civilians	71	65	65	64	66	64	63	62	65	65
<b>Fire:</b>										
Firefighters and Officers	234	250	250	250	250	249	247	243	243	236
Civilians	8	8	8	8	8	7	7	7	7	7
<b>Public Works:</b>										
Administration	14	13	13	13	13	14	14	14	14	13
Street Maintenance/Const.	62	62	62	62	63	62	61	63	62	65
Street Sweeping	4	4	4	4	4	4	5	5	5	4
Refuse Collection	33	32	32	32	32	35	32	36	35	31
Vehicle Maintenance	20	20	20	20	20	20	20	20	20	19
Boiler Plant	1	1	1	1	1	1	1	1	1	-
Drain/Sewer Repair/Const.	21	21	21	21	21	18	20	19	20	19
Engineering	20	20	20	20	20	20	20	18	17	17
Traffic	17	17	15	16	16	11	10	11	11	9
<b>Parking:</b>										
Administration	-	-	-	-	-	3	4	4	4	3
Meters	-	-	-	-	-	2	2	2	2	2
Myrna Lot	-	-	-	-	-	-	1	1	1	1
Victory Garage	-	-	-	-	-	4	5	5	5	5
PCO's	-	-	-	-	-	7	7	7	7	7
<b>Water:</b>										
Administration & Financial	19	19	19	18	17	17	16	15	15	15
Water Distribution	44	44	45	45	46	45	44	42	41	41
Water Supply	24	24	25	24	25	24	24	25	25	24
<b>Sewer:</b>										
Administration & Financial	9	9	10	10	10	10	10	10	10	11
Monitoring	2	2	2	2	2	2	2	2	2	2
Sewer Plant Operation	16	16	16	16	16	14	15	14	15	14
Maintenance	16	16	16	16	16	15	15	14	15	15
<b>Airport - total</b>										
Administration & Financial	23	25	27	27	29	27	26	26	25	24
Airfield Maintenance	25	26	26	27	26	20	25	25	26	25
Terminal Maintenance	14	15	20	21	24	28	24	25	22	22
<b>Other Programs/Functions:</b>										
Aggregation	1	1	1	1	1	-	-	-	-	-
Health	64	64	69	71	71	61	61	63	60	61
Library	40	40	38	38	38	39	39	39	46	43
Welfare	11	11	11	11	11	11	12	12	13	11
<b>Total</b>	<b>1,264</b>	<b>1,269</b>	<b>1,286</b>	<b>1,288</b>	<b>1,294</b>	<b>1,270</b>	<b>1,269</b>	<b>1,269</b>	<b>1,273</b>	<b>1,237</b>

N/A = Not Available.

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

Function/Program	2002	2003	2004	2005
<b>Police:</b>				
Physical arrests	5,390	5,389	5,645	5,505
Parking Violations	86,826	66,757	81,225	78,253
Traffic citations	11,788	9,654	11,224	10,993
<b>Fire:</b>				
Number of calls answered	13,420	14,595	15,200	16,202
Inspections	576	578	676	732
Property loss	\$ 7,031,664	\$ 2,694,680	\$ 2,985,889	\$ 3,997,307
<b>Building safety:</b>				
Total building permits	2,042	2,554	2,794	2,616
Total value all permits	\$ 134,604,022	\$ 136,690,830	\$ 159,902,113	\$ 155,661,840
Library, visits	N/A	N/A	N/A	302,764
<b>Public service:</b>				
Garbage collected (ton)	45,866	46,181	48,323	46,662
Recycle collected (ton)	4,308	4,301	4,278	4,159
Streets paved resurf (miles)	13.83	15.43	10.99	12.23
Streets Reconstructed (miles)	0.40	1.05	4.48	5.51
Drain Reconstruction (miles)	4.22	1.23	0.53	0.28
Sewer Reconstruction(miles)	1.65	0.36	0.89	1.00
<b>Airport:</b>				
Enplane	1,690,158	1,802,385	2,004,122	2,168,258
Deplane	1,676,676	1,799,276	1,999,185	2,164,449
Total Passengers	3,366,834	3,601,661	4,003,307	4,332,707
Cargo (in pounds)	181,342,300	161,093,039	162,080,948	155,503,955
Air Mail (in pounds)	40,959	14,842	5,767	3,798
<b>Parks and Recreation:</b>				
Public Skating Attendance	8,386	7,545	6,745	6,135
Aquatics program attendance	55,670	37,988	62,143	77,330
Golf rounds played	43,158	38,054	40,679	35,029
Ski passes sold	292	305	279	196
Street trees maintained	40,000	40,000	40,000	40,000

**Note:** The figures in column 2011 are January thru June only.

**N/A = Not Available.**

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

Calendar Year					
2006	2007	2008	2009	2010	2011
5,662	5,039	6,244	6,769	6,319	3,076
58,298	57,264	51,612	45,969	67,016	24,512
9,573	9,514	10,815	10,183	8,616	3,652
17,012	17,267	18,012	16,935	18,102	9,434
2,640	1,525	822	1,079	1,380	591
\$ 2,887,571	\$ 5,610,530	\$ 8,609,879	\$ 3,192,135	\$ 2,452,800	\$ 1,900,107
2,312	2,121	2,030	1,788	1,992	1,732
\$ 154,384,899	\$ 103,458,232	\$ 90,874,321	\$ 137,637,515	\$ 144,424,454	\$ 137,901,314
391,622	435,807	462,456	476,981	486,205	231,983
49,693	46,679	42,551	40,492	38,887	18,949
4,751	4,363	4,364	4,281	4,300	2,700
9.27	5.21	9.70	9.40	8.74	1.40
0.87	6.63	4.40	1.01	3.07	5.87
0.50	2.00	2.30	0.55	0.27	-
0.46	1.50	2.00	0.12	0.05	0.06
1,952,277	1,948,313	1,861,695	1,595,477	1,409,600	652,644
1,944,255	1,944,317	1,854,698	1,585,772	1,404,832	652,845
3,896,532	3,892,630	3,716,393	3,181,249	2,814,432	1,305,489
176,382,468	193,487,647	178,155,941	161,670,797	174,425,531	82,474,617
503	445	208	900	10	4
7,381	6,719	7,058	6,675	6,658	4,465
76,630	64,736	61,419	77,786	96,891	81,469
38,294	31,665	32,157	31,836	33,593	25,827
143	136	165	32	-	-
40,000	40,000	40,000	40,000	40,000	40,000

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

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Police:</b>										
Facilities	5	5	5	5	5	5	5	5	5	5
Marked Patrol Vehicles	36	36	39	35	35	35	35	35	35	32
Unmarked Vehicles	18	18	17	19	19	19	19	19	19	22
Specialty Vehicles	6	6	8	15	15	15	15	17	17	15
Bikes for bike patrols	18	18	18	21	21	21	21	21	21	18
Motorcycles	3	3	3	4	4	4	4	4	4	3
Horses	2	2	2	2	2	2	2	2	2	2
Canine	9	9	9	8	6	6	6	6	6	9
<b>Fire:</b>										
Fire Stations	9	9	10	10	10	10	10	10	10	10
<b>Refuse Collection:</b>										
Collection Trucks	14	14	14	14	14	14	14	14	14	14
<b>Other Public Works:</b>										
Streets (Miles)	388.30	289.49	389.78	391.20	393.00	394.00	395.00	395.00	395.00	395.15
Street Lights	8,790	8,792	8,792	8,803	8,788	8,772	8,849	8,849	8,861	8,889
Traffic Signals	157.4	159.6	160.1	160.4	160.4	152.0	152.0	151.0	151.0	151.0
<b>Parks &amp; Recreation:</b>										
Acreage	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073
Parks	55	55	55	55	55	55	55	55	55	55
Golf Course	1	1	1	1	1	1	1	1	1	1
Baseball/Softball Diamonds	44	44	44	44	44	44	44	44	44	44
Walking Trail(s)	N/A	N/A	1	1	2	2	2	8	8	8
Soccer/Football Fields	16	17	17	17	17	18	18	24	24	24
Indoor Ice Rinks	2	2	2	2	2	2	2	2	2	2
Basketball Courts	22	22	22	21	21	21	21	26	26	26
Tennis Courts	4	4	4	4	4	4	4	8	8	8
Swimming pools	4	4	4	4	4	4	4	4	4	4
Parks with Playground Equipment	4	4	4	4	4	5	5	20	20	20
Public Beaches	1	1	1	1	1	1	1	1	1	1
<b>Library:</b>										
Facilities	2	2	2	2	2	2	2	2	2	2
Volumes	325,967	264,183	233,331	236,312	246,939	246,398	246,391	250,156	250,090	246,599
<b>Water:</b>										
Source of water supply										
Finished water storage capacity (MG)	37.8	37.8	37.8	37.8	37.8	37.8	38.8	38.8	38.8	38.8
Average Daily Consumption (MGD)	17.148	16.483	16.644	17.057	17.454	16.931	17.860	16.902	16.048	17.593
Peak Consumption (MGD)	30.852	28.685	26.295	26.739	27.169	27.298	29.093	30.461	24.476	32.267
Municipal Fire Hydrants	3,212	3,240	3,267	3,294	3,304	3,309	3,310	3,309	3,327	3,337
Water main in system (million feet)	3	3	3	3	3	3	3	3	3	3
<b>Wastewater:</b>										
Sanitary Sewers (miles)	343.77	344.13	345.02	345.02	345.02	350.60	352.80	354.40	354.40	375.00
Maximum daily treatment capacity (MGPD)	34	34	34	34	34	34	34	34	34	34
<b>Information Systems Department</b>										
PC's	771	749	761	864	905	1,034	1,072	1,065	1,066	1,041
Miles of Fiber Optic Cabling	16.00	28.00	28.00	28.00	39.00	48.00	49.00	50.00	51.00	52.00
<b>Airport:</b>										
Runways	2	2	2	2	2	2	2	2	2	2
Terminals	1	1	1	1	1	1	1	1	1	1
Buildings - square footage	228,000	228,000	332,600	332,600	332,600	332,600	332,600	332,600	332,600	332,600

N/A = Not Available.