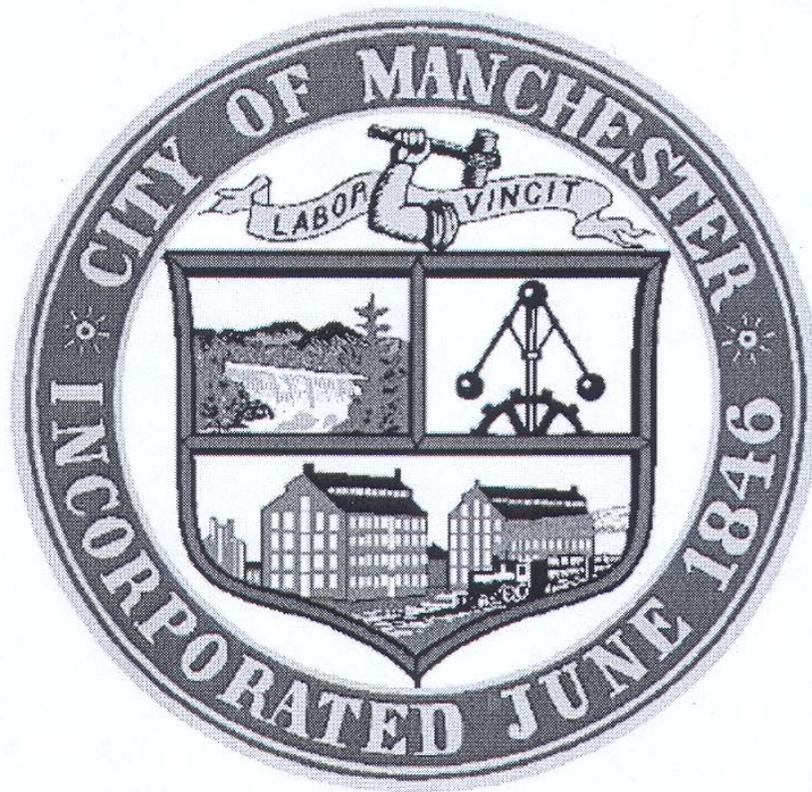


CITY OF MANCHESTER, NEW HAMPSHIRE



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017**

CITY OF MANCHESTER, NEW HAMPSHIRE



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year
July 1, 2016 to June 30, 2017**

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, 2017**

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CITY OF MANCHESTER, NEW HAMPSHIRE

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CITY OF MANCHESTER, NEW HAMPSHIRE

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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 19, 2018

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, 2017 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 auditors' 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 Melanson Heath, Certified Public Accountants, to conduct the City's audit for the fiscal year ended June 30, 2017. The auditors' 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 Single Audit Amendments of 1996 and related OMB Circular A-133, including requirements relating to the preparation of the schedule of expenditures of federal awards, or Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (the Uniform Guidance), as applicable. 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 the 2017 New Hampshire Business Review Book of Lists, the City has a population of 109,419 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, 2 ice-skating coliseums, the McIntyre Ski Area, the Derryfield Country Club, 3 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 applies Charter Section 6.15, which limits annual expenditure and property tax revenue 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, and such other enterprise funds as duly created by the BMA and (b) the Central Business Service District. In addition, Section 6.15 does not apply to amounts payable in connection with municipal bond obligations, whether issued for school or municipal purposes. Furthermore, restrictions described in any part of Section 6.15 may be overridden upon a vote of two-thirds (2/3) of all Aldermen elected. Such override only would apply to the budget then under consideration.

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. Government securities, 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 SNHU 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 115,670 while the unemployment rate is 2.1% at December 31, 2017.

Debt - The general debt limit of the City is 9.75% of base valuation,¹ 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, 2017, the City has a total outstanding General Obligation debt of \$225,155,496 for various improvements, infrastructure improvements, and economic development projects. Authorized and unissued debt obligations as of June 30, 2017 totaled \$32,375,000.

The City currently retains the following credit ratings; 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 "Aa3" and "AA," respectively. The MSD was assigned the following credit ratings by Moody's and S&P, "A1," and "AA-," respectively.

¹Base 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 \$928,117,000.

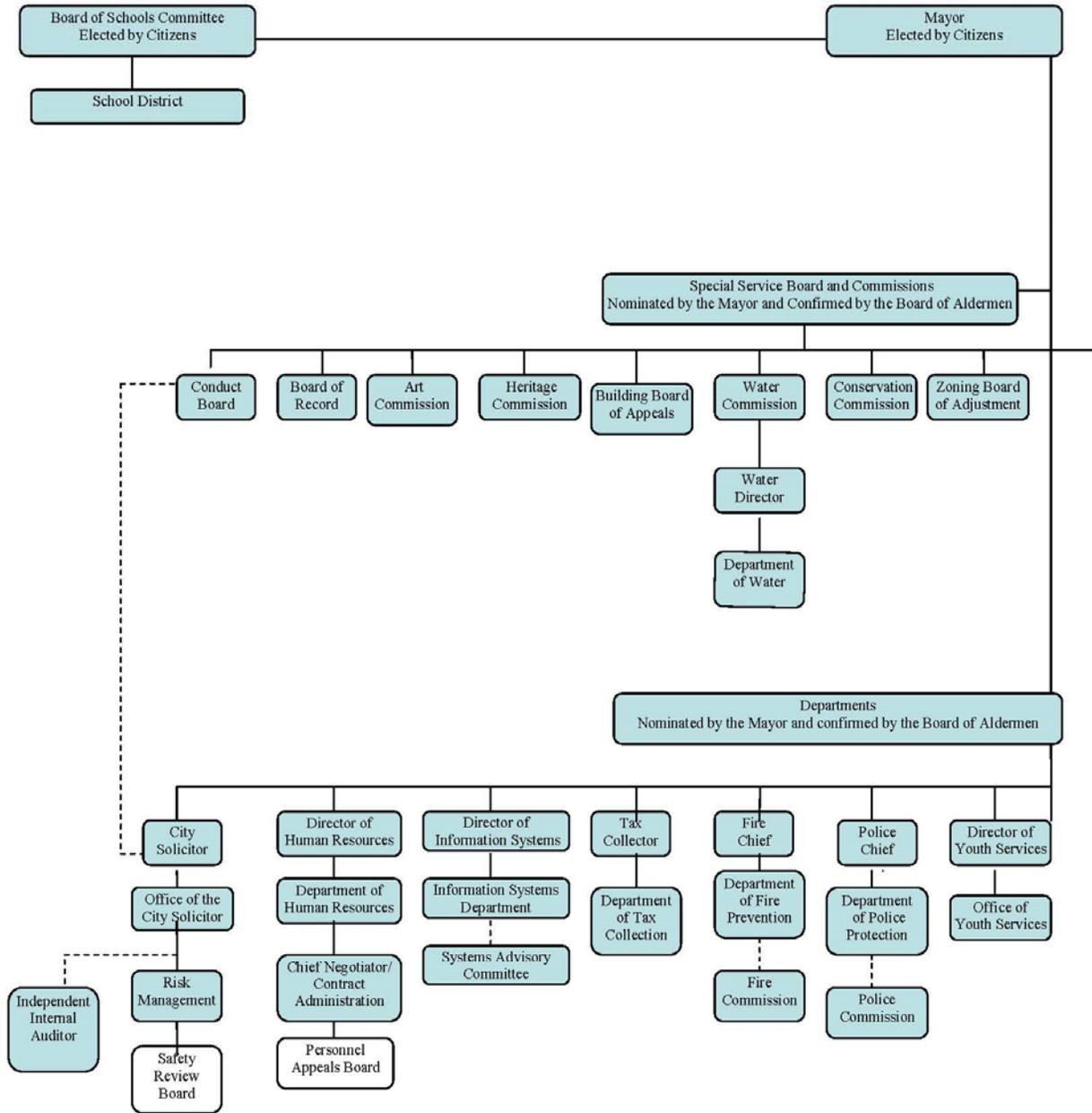
I would like to thank the City's department heads and their hard-working staff for their help in the completion of another successful year. I would especially like to thank the employees of the Finance Department for their commitment and dedication.

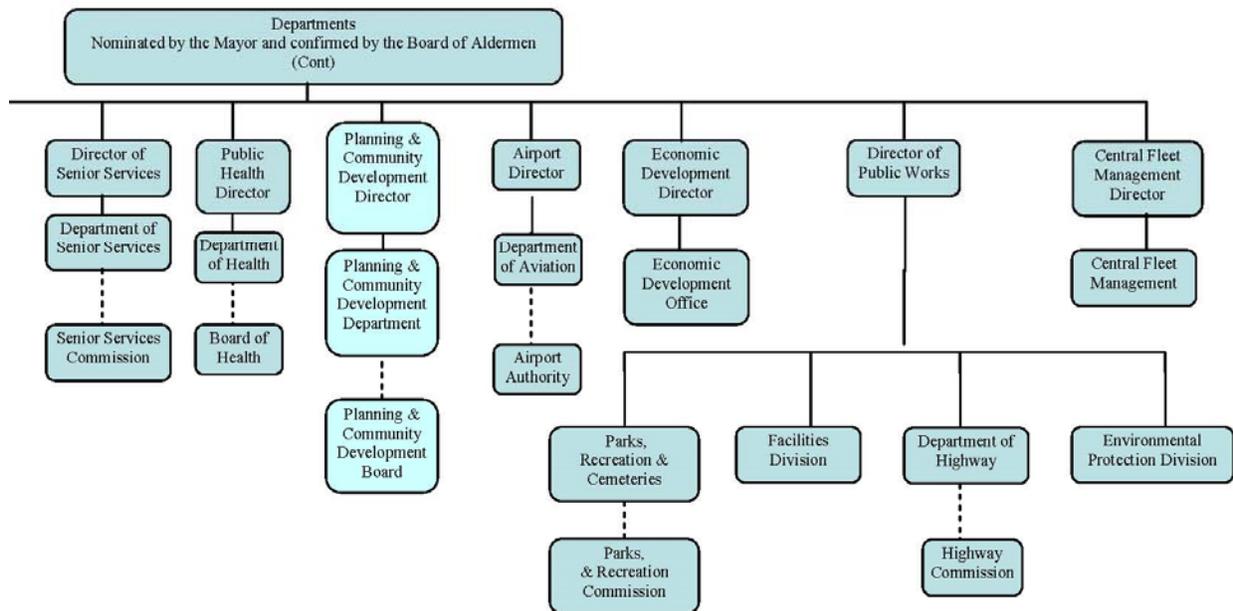
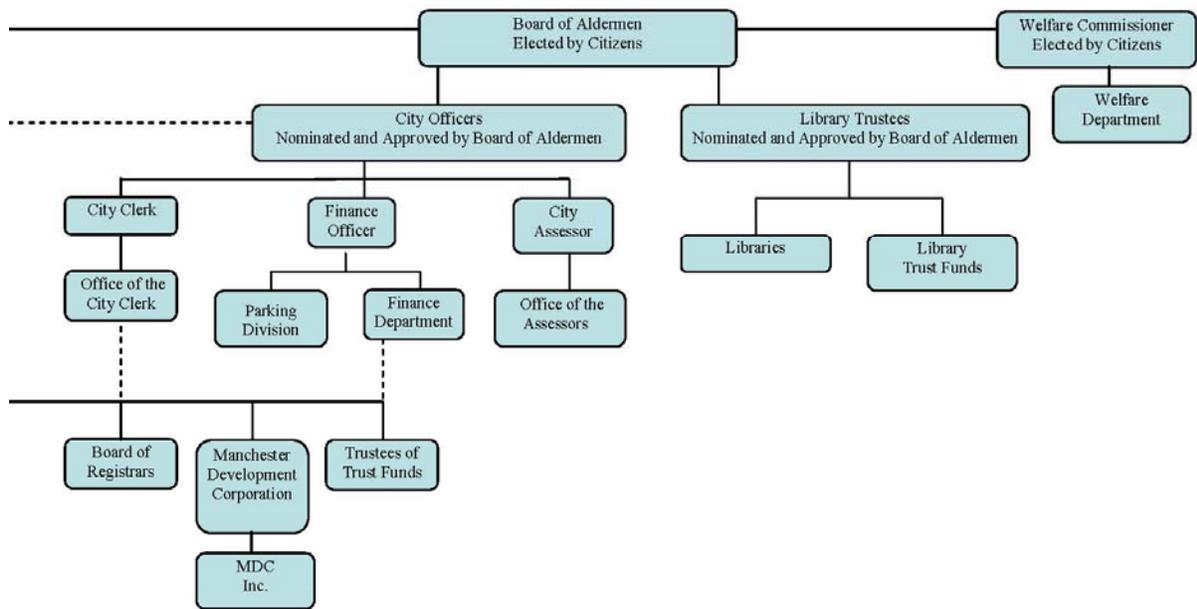
Respectfully submitted,

A handwritten signature in black ink, appearing to read "William E. Sanders". The signature is fluid and cursive, with a long horizontal stroke at the end.

William E. Sanders
Finance Officer

City of Manchester New Hampshire Organization Chart





**List of Principal Officials
in office at the close of fiscal year ended June 30, 2017**

Mayor

Theodore L. Gatsas

Aldermen

Ward 1	Kevin J. Cavanaugh	Ward 7	William P. Shea
Ward 2	Ron Ludwig	Ward 8	Thomas Katsiantonis
Ward 3	Patrick Long	Ward 9	Barbara E. Shaw
Ward 4	Christopher Hebert	Ward 10	Bill Barry
Ward 5	Anthony Sapienza	Ward 11	Normand Gamache
Ward 6	Vacant	Ward 12	Keith Hirschmann
At-large	Joseph Kelly Levasseur	At-large	Daniel P. O'Neil *

* Chairman of the Board

City Departments

Finance Officer	William E. Sanders
City Clerk	Matthew P. Normand
City Solicitor	Thomas R. Clark
Commissioner of Welfare	Paul R. R. Martineau
Chief of Police	Enoch F. Willard
Fire Chief	Daniel A. Goonan
Public Health Director	Timothy M. Soucy, M.P.H., R.E.H.S.
Director of Public Works	Kevin Sheppard, P.E.
Chief of Parks, Recreation & Cemetery	Donald Pinard
Director of Economic Development	Melanie Sanuth
Director of Fleet Management	Kevin O'Maley
Airport Director	Mark Brewer, A.A.E.
Director of Water	Phil Croasdale
Director of Information Systems	Jennie Angell
Director of City Library	Denise Van Zanten
Director of Planning & Community Development	Leon LaFreniere
Superintendent of Schools	Dr. Bolgen Vargas
Director of Human Resources	Jane Gile
Director of Senior Services	Gail Senno
Director of Youth Services	Jon Donovan
Chairman Board of Assessors	Robert Gagne
Collector of Taxes	Brenda Masewic

Financial Section



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Manchester School District or the Manchester Transit Authority, component units of the City, which represent 92.9 percent of the assets and 99.7 percent of the revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the City of Manchester Employees' Contributory Retirement System, a blended component unit reported as a pension trust of the City, which represents 78.1 percent of the assets and 47.9 percent of the revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Manchester School District, the Manchester Transit Authority, and the City of Manchester Employees' Contributory Retirement System, is based solely on the report of the 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Budgetary Comparison information, and the Pension and OPEB schedules appearing on pages 101 to 108 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information appearing on pages 119 through 127 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and

other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2018 on our consideration of the City of Manchester, New Hampshire's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Manchester's internal control over financial reporting and compliance.

Melanson Heath

March 19, 2018

City of Manchester, New Hampshire
Management's Discussion and Analysis
June 30, 2017

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, 2017. 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/deferred outflows of the City exceeded its liabilities/deferred inflows resulting in a total net position at the close of the fiscal year of \$375.1 million. The total net deficit for Governmental Activities at fiscal year-end was \$49.6 million and total net position for Business-Type Activities was \$424.8 million.
- ◆ On a government-wide basis, during the fiscal year, the City's net position decreased by \$8 million or 2.1%, to \$375.1 million. The net position decreased by \$17.4 thousand for Governmental Activities and the net position increased by \$9.4 million for Business-Type Activities. Government-wide expenses were \$286.3 million, while revenues were \$278.3 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 \$35.2 million, a decrease of \$10.2 million from the prior fiscal year.
- ◆ At the end of the current fiscal year, the total fund balance for the General Fund was \$22.3 million, an increase of \$2.5 million from the prior fiscal year. As of June 30, 2017, the general fund had an unassigned fund balance of \$8.1 million which represents 5.3% of total FY 17 General Fund expenditures and transfers of \$151.1 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 position presents information on all of the City's assets and liabilities, with the difference reported as the net position (deficit). Over time, increases or decreases in the net position (deficit) 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 City's net position (deficit) 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, and the Parking Division. 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), the Manchester Public Television Service, Inc. (MPTS) and the Manchester Development Corporation (MDC).

The government-wide financial statements (statement of net position and statement of activities) can be found on pages 29-31 of this report.

Fund Financial Statements

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

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

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

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation as Non-major Governmental Funds. Non-major governmental funds for the City include the United States Department of Housing and Urban Development (DHUD) Section 108 Fund, Community Development Block Grant Fund, Other Grants Fund, Civic Center Fund, Revolving Loan Fund, and the Expendable Trust Fund. Permanent Funds consist of the Cemetery Trust Fund and the Library Trust Fund. Individual fund data for each of these non-major governmental funds is provided in the combining balance sheets on pages 124-125 and in the combining statement of revenues, expenditures and changes in fund balance on pages 126-127.

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 109.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on pages 32-34 of this report.

Proprietary funds. The City maintains four 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, 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. Individual fund data for the proprietary funds is provided on pages 36 -39.

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. 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 40-41 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 45-98 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 position 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 \$375.1 and \$383.1 million at June 30, 2017 and 2016, respectively.

City of Manchester, New Hampshire
Statement of Net Position (\$000s)
Primary Government

	June 30, 2017			June 30, 2016*		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Current and other assets	\$ 134,547	\$ 65,313	\$ 199,860	\$ 133,215	\$ 65,962	\$ 199,177
Noncurrent	42,029	49,941	91,970	40,524	48,319	88,843
Capital assets	325,310	601,922	927,232	335,964	605,920	941,884
Total Assets	501,886	717,176	1,219,062	509,703	720,201	1,229,904
Deferred Outflows of Resources	54,858	9,861	64,719	30,730	10,381	41,111
Current liabilities	65,976	19,062	85,038	53,051	20,536	73,587
Noncurrent liabilities	465,013	281,303	746,316	447,641	294,085	741,726
Total Liabilities	530,989	300,365	831,354	500,692	314,621	815,313
Deferred Inflows of Resources	75,393	1,896	77,289	72,022	572	72,594
Net Position:						
Net investment in capital assets	136,784	353,803	490,587	130,659	344,273	474,932
Restricted	31,985	47,520	79,505	28,333	46,949	75,282
Unrestricted (Deficit)	(218,407)	23,453	(194,954)	(191,273)	24,167	(167,106)
Total Net Position	\$ (49,638)	\$ 424,776	\$ 375,138	\$ (32,281)	\$ 415,389	\$ 383,108

*Balances were restated due to the elimination of the Recreation enterprise fund. See Note 17 – Accounting Change/Restatement.

A portion of the City's net position totaling \$490.6 million reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), net any outstanding debt related to these assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in 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 position that is restricted, \$79.5 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(195.0) million, primarily resulting from the City's unfunded net pension liability (see Note 10).

**City of Manchester, New Hampshire
Changes in Net Position (\$000s)
Primary Government**

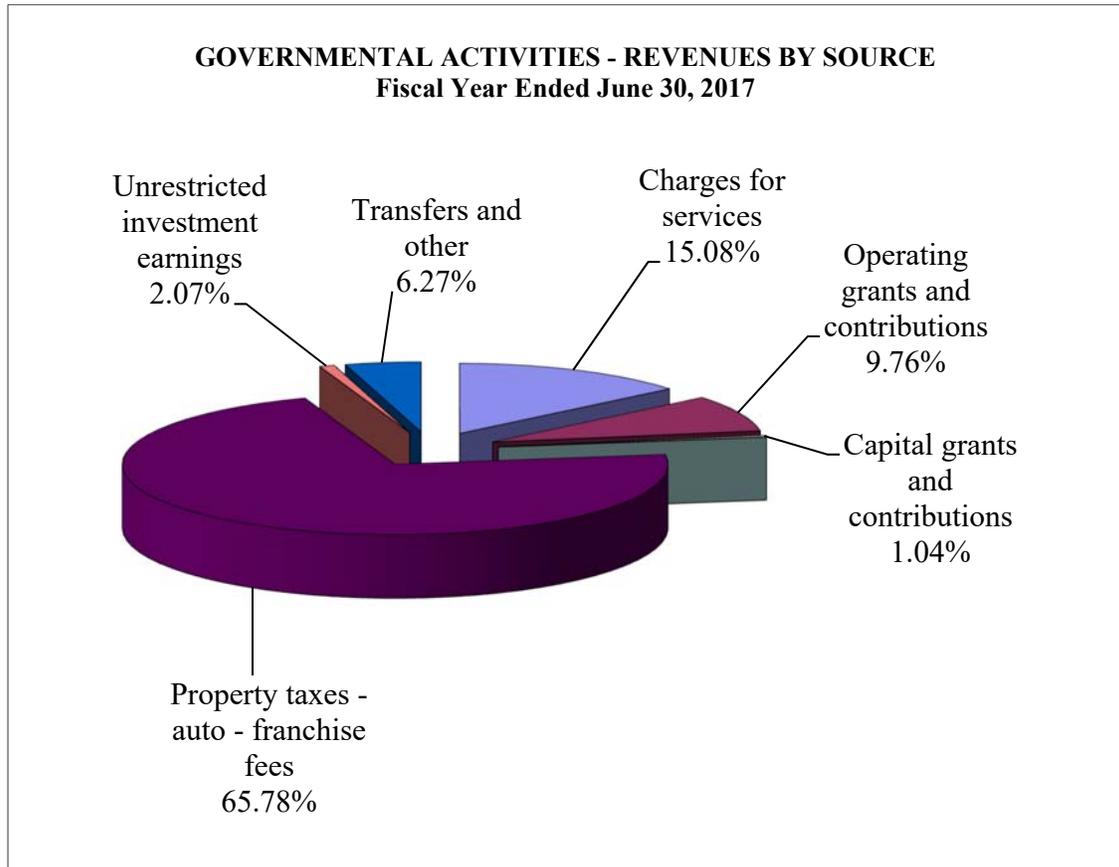
	<u>June 30, 2017</u>			<u>June 30, 2016*</u>		
	<u>Govern- mental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Govern- mental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 26,986	\$ 88,288	\$ 115,274	\$ 26,348	\$ 88,412	\$ 114,760
Operating grants and contributions	17,475	173	17,648	15,819	174	15,993
Capital grants and contributions	1,856	13,153	15,009	3,227	10,926	14,153
General Revenues:						
Property taxes/auto/franchise fees	117,751	-	117,751	119,079	-	119,079
Unrestricted investment earnings	3,706	817	4,523	224	748	972
Transfers and other	11,237	(3,108)	8,129	11,282	(3,187)	8,095
Total revenues	<u>179,011</u>	<u>99,323</u>	<u>278,334</u>	<u>175,979</u>	<u>97,073</u>	<u>273,052</u>
Expenses:						
General government	50,890	-	50,890	47,457	-	47,457
Public safety	78,399	-	78,399	67,170	-	67,170
Health and sanitation	8,176	-	8,176	6,932	-	6,932
Highways and streets	30,951	-	30,951	28,954	-	28,954
Welfare	1,354	-	1,354	1,243	-	1,243
Education and library	13,374	-	13,374	10,730	-	10,730
Parks and recreation	8,364	-	8,364	8,410	-	8,410
Cemetery trust	83	-	83	90	-	90
Investment management fee	73	-	73	64	-	64
Interest expense	4,704	-	4,704	5,004	-	5,004
Operations	-	89,936	89,936	-	86,953	86,953
Total Expenses	<u>196,368</u>	<u>89,936</u>	<u>286,304</u>	<u>176,054</u>	<u>86,953</u>	<u>263,007</u>
Change in net position	(17,357)	9,387	(7,970)	(75)	10,120	10,045
Net position - beginning, as restated	<u>(32,281)</u>	<u>415,389</u>	<u>383,108</u>	<u>(32,206)</u>	<u>405,269</u>	<u>373,063</u>
Net position - ending	<u>\$ (49,638)</u>	<u>\$ 424,776</u>	<u>\$ 375,138</u>	<u>\$ (32,281)</u>	<u>\$ 415,389</u>	<u>\$ 383,108</u>

*Balances were restated due to the elimination of the Recreation enterprise fund. See Note 17 – Accounting Change/Restatement.

The City's total net position decreased by \$8.0 million during the fiscal year, with the net position of Governmental Activities decreasing by \$17.4 million, and the net position of Business-type Activities increasing by \$9.4 million. Highlights in the change in net position in governmental activities from 2016 to 2017 include the following: Charges for Services increased by \$638 thousand primarily due to the Parks, Recreation and Cemetery division's absorption of the Recreation Fund and the associated fees collected; operating grants and contributions increased by \$1.7 million primarily due to an increase in community improvement program and state grant revenues; unrestricted investment earnings increased by \$3.5 million mainly due to an increase in net appreciation in fair value of securities. General government expenditures increased \$3.4 million mainly due to higher costs in community improvement programs and an increase in capital projects expenditures. Public safety expenditures increased by \$11.2 million primarily due to higher costs in community improvement programs and protective equipment, an increase in compensated absences and pension liability costs.

Governmental Activities

Overall, 65.78% of the governmental funds revenues were derived from property taxes, auto registrations and franchise fees, 15.08% from charges for services then followed by 10.80% from operating and capital grants and contributions, and finally, about 8.34% of the City's revenue in this fiscal year was derived from a combination of investment earnings, gain (loss) of sales of capital assets, transfers, and other revenues. The chart below identifies revenues by source for governmental activities:



Business-type Activities

Business-type activities increased the City's net position by \$9.4 million, which is a decrease of \$733 thousand from last year.

- ◆ Water Works total net position increased by 4.21% or \$3.1 million. Invested capital assets increased 6.22% from the acquisition of infrastructure asset, payment of debt service associated with capital assets, and additional SRF loan and normal depreciation. Restricted assets increased 3.83% due from contributions to the Merrimack Source Development Project. Unrestricted net position decreased 40%.
- ◆ EPD's net position is \$167.2 million, which comprises \$145.8 million in invested capital assets, \$0.7 million for the designated replacement fund and \$20.8 million in unrestricted funds. User charges, EPD's largest revenue stream, were \$17.7 million in fiscal year 2017, a decrease of 1.39% from the prior year. Operating expenses totaled \$17.0 million in fiscal year 2017, remaining flat from fiscal year 2016.

- ◆ Aviation net position decreased by 0.1% for the year or \$238 thousand. Aviation fund capital contributions amounted to \$6.6 million, a decrease from \$9.7 million in the previous year. Manchester-Boston Regional Airport experienced a decrease of 5.3% in passenger enplanements in FY 2017, as enplanements decreased by 55,137 from FY 2016.

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, unassigned 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 \$35.2 million, a decrease from \$45.4 million as reported on June 30, 2016. The decrease of \$10.3 million in fund balances was mainly due to the timing of receipt of bond proceeds and the related expenditures in the Capital Projects Fund. The balances in fund balance is considered either nonspendable, restricted, committed, or assigned as defined by GASB 54 fund balance definitions. These 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 \$8.1 million while the total fund balance reached \$22.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and operating transfers out. Unassigned fund balance represents 5.3% of total general fund expenditures and operating transfers out of \$151.1 million, while total fund balance represents 14.8% of that same amount.

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

As shown in the Water Works Statements of Revenues, Expenses and Changes in Net Position, the revenue earned from users of the system was \$17,226,074 and \$17,221,721, respectively, for the years ended June 30, 2017 and 2016. There was an increase in water usage as compared to the same twelve-month period ending June 30, 2016 as well as a 3% rate increase for services after October 1, 2016 in water usage and fire and service charges. Capital contributions were \$2,101,390 primarily from contributions for the MSDP Project of \$784,553. Interest earnings from investments were \$89,264. Other revenues for the twelve months were \$380,733 due primarily to rental income on owned property.

Total assets and deferred outflows of resources for the Environmental Protection Division (EPD) increased from \$218.3 million at June 30, 2016 to \$223 million at June 30, 2017 for a net increase of \$4.7 million. The majority of this change is attributed to \$3.8 million in long-term receivables for Bedford, Goffstown and Londonderry's share of the Aeration System project that was completed in FY 2016. In addition, a portion of this change can be accounted for in EPD's capital assets as shown in the EPD Statement of Net Position. There was an increase of \$10.8 million in

completed capital improvements in FY 2017. Offsetting the \$10.8 million increase was a \$2.1 million decrease in construction-in-progress and \$6.8 million in additional accumulated depreciation. Also contributing to this change was a decrease in unrestricted cash of \$1.3 million due to capital improvement projects funded by cash. The net operation income for EPD decreased from \$3.6 million in 2016 to \$3.1 million in 2017. This \$0.5 million decrease is attributed to a decrease of \$0.3 million in user charges and \$0.2 million in net Town Agreement charges to Bedford, Goffstown, and Londonderry. The change in net position increased by \$3.3 million; from \$3.6 million in FY 2016 to \$6.9 million in FY 2017. The main items accounting for this change in net position are town contributions, tax office interest and costs, and bond interest. There was an increase of \$4.2 million in capital contributions with the recording of amortization schedules for the member communities' share of the Aeration System. FY 2017 saw a decrease of \$0.2 million in tax office interest and costs due to the decreased outstanding balance in the non-current accounts receivables for delinquent wastewater collected by the tax office. Finally, EPD incurred an increase of \$0.5 million in bond interest due to the State Revolving Loan for the Aeration Project that was completed in FY 2016.

Manchester-Boston Regional Airport experienced a decrease of 5.3% in passenger enplanements in FY 2017, as enplanements decreased by 55,137 from FY 2016. The operating loss increased from \$(3,585,067) in FY 2016 to \$(5,567,288) in FY 2017, an increase of 35.6%. The operating loss increase was primarily due to increased operational expenses, increased depreciation, and decreased landing fee revenues. The decreased landing fee revenue resulted from accruing a refund back to the airlines to comply with contractual adjustment to residual method, meaning the actual Airport operating results exceeded budgeted expectations.

General Fund Budgetary Highlights

During the year, actual revenues on a budgetary basis were \$144.2 million, \$280,997 more than the estimated revenues. Actual tax revenues were less than budgeted by \$2,162,116. Actual inter-governmental revenue was \$53,814 over budgetary estimates. Investment income was \$103,143 less than budgetary estimates. An additional positive outcome of \$2,213,091 resulted from an overall increase in auto registrations, licenses, and permits over budgetary estimates. Non-enterprise charges for sales and services were \$115,583 more than budgeted. Other revenues were \$163,768 more than budgeted. Transfers in were \$289,149 less than budgeted estimates.

Actual expenditures on a budgetary basis totaled \$147,654,437, \$896,078 more than budgeted. The \$896,078 negative variance in expenditures was funded through a combined transfer of \$1,572,313 from the following general fund reserves: health insurance, worker's compensation, and general liability insurance. Highlights in expenditures variances include the following: general government expenditures were \$1,791,740 more than budgeted primarily due to higher costs than anticipated for health insurance and general liability insurance. 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 negative variance of \$904,230.

Capital Asset and Debt Administration

Capital assets. The City's capital assets for its governmental and business type activities as of June 30, 2017, amounts to \$927.2 million, net of accumulated depreciation. This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, sewers and bridges. The total decrease in the City's capital assets for the current fiscal year was \$14.7 million or 1.6%.

City of Manchester, New Hampshire
Capital Assets (net of depreciation) (000s)
June 30, 2017 and 2016
Primary Government

	2017			2016*			Change
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total	
Land	\$ 12,252	\$ 61,585	\$ 73,837	\$ 12,280	\$ 61,171	\$ 73,451	\$ 386
Easements	52	-	52	52	-	52	-
Buildings and improvements	234,971	428,383	663,354	240,156	421,198	661,354	2,000
Infrastructure	58,246	-	58,246	58,966	-	58,966	(720)
Interceptors	-	55,959	55,959	-	57,091	57,091	(1,132)
Equipment, vehicles & intangibles	13,259	36,464	49,723	14,203	37,353	51,556	(1,833)
Construction in progress	6,530	19,531	26,061	10,296	29,107	39,403	(13,342)
Total	\$ 325,310	\$ 601,922	\$ 927,232	\$ 335,953	\$ 605,920	\$ 941,873	\$ (14,642)

*Balances were restated due to the elimination of the Recreation enterprise fund. See Note 17 – Accounting Change/Restatement.

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.
- ◆ Completion of the Dupont Splash Pad.
- ◆ Infrastructure improvements including roads, bridges, and sanitary and sewer projects.
- ◆ Replacement of emergency and rescue equipment and purchase of police vehicles.
- ◆ 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 6 on pages 63-66 of this report.

City of Manchester, New Hampshire
Outstanding Debt
General Obligation and Revenue Bonds (000s)
June 30, 2017 and 2016

	2017			2016*		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
General Obligation Bonds	\$ 142,212	\$ 82,943	\$ 225,155	\$ 157,869	\$ 66,872	\$ 224,741
Revenue Bonds	61,785	150,712	212,497	65,880	160,375	226,255
Net Bond Premium	10,031	3,593	13,624	11,017	4,406	15,423
Totals	\$ 214,028	\$ 237,248	\$ 451,276	\$ 234,766	\$ 231,653	\$ 466,419

*Balances were restated due to the elimination of the Recreation enterprise fund. See Note 17 – Accounting Change/Restatement.

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 \$579.1 million. General obligation debt is backed by the full faith and credit of the City government.

As of December 31, 2017, the City was assigned the following credit 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 "Aa3," and "AA," respectively.

The general debt limit of the City is 9.75% of base valuation. Base valuation (\$9,519,151,000) 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, 2017, the City recorded long-term debt of \$214.0 million related to Governmental Activities (including \$92.8 million related to the MSD) and \$237.2 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 9 on pages 67-71 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, New Hampshire 03101.



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Basic Financial Statements



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Statement of Net Position

City of Manchester New Hampshire
June 30, 2017

	Primary Government			Component Units			
	Governmental	Business-type	Total	Manchester	Manchester	Manchester	Manchester
	Activities	Activities		School District	Transit Authority	Public Television Service, Inc.	Development Corporation
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 45,175,202	\$ 37,890,857	\$ 83,066,059	\$ 7,944,453	\$ 408,241	\$ 14,644	\$ -
Restricted cash	12,511,813	7,357,864	19,869,677	-	-	-	3,500,361
Investments	30,630,196	-	30,630,196	-	-	-	-
Receivables, net of allowance for collection losses	43,161,002	16,391,131	59,552,133	7,073,219	503,316	-	63,183
Due from local governments	-	213,166	213,166	-	-	-	-
Due from State of New Hampshire	781,829	753,082	1,534,911	-	-	-	-
Prepaid expenses	1,147,199	1,223,617	2,370,816	20,890	79,324	-	228
Internal balances	(8,162)	8,162	-	-	-	-	-
Due from other governments	226,375	-	226,375	-	-	-	-
Due from primary government	-	-	-	33,700,251	-	-	33,738
Inventories	733,147	1,474,797	2,207,944	24,515	248,589	-	-
Other assets	187,500	-	187,500	-	-	-	445,243
Total current assets	134,546,101	65,312,676	199,858,777	48,763,328	1,239,470	14,644	4,042,753
Noncurrent assets:							
Restricted cash	-	40,699,619	40,699,619	-	-	-	-
Restricted investments	29,760,274	-	29,760,274	-	-	-	-
Receivables	12,268,881	1,004,229	13,273,110	-	-	-	368,985
Due from local governments	-	3,828,878	3,828,878	-	-	-	-
Due from State of New Hampshire	-	4,408,667	4,408,667	-	-	-	-
Capital assets, net of depreciation	325,309,584	601,921,960	927,231,544	3,762,621	3,768,020	-	-
Total noncurrent assets	367,338,739	651,863,353	1,019,202,092	3,762,621	3,768,020	-	368,985
Total Assets	501,884,840	717,176,029	1,219,060,869	52,525,949	5,007,490	14,644	4,411,738
DEFERRED OUTFLOWS OF RESOURCES							
Related to pensions	51,765,238	7,092,520	58,857,758	48,798,101	-	-	-
Other	3,093,080	2,768,392	5,861,472	-	-	-	-
Total deferred outflows of resources	54,858,318	9,860,912	64,719,230	48,798,101	-	-	-
LIABILITIES							
Current liabilities:							
Accounts payable	8,543,221	8,687,160	17,230,381	1,430,091	51,200	4,156	988
Retainage payable	60,839	1,553,548	1,614,387	-	-	-	-
Accrued liabilities	5,577,885	8,689,816	14,267,701	23,664,525	47,428	-	-
Other liabilities	4,822,267	131,547	4,953,814	-	-	-	-
Insurance claims payable	891,203	-	891,203	-	-	-	-
Due to school district	33,700,251	-	33,700,251	-	-	-	-
Due to Manchester Development Corporation	33,738	-	33,738	-	-	-	-
Unearned revenue	12,346,537	-	12,346,537	-	-	-	-
Total current liabilities	65,975,941	19,062,071	85,038,012	25,094,616	98,628	4,156	988
Noncurrent liabilities:							
Due within one year	32,255,477	16,320,063	48,575,540	564,229	232,065	-	-
Net pension liability	216,692,173	31,205,182	247,897,355	174,318,429	-	-	-
Net OPEB obligation	12,447,478	1,160,571	13,608,049	13,994,452	2,323,256	-	-
Due in more than one year	203,617,633	232,617,387	436,235,020	11,191,793	185,655	-	-
Total noncurrent liabilities	465,012,761	281,303,203	746,315,964	200,068,903	2,740,976	-	-
Total Liabilities	530,988,702	300,365,274	831,353,976	225,163,519	2,839,604	4,156	988
DEFERRED INFLOWS OF RESOURCES							
Related to pensions	7,096,581	1,807,680	8,904,261	6,135,013	-	-	-
Other	68,296,203	88,000	68,384,203	35,463,048	-	-	-
Total deferred inflows of resources	75,392,784	1,895,680	77,288,464	41,598,061	-	-	-
NET POSITION (DEFICIT)							
Net investment in capital assets	136,783,674	353,802,649	490,586,323	3,762,621	3,768,020	-	-
Restricted for:							
Coverage account	-	4,169,852	4,169,852	-	-	-	-
Passenger facility charges	-	2,649,647	2,649,647	-	-	-	-
MSDC	-	10,605,352	10,605,352	-	-	-	-
Revenue bond O&M	-	10,391,349	10,391,349	-	-	-	-
Renewal and replacement	-	250,000	250,000	-	-	-	-
Bond funds	-	18,786,814	18,786,814	-	-	-	-
Worker's compensation	2,524,364	-	2,524,364	-	-	-	-
Cemetery and other trust funds - nonspendable	26,346,686	-	26,346,686	-	-	-	-
Cemetery and other trust funds - restricted	3,113,909	-	3,113,909	-	-	-	-
Equipment replacement	-	667,420	667,420	-	-	-	-
Food service	-	-	-	338,630	-	-	-
Unrestricted (deficit)	(218,406,961)	23,452,904	(194,954,057)	(169,538,781)	(1,600,134)	10,488	4,410,750
Total Net Position (Deficit)	\$ (49,638,328)	\$ 424,775,987	\$ 375,137,659	\$ (165,437,530)	\$ 2,167,886	\$ 10,488	\$ 4,410,750

The accompanying notes are an integral part of these financial statements.

Statement of Activities

	Expenses	Program Revenues		
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
General government	\$ 50,891,446	\$ 12,968,718	\$ 9,643,349	\$ -
Public safety	78,398,684	2,055,032	1,451,897	-
Health and sanitation	8,175,993	2,574,894	3,161,464	-
Highways and streets	30,950,866	6,432,619	2,172,676	1,777,474
Welfare	1,353,827	18,172	-	-
Education and library	13,374,099	475,691	-	-
Parks and recreation	8,363,631	2,460,752	1,045,189	78,128
Cemetery trust	82,500	-	-	-
Investment management fee	72,638	-	-	-
Interest	4,703,688	-	-	-
Total governmental activities	196,367,372	26,985,878	17,474,575	1,855,602
Business-type activities:				
Water	16,717,107	17,376,705	-	2,101,390
EPD	18,410,901	20,530,182	163,113	4,402,331
Aviation	52,020,524	44,661,332	10,000	6,648,922
Parking	2,787,272	5,719,446	-	-
Total business-type activities	89,935,804	88,287,665	173,113	13,152,643
Total primary government	\$ 286,303,176	\$ 115,273,543	\$ 17,647,688	\$ 15,008,245
Component units:				
Manchester School District	\$ 199,751,789	\$ 8,831,846	\$ 22,489,748	\$ 2,848,439
Manchester Transit Authority	7,700,841	3,646,627	3,188,623	900,324
Manchester Public Television Service, Inc.	459,346	-	451,253	-
Manchester Development Corporation	53,957	-	-	-
Total component units	\$ 207,965,933	\$ 12,478,473	\$ 26,129,624	\$ 3,748,763
General revenues:				
Property taxes				
Auto registration fees				
Franchise fees				
Unrestricted investment earnings				
Grants and contributions not restricted to specific programs				
Miscellaneous				
Debt reimbursement from MSD				
Service line protection				
Gain (loss) on disposal of assets				
Transfers in (out)				
Total general revenues and transfers				
Change in net position				
Net position (deficits) - beginning, as restated				
Net position (deficits) - ending				

The accompanying notes are an integral part of these financial statements.

City of Manchester New Hampshire
For the Fiscal Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position (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	
\$ (28,279,379)	\$ -	\$ (28,279,379)	\$ -	\$ -	\$ -	\$ -	\$ -
(74,891,755)	-	(74,891,755)	-	-	-	-	-
(2,439,635)	-	(2,439,635)	-	-	-	-	-
(20,568,097)	-	(20,568,097)	-	-	-	-	-
(1,335,655)	-	(1,335,655)	-	-	-	-	-
(12,898,408)	-	(12,898,408)	-	-	-	-	-
(4,779,562)	-	(4,779,562)	-	-	-	-	-
(82,500)	-	(82,500)	-	-	-	-	-
(72,638)	-	(72,638)	-	-	-	-	-
(4,703,688)	-	(4,703,688)	-	-	-	-	-
<u>(150,051,317)</u>	<u>-</u>	<u>(150,051,317)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	2,760,988	2,760,988	-	-	-	-	-
-	6,684,725	6,684,725	-	-	-	-	-
-	(700,270)	(700,270)	-	-	-	-	-
-	2,932,174	2,932,174	-	-	-	-	-
-	<u>11,677,617</u>	<u>11,677,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(150,051,317)	11,677,617	(138,373,700)	-	-	-	-	-
-	-	-	(165,581,756)	-	-	-	-
-	-	-	-	34,733	-	-	-
-	-	-	-	-	(8,093)	-	-
-	-	-	-	-	-	-	(53,957)
-	-	-	(165,581,756)	34,733	(8,093)	-	(53,957)
96,974,549	-	96,974,549	76,728,342	-	-	-	-
18,678,231	-	18,678,231	-	-	-	-	-
2,098,503	-	2,098,503	-	-	-	-	-
3,705,972	817,168	4,523,140	178,939	58	24	-	45,156
-	-	-	77,876,731	-	8,940	-	88,400
-	52,437	52,437	474,087	2,244	-	-	-
8,075,793	-	8,075,793	-	-	-	-	-
-	157,596	157,596	-	-	-	-	-
(83,098)	(74,252)	(157,350)	-	4,022	-	-	-
3,243,851	(3,243,851)	-	-	-	-	-	-
<u>132,693,801</u>	<u>(2,290,902)</u>	<u>130,402,899</u>	<u>155,258,099</u>	<u>6,324</u>	<u>8,964</u>	<u>-</u>	<u>133,556</u>
(17,357,516)	9,386,715	(7,970,801)	(10,323,657)	41,057	871	-	79,599
<u>(32,280,812)</u>	<u>415,389,272</u>	<u>383,108,460</u>	<u>(155,113,873)</u>	<u>2,126,829</u>	<u>9,617</u>	<u>-</u>	<u>4,331,151</u>
\$ (49,638,328)	\$ 424,775,987	\$ 375,137,659	\$ (165,437,530)	\$ 2,167,886	\$ 10,488	\$ -	\$ 4,410,750

Balance Sheet
Governmental Funds

City of Manchester, New Hampshire
June 30, 2017

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 38,684,763	\$ -	\$ 6,490,439	\$ 45,175,202
Restricted cash and cash equivalents	6,902,475	3,339,133	2,270,205	12,511,813
Restricted investments	-	-	29,760,274	29,760,274
Investments	30,630,196	-	-	30,630,196
Receivables, net of allowances for collection losses	46,297,330	15,175	11,786,699	58,099,204
Prepaid expenses	1,147,199	-	-	1,147,199
Due from other funds	23,098,119	-	-	23,098,119
Inventories	733,147	-	-	733,147
Other current assets	187,500	-	-	187,500
Total Assets	\$ 147,680,729	\$ 3,354,308	\$ 50,307,617	\$ 201,342,654
<u>Liabilities</u>				
Accounts and warrants payable	\$ 4,403,862	\$ 2,877,542	\$ 1,261,817	\$ 8,543,221
Retainage payable	60,839	-	-	60,839
Accrued liabilities	3,274,467	-	35,114	3,309,581
Tax refunds payable	2,144,198	-	-	2,144,198
Other liabilities	2,470,499	-	2,351,768	4,822,267
Insurance claims payable	891,203	-	-	891,203
Due to other funds	-	23,106,281	-	23,106,281
Due to Manchester School District	34,341,099	-	-	34,341,099
Unearned revenue	1,191,531	-	11,155,006	12,346,537
Total Liabilities	48,777,698	25,983,823	14,803,705	89,565,226
<u>Deferred inflows of resources</u>				
Unavailable revenues - property taxes	5,963,911	-	-	5,963,911
Unearned revenues - property taxes	28,163,275	-	-	28,163,275
Unearned revenues - taxes collected in advance	39,886,550	-	-	39,886,550
Unavailable revenues - other revenues collected in advance	2,596,415	-	-	2,596,415
Total deferred inflows of resources	76,610,151	-	-	76,610,151
<u>Fund Balances (Deficits)</u>				
Nonspendable	4,680,346	-	26,346,686	31,027,032
Restricted	2,524,364	2,635,420	7,474,618	12,634,402
Committed	5,878,562	-	2,160,632	8,039,194
Assigned	1,157,202	-	-	1,157,202
Unassigned	8,052,406	(25,264,935)	(478,024)	(17,690,553)
Total Fund Balances (Deficits)	22,292,880	(22,629,515)	35,503,912	35,167,277
Total liabilities, deferred inflows of resources and fund balances (Deficits)	\$ 147,680,729	\$ 3,354,308	\$ 50,307,617	\$ 201,342,654

The accompanying notes are an integral part of these financial statements.

**Reconciliation of the Total Governmental Fund,
Balances to Net Position of Governmental
Activities in the Statement of Net Position**

**City of Manchester, New Hampshire
Year Ended June 30, 2017**

Total governmental fund balances	\$ 35,167,277
Capital assets used in governmental activities are not financial resources and, therefore, are not required in governmental funds.	325,309,584
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	483,081
Deferred loss on refunding that is not available to pay for current period expenditures and, therefore, is not reported in the funds.	3,093,080
Deferred outflows of resources related to pension resulting from projected vs. actual earnings, changes in proportion, and contributions subsequent to the measurement date will be recognized as an increase of pension expense in future years.	51,765,238
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	8,313,948
Long-term liabilities consisting of accruals are not due and payable in current period and, therefore, are not reported in the funds.	(1,661,194)
Deferred inflows of resources related to pensions resulting from expected vs. actual experience, projected vs. actual earnings, and change in proportion will be recognized as a reduction of pension expense in future years.	(7,096,581)
Long-term liabilities consisting of bonds payable, net pension liability, net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(465,012,761)</u>
Net position of governmental activities	<u><u>\$ (49,638,328)</u></u>

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenditures, Other Financing
Sources and Uses, and Changes in Fund Balances (Deficit)
Governmental Funds

City of Manchester, New Hampshire
Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 100,208,002	\$ -	\$ -	\$ 100,208,002
Federal and state grants and aid	3,676,574	-	15,137,539	18,814,113
Charges for sales and services	4,580,815	-	-	4,580,815
Licenses and permits	26,221,183	-	-	26,221,183
Interest	334,198	15,140	531,905	881,243
Contributions	-	-	1,742,526	1,742,526
Net appreciation in fair value of securities	-	-	2,824,729	2,824,729
School charge backs	9,291,929	-	-	9,291,929
Lease and rent income	946,557	-	-	946,557
Debt recovery	1,075,282	-	-	1,075,282
Miscellaneous	2,958,119	-	5,440	2,963,559
Total Revenues	149,292,659	15,140	20,242,139	169,549,938
Expenditures				
Current:				
General government	32,285,373	2,974,940	9,305,796	44,566,109
Public safety	63,967,322	2,608,033	1,508,138	68,083,493
Health and sanitation	4,054,849	-	3,111,634	7,166,483
Highway and streets	21,466,301	1,402,274	284,889	23,153,464
Welfare	1,194,319	-	-	1,194,319
Education	2,924,875	98,647	2,773,973	5,797,495
Parks and recreation	5,638,509	37,980	530,027	6,206,516
Cemetery trust	-	-	82,500	82,500
Investment management fee	-	-	72,638	72,638
Capital outlay	139,774	7,311,444	2,450,197	9,901,415
Debt service:				
Principal retirement	11,675,985	-	-	11,675,985
Interest	5,418,794	-	-	5,418,794
Total Expenditures	148,766,101	14,433,318	20,119,792	183,319,211
Excess (Deficiency) of revenues over expenditures	526,558	(14,418,178)	122,347	(13,769,273)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	240,437	-	-	240,437
Transfers in	4,014,949	-	2,300,681	6,315,630
Transfers out	(2,300,681)	-	(771,098)	(3,071,779)
Total Other Financing Sources (Uses)	1,954,705	-	1,529,583	3,484,288
Net Change in Fund Balances (Deficit)	2,481,263	(14,418,178)	1,651,930	(10,284,985)
Fund Balance (Deficit), beginning, as restated	19,811,617	(8,211,337)	33,851,982	45,452,262
Fund Balance (Deficit), ending	\$ 22,292,880	\$ (22,629,515)	\$ 35,503,912	\$ 35,167,277

The accompanying notes are an integral part of these financial statements.

**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, 2017**

Net change in fund balances - total governmental funds \$(10,284,985)

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. (10,654,517)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate) differ between the two statements. This amount represents the net change in deferred revenue. (1,278,350)

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 position. Also, governmental funds report the effect of 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.

Repayments of debt	19,751,778
Repayments of capital leases	27,681
Bond premium amortization	986,013
Amortize loss on prior year refunding bonds	(328,318)

In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 108,393

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.

Change in net pension liability	(34,884,678)
Change in pension related deferred outflows	24,456,413
Change in pension related deferred inflows	(2,064,227)
Change in net OPEB obligation	(601,631)
Change in other liabilities	<u>(2,591,088)</u>

Change in net position of governmental activities \$(17,357,516)

The accompanying notes are an integral part of these financial statements.

	Business-type Activities-Enterprise Funds				
	Water Works Fund	EPD Fund	Aviation Fund	Non-Major Funds	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,819,121	\$ 15,943,806	\$ 20,003,599	\$ 124,331	\$ 37,890,857
Restricted cash and cash equivalents	-	-	7,357,864	-	7,357,864
Receivables, net of allowances for collection losses	4,884,765	5,667,618	5,721,574	117,174	16,391,131
Due from local governments	-	213,166	-	-	213,166
Due from State of New Hampshire	-	753,082	-	-	753,082
Prepaid items	110,891	-	1,112,726	-	1,223,617
Due from other funds	47,813	-	-	18,664	66,477
Inventories	1,165,216	41,556	268,025	-	1,474,797
Total current assets	8,027,806	22,619,228	34,463,788	260,169	65,370,991
Noncurrent assets					
Restricted cash and cash equivalents	7,728,959	1,348,586	31,542,023	80,051	40,699,619
Receivables	534,316	469,913	-	-	1,004,229
Due from local governments	-	3,828,878	-	-	3,828,878
Due from State of New Hampshire	-	4,408,667	-	-	4,408,667
Capital assets, net, where applicable, of accumulated depreciation	120,887,236	189,174,914	285,177,265	6,682,545	601,921,960
Total noncurrent assets	129,150,511	199,230,958	316,719,288	6,762,596	651,863,353
Total Assets	137,178,317	221,850,186	351,183,076	7,022,765	717,234,344
Deferred Outflows of Resources					
Related to pensions	2,584,016	1,107,088	2,753,247	648,169	7,092,520
Other	1,374,751	-	1,249,120	144,521	2,768,392
Total deferred outflows of resources	3,958,767	1,107,088	4,002,367	792,690	9,860,912
Total Assets and Deferred Outflow of Resources	141,137,084	222,957,274	355,185,443	7,815,455	727,095,256
Liabilities					
Current liabilities					
Accounts and warrants payable	1,142,112	3,577,994	3,937,697	29,357	8,687,160
Retainage payable	398,494	681,166	473,888	-	1,553,548
Accrued liabilities	1,162,750	1,110,761	4,787,675	48,883	7,110,069
Due to other funds	-	32,926	25,389	-	58,315
Bonds and notes payable	1,716,321	2,991,555	10,755,545	332,814	15,796,235
Due to State of New Hampshire	241,924	-	-	-	241,924
Compensated absences	281,904	353,466	1,129,127	97,154	1,861,651
Other liabilities	-	-	40,667	90,880	131,547
Total current liabilities	4,943,505	8,747,868	21,149,988	599,088	35,440,449
Noncurrent liabilities					
Bonds and notes payable	36,197,934	40,374,805	143,420,398	1,459,030	221,452,167
Due to State of New Hampshire	10,037,605	-	-	-	10,037,605
Net OPEB obligation	409,098	220,935	475,779	54,759	1,160,571
Net pension liability	11,757,897	5,814,722	12,229,020	1,403,543	31,205,182
Compensated absences	1,127,615	-	-	-	1,127,615
Total noncurrent liabilities	59,530,149	46,410,462	156,125,197	2,917,332	264,983,140
Total Liabilities	64,473,654	55,158,330	177,275,185	3,516,420	300,423,589
Deferred Inflows of Resources					
Related to pensions	446,129	551,046	693,177	117,328	1,807,680
Other	-	-	-	88,000	88,000
Total deferred inflows of resources	446,129	551,046	693,177	205,328	1,895,680
Total Liabilities and Deferred Inflow of Resources	64,919,783	55,709,376	177,968,362	3,721,748	302,319,269
Net Position					
Net investment in capital assets	70,708,429	145,808,555	132,250,442	5,035,223	353,802,649
Restricted	10,605,352	667,420	36,247,662	-	47,520,434
Unrestricted (deficit)	(5,096,480)	20,771,923	8,718,977	(941,516)	23,452,904
Total Net Position	\$ 76,217,301	\$ 167,247,898	\$ 177,217,081	\$ 4,093,707	\$ 424,775,987

The accompanying notes are an integral part of these financial statements.

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

City of Manchester, New Hampshire
Year Ended June 30, 2017

	Business-type Activities-Enterprise Funds				
	Water Works Fund	EPD Fund	Aviation Fund	Non-major Funds	Total
Operating Revenues					
Charges for goods and services	\$ 16,636,638	\$ 17,657,713	\$ 36,760,534	\$ 5,716,705	\$ 76,771,590
Other	589,436	2,513,875	2,566,009	2,741	5,672,061
Total Operating Revenues	17,226,074	20,171,588	39,326,543	5,719,446	82,443,651
Operating Expenses					
Personnel services	7,131,730	4,515,068	9,167,995	1,174,532	21,989,325
Plant maintenance	1,054,929	2,768,095	1,421,511	83,171	5,327,706
Light/heat and power	1,141,977	1,858,865	2,022,083	33,677	5,056,602
General and administrative	1,946,117	930,119	14,013,612	1,021,435	17,911,283
Depreciation and amortization	3,675,836	6,959,438	18,268,630	386,153	29,290,057
Total Operating Expenses	14,950,589	17,031,585	44,893,831	2,698,968	79,574,973
Operating Income (Loss)	2,275,485	3,140,003	(5,567,288)	3,020,478	2,868,678
Non-Operating Revenues (Expenses)					
Non-operating grant	-	-	10,000	-	10,000
Interest income	89,264	255,544	459,738	12,622	817,168
Interest expense	(1,766,518)	(1,379,316)	(7,051,154)	(88,304)	(10,285,292)
Passenger facility charges	-	-	3,787,507	-	3,787,507
Customer facility charges	-	-	1,547,282	-	1,547,282
Rent and other income	150,631	358,594	-	-	509,225
Service line protection	157,596	-	-	-	157,596
Reimbursement of interest expenses	-	163,113	-	-	163,113
Bond issuance costs	-	-	(75,539)	-	(75,539)
Gain (loss) on disposal of capital assets	20,069	-	2,045	(96,366)	(74,252)
Miscellaneous income	52,437	-	-	-	52,437
Total Non-Operating Revenues (Expenses), net	(1,296,521)	(602,065)	(1,320,121)	(172,048)	(3,390,755)
Net income (loss) before capital contributions and transfers	978,964	2,537,938	(6,887,409)	2,848,430	(522,077)
Capital Contributions and Transfers					
Capital contributions	2,101,390	4,402,331	6,648,922	-	13,152,643
Transfer to general fund	-	-	-	(3,243,851)	(3,243,851)
Total Capital Contributions and Transfers	2,101,390	4,402,331	6,648,922	(3,243,851)	9,908,792
Change in Net Position (Deficit)	3,080,354	6,940,269	(238,487)	(395,421)	9,386,715
Fund Net Position, beginning of year, as restated	73,136,947	160,307,629	177,455,568	4,489,128	415,389,272
Fund Net Position, end of year	\$ 76,217,301	\$ 167,247,898	\$ 177,217,081	\$ 4,093,707	\$ 424,775,987

The accompanying notes are an integral part of these financial statements.

	Business-type Activities-Enterprise Funds				
	Water Works Fund	EPD Fund	Aviation Fund	Non-Major Funds	Total
<u>Cash Flows from Operating Activities</u>					
Cash received from customers	\$ 17,708,541	\$ 20,873,031	\$ 39,360,391	\$ 5,794,364	\$ 83,736,327
Cash payments for goods and services	(4,158,696)	(8,709,601)	(17,564,594)	(1,178,581)	(31,611,472)
Cash payments to employees for services	(6,273,116)	-	(8,456,998)	(917,199)	(15,647,313)
Other operating revenues	-	-	10,000	2,741	12,741
Net Cash Provided by Operating Activities	7,276,729	12,163,430	13,348,799	3,701,325	36,490,283
<u>Cash Flows from Non-Capital and Related Financing Activities</u>					
Due to (from) general fund	-	-	-	48,599	48,599
Cash payment to general fund	-	-	-	(3,243,851)	(3,243,851)
Finance and service charges	-	358,593	-	-	358,593
Net Cash Provided by (Used For) Non-Capital & Related Financing Activities	-	358,593	-	(3,195,252)	(2,836,659)
<u>Cash Flows from Capital and Related Financing Activities</u>					
Passenger and customer facility charges	-	-	5,222,169	-	5,222,169
Proceeds from State of New Hampshire Revolving Fund	79,529	545,078	-	-	624,607
Reimbursement of bond interest expenses	-	163,113	-	-	163,113
Payments on bond arbitrage & financing	-	-	(75,539)	-	(75,539)
Principal paid on bonds and notes	(1,597,364)	(2,991,555)	(9,662,892)	(302,516)	(14,554,327)
Interest paid on bonds and notes	(1,693,754)	(1,379,317)	(7,051,154)	(88,304)	(10,212,529)
Amortization of premiums	-	-	-	(39,781)	(39,781)
Proceeds (loss) from sale of capital assets	20,069	-	2,045	812	22,926
Contributed capital by federal, state & local governments	2,101,390	360,288	8,781,290	-	11,242,968
Acquisition and construction of capital assets	(7,304,188)	(10,951,468)	(7,715,722)	-	(25,971,378)
Net Cash Used For Capital & Related Financing Activities	(8,394,318)	(14,253,861)	(10,499,803)	(429,789)	(33,577,771)
<u>Cash Flows from Investing Activities</u>					
Interest and dividends from investments	89,264	255,544	459,738	12,622	817,168
Net Cash Provided by Investing Activities	89,264	255,544	459,738	12,622	817,168
Net Increase (Decrease) in Cash and Cash Equivalents	(1,028,325)	(1,476,294)	3,308,734	88,906	893,021
Cash and Cash Equivalents at Beginning of Year	10,576,405	18,768,686	55,594,752	115,476	85,055,319
Cash and Cash Equivalents at End of Year	\$ 9,548,080	\$ 17,292,392	\$ 58,903,486	\$ 204,382	\$ 85,948,340

(continued)

	Business-type Activities-Enterprise Funds				
	Water Works Fund	EPD Fund	Aviation Fund	Non-Major Funds	Total
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 2,275,485	\$ 3,140,003	\$ (5,567,288)	\$ 3,020,478	\$ 2,868,678
Adjustments to reconcile operating income (loss) to cash provided by operating activities:					
Depreciation and amortization	3,675,836	6,959,438	18,268,630	386,153	29,290,057
Other operating revenue	360,664	-	10,000	-	370,664
Change in Assets/Deferred Outflows and Liabilities/Deferred Inflows					
Decrease (increase) in receivables	(6,154)	663,903	33,848	(10,341)	681,256
Decrease (increase) in unbilled revenue	-	(45,884)	-	-	(45,884)
Decrease (increase) in due from State of New Hampshire	-	753,078	-	-	753,078
Decrease (increase) in due from other funds	142,530	187,206	153,770	-	483,506
Decrease (increase) in prepaid expenses and other assets	144,689	83,425	(288,575)	-	(60,461)
Decrease (increase) in inventories	-	-	48,968	-	48,968
Decrease (increase) in deferred outflow - other	-	-	-	22,378	22,378
Decrease (increase) in deferred outflow - net pension liability	322,426	277,668	108,376	(422,636)	285,834
Increase (decrease) in accounts payable	238,359	(532,377)	157,728	(6,984)	(143,274)
Increase (decrease) in accrued liabilities	-	547,409	(182,761)	(9,450)	355,198
Increase (decrease) in due to other funds	-	32,926	-	-	32,926
Increase (decrease) in compensated absences	109,976	-	(29,248)	13,943	94,671
Increase (decrease) in deposits & retainage	(413,295)	-	3,481	-	(409,814)
Increase (decrease) in net pension liability - MECRS	65,667	(230,857)	248,225	572,430	655,465
Increase (decrease) in net pension liability - old system pension	(91,944)	(39,923)	-	-	(131,867)
Increase (decrease) in OPEB obligation	6,361	(2,505)	36,155	8,814	48,825
Increase (decrease) in other liabilities	-	-	-	(33,314)	(33,314)
Increase (decrease) in deferred inflow - net pension liability	446,129	369,920	347,490	71,854	1,235,393
Increase (decrease) in deferred inflow - other	-	-	-	88,000	88,000
Net Cash Provided by Operating Activities	\$ 7,276,729	\$ 12,163,430	\$ 13,348,799	\$ 3,701,325	\$ 36,490,283

The accompanying notes are an integral part of these financial statements.

Fiduciary Funds
Statement of Fiduciary Net Position

City of Manchester, New Hampshire
June 30, 2017

	<u>Pension</u> <u>Trust Funds</u>
Assets	
Cash and cash equivalents	\$ 3,585,829
Investments	208,496,371
Receivables, net of allowances for collection losses	363,342
Other assets	500
Capital assets, net, where applicable, of accumulated depreciation	<u>3,338</u>
Total Assets	212,449,380
Liabilities	
Accounts and warrants payable	248,656
Accrued liabilities	<u>1,434,080</u>
Total Liabilities	<u>1,682,736</u>
Net Position Restricted for Pension Benefits	<u><u>\$ 210,766,644</u></u>

The accompanying notes are an integral part of these financial statements.

Fiduciary Trusts
Statement of Changes in Fiduciary Net Position

City of Manchester New Hampshire
Year Ended June 30, 2017

	<u>Pension</u> <u>Trust Funds</u>
Additions	
Contributions	
Employer	\$ 8,841,354
Plan members	3,068,947
Total Contributions	11,910,301
Investment Income	
Interest and dividends	2,140,862
Net realized and unrealized appreciation in fair value of investments	11,762,419
Other income	916
Less investment expense	(959,174)
Net Investment Income	12,945,023
Total additions	24,855,324
Deductions	
Benefits paid directly to participants	18,073,878
Refunds of employee contributions	220,470
Administrative expenses	787,242
Total Deductions	19,081,590
Net Increase	5,773,734
Net Position Restricted for Pension Benefits	
Beginning of year	<u>204,992,910</u>
End of year	<u><u>\$ 210,766,644</u></u>

The accompanying notes are an integral part of these financial statements.



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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 comprises 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 a municipal corporation governed by an elected fourteen (14) member board elected by voters of the School District, with the Mayor of the City serving as Chairperson of the Board. The MSD is responsible for elementary and secondary education within the government's jurisdiction. 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 was issued under separate cover. The District is presented as a component unit.

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. The BMA determines the annual operating subsidy and approves the issuance of bonds. Other independent auditors audited the MTA, a June 30 year-end, and their report, dated

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

November 30, 2017, was issued under separate cover. The MTA is presented as a proprietary fund type.

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

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

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

Manchester Transit Authority
110 Elm Street
Manchester NH 03101 - 2799

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

Blended Component Unit

City of Manchester Employees' Contributory Retirement System (MECRS) - The MECRS was created by the BMA for the purpose of administering the assets of the employees' contributory retirement system. The MECRS' Board of Trustees consists of seven members, as follows: the City Finance Officer, the Mayor, one person appointed by the Board of Aldermen, two citizens of the City - one appointed by the Mayor, one elected by the MECRS members and two MECRS members also elected by the MECRS members. Other independent auditors audited the MECRS, a December 31 year end, for the year ended December 31, 2016, and their report; dated July 14, 2017 was 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 position and the statement of activities) 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, for which the city is financially accountable.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017

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 (DA).

Additionally, the City reports the following fiduciary 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.

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.

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

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

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

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, deferred inflows/outflows, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Cash Equivalents

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

Investments

Investments are stated at fair value using quoted market prices except for alternative investments as discussed below. The MECRS alternative investments are valued using the most recent valuation available from the external fund manager. 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 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 Position Available for Benefits.

Allowances for Doubtful Accounts

Accounts including property taxes and notes receivable for the primary government are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon collection history and analysis of creditor's ability to pay. The majority of the amount relates to taxes receivable, degradation fees receivable, and revolving loan funds receivable.

Interfund Receivables and Payables

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

For "Advances To/From Other Funds," the asset reported in the governmental fund financial statements are recorded as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable financial resources.

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide and proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$25,000 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 acquisition 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.

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

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

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

Compensated Absences

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports a deferred charge on refunding in this manner in the government-wide statement of net position. A deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports advance property tax collections in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the City reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, grants and charges for services. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, and gain/loss on refunding 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.

Governmental Fund/Activities:

In governmental funds, expenditures are recognized when paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required calculations. The net pension obligation (asset), in accordance with GASB 68, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No 68 and is recognized in the government-wide and business-type financial statements.

Funding Policy:

The City makes annual contributions based upon annual actuarial determinations that are different than GASB 68.

OPEB Accounting

Governmental Funds/Activities:

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

Funding Policy:

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

Inventory

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

Fund Equity and Net Position

In the Government-Wide and the Proprietary Fund Financial Statements, net positions are classified in the following categories:

Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. 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 position – 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 position or deficits – This category represents the net position of the City, which are not restricted for any project or other purpose. Deficits require future funding.

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

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

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

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

Assigned fund balance – Amounts constrained for the intent to be used for a specific purpose by the Board of Mayor and Aldermen or Finance Director 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.

Concentration Risk – Major Customers

A significant portion of the Department of Aviation’s earnings and revenues are directly or indirectly attributed to the activity of a number of major airlines.

The Department of Aviation’s earnings and revenues could be materially and adversely affected should any of these major airlines discontinue operations and should the Department of Aviation be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of enplaned passengers. The major airlines are as follows:

FY 2017	
Southwest Airlines	58%
American	21%

Note 2. 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.

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 RSAs. 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 debt 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.

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.

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 issuer.

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, 2017

Cash, cash equivalents, and investments of the City consist of the following at June 30, 2017:

Cash and Cash Equivalents		
Deposits with Financial Institutions	\$ 129,414,388	
Municipal Backed Investment Fund	14,648,421	
Contributory Retirement Pension Cash	3,158,373	
Total Cash and Cash Equivalents	<u>\$ 147,221,182</u>	
General Fund Investments		
U.S. Government Agencies	\$ 30,630,196	**
Total General Fund Investments	30,630,196	
Library Trust Funds:		
U.S. Treasury Notes	293,782	***
Corporate Bonds	817,712	***
Municipal Obligations	746,245	***
Common Stocks	1,730,134	***
Equity Mutual Funds	973,965	
Fixed Income Mutual Funds	195,597	
Total Library Trust Funds	<u>4,757,435</u>	
Cemetery Trust Funds:		
U.S. Treasury Notes	7,246,532	***
Mutual Funds	17,115,848	
Total Cemetery Trust Funds	<u>24,362,380</u>	
Expendable Trust Funds:		
U.S. Treasury Notes	640,461	***
Total Expendable Trust Funds	<u>640,461</u>	
Old System Pension Trust Fund:		
U.S. Treasury Notes	1,716,132	***
Corporate Bonds	1,465,144	***
Mortgage Backed	235,762	***
Mutual Funds	4,570,385	
Total Old System Pension Trust Fund	<u>7,987,423</u>	
City Retirement System Investments		
Equity funds	57,848,024	
International equity	21,979,054	
Alternative equity	2,727,365	
Hedge funds	19,983,557	
Fixed income	45,752,430	
Emerging market funds	10,658,912	
Real estate	17,567,330	
Specialty investments	24,047,163	
Total City Retirement System	<u>200,563,835</u>	
Total Investments	<u>\$ 268,941,730</u>	
Total Cash, Cash Equivalents and Investments	<u>\$ 416,162,912</u>	

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

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

Statement of Net Position

Cash and cash equivalents	\$ 83,066,059
Restricted cash	60,569,296
Investments	30,630,196
Restricted investments	29,760,274
	<u>204,025,825</u>

Pension Trust Funds

Cash and cash equivalents	3,585,829
Investments	208,496,371
Open trades/purchases	54,887
	<u>212,137,087</u>

Total \$ 416,162,912

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 City'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	\$ 9,896,907	\$ 438,528	\$ 6,669,046	\$ 2,789,333	\$ -
US government agencies	30,630,196	30,630,196	-	-	-
Corporate bonds	2,282,856	55,303	1,330,991	653,190	243,372
Municipal obligations	746,245	-	300,732	70,949	374,564
Mortgage backed	235,762	-	-	-	235,762
Fixed income funds	45,752,434	10,353,673	31,611,932	-	3,786,829
Municipal backed investment fund	14,648,421	14,648,421	-	-	-
Total	<u>\$ 104,192,821</u>	<u>\$ 56,126,121</u>	<u>\$ 39,912,701</u>	<u>\$ 3,513,472</u>	<u>\$ 4,640,527</u>

Credit Risk - Investments: 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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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	Municipal Backed Investment Fund	Fixed Income Funds
AAA	\$ 253,574	\$ 81,956	\$ 151,090	\$ -	\$ -
AA+	306,766	-	53,103	-	-
AA	57,755	-	237,690	14,648,421	-
AA-	250,725	-	103,455	-	17,935,859
A+	262,342	-	49,843	-	-
A	582,496	-	-	-	-
A-	330,518	-	-	-	-
BBB+	99,617	-	-	-	-
BBB	-	-	-	-	13,676,073
Unrated	139,063	153,806	151,064	-	14,140,502
	<u>\$ 2,282,856</u>	<u>\$ 235,762</u>	<u>\$ 746,245</u>	<u>\$ 14,648,421</u>	<u>\$ 45,752,434</u>

Fair Value:

The City categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 – Unadjusted quoted prices for identical instruments in active markets

Level 2 – Quoted prices in similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

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The City has the following fair value measurements as of June 30, 2017:

<u>Description</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>
Investments by fair value level:			
Debt securities:			
U.S. Treasury notes	\$ 9,896,907	\$ -	\$ 9,896,907
U.S. Government agencies	30,630,196	-	30,630,196
Corporate bonds	2,282,856	2,282,856	-
Municipal obligations	746,245	746,245	-
Mortgage backed	235,762	235,762	-
Equity securities:			
Fixed income	195,597	195,597	-
Common stocks	1,730,134	1,730,134	-
Mutual funds	<u>22,660,197</u>	<u>22,660,197</u>	<u>-</u>
Total	\$ <u>68,377,894</u>	\$ <u>27,850,791</u>	\$ <u>40,527,103</u>

Equity and debt securities classified as Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified as Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

Manchester Employees Contributory Retirement System (MECRS)

Cash, Cash Equivalents and Investments

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

Investments: The 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.

CITY OF MANCHESTER, NEW HAMPSHIRE

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Interest Rate Risk: Interest rate risk associated with an adverse effect 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 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 MECRS investments:

MECRS Pension Trust

Blackrock (Strategic Income Opportunities)	\$ 10,353,673
City of London (Emerging Market Equities)	\$ 10,658,912
Gryphon International (International Equity)	\$ 13,435,470
Income Research & Mgt. (Core Bonds Fund)	\$ 17,935,854
Loomis Sayles (Fixed Income Fund)	\$ 13,676,073
Mellon Capital EB (Global Tactical Assets)	\$ 13,440,043
Sands Capital (US Large Cap Growth)	\$ 16,473,960
Pzena Management (US Large Cap Value Fund)	\$ 19,472,103
Rothschild (Smid Cap Equity Fund)	\$ 15,095,294
PIMCO (Global Tactical Asset Allocation)	\$ 10,607,119
PRISA (Real Estate)	\$ 12,495,067
Standard Life (Global Absolute Return Strategy)	\$ 10,171,543
Vanguard S&P 500 (Index Fund)	N/A

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.

CITY OF MANCHESTER, NEW HAMPSHIRE

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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>
Global Asset Allocation	10.00%	11.81%	Alternatives	16.00%	13.02%
Domestic Equity	22.00%	28.39%	Real Estate/Assets	10.00%	8.61%
International Equity	20.00%	16.03%	Cash	2.00%	1.52%
Fixed Income	20.00%	20.62%			

Fair Value:

The MECRS has the following fair value measurements as of December 31, 2016:

<u>Description</u>	<u>Fair Value Measurements Using:</u>			
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Net asset value</u>	<u>Unfunded commitments</u>	
Investments by fair value level:				
Equity securities:				
Fixed income	\$ 41,965,601	\$ 24,029,748	\$ 17,935,853	\$ -
Domestic equity	57,848,024	42,752,730	15,095,294	-
Emerging markets	10,658,912	-	10,658,912	-
Speciality investments	24,047,163	10,607,119	13,440,044	-
International equities	21,979,054	8,543,584	13,435,470	-
Real estate	17,567,330	-	17,567,330	3,715,035
Alternative equity	2,727,365	-	2,727,365	4,260,059
Fixed income alternative	3,786,829	-	3,786,829	3,059,090
Hedge funds of funds	19,983,557	-	19,983,557	-
	<u>\$ 200,563,835</u>	<u>\$ 85,933,181</u>	<u>\$ 114,630,654</u>	<u>\$ 11,034,184</u>

Note 3. 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 and unearned revenue when billed, net of estimated allowance for abatements.

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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 the Governing Body has notified the tax collector that it will not accept the deed because acceptance could result in liability under environmental statutes imposing strict liability on owners. Except for any paramount federal lien and subject to bankruptcy and insolvency laws, tax liens take precedence over all other liens, and tax collector's deeds are free and clear of all encumbrances.

Note 4. Receivables

Primary Government

	General	Capital Projects	Nonmajor governmental	Water Works	EPD	Aviation	Nonmajor business type	Total
Property Taxes	\$ 28,172,669	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,172,669
Due from State of NH and other local governments	454,927	-	326,902	-	9,776,597	119,691	-	10,678,117
Prior year tax liens	261,953	-	-	-	-	-	-	261,953
Tax titles	5,857,844	-	-	-	-	-	-	5,857,844
Due from federal government	-	-	226,375	-	-	2,279,322	-	2,505,697
Accounts receivable-trade	8,673,316	15,175	465,638	4,276,750	5,486,931	3,322,561	117,174	22,357,545
Notes receivable	-	-	1,141,284	571,200	-	-	-	1,712,484
MSD book loan	2,800,000	-	-	-	-	-	-	2,800,000
CDBG Fund Receivable	-	-	8,858,896	-	-	-	-	8,858,896
Other	76,621	-	939,520	571,131	77,796	-	-	1,665,068
Total fund basis gross receivables	46,297,330	15,175	11,958,615	5,419,081	15,341,324	5,721,574	117,174	84,870,273
Allowance for collection losses	-	-	(171,916)	-	-	-	-	(171,916)
Total fund basis receivables, net	46,297,330	15,175	11,786,699	5,419,081	15,341,324	5,721,574	117,174	84,698,357
Interest receivable	483,081	-	-	-	-	-	-	483,081
Allowance for collection losses	(2,144,198)	-	-	-	-	-	-	(2,144,198)
Total entity-wide receivables, net	\$ 44,636,213	\$ 15,175	\$ 11,786,699	\$ 5,419,081	\$ 15,341,324	\$ 5,721,574	\$ 117,174	\$ 83,037,240

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 was originally issued for the purpose of purchasing textbooks and classroom technology. Per an amended agreement between the City and MSD, the City authorized MSD to spend the monies as they see fit. At a meeting of the Board of Mayor and Aldermen on May 7, 2013, the Board voted to forgive interest related to

CITY OF MANCHESTER, NEW HAMPSHIRE

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June 30, 2017

the textbook loan. In addition, further payments on the loan have been deferred until fiscal year 2022. The City will reimburse the MSD for eligible expenditures as they are made. The balance of this receivable at June 30, 2017 was \$2,800,000.

Note 5. Interfund Receivables, Payables, and Transfers

Due from/to other funds consist of the following at June 30, 2017:

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$ 23,098,119	\$ -
Capital Projects	-	23,106,281
Major Enterprise Funds:		
Water Works Fund	47,813	-
Environmental Protection Division Fund	-	32,926
Aviation Fund	-	25,389
Nonmajor Enterprise Funds:		
Parking Fund	18,664	-
	<u>\$ 23,164,596</u>	<u>\$ 23,164,596</u>

The balance of \$23,106,281 due from Capital Projects to the General Fund is the result of a short-term advance. 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, 2017 were as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 4,014,949	\$ 2,300,681
Nonmajor Governmental Funds:		
Special Revenue Funds	2,300,681	270,998
Permanent Funds	-	500,100
Nonmajor Enterprise Funds:		
Parking Fund	-	3,243,851
	<u>\$ 6,315,630</u>	<u>\$ 6,315,630</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.

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NOTES TO FINANCIAL STATEMENTS

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Major interfund transfers include the following:

Transfer from the Parking Fund to the General Fund in the amount of \$3,243,851 for the annual transfer of profits. Transfer from the Cemetery Trust Fund to the General Fund of \$500,100 for the annual contribution into the general fund operating budget. Transfer from the General Fund to the Special Revenue Fund in the amount of \$2,300,681 to fund community improvement projects.

Note 6. Capital Assets

Governmental Activities

Changes in the governmental capital assets for the year ended June 30, 2017, were as follows:

	Balance*			Balance
	June 30, 2016	Additions	Retirements	June 30, 2017
Capital assets, not being depreciated				
Land	\$ 12,278,756	\$ -	\$ (27,489)	\$ 12,251,267
Easements	52,426	-	-	52,426
Construction-in-progress	10,295,680	4,397,220	(8,162,677)	6,530,223
Total capital assets, not being depreciated	22,626,862	4,397,220	(8,190,166)	18,833,916
Capital assets, being depreciated				
Buildings	400,031,162	8,129,827	(109,955)	408,051,034
Improvements other than buildings	33,839,294	-	-	33,839,294
Equipment	19,779,513	32,850	(189,145)	19,623,218
Vehicles	29,824,986	3,032,708	(2,383,227)	30,474,467
Infrastructure	115,461,935	3,553,969	-	119,015,904
Total capital assets, being depreciated	598,936,890	14,749,354	(2,682,327)	611,003,917
Less accumulated depreciation				
Buildings	176,157,032	12,154,617	(74,474)	188,237,175
Improvements other than buildings	17,556,926	1,125,151	-	18,682,077
Equipment	14,875,205	1,258,400	(172,003)	15,961,602
Vehicles	20,525,854	2,084,944	(1,733,432)	20,877,366
Infrastructure	56,495,743	4,274,286	-	60,770,029
Total accumulated depreciation	285,610,760	20,897,398	(1,979,909)	304,528,249
Governmental Activities Capital Assets, Net	\$ 335,952,992	\$ (1,750,824)	\$ (8,892,584)	\$ 325,309,584

*Beginning balances were restated due to the elimination of the Recreation enterprise fund. See Note 17 – Account Change/Restatement.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Business-type Activities

Changes in the business-type capital assets for the year ended June 30, 2017, were as follows:

	Balance*			Balance
	June 30, 2016	Additions	Retirements	June 30, 2017
Capital assets, not being depreciated				
Land	\$ 61,170,116	\$ 511,979	\$ (97,177)	\$ 61,584,918
Construction-in-progress	29,107,248	11,811,349	(21,387,587)	19,531,010
Total capital assets, not being depreciated	90,277,364	12,323,328	(21,484,764)	81,115,928
Capital assets, being depreciated				
Buildings	469,023,852	17,296,246	(102,717)	486,217,381
Improvements other than buildings	381,052,018	14,364,558	(50,509)	395,366,067
Interceptors	91,141,918	714,452	-	91,856,370
Equipment, vehicles and intangibles	68,490,929	2,660,380	(62,549)	71,088,760
Total capital assets, being depreciated	1,009,708,717	35,035,636	(215,775)	1,044,528,578
Less accumulated depreciation				
Buildings	218,448,391	10,156,958	(153,225)	228,452,124
Improvements other than buildings	210,429,382	14,319,338	-	224,748,720
Interceptors	34,050,736	1,846,286	-	35,897,022
Equipment, vehicles and intangibles	31,137,677	3,549,552	(62,549)	34,624,680
Less total accumulated depreciation	494,066,186	29,872,134	(215,774)	523,722,546
Business-type Total Capital Assets, Net	\$ 605,919,895	\$ 17,486,830	\$ (21,484,765)	\$ 601,921,960

*Beginning balances were restated due to the elimination of the Recreation enterprise fund. See Note 17 – Accounting Change/Restatement. Beginning balances were also reclassified in the following categories: Construction in progress, Buildings, Improvements other than buildings, Equipment, Vehicles, and Tangibles.

CITY OF MANCHESTER, NEW HAMPSHIRE

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June 30, 2017

Discretely Reported Component Units

Capital assets activity in the School District at June 30, 2017, consisted of the following:

	Balance			Balance
	June 30, 2016	Additions	Disposals	June 30, 2017
Capital assets, not being depreciated				
Land	\$ 169,400	\$ -	\$ -	\$ 169,400
Total capital assets, not being depreciated	169,400	-	-	169,400
Capital assets, being depreciated				
Portable classrooms	1,210,518	-	(661,906)	548,612
Improvements	172,068	-	-	172,068
Instruments	11,949	-	-	11,949
Other machinery and equipment	7,855,108	883,478	(1,361,375)	7,377,211
Total capital assets, being depreciated	9,249,643	883,478	(2,023,281)	8,109,840
Total all capital assets	9,419,043	883,478	(2,023,281)	8,279,240
Less accumulated depreciation				
Portable classrooms	591,287	53,948	(326,098)	319,137
Improvements	63,092	5,736	-	68,828
Instruments	5,975	2,390	-	8,365
Other machinery and equipment	4,162,665	1,318,999	(1,361,375)	4,120,289
Less total accumulated depreciation	4,823,019	1,381,073	(1,687,473)	4,516,619
Total Capital Assets being depreciated, Net	\$ 4,596,024	\$ (497,595)	\$ (335,808)	\$ 3,762,621

Capital asset activity in the MTA at June 30, 2017, consisted of the following:

	Balance			Balance
	June 30, 2016	Additions	Retirements	June 30, 2017
Capital assets, not being depreciated				
Land	\$ 129,109	\$ -	\$ -	\$ 129,109
Total capital assets, not being depreciated	129,109	-	-	129,109
Capital assets, being depreciated				
Buildings and improvements	1,883,736	-	-	1,883,736
Buses	11,007,753	900,337	(180,969)	11,727,121
Equipment	2,161,777	72,619	-	2,234,396
Total capital assets being depreciated	15,053,266	972,956	(180,969)	15,845,253
Less accumulated depreciation	11,618,592	761,069	(173,319)	12,206,342
Total Capital Assets being depreciated, Net	\$ 3,563,783	\$ 211,887	\$ (7,650)	\$ 3,768,020

CITY OF MANCHESTER, NEW HAMPSHIRE

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June 30, 2017

Capital asset activity in the MPTS at June 30, 2017, consisted of the following:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Capital assets, not being depreciated				
Equipment	\$ 104,125	\$ -	\$ -	\$ 104,125
Improvements	132,702	-	-	132,702
Total capital assets, being depreciated	236,827	-	-	236,827
Less accumulated depreciation				
Equipment	104,125	-	-	104,125
Improvements	132,702	-	-	132,702
Less total accumulated depreciation	236,827	-	-	236,827
Total capital assets being depreciated, Net	\$ -	\$ -	\$ -	\$ -

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

Governmental Activities:

General government	\$ 3,787,824
Public safety	1,804,175
Highways and streets	5,952,526
Health and welfare	201,278
Education and library	7,171,781
Parks and recreation	1,979,814
Total depreciation expense – governmental activities	<u>\$ 20,897,398</u>

Business-type Activities:

Water Works	\$ 3,675,836
EPD	6,959,438
Aviation	18,850,708
Parking	386,152
Total depreciation expense – business-type activities	<u>\$ 29,872,134</u>

Note 7. Deferred Outflows of Resources – Non-pension Related

Deferred outflows of resources represent the consumption of net position by the City that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, are more fully discussed in Note 10.

Other deferred outflows of resources as of June 30, 2017 resulted from the loss of debt refundings.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 8. Deferred Inflows of Resources – Non-pension Related

Deferred inflows of resources are the acquisition of net position by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 10.

The following is a summary of deferred inflows of resources balances as of June 30, 2017:

	Entity-wide Basis		Fund Basis	
	Governmental	Business-type	Governmental	Proprietary
	Activities	Activities	Funds	Funds
			General Fund	Nonmajor
Unavailable revenues - property tax	\$ -	\$ -	\$ 5,963,911	\$ -
Unearned revenues - property tax	28,163,275	-	28,163,275	-
Taxes collected in advance	39,886,550	-	39,886,550	-
Unavailable revenues - other	<u>246,378</u>	<u>88,000</u>	<u>2,596,415</u>	<u>88,000</u>
	<u>\$ 68,296,203</u>	<u>\$ 88,000</u>	<u>\$ 76,610,151</u>	<u>\$ 88,000</u>

Unavailable revenues are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

Taxes collected in advance are reported in the governmental funds balance sheet in connection with subsequent year property tax revenue collections which are not available for use in the current year.

Note 9. Long-Term Debt

Below is a listing of all the Governmental long-term debt outstanding at June 30, 2017:

Description of Issue	Date of Issue	Interest Rate(s)(%)	Original Amounts	Maturity Dates	Annual Payment	Balance June 30, 2017
POB Series 2001 C	November-01	6.22	\$ 19,006,862	2018 - 2031	\$301,348 - \$722,430	\$ 7,308,027
SRF Landfill	July-03	3.728	\$ 13,221,166	2018 - 2024	\$661,058	4,627,408
GO Series 2003 B	December-03	5.00	\$ 22,718,111	2018 - 2020	\$1,164,681 - \$2,127,127	4,469,148
GO Series 2003 C	December-03	5.75	\$ 24,215,000	2018 - 2029	\$90,709 - \$185,000	1,587,684
GO Series 2004	September-04	4.00 - 5.25	\$ 11,280,038	2018 - 2019	\$959,728 - \$1,948,237	2,907,964
School Series 2004	October-04	5.50	\$ 61,970,000	2018 - 2028	\$2,520,000 - \$5,745,000	47,020,000
GO Series 2010 B	June-10	4.00 - 5.40	\$ 12,454,634	2018 - 2030	\$550,000 - \$1,583,049	12,356,585
GO Series 2010 C	December-10	2.00 - 4.00	\$ 16,015,000	2018 - 2019	\$2,065,000 - \$2,135,000	4,200,000
GO Series 2010 D	December-10	4.00 - 4.50	\$ 4,435,000	2020 - 2023	\$1,065,000 - \$1,155,000	4,435,000
GO Series 2010 E	December-10	4.75 - 6.125	\$ 28,910,000	2024 - 2041	\$1,185,000 - \$2,130,000	28,910,000
GO Series 2010 F	December-10	3.75-5.00	\$ 31,584,742	2018 - 2029	\$980,000 - \$2,384,748	21,539,500
MERF loan	July-11	.924-3.00	\$ 400,000	2018 - 2022	\$40,163 - \$44,544	211,108
Go Series 2011 A	December-11	2.00 - 3.00	\$ 2,855,000	2018 - 2022	\$280,000 - \$315,000	1,495,000
School Series 2011	December-11	3.00 - 4.00	\$ 16,695,000	2018 - 2028	\$50,000 - \$4,510,000	14,765,000
GO Series 2015 A	June-15	3.00 - 5.00	\$ 29,990,000	2018 - 2035	\$1,240,000 - \$1,895,000	30,845,000
GO Series 2015 B	June-15	3.00 - 3.15	\$ 3,285,000	2018 - 2025	\$315,000 - \$385,000	2,790,000
GO Series 2016	June-16	1.55	\$ 12,167,005	2018 - 2022	\$2,645,000 - \$3,175,000	14,530,000
Governmental long-term debt						<u>\$ 203,997,424</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Below is a listing of all the Business Type long-term debt outstanding at June 30, 2017:

Description of Issue	Date of Issue	Interest Rate(s)(%)	Original Amounts	Maturity Dates	Annual Payment	Balance June 30, 2017
POB Series 2001 C	November-01	6.22	\$ 1,803,138	2018 - 2031	\$18,652 - \$62,570	\$ 556,973
GO Series 2003 B	December-03	5.00	\$ 2,776,889	2018 - 2020	\$215,319 - \$272,873	705,852
GO Series 2003 C	December-03	5.75	\$ 3,545,000	2018 - 2024	\$8,537 - \$9,307	62,316
GO Series 2004	September-04	4.00 - 5.25	\$ 449,962	2018 - 2019	\$55,272 - \$91,763	147,036
SRF 2007	December-05	3.27	\$ 2,970,000	2018 - 2021	\$223,035 - \$245,638	936,862
SRF 2008 2	July-07	3.488	\$ 3,426,462	2018 - 2028	\$171,323	1,884,554
SRF 2008 3	January-08	3.488	\$ 4,412,033	2018 - 2028	\$220,602	2,426,618
SRF 2008 4	July-08	3.488	\$ 4,881,959	2018 - 2028	\$244,098	2,685,078
SRF 2009	September-08	4.208	\$ 4,147,317	2018 - 2028	\$207,366	2,281,025
SRF 2011 6	February-09	2.864	\$ 1,800,000	2018 - 2031	\$35,857 - \$ 51,761	607,057
Airport Series 2009 A	December-09	4.00 - 5.00	\$ 64,830,000	2018 - 2030	\$2,440,000 - \$10,865,000	53,045,000
SRF 2012 2	January-10	1.940	\$ 700,000	2018- 2022	\$36,699 - \$39,631	190,755
SRF 2011 1	March-10	2.864	\$ 3,321,513	2018 - 2030	\$166,076	2,158,984
SRF 2011 4	April-10	2.864	\$ 3,655,662	2018 - 2030	\$182,783	2,376,180
GO Series 2010 B	June-10	4.00 - 5.00	\$ 12,454,634	2018 - 2025	\$20,732 - \$25,366	183,415
SRF 2011 3	July-10	1.790	\$ 920,948	2018 - 2020	\$92,095	276,284
SRF 2011 5	July-10	2.864	\$ 205,000	2018 - 2030	\$9,476 - \$13,678	150,947
SRF 2011 2	September-10	2.864	\$ 2,733,457	2018 - 2030	\$136,673	1,776,747
GO Series 2010 C	December-10	2.00 - 4.00	\$ 740,000	2018 -2019	\$75,000 - \$80,000	155,000
GO Series 2010 D	December-10	4.00 - 4.50	\$ 330,000	2020 - 2023	\$80,000 - \$85,000	330,000
GO Series 2010 E	December-10	4.75 - 5.50	\$ 805,000	2024 - 2031	\$90,000 - \$110,000	805,000
GO Series 2010 F	December-10	3.00 - 5.00	\$ 2,810,258	2018 - 2024	\$151,838 - \$246,676	1,380,500
SRF 2011 7	March-11	3.104	\$ 2,200,000	2018 - 2031	\$110,000	1,540,000
SRF 2012 1	March-11	3.104	\$ 2,875,000	2018 - 2031	\$143,750	2,012,500
Go Series 2011 C	December-11	3.00 - 5.00	\$ 36,375,000	2018 - 2034	\$945,000 - \$2,665,000	33,365,000
SRF 2012 3	January-12	2.72	\$ 5,353,116	2018 - 2032	267,656	4,014,837
Airport Series 2012 A	June-12	4.00 - 5.00	\$ 59,215,000	2020 - 2032	\$1,000,000 - \$8,325,000	59,215,000
Airport Series 2012 B	June-12	4.00 - 5.00	\$ 25,725,000	2018 - 2020	\$5,180,000 - \$5,885,000	16,665,000
Airport Series 2013	February-13	3.06	\$ 21,800,000	2018 - 2022	\$1,938,299 - \$2,124,410	9,391,180
Airport Series 2014	December-14	2.44	\$ 10,000,000	2018 - 2027	\$21,774 - \$2,136,521	9,949,519
Airport Series 2015	January-15	2.38	\$ 2,630,000	2018 - 2027	\$7,119 - \$482,763	2,446,714
SRF 2016 1	December-16	2.38	\$ 2,630,000	2018 - 2027	\$1,049,134	19,933,552
Business Type long-term debt						<u>\$ 233,655,485</u>

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Primary Government

The debt service requirements of the City's outstanding General Obligation (GO) bonds, revenue bonds and notes payable at June 30, 2017 are as follows:

Governmental Activities long-term debt:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 20,527,316	\$ 9,004,766	\$ 29,532,082
2019	19,215,000	8,116,215	27,331,215
2020	17,515,210	7,313,480	24,828,690
2021	15,781,583	6,607,565	22,389,148
2022	16,314,776	5,947,271	22,262,047
2023 - 2027	61,675,500	20,215,653	81,891,153
2028 - 2032	29,463,039	8,888,373	38,351,412
2033 - 2037	15,400,000	4,249,990	19,649,990
2038 - 2041	8,105,000	1,013,841	9,118,841
Debt Service Requirement	203,997,424	71,357,154	275,354,578
Add Net Bond Premium	10,030,876	-	10,030,876
Total Governmental Activities	<u>\$ 214,028,300</u>	<u>\$ 71,357,154</u>	<u>\$ 285,385,454</u>

Business-type Activities long-term debt:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 15,099,400	\$ 9,401,039	\$ 24,500,439
2019	15,699,610	8,777,231	24,476,841
2020	16,129,325	8,130,455	24,259,780
2021	16,618,504	7,468,502	24,087,006
2022	16,268,908	6,774,875	23,043,783
2023 - 2027	92,648,844	23,123,445	115,772,289
2028 - 2032	51,759,357	6,082,525	57,841,882
2033 - 2037	9,431,537	407,921	9,839,458
Debt Service Requirement	233,655,485	70,165,993	303,821,478
Add Net Bond Premium	3,592,917	-	3,592,917
Total Business-type Activities	<u>\$ 237,248,402</u>	<u>\$ 70,165,993</u>	<u>\$ 307,414,395</u>

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

Interest rates for the City's outstanding GO bonds range from 1.55% to 6.22%. At June 30, 2017, the City's legal debt limit was \$928,117,000. Authorized and unissued financing resolutions as of June 30, 2017 totaled \$32,375,000.

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.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Balance*			Balance	Due within
	June 30, 2016	Increases	Decreases	June 30, 2017	One year
Governmental activities:					
General obligation debt - City	\$ 122,874,537	\$ -	\$ 11,675,985	\$ 111,198,552	\$ 11,537,018
Revenue bonds payable - MSD	65,880,000	-	4,095,000	61,785,000	4,315,000
General obligation bonds payable - MSD	34,994,665	-	3,980,793	31,013,872	4,675,298
Premiums (discounts)	11,016,889	-	986,012	10,030,877	881,807
Net Bonds Payable	234,766,091	-	20,737,790	214,028,301	21,409,123
Compensated absences	11,498,813	3,237,636	683,970	14,052,479	3,513,120
Insurance claims	7,324,237	15,988,602	16,008,271	7,304,568	7,304,568
Capital lease	90,443	-	27,681	62,762	28,666
Net OPEB obligations	11,845,847	601,631	-	12,447,478	-
Net pension liability	181,807,495	34,884,678	-	216,692,173	-
Landfill post-closure care	450,000	-	25,000	425,000	-
	<u>\$ 447,782,926</u>	<u>\$ 54,712,547</u>	<u>\$ 37,482,712</u>	<u>\$ 465,012,761</u>	<u>\$ 32,255,477</u>
Business-type activities					
General obligation debt	\$ 66,871,712	\$ 20,982,687	\$ 4,911,327	\$ 82,943,072	\$ 5,020,798
Revenue bonds	160,375,305	-	9,662,892	150,712,413	10,078,602
Premiums (discounts)	4,406,444	-	813,527	3,592,917	696,835
Net Bonds Payable	231,653,461	20,982,687	15,387,746	237,248,402	15,796,235
Net OPEB obligations	1,111,746	48,825	-	1,160,571	-
Net pension liability	30,681,583	523,599	-	31,205,182	-
Due to State of New Hampshire	30,637,610	79,529	20,437,610	10,279,529	241,924
Compensated absences	1,299,543	109,976	-	1,409,519	281,904
	<u>\$ 295,383,943</u>	<u>\$ 21,744,616</u>	<u>\$ 35,825,356</u>	<u>\$ 281,303,203</u>	<u>\$ 16,320,063</u>

*Beginning balances were restated due to the elimination of the Recreation enterprise fund. See Note 17 – Accounting Change/Restatement.

The EPD Enterprise Fund has eleven loan agreements with original principal balances amounting to \$61,785,154 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, 2017 totaled \$43,366,360; this amount is included in the \$82,943,072 General Obligation Debt for business-type activities.

The City has pledged future airport revenues, net of specified operating expenses, to repay \$150,712,413 in airport revenue bonds. Pledged revenues total \$41,071,582 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. As required by the bond agreement, the Authority must maintain a debt services coverage ratio of 1.25 to 1. The current year coverage ratio is 1.44 to 1. The total principal and interest remaining to be paid on the bonds is \$199,373,020. Principal and interest paid for the current year was \$16,714,046.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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.

Note 10. Retirement Plans

The City follows the provisions of the Governmental Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, with respect to all of its employee retirement plans.

City Pension Plans

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

The vast majority of employees of the City participate in the City of Manchester Employees' Contributory Retirement System (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.

The City-administered MECRS and Old System pension plans are aggregated and reported as a single fiduciary fund type in the City's financial statements. Details of the financial position and results of operations for these two plans are as follows:

SCHEDULE OF PLAN NET POSITION - PENSION TRUST FUNDS

	MECRS Pension Trust 12/31/2016	Old System Pension Trust 6/30/2017	Total
Assets			
Cash and cash equivalents	\$ 3,158,373	\$ 427,456	\$ 3,585,829
Investments	200,563,835	7,932,536	208,496,371
Receivables, net of allowances for collection losses	343,628	19,714	363,342
Other assets	500	-	500
Capital assets, net where applicable, of accumulated depreciation	3,338	-	3,338
Total Assets	204,069,674	8,379,706	212,449,380
Liabilities			
Accounts and warrants payable	248,656	-	248,656
Accrued liabilities	1,434,080	-	1,434,080
Total Liabilities	1,682,736	-	1,682,736
Net Position Restricted for Pension Benefits	\$ 202,386,938	\$ 8,379,706	\$ 210,766,644

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

STATEMENT OF CHANGES IN PLAN NET POSITION - PENSION TRUSTS

	MECRS Pension Trust 12/31/2016	Old System Pension Trust 6/30/2017	Total
Additions			
Contributions			
Employer	\$ 8,841,354	\$ -	\$ 8,841,354
Plan members	3,068,947	-	3,068,947
Total Contributions	11,910,301	-	11,910,301
Investment Income			
Interest and dividends	1,981,921	158,941	2,140,862
Net realized and unrealized appreciation in fair value of investments	10,957,792	804,627	11,762,419
Other income	916	-	916
Less investment expense	(959,174)	-	(959,174)
Net Investment Income	11,981,455	963,568	12,945,023
Total Additions	23,891,756	963,568	24,855,324
Deductions			
Benefits paid directly to participants	16,668,123	1,405,755	18,073,878
Refunds of employee contributions	220,470	-	220,470
Administrative expenses	726,902	60,340	787,242
Total Deductions	17,615,495	1,466,095	19,081,590
Net Increase (Decrease)	6,276,261	(502,527)	5,773,734
Net Position Restricted for Pension Benefits			
Beginning of year	196,110,677	8,882,233	204,992,910
End of year	\$ 202,386,938	\$ 8,379,706	\$ 210,766,644

Total Net Pension Liability – Primary Government

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense reported by the Primary Government in the Statement of Net Position and Statement of Activities comprise all of the pension plans in which City employees participate. Accordingly, the following additional detail is provided:

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**Total Pension Liabilities, Deferred Outflows/Deferred Inflows Related to
Pensions, and Pension Expense - Primary Government**

	GOVERNMENTAL ACTIVITIES			
	Deferred <u>Outflows</u>	Net Pension <u>Liability</u>	Deferred <u>Inflows</u>	Pension <u>Expense</u>
MECRS	\$ 16,239,373	\$ 75,531,420	\$ 3,411,601	\$ 11,494,036
Old System	9,833	5,357,764	-	(327,922)
NHRS	<u>35,516,032</u>	<u>135,802,989</u>	<u>3,684,980</u>	<u>14,602,843</u>
Subtotal	51,765,238	216,692,173	7,096,581	25,768,957
	BUSINESS-TYPE ACTIVITIES			
	Deferred <u>Outflows</u>	Net Pension <u>Liability</u>	Deferred <u>Inflows</u>	Pension <u>Expense</u>
MECRS	7,090,966	30,358,120	1,807,680	4,643,745
Old System	<u>1,554</u>	<u>847,062</u>	<u>-</u>	<u>(51,845)</u>
Subtotal	<u>7,092,520</u>	<u>31,205,182</u>	<u>1,807,680</u>	<u>4,591,900</u>
TOTAL	<u>\$ 58,857,758</u>	<u>\$ 247,897,355</u>	<u>\$ 8,904,261</u>	<u>\$ 30,360,857</u>

Manchester Employees' Contributory Retirement System (MECRS)

A. MECRS Plan Description

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.

MECRS is a component unit of the City of Manchester and is reported as a fiduciary fund type in the City's comprehensive annual financial report. MECRS also issues an annual stand-alone financial report that is available from the MECRS administrative offices at 1045 Elm Street, Suite 403, Manchester, New Hampshire, 03101-1824. This stand-alone report can also be downloaded from the MECRS website at www.manchesterretirement.org.

Membership in the Plan consisted of the following at December 31, 2016, the date of the last actuarial valuation:

	Pension	Health Subsidy
Retirees and beneficiaries receiving benefits	856	310
Terminated vested members	96	96
Active members	1,180	1,180
Total Participants	<u>2,132</u>	<u>1,586</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

By policy, the MECRS plan requires (i) an annual actuarial valuation with yearly updates and (ii) 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 MECRS pension plan. Any difference between the ARC and the actual contribution made has been settled by the next actuarial valuation date.

B. MECRS Benefits Provided

Except as described in the following sentences, the MECRS applies to all full-time and permanent part-time employees of the City, including elected and appointed officials. The MECRS does not cover certain categories of employees, such as temporary employees, members of boards and commissions who are not full-time or permanent part-time employees of the City, members of the fire and police departments who are eligible to participate in the New Hampshire Retirement System (NHRS), and other persons who are eligible to participate in NHRS. In addition, the MECRS does not cover active employees hired before January 1, 1974 who elected to remain in the Old System pension 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 normal retirement age is 60 and the benefit is calculated at 1.5% of final average total compensation during the highest three years of service in the last ten years of service (hereafter final average earnings) multiplied by the years of service. The benefit was increased to 2% for service completed after January 1, 1999. If a member becomes totally and permanently disabled from a job-related incident, there is no service or age requirement and the minimum benefit is 50% of the final average earnings. For a non-job-related incident, disability benefits are payable only if 15 years of service have been rendered and are based on the accrued benefit to the date of disability.

Permanent employees of the City of Manchester prior to January 1, 1974 who were in service as of January 1, 1974, are eligible for early retirement if credited with no less than 20 years of service. Such early retirement benefit shall be equal to the greater of: (i) 50% of the member's final average earnings, or (ii) the sum of the member's years of service multiplied by 1.5% of the member's final average earnings (2% for service completed after January 1, 1999). Members enrolled subsequent to January 1, 1974 are eligible for early retirement benefits if their age plus years of service are equal to or greater than 80, or if they have attained age 55 with 20 years or more of service.

Cost of living adjustments (COLA) are granted pursuant to Administrative Rule 7 by the MECRS Board of Trustees.

MECRS benefit provisions are established by the City and benefit provision changes require amendment of Chapter 218 of the City Charter, first by enabling legislation by the New Hampshire legislature and then subject to approval of the voters of the City through referendum.

C. MECRS Contributions

MECRS employee contribution rates are established by the City. Employee contribution changes require amendment of Chapter 218 of the City Charter, first by enabling legislation by the New Hampshire legislature and then subject to approval of the voters of the City through referendum.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Prior to January 1, 1999, all eligible employees were required to contribute 2.5% of their salaries to the MECRS; this contribution increased to 3.75% after January 1, 1999. If an employee leaves covered employment or dies before 5 years of service, the MECRS refunds accumulated employee contributions and their investment earnings, calculated at rates determined annually by the MECRS Board of Trustees (5% for 2016).

The MECRS' legislative authority requires City contributions in amounts sufficient to fund the benefits set forth in the MECRS. The contributions are determined by the MECRS Board of Trustees on the basis of an independent actuary's valuation and are expressed as a percentage of gross payrolls. Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension fund obligation.

The City's contribution rates as a percentage of payrolls in 2016 were based on actuarial valuations performed as of December 31, 2015. The City's contributions for 2016 were based on the amount recommended by the actuary. The recommended City contributions for 2016 consisted of normal cost of \$8,391,457 which included amortization of the net pension liability and unfunded actuarial accrued liability (credits) related to actuarial gains and assumption changes. At December 31, 2016, the unfunded prior service costs are being amortized over periods of twenty-three years. The employer customary contributions represented 23.74% of covered payroll for 2016.

D. MECRS Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the MECRS and additions to/deductions from the MECRS' fiduciary net position have been determined on the same basis as they are reported by MECRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

E. MECRS Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions – Primary Government

At June 30, 2017, the City (not including the Manchester School District, a component unit of the City) reported a net pension liability of \$105,889,540 for the MECRS. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2017, the City (not including the Manchester School District, a component unit of the City) recognized pension expense of \$16,137,781. In addition, the City (not including the Manchester School District, a component unit of the City) reported deferred outflows of resources related to pensions from the following sources:

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 3,486,115	\$ 3,489,242
Net difference between projected and actual earnings on pension plan investments	12,475,431	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>2,119,281</u>	<u>1,730,039</u>
Subtotal	18,080,827	5,219,281
Contributions subsequent to the measurement date	<u>5,249,511</u>	<u>-</u>
Total	<u>\$ 23,330,338</u>	<u>\$ 5,219,281</u>

Deferred outflows of resources related to the MECRS resulting from contributions subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended June 30, 2017.

A summary of the amortization of the deferred outflows and deferred inflows can be found on page 87.

F. MECRS Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date:	December 31, 2016
Actuarial Cost Method:	Entry-Age Normal
Rate of investment return:	7.25%
Projected salary increases:	3.00% - 7.93%
Inflation Rate:	3.00%
COLA assumption	1.25% compounded annually

Mortality rates were based on the RP 2000 Mortality Table projected to 2020. This assumption is used to measure the probabilities of members dying after retirement. Ninety percent of these rates are used to measure the probability of dying before retirement. The projection to 2020 is the margin for mortality improvement. Post-retirement disabled mortality rates are based on the health mortality rates, set forward 10 years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

For each major asset class that is included in the pension plan's target asset allocation at December 31, 2016, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Current Target</u>	<u>2017 Assumption</u>	<u>30 Year Real Returns Weighted Return</u>
Cash	2.0%	3.0%	0.1%
Equities:			
Large cap equities	16.0%	8.8%	1.4%
Small/mid cap equities	6.0%	9.6%	0.6%
International equities (unhedged)	10.0%	9.6%	1.0%
International small cap (unhedged)	5.0%	10.3%	0.5%
Emerging international equities	<u>5.0%</u>	12.7%	0.6%
Total Equity	42.0%		
Fixed Income:			
Core bonds	9.0%	4.2%	0.4%
Absolute return fixed income	5.0%	4.0%	0.2%
Diversified fixed income	<u>6.0%</u>	5.6%	0.3%
Total Fixed Income	20.0%		
Alternatives:			
Real estate (core)	10.0%	8.4%	0.8%
Liquid alternatives	5.0%	6.4%	0.3%
Private equity	6.0%	11.7%	0.7%
Hedge funds	5.0%	6.8%	0.3%
Global asset allocation	<u>10.0%</u>	7.7%	0.9%
Total Alternatives	36.0%		
2017 Expected 30 year real return			<u><u>8.1%</u></u>

G. MECRS Discount Rate

The discount rate used to measure the total pension liability was 7.25%.

H. MECRS Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's (not including the Manchester School District, a component unit of the City) net pension liability calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

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<u>Year Ended</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
December 31, 2016	\$ 136,518,041	\$ 105,889,540	\$ 79,832,958

I. MECRS Retiree Health Insurance Sub-Trust

Beginning in 2006, following the November 2005 ratification by City referendum of Chapter 41 Laws of 2005, the MECRS began operating a Retiree Health Insurance Sub-Trust (Sub-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 MECRS 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, 2016, the City's employer contribution rate, which helps fund the benefit, increased to 1.26% based upon actuarial valuation results.

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 MECRS' investment guidelines. Under no circumstances are the Sub-Trust contributions made by the employee available for refund and in the event of termination, such contributions forfeit to the MECRS. Assets of the Sub-Trust are available solely for the payment of subsidy benefits to qualified members of the MECRS. Should the MECRS be discontinued, assets in excess of those required to meet ongoing benefit obligations of the MECRS would revert to the employer.

Old System Retirement Plan

A. Old System Plan Description

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.

As of July 1, 2016, the date of the latest actuarial valuation, Old System membership consisted of:

Members currently receiving benefits	92
Active Vested Members	<u>4</u>
Total Members	<u>96</u>

The Old System was closed to new employees as of January 1, 1974.

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B. Old System Benefits Provided

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. No other benefits are provided under the Old System plan.

C. Contributions

Active members are not required to contribute to the Old System plan. Actuarially determined employer contributions are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported. For the years ended June 30, 2017 and June 30, 2016, the City's actuarially determined contributions were \$665,949 and \$699,674 respectively; however, the City made no contributions to the Old System pension plan in either of these two fiscal years.

D. Old System Summary of Significant Accounting Policies

The accounting policies of the Old System as reflected in the accompanying financial statements for the year ended June 30, 2017 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the Old System are summarized below:

Basis of Accounting – The Old System financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Investment Policy – Investments are reported at market value. Old System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Old System pension plan.

Net Pension Liability - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Old System and additions to/deductions from the Old System's fiduciary net position have been determined on the same basis as they are reported by the Old System. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at market value.

E. Old System Pension Liability, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At June 30, 2017, the City reported a net pension liability of \$6,204,826 for the Old System plan. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016.

CITY OF MANCHESTER, NEW HAMPSHIRE

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The components of the Old System net pension liability of the City at June 30, 2017 were as follows:

Total pension liability	\$ 14,584,533
Plan fiduciary net position	<u>8,379,707</u>
Net pension liability	<u>\$ 6,204,826</u>
Plan fiduciary net position as a percentage of the total pension liability	57.46%

For the year ended June 30, 2017, the City recognized pension income of \$379,767. In addition, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ <u>11,388</u>
Total	\$ <u><u>11,388</u></u>

A summary of the amortization of the deferred outflows and deferred inflows can be found on page 87.

F. Old System Actuarial Assumptions

The total Old System pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	July 1, 2016
Actuarial cost method	Entry age normal
Investment rate of return	5.00%, net investment expenses
Projected salary increases	4.50%

Mortality rates were based on the RP 2000 Combined Healthy Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected

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inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Domestic equities	42.0%	5.8%
International equities	11.0%	5.8%
Fixed income	42.0%	0.6%
Cash	5.0%	0.0%
Total	<u>100.0%</u>	

G. Old System Discount Rate

The discount rate used to measure the Old System total pension liability was 3.91%. The projection of cash flows used to determine the discount rate assumed there will continue to be no future contributions made by plan members or the City. Based on those assumptions, the Old System's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to the first 7 periods of projected benefit payments and a 3.58% municipal bond rate was applied to all periods thereafter to determine the total pension liability. The 3.58% municipal bond rate was based on the Bond Buyer 20-Bond General Obligation Municipal Bond Index as of June 29, 2017.

H. Old System Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Old System, calculated using the current discount rate of 3.91%, as well as what the Old System's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.91%) or 1 percentage-point higher (4.91%) than the current rate:

<u>Year Ended</u>	<u>1% Decrease (2.91%)</u>	<u>Current Discount Rate (3.91%)</u>	<u>1% Increase (4.91%)</u>
June 30, 2017	\$ 7,277,210	\$ 6,204,826	\$ 5,253,817

New Hampshire Retirement System (NHRS)

A. NHRS Plan Description

The City contributes to the NHRS, a cost-sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory,

NOTES TO FINANCIAL STATEMENTS

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defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The NHRS, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to Group I. Police officers and firefighters belong to Group II. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report, which is publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507, or on the NHRS website at www.nhrs.org.

B. NHRS Benefits Provided

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have a nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earned compensation and/or service.

C. NHRS Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan. For fiscal year 2017, member contribution rates were set at 7% for Group I employees and teachers, 11.55% for Group II police members, and 11.80% for Group II fire members. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16. For fiscal year 2017, the City's pension contribution percentages for covered employee compensation were set at 10.86% for Group I employees, 12.72% for Group I teachers, 22.54% for Group II police members, and 25.32% for Group II fire members.

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The City's contributions to the NHRS pension plan for its covered police and fire members for the year ended June 30, 2017 totaled \$9,270,373 (exclusive of a \$1,494,226 medical subsidy), which was equal to its annual required contribution.

D. NHRS Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS' fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

E. NHRS Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a net pension liability of \$135,802,989 for its proportionate share of the NHRS' total net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The City's proportion of the net pension liability was based on an actuarially determined projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At June 30, 2015, the City's proportion was 2.59374442%.

At the most recent measurement date of June 30, 2016, the City's proportion was 2.55384212%, which was a decrease of .0399023% from its previous year proportion.

For the year ended June 30, 2017, the City recognized pension expense of \$14,602,843. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 377,395	\$ 1,714,854
Changes of assumptions	16,713,031	-
Net difference between projected and actual earnings on pension plan investments	8,496,533	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>658,700</u>	<u>1,970,126</u>
Subtotal	26,245,659	3,684,980
Contributions subsequent to the measurement date	<u>9,270,373</u>	-
Total	<u>\$ 35,516,032</u>	<u>\$ 3,684,980</u>

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Deferred outflows of resources related to the NHRS resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

A summary of the amortization of the deferred outflows and deferred inflows can be found on page 87.

F. NHRS Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5% per year
Salary increases	5.6% average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP 2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Large cap equities	22.50%	4.25%
Small/mid cap equities	<u>7.50%</u>	4.50%
Total domestic equities	30.00%	
International equities (unhedged)	13.00%	4.75%
Emerging international equities	<u>7.00%</u>	6.25%
Total international equities	20.00%	
Core bonds	5.00%	0.64%
Short Duration	2.00%	-0.25%
Global Multi-Sector Fixed Income	11.00%	1.71%
Absolute Return Fixed Income	<u>7.00%</u>	1.08%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	3.68%
Real estate	<u>10.00%</u>	3.25%
Total alternative investments	<u>25.00%</u>	
Total investments	<u><u>100.00%</u></u>	

G. NHRS Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective total pension liability.

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H. NHRs Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate.

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 174,497,590	\$ 135,802,989	\$ 103,711,950

I. NHRs Fiduciary Net Position

Detailed information about the NHRs pension plan's fiduciary net position is available in the separately issued NHRs financial report.

Amortization of Deferred Outflows and Deferred Inflows Related to Pensions

Detail of the pension related deferred outflows and deferred inflows of resources exclusive of contributions subsequent to the measurement date are as follows:

	Deferred Outflows			
	MECRS	Old System	NHRs	Total
Governmental Activities	\$ 12,506,126	\$ 9,834	\$ 26,245,659	\$ 38,761,619
Business-Type Activities:				
Water Works	2,014,395	996	-	2,015,391
EPD	833,187	558	-	833,745
Aviation	2,147,606	-	-	2,147,606
Nonmajor	579,513	-	-	579,513
Subtotal	<u>5,574,701</u>	<u>1,554</u>	<u>-</u>	<u>5,576,255</u>
Total	<u>\$ 18,080,827</u>	<u>\$ 11,388</u>	<u>\$ 26,245,659</u>	<u>\$ 44,337,874</u>

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	Deferred Inflows			
	<u>MECRS</u>	<u>Old System</u>	<u>NHRS</u>	<u>Total</u>
Governmental Activities	\$ 3,411,601	\$ -	\$ 3,684,980	\$ 7,096,581
Business-Type Activities:				
Water Works	446,129	-	-	446,129
EPD	551,046	-	-	551,046
Aviation	693,177	-	-	693,177
Nonmajor	117,328	-	-	117,328
Subtotal	<u>1,807,680</u>	<u>-</u>	<u>-</u>	<u>1,807,680</u>
Total	<u>\$ 5,219,281</u>	<u>\$ -</u>	<u>\$ 3,684,980</u>	<u>\$ 8,904,261</u>

The above amounts reported as deferred outflows and deferred (inflows) of resources will be recognized in pension expense as follows:

	Governmental	Business-Type Activities				
		<u>Activities</u>	<u>Water Works</u>	<u>EPD</u>	<u>Aviation</u>	<u>Nonmajor</u>
2018	\$ 7,744,906	\$ 558,493	\$ 162,114	\$ 535,245	\$ 124,649	\$ 9,125,407
2019	7,744,906	558,493	162,114	535,248	124,649	9,125,410
2020	10,058,191	432,392	100,159	397,749	108,868	11,097,359
2021	6,168,312	47,711	(79,637)	11,808	64,814	6,213,008
2022	(51,277)	(27,827)	(62,051)	(25,621)	39,205	(127,571)
	<u>\$ 31,665,038</u>	<u>\$ 1,569,262</u>	<u>\$ 282,699</u>	<u>\$ 1,454,429</u>	<u>\$ 462,185</u>	<u>\$ 35,433,613</u>

Note 11. Other Post Employment Benefits

CITY

Plan Descriptions and Background

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

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

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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, 2016, there were 2,787 active employees who may be eligible for benefits in the future and 258 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 Position over time.

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

Annual OPEB Costs and Net OPEB Obligations

Under GASB 45, the Annual Required Contribution (ARC) of the employer equals the Normal Cost plus a provision for amortizing the Unfunded Actuarial Accrued Liability. The ARC represents a level dollar amortization over the maximum acceptable amortization period of 30 years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2017 and the amount actually contributed to the plan.

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Annual Required Contribution (ARC)	\$ 2,267,563
Interest on Net OPEB Obligation	509,866
Adjustment to ARC	<u>(737,225)</u>
Annual OPEB Cost	2,040,204
Less: Employer contributions made	<u>(1,178,796)</u>
Change in Net OPEB Obligation	861,408
Net OPEB obligation beginning of year	<u>12,746,641</u>
Net OPEB obligation end of year	<u><u>\$ 13,608,049</u></u>

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

SCHEDULE OF ANNUAL OPEB COST - CITY

Fiscal Year Ended	Annual OPEB Cost	Actual		Net OPEB Obligation
		Contributions (pay-as-you-go)	Percentage Contributed	
6/30/2017	\$2,040,204	\$1,178,796	57.8%	\$13,608,049
6/30/2016	\$2,072,337	\$1,534,320	74.0%	\$12,957,593
6/30/2015	\$2,027,506	\$1,302,078	64.2%	\$12,419,576
6/30/2014	\$2,518,701	\$1,349,650	53.6%	\$11,694,148
6/30/2013	\$2,446,337	\$1,099,255	44.9%	\$10,525,097
6/30/2012	\$3,439,827	\$1,751,546	50.9%	\$ 9,178,015

As of July 1, 2016, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial liability (UAAL) were \$22,710,662. The covered payroll (annual payroll of active employees covered by the plan) was \$82,366,417 and the ratio of the UAAL to the covered payroll was 27.6%.

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.

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In the July 1, 2016 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 9% initially, decreasing 1% per year to an ultimate rate of 5%. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at July 1, 2016 was 30 years.

MSD

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

The School District has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC). The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2017:

Annual required contribution/OPEB cost	\$ 919,167
Interest net OPEB obligation	555,342
Adjustment to annual required contribution	(802,982)
Contributions made (pay-as-you-go)	<u>(560,630)</u>
Increase in net OPEB obligation	110,897
Net OPEB obligation, beginning	<u>13,883,555</u>
Net OPEB obligation, ending	<u><u>\$ 13,994,452</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 2017 was as follows:

SCHEDULE OF ANNUAL OPEB COST - MSD - UNAUDITED				
Fiscal Year Ended	Annual OPEB Cost	Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
6/30/2017	\$ 671,527	\$ 560,630	83.5%	\$ 13,994,452
6/30/2016	\$1,560,307	\$1,160,059	74.3%	\$ 13,883,555
6/30/2015	\$1,281,317	\$1,020,786	79.7%	\$ 13,728,176
6/30/2014	\$3,157,929	\$2,601,477	82.4%	\$ 13,467,645
6/30/2013	\$3,088,604	\$2,217,679	71.8%	\$ 12,911,193
6/30/2012	\$5,986,475	\$4,026,249	67.3%	\$ 12,040,268

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

As of July 1, 2016, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial liability (UAAL) were \$8,836,572. The covered payroll (annual payroll of active employees covered by the plan) was \$91,019,499 during fiscal year 2017, and the ratio of the UAAL to the covered payroll was 9.7%

In the July 1, 2016 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 healthcare cost trend is 9% initially, decreasing 1% per year to an ultimate rate of 5%. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at July 1, 2016 was 30 years. The RP-2000 Mortality Table projected to 2020 using Scale AA was used.

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, 2016.

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	\$ 123,853
Amortization of Unfunded	217,236
Interest	8,423
Annual required contribution	<u>349,512</u>
Interest on Net OPEB Obligation	108,087
Adjustment to ARC	<u>(206,773)</u>
Annual OPEB Cost	250,826
Less actual contribution	<u>(89,315)</u>
Increase in net OPEB Obligation	161,511
Net OPEB obligation beginning of year	<u>2,161,745</u>
Net OPEB obligation end of year	<u><u>\$ 2,323,256</u></u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017 were as follows:

Annual required contribution	\$	349,512
Actual contribution	\$	89,315
Percent contributed		26%
Actuarial accrued liability	\$	3,076,717
Plan assets		-
Unfunded actuarial accrued liability	\$	<u>3,076,717</u>
Covered payroll	\$	2,549,690
Unfunded actuarial accrued liability as a percentage of covered payroll		121%

Significant methods and assumptions were as follows:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Projected Unit Credit (PUC)
Amortization method	Level dollar
Remaining amortization	Period 23 years
Actuarial assumptions:	
Investment rate of return	5.0%
Projected salary increases	N/A
Healthcare inflation rate	5.5% to 7.5%

Note 12. Contingent Liabilities and Risk Management

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

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

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

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

Fiscal Year Ended	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2017	\$7,324,237	\$15,988,602	\$16,008,271	\$7,304,568
2016	\$6,862,036	\$14,191,604	\$13,729,403	\$7,324,237
2015	\$7,900,973	\$13,254,286	\$14,293,223	\$6,862,036

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 \$250,000 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. \$368,683 was recorded in the government wide statements governmental activities for fiscal year 2017 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 a \$1,150,000 limit per employee per claim. \$6,587,359 was recorded in the government wide statements governmental activities as the City's estimated liability for all types of claims incurred in 2017 or prior, which have not been settled.

Department of Aviation

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

Regulatory

The City was issued an Administrative Order in 1998 by the United States Environmental Protection Agency (EPA), requiring the City to evaluate and plan for appropriate treatment of Combined Sewer Overflows (CSOs) pursuant to the Federal Clean Water Act. The City completed all work required by the Administrative Order on schedule in 2010. As of June 30, 2017, there was no pending claim by the EPA or the State.

The City prepared a Phase II Long-Term Control Plan to address the CSOs on the City's East Side and submitted it to the EPA in March 2010. The Phase II CSO abatement program recommends \$165 million in environmental infrastructure improvements over 20 years to the City's East Side. The City is still waiting EPA approval of the CSO Phase II plan. Due to area flooding, the City completed construction of the first Phase II contract in 2014 and 2016.

The City was issued a Notice of Violation by the EPA for the wastewater treatment plant's incinerator emissions. The City is negotiating a consent decree with the EPA to achieve compliance. The City is designing a project that will be constructed in 2018 that will achieve full compliance with the EPA's new incinerator emissions regulations.

Note 13. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations required the City to place final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$425,000 reported as landfill closure and postclosure care liability at June 30, 2017 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 14. Fund Deficits

As of June 30, 2017, the Capital Project fund, CDBG Fund, and Other Grants Fund had unassigned fund balance deficits in the amount of \$25,264,935, \$45,646, and \$432,378, respectively.

The City anticipates financing the deficit through future revenues.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 15. Restricted Net Position

Below is a listing of restricted net position at June 30, 2017:

	Governmental			
	Activities	Water Works	EPD	Aviation
Bond fund	\$ -	\$ -	\$ -	\$ 7,357,864
Bond reserve fund	-	-	-	14,581,838
Customer facility charge reserve account	-	-	-	871,573
Operations and maintenance reserve account	-	-	-	9,832,000
Renewal and replacement	-	-	-	250,000
Passenger facility charges	-	-	-	2,649,647
Coverage account	-	-	-	3,298,279
Capital improvement account	-	-	667,420	-
Revenue credit account	-	-	-	559,349
Workers compensation	2,524,364	-	-	-
Cemetery and other trust funds-nonspendable	26,346,686	-	-	-
Cemetery and other trust funds-restricted	3,113,909	-	-	-
Merrimack source development	-	10,605,352	-	-
Total Restricted Net Position	31,984,959	10,605,352	667,420	39,400,550
Less accrued bond interest	-	-	-	(3,152,888)
Total Restricted Net Position	<u>\$ 31,984,959</u>	<u>\$ 10,605,352</u>	<u>\$ 667,420</u>	<u>\$ 36,247,662</u>

Note 16. Fund Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The City has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

The following types of fund balances are reported at June 30, 2017:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing special article appropriations approved by the Board of Mayor and Alderman, capital reserve funds set aside by Board of Mayor and Alderman vote (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the City's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Below is a table of fund balance categories and classifications at June 30, 2017 for the City governmental funds:

	General Fund	Capital Projects	Other Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Prepaid expenses	\$ 1,147,199	\$ -	\$ -	\$ 1,147,199
Inventories	733,147	-	-	733,147
MSD book loan	2,800,000	-	-	2,800,000
Cemetery/library trust	-	-	26,346,686	26,346,686
Total nonspendable	4,680,346	-	26,346,686	31,027,032
Restricted:				
Capital projects	-	2,635,420	-	2,635,420
Worker's compensation	2,524,364	-	-	2,524,364
Grants	-	-	3,367,265	3,367,265
Cemetery/library trust	-	-	3,113,909	3,113,909
Civic center	-	-	993,444	993,444
Total restricted	2,524,364	2,635,420	7,474,618	12,634,402

(continued)

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(continued)

	General Fund	Capital Projects	Other Governmental Funds	Total
Committed:				
Health insurance	1,442,439	-	-	1,442,439
General liability insurance	446,265	-	-	446,265
Snow reserve	200,000	-	-	200,000
Supplemental severance reserve	200,000	-	-	200,000
Severance reserve	250,000	-	-	250,000
Roadway degradation fee reserve	3,117,783	-	-	3,117,783
General government	109,409	-	2,160,632	2,270,041
Public safety	44,744	-	-	44,744
Highway and streets	2,082	-	-	2,082
Parks and Recreation	65,840	-	-	65,840
Total committed	5,878,562	-	2,160,632	8,039,194
Assigned:				
General government - encumbrances	580,102	-	-	580,102
Public safety - encumbrances	189,365	-	-	189,365
Health and sanitation - encumbrances	11,673	-	-	11,673
Highway and streets - encumbrances	193,355	-	-	193,355
Welfare - encumbrances	46,621	-	-	46,621
Education - encumbrances	7,525	-	-	7,525
Parks and recreation - encumbrances	128,561	-	-	128,561
Total assigned	1,157,202	-	-	1,157,202
Unassigned:				
Unassigned	8,052,406	(25,264,935)	(478,024)	(17,690,553)
Total unassigned	8,052,406	(25,264,935)	(478,024)	(17,690,553)
Total fund balance	\$ 22,292,880	\$ (22,629,515)	\$ 35,503,912	\$ 35,167,277

Note 17. Accounting Change/Restatement

Entity-Wide Financial Statements:	Governmental Activities	Business-type Activities	Total Primary Government
Net position, June 30, 2016, as previously reported	\$ (33,402,795)	\$ 416,511,255	\$ 383,108,460
Close out of recreation enterprise fund	1,121,983	(1,121,983)	-
Net position, June 30, 2016, as restated	\$ (32,280,812)	\$ 415,389,272	\$ 383,108,460

CITY OF MANCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Fund Basis Financial Statements:

	General Fund	Capital Projects Fund	Nonmajor Enterprise Funds
As previously reported	\$ 19,828,044	\$ (8,312,366)	\$ 5,611,111
Close out of recreation enterprise fund	(16,427)	101,029	(1,121,983)
As restated	<u>\$ 19,811,617</u>	<u>\$ (8,211,337)</u>	<u>\$ 4,489,128</u>

Note 18. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, replacing requirements of Statements No. 45 and 57, effective for the Government beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

**Required Supplementary Information
(Unaudited)**



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Required Supplementary Information Other Post-Employment Benefits

SCHEDULE OF FUNDING PROGRESS - CITY - OPEB - UNAUDITED

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)
7/1/2016	\$ -	\$ 22,710,662	\$ 22,710,662	0.00%	\$82,366,417	27.6%
7/1/2014	\$ -	\$ 22,953,466	\$ 22,953,466	0.00%	\$83,100,423	27.6%
7/1/2012	\$ -	\$ 28,136,937	\$ 28,136,937	0.00%	\$70,655,154	39.8%

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)
7/1/2016	\$ -	\$ 8,836,572	\$ 8,836,572	0.00%	\$91,019,499	9.7%
7/1/2014	\$ -	\$15,125,406	\$15,125,406	0.00%	\$79,847,317	18.9%
7/1/2014	\$ -	\$14,910,911	\$14,910,911	0.00%	\$87,326,512	17.1%
7/1/2012	\$ -	\$32,609,540	\$32,609,540	0.00%	\$91,692,296	35.6%
7/1/2012	\$ -	\$32,141,237	\$32,141,237	0.00%	\$91,692,296	35.1%

Required Supplementary Information Other Post-Employment Benefits

SCHEDULE OF FUNDING PROGRESS - MTA - OPEB - UNAUDITED

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a)/(b)	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2016	\$ -	\$3,076,717	\$ 3,076,717	0.0%	\$2,549,690	121%
6/30/2016	\$ -	\$3,076,717	\$ 3,076,717	0.0%	\$2,390,589	129%
6/30/2013	\$ -	\$4,559,558	\$ 4,559,558	0.0%	\$2,418,416	189%
6/30/2013	\$ -	\$4,559,558	\$ 4,559,558	0.0%	\$2,235,353	204%
6/30/2013	\$ -	\$4,559,558	\$ 4,559,558	0.0%	\$1,985,129	230%

See Independent Auditors' Report

CITY OF MANCHESTER, NEW HAMPSHIRE
MANCHESTER EMPLOYEES' CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY*

(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 6,327,991	\$ 6,468,648	\$ 6,589,804
Interest on the total pension liability	22,438,990	21,231,157	20,108,289
Differences between expected and actual experience in the measurement of the total pension liability	(5,201,876)	4,528,433	2,603,699
Benefit payments, including refunds of employee contributions	<u>(16,032,864)</u>	<u>(14,963,425)</u>	<u>(12,543,344)</u>
Net change in total pension liability	7,532,241	17,264,813	16,758,448
Total pension liability - beginning	<u>314,355,740</u>	<u>297,090,927</u>	<u>280,332,479</u>
Total pension liability - ending (a)	321,887,981	314,355,740	297,090,927
Plan fiduciary net position			
Contributions - employer	8,391,457	11,613,137	10,959,998
Contributions - employees	2,389,882	2,744,956	2,254,021
Pension plan net investment income	11,543,017	(4,783,148)	6,754,397
Benefit payments, including refunds of employee contributions	(16,032,864)	(14,963,425)	(12,543,344)
Pension plan administrative expense	(791,764)	(693,329)	(679,116)
Other changes	<u>(61,855)</u>	<u>(65,963)</u>	<u>(50,008)</u>
Net change in plan fiduciary net position	5,437,873	(6,147,772)	6,695,948
Plan fiduciary net position - beginning	<u>186,492,399</u>	<u>192,640,171</u>	<u>185,866,717</u>
Plan fiduciary net position - ending (b)	<u>191,930,272</u>	<u>186,492,399</u>	<u>192,562,665</u>
Net pension liability - ending (a-b)	<u><u>\$129,957,709</u></u>	<u><u>\$127,863,341</u></u>	<u><u>\$ 104,528,262</u></u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

* This schedule is inclusive of the Manchester School District, a component unit of the City

See Notes to Financial Statements for summary of actuarial methods and assumptions.

See Independent Auditors' Report

**CITY OF MANCHESTER, NEW HAMPSHIRE
MANCHESTER EMPLOYEES' CONTRIBUTORY RETIREMENT SYSTEM**

SCHEDULES OF THE NET PENSION LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS*

(Unaudited)

Schedule of the Net Pension Liability

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 321,887,981	\$ 314,355,740	\$ 297,090,927
Plan fiduciary net position	<u>191,930,272</u>	<u>186,492,399</u>	<u>192,562,665</u>
Net pension liability	<u>\$ 129,957,709</u>	<u>\$ 127,863,341</u>	<u>\$ 104,528,262</u>
Plan fiduciary net position as a percentage of the total pension liability	59.63%	59.33%	64.82%
Covered payroll	\$ 52,888,074	\$ 52,953,903	\$ 54,267,183
Net pension liability as a percentage of covered payroll	245.72%	241.46%	192.62%

Schedule of Contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 8,391,457	\$ 11,613,137	\$ 10,959,998
Contributions in relation to the actuarially determined contribution	<u>8,391,457</u>	<u>11,613,137</u>	<u>10,959,998</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 52,888,074	\$ 52,953,903	\$ 54,267,183
Contributions as a percentage of covered payroll	15.87%	21.93%	20.20%

Schedule of Investment Returns

<i>Year Ended December 31</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money weighted rate of return, net of investment expense	6.3%	-2.5%	3.6%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

* These schedules are inclusive of the Manchester School District, a component unit of the City.

See Notes to Financial Statements for summary of actuarial methods and assumptions.

See Independent Auditors' Report.

**CITY OF MANCHESTER, NEW HAMPSHIRE
OLD SYSTEM PENSION TRUST**

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 18,157	\$ 34,755	\$ 52,770
Interest on the total pension liability	516,863	800,703	908,525
Differences between expected and actual experience in the measurement of the total pension liability	-	(1,284,322)	(556,703)
Changes of assumptions	(566,613)	1,971,523	534,707
Benefit payments, including refunds of employee contributions	<u>(1,405,754)</u>	<u>(1,551,678)</u>	<u>(1,543,414)</u>
Net change in total pension liability	(1,437,347)	(29,019)	(604,115)
Total pension liability - beginning	<u>16,021,880</u>	<u>16,050,899</u>	<u>16,655,014</u>
Total pension liability - ending (a)	14,584,533	16,021,880	16,050,899
 Plan fiduciary net position			
Pension plan net investment income	925,222	(75,022)	440,396
Benefit payments, including refunds of employee contributions	(1,405,754)	(1,551,678)	(1,543,414)
Pension plan administrative expense	<u>(21,995)</u>	<u>(11,629)</u>	<u>(64,663)</u>
Net change in plan fiduciary net position	(502,527)	(1,638,329)	(1,167,681)
Plan fiduciary net position - beginning	<u>8,882,234</u>	<u>10,520,563</u>	<u>11,688,244</u>
Plan fiduciary net position - ending (b)	<u>8,379,707</u>	<u>8,882,234</u>	<u>10,520,563</u>
 Net pension liability - ending (a-b)	<u><u>\$ 6,204,826</u></u>	<u><u>\$ 7,139,646</u></u>	<u><u>\$ 5,530,336</u></u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Notes to Financial Statements for summary of actuarial methods and assumptions.

See Independent Auditors' Report

**CITY OF MANCHESTER, NEW HAMPSHIRE
OLD SYSTEM PENSION TRUST**

SCHEDULES OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

(Unaudited)

Schedule of the Net Pension Liability

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 14,584,533	\$ 16,021,880	\$ 16,050,899
Plan fiduciary net position	<u>8,379,707</u>	<u>8,882,234</u>	<u>10,520,563</u>
Net pension liability	<u>\$ 6,204,826</u>	<u>\$ 7,139,646</u>	<u>\$ 5,530,336</u>
Plan fiduciary net position as a percentage of the total pension liability	57.46%	55.44%	65.55%
Covered payroll	\$ 283,420	\$ 280,592	\$ 458,869
Net pension liability as a percentage of covered payroll	2189.27%	2544.49%	1205.21%

Schedule of Contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 665,949	\$ 699,674	\$ 413,555
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ 665,949</u>	<u>\$ 699,674</u>	<u>\$ 413,555</u>
Covered payroll	\$ 283,420	\$ 280,592	\$ 458,869
Actual contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Notes to Financial Statements for summary of actuarial methods and assumptions.

See Independent Auditors' Report.

CITY OF MANCHESTER, NEW HAMPSHIRE
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017
(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2017	June 30, 2016	2.554%	\$135,802,989	\$ 38,348,521	354.13%	58.3%
June 30, 2016	June 30, 2015	2.594%	\$102,751,888	\$ 37,094,467	277.00%	66.5%
June 30, 2015	June 30, 2014	2.569%	\$96,430,327	\$ 38,767,121	248.74%	66.3%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

CITY OF MANCHESTER, NEW HAMPSHIRE

**SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2017
(Unaudited)**

New Hampshire Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2017	\$ 9,270,373	\$ 9,270,373	\$ -	\$ 38,912,144	23.82%
June 30, 2016	\$ 9,144,766	\$ 9,144,766	\$ -	\$ 38,348,521	23.85%
June 30, 2015	\$ 8,715,379	\$ 8,715,379	\$ -	\$ 37,094,327	23.50%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

General Fund
 Required Supplementary Information
 Statement of Revenues and Expenditures -
 Budget and Actual (Budget Basis) - Unaudited

City of Manchester, New Hampshire
 Year Ended June 30, 2017

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 100,607,689	\$ 101,182,689	\$ 99,020,573	\$ (2,162,116)
Federal and state grants and aid	3,622,759	3,622,759	3,676,573	53,814
Nonenterprise charges for sales and services	4,479,352	4,479,352	4,594,935	115,583
Licenses and permits	20,814,923	20,264,923	22,478,014	2,213,091
Interest	305,000	305,000	201,857	(103,143)
Other	14,139,011	14,114,011	14,277,779	163,768
Total Revenues	143,968,734	143,968,734	144,249,731	280,997
Expenditures				
Current:				
General government	61,416,503	60,068,498	61,860,238	(1,791,740)
Public safety	41,619,345	42,693,643	42,693,643	-
Health and sanitation	2,809,822	2,809,822	2,684,553	125,269
Highway and streets	16,165,972	16,202,240	16,202,240	-
Welfare	1,019,240	1,014,240	934,784	79,456
Education	2,003,162	2,003,162	2,002,959	203
Parks and recreation	4,254,109	4,254,109	4,181,241	72,868
Debt service:				
Principal retirement	11,863,203	11,863,203	11,675,985	187,218
Interest	5,849,442	5,849,442	5,418,794	430,648
Total Expenditures	147,000,798	146,758,359	147,654,437	(896,078)
Excess (Deficiency) of revenues under expenditures	(3,032,064)	(2,789,625)	(3,404,706)	(615,081)
Other Financing Sources (Uses)				
Transfers in	4,033,100	4,033,100	3,743,951	(289,149)
Transfers out	(1,001,036)	(1,243,475)	(1,243,475)	-
Total Other Financing Sources (Uses)	3,032,064	2,789,625	2,500,476	(289,149)
Expenses and Other Financing Uses Over Revenues and Other Financing Sources	\$ -	\$ -	\$ (904,230)	\$ (904,230)

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

City of Manchester, New Hampshire
Year Ended June 30, 2017

	Original Budget	Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Taxes				
Property tax	\$ 97,531,847	\$ 98,106,847	\$ 95,567,997	\$ (2,538,850)
Miscellaneous taxes	20,000	20,000	14,411	(5,589)
Interest and penalties	1,140,000	1,140,000	1,475,458	335,458
Cable franchise fees	1,915,842	1,915,842	1,962,707	46,865
Total Taxes	100,607,689	101,182,689	99,020,573	(2,162,116)
Federal and State Grants and Aid				
Federal grants	350,000	350,000	331,205	(18,795)
Payments in lieu of taxes	717,300	717,300	737,745	20,445
State Grants	2,555,459	2,555,459	2,607,623	52,164
Total Federal and State Grants and Aid	3,622,759	3,622,759	3,676,573	53,814
Nonenterprise Charges for Sales and Services				
Sales and Services				
General revenues	159,725	159,725	199,843	40,118
Public safety	172,450	172,450	154,484	(17,966)
Highway	943,258	943,258	1,207,821	264,563
Health	13,500	13,500	10,457	(3,043)
Cemetery, Parks & Recreation	1,871,302	1,871,302	1,692,398	(178,904)
Zoning board	72,500	72,500	72,585	85
Parking violations	7,500	7,500	2,500	(5,000)
Court fines	12,000	12,000	5,296	(6,704)
Fees	1,152,117	1,152,117	1,157,934	5,817
Witness fees	75,000	75,000	91,618	16,618
Total Nonenterprise Charges for Sales and Services	4,479,352	4,479,352	4,594,936	115,584
Licenses and Permits				
Auto registrations	18,061,086	17,581,086	18,972,371	1,391,285
Licenses	500,050	430,050	478,155	48,105
Permits	2,253,787	2,253,787	3,027,488	773,701
Total Licenses and Permits	20,814,923	20,264,923	22,478,014	2,213,091
Interest				
Income from invested funds	305,000	305,000	201,857	(103,143)
Other Revenues				
Reimbursements	3,535,783	3,535,783	3,724,898	189,115
Rentals & Leases	1,115,760	1,115,760	1,124,415	8,655
School chargebacks	9,484,818	9,459,818	9,291,929	(167,889)
Miscellaneous	2,650	2,650	136,536	133,886
Total Other Revenues	14,139,011	14,114,011	14,277,778	163,767
Total Revenues	143,968,734	143,968,734	144,249,731	280,997
Transfers in	4,033,100	4,033,100	3,743,951	(289,149)
Total Transfers in	4,033,100	4,033,100	3,743,951	(289,149)
Total Revenues and Transfers in	\$ 148,001,834	\$ 148,001,834	\$ 147,993,682	\$ (8,152)

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

City of Manchester, New Hampshire
 Year Ended June 30, 2017

	Original Budget	Revised Budget	Total Commitments	Commitments vs Revised Budget Variance
General Government				
Aldermen	\$ 70,000	\$ 70,000	\$ 68,750	\$ 1,250
Assessors	608,477	608,477	572,350	36,127
City Clerk	992,301	992,301	986,033	6,268
City Solicitor	1,287,479	1,287,479	1,286,727	752
Civic Contribution	162,286	162,286	147,543	14,743
Central Fleet Management	3,163,824	3,187,245	3,187,245	-
Economic Development Office	139,500	139,500	120,907	18,593
Senior Services	241,489	241,489	222,268	19,221
Finance	955,242	962,331	962,331	-
Information Systems	1,541,651	1,541,651	1,541,092	559
Mayor	230,375	230,375	229,134	1,241
MPTS	451,253	451,253	451,253	-
MTA	1,165,724	1,165,724	1,165,724	-
Nondepartmental	39,815,837	38,388,806	40,409,226	(2,020,420)
Non-city Program	69,107	69,107	68,948	159
Human Resources	778,710	778,710	774,356	4,354
Planning and Community Development	1,977,662	2,021,178	1,961,848	59,330
Facilities Division	6,678,829	6,683,829	6,654,483	29,346
Tax Collector	494,043	494,043	479,803	14,240
Youth Services	592,714	592,714	570,217	22,497
Total General Government	61,416,503	60,068,498	61,860,238	(1,791,740)
Public Safety				
Fire	19,604,585	19,705,012	19,705,012	-
Police	22,014,760	22,988,631	22,988,631	-
Total Public Safety	41,619,345	42,693,643	42,693,643	-
Health and Sanitation				
Health	2,809,822	2,809,822	2,684,553	125,269
Total Health and Sanitation	2,809,822	2,809,822	2,684,553	125,269
Highway and Streets				
Highway	16,165,972	16,202,240	16,202,240	-
Total Highway and Streets	16,165,972	16,202,240	16,202,240	-
Welfare				
Welfare	1,019,240	1,014,240	934,784	79,456
Total Welfare	1,019,240	1,014,240	934,784	79,456
Education				
Library	2,003,162	2,003,162	2,002,959	203
Total Education	2,003,162	2,003,162	2,002,959	203
Parks and Recreation				
Parks & Recreation	4,254,109	4,254,109	4,181,241	72,868
Total Parks and Recreation	4,254,109	4,254,109	4,181,241	72,868
Debt Service				
Principal retirement	11,863,203	11,863,203	11,675,985	187,218
Interest	5,849,442	5,849,442	5,418,794	430,648
Total Debt Service	17,712,645	17,712,645	17,094,779	617,866
Total Expenditures	147,000,798	146,758,359	147,654,437	(896,078)
Other Financing Uses				
Community Improvement Program	1,001,036	1,243,475	1,243,475	-
Total Other Financing Uses	1,001,036	1,243,475	1,243,475	-
Total Expenditures and Other Financing Uses	\$ 148,001,834	\$ 148,001,834	\$ 148,897,912	\$ (896,078)

City of Manchester, New Hampshire
Note to Required Supplementary Information
June 30, 2017 - Unaudited

Budgets and Appropriations

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

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

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

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

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

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

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

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

City of Manchester, New Hampshire
Note to Required Supplementary Information
June 30, 2017 - Unaudited

Limitation on Budget Increase

The City applies Charter Section 6.15, 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 BMA and (b) the Central Business Service District. In addition, Section 6.15 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 Section 6.15 may be overridden upon a vote of two-thirds (2/3) of all Aldermen elected. Such override only would apply to the budget then under consideration.

Section 6.15 provides in part as follows: “In establishing a combined municipal budget, the BMA 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.”

Section 6.15 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 Aldermen 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 2017 and 2018 budget increases are capped at 1.00% and 1.20%, respectively.

Section 6.15 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.”

Budgetary Accounting

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

City of Manchester, New Hampshire
 Note to Required Supplementary Information
 June 30, 2017 – Unaudited

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.

Budget/GAAP reconciliation

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

	Revenues	Expenditures	Transfers In	Transfers Out	Net Change
Statement of revenues, expenditures and changes in fund balance - budgetary basis	\$ 144,249,731	\$ 147,654,437	\$ 3,743,951	\$ 1,243,475	\$ (904,230)
Central Business District	258,000	193,500	-	-	64,500
Transfer out to projects from reserves	-	-	-	2,258,157	(2,258,157)
Transfer in for special revenue reserve	-	-	270,998	-	270,998
Tax revenues of 2016 recognized in 2017	6,631,388	-	-	-	6,631,388
Tax revenues of 2017 deferred until 2018	(5,701,958)	-	-	-	(5,701,958)
Sale of capital assets	235,434	-	-	-	235,434
Interest paid on notes receivable	132,311	-	-	-	132,311
Excavation fee program	3,205,606	-	-	-	3,205,606
Municipal & Transportation improvement	522,584	-	-	-	522,584
Cash projects	-	1,267,504	-	(1,200,951)	(66,553)
Special projects	-	274,309	-	-	(274,309)
Worker's compensation	-	(9,940)	-	-	9,940
Contracts	-	22,500	-	-	(22,500)
Miscellaneous	-	4,307	-	-	(4,307)
Insurance - CGL	-	(17,052)	-	-	17,052
Health insurance	-	(362,572)	-	-	362,572
Transfer of severance pay surplus to reserve	-	(250,000)	-	-	250,000
Other project costs	-	32,364	-	-	(32,364)
Expenditures of prior year encumbrances	-	869,412	-	-	(869,412)
Current year encumbrances	-	(912,668)	-	-	912,668
Statement of revenues, expenditures and changes in fund balance (in conformity with GAAP)	<u>\$ 149,533,096</u>	<u>\$ 148,766,101</u>	<u>\$ 4,014,949</u>	<u>\$ 2,300,681</u>	<u>\$ 2,481,263</u>

**Combining and Individual Fund Financial Statements
and Other 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.

**General Fund
Comparative Balance Sheets**

**City of Manchester, New Hampshire
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 38,684,763	\$ 62,503,783
Restricted cash and cash equivalents	6,902,475	7,149,077
Investments	30,630,196	15,560,412
Receivables, net of allowances for collection losses	46,297,330	42,391,889
Prepaid expenses	1,147,199	763,138
Due from other funds	23,098,119	10,636,972
Inventories	733,147	733,298
Other current assets	187,500	218,750
Total Assets	\$ 147,680,729	\$ 139,957,319
<u>Liabilities</u>		
Accounts and warrants payable	\$ 4,403,862	\$ 4,055,803
Retainage payable	60,839	57,217
Accrued liabilities	3,274,467	2,359,259
Tax refunds payable	2,144,198	1,534,103
Other liabilities	2,470,499	3,282,523
Insurance claims payable	891,203	1,143,817
Due to Manchester School District	34,341,099	31,143,917
Unearned revenue	1,191,531	402,705
Total Liabilities	48,777,698	43,979,344
<u>Deferred inflows of resources</u>		
Unavailable revenues - property taxes	5,963,911	6,873,706
Unearned revenues - property taxes	28,163,275	26,634,917
Unearned revenues - taxes collected in advance	39,886,550	39,968,141
Unavailable revenues - other revenues collected in advance	2,596,415	2,689,594
Total deferred inflows of resources	76,610,151	76,166,358
<u>Fund Balances</u>		
Nonspendable	4,680,346	4,296,436
Restricted	2,524,364	2,357,499
Committed	5,878,562	4,235,311
Assigned	1,157,202	1,242,448
Unassigned	8,052,406	7,679,923
Total Fund Balances	22,292,880	19,811,617
Total liabilities, deferred inflows of resources and fund balances	\$ 147,680,729	\$ 139,957,319

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

**City of Manchester, New Hampshire
Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<u>Revenues</u>		
Taxes	\$ 100,208,002	\$ 99,360,223
Federal and state grants and aid	3,676,574	3,770,661
Charges for sales and services	4,580,815	3,150,831
Licenses and permits	26,221,183	23,364,179
Interest	334,198	356,866
School charge backs	9,291,929	9,379,583
Lease and rent income	946,557	962,763
Debt Recovery	1,075,282	909,301
Miscellaneous	2,958,119	2,789,186
Total Revenues	149,292,659	144,043,593
<u>Expenditures</u>		
Current:		
General government	32,285,373	30,749,698
Public safety	63,967,322	61,871,188
Health and sanitation	4,054,849	3,976,874
Highway and streets	21,466,301	20,289,218
Welfare	1,194,319	1,171,783
Education	2,924,875	2,839,578
Parks and recreation	5,638,509	4,018,189
Capital Outlay	139,774	-
Debt service:		
Principal retirement	11,675,985	11,601,455
Interest	5,418,794	5,368,863
Total Expenditures	148,766,101	141,886,846
Deficiency of revenues over expenditures	526,558	2,156,747
<u>Other Financing Sources (Uses)</u>		
Proceeds of refunding bonds	-	12,167,005
Payment to refunded bond escrow agent	-	(12,112,045)
Proceeds from sale of capital assets	240,437	21,000
Transfers in	4,014,949	3,922,989
Transfers out	(2,300,681)	(1,458,327)
Total Other Financing Sources (Uses)	1,954,705	2,540,622
Net Change in Fund Balance	2,481,263	4,697,369
Fund Balance, beginning of year, as restated	19,811,617	15,114,248
Fund Balance, end of year	\$ 22,292,880	\$ 19,811,617

Nonmajor Governmental Funds



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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 Fund

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 Fund

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.

Nonmajor Governmental Funds
Combining Balance Sheet

	Special Revenue			
	HUD Section 108 Fund	CDBG Fund	Other Grant Fund	Civic Center Fund
Assets				
Cash and cash equivalents	\$ 796,631	\$ 728,548	\$ 3,278,840	\$ -
Restricted cash and cash equivalents	-	-	627,701	993,444
Restricted investments	-	-	-	-
Receivables, net of allowances for collection losses	881,235	8,858,809	1,949,843	-
Total Assets	\$ 1,677,866	\$ 9,587,357	\$ 5,856,384	\$ 993,444
Liabilities and Fund Equity				
Liabilities				
Accounts and warrants payable	\$ -	\$ 31,693	\$ 1,230,124	\$ -
Accrued liabilities	-	4,933	30,181	-
Other liabilities	1,677,866	-	215,253	-
Unearned revenue	-	9,596,377	1,558,629	-
Total Liabilities	1,677,866	9,633,003	3,034,187	-
Fund balances (deficits)				
Nonspendable	-	-	-	-
Restricted	-	-	3,254,575	993,444
Committed	-	-	-	-
Unassigned	-	(45,646)	(432,378)	-
Total Fund balances (deficits)	-	(45,646)	2,822,197	993,444
Total Liabilities and Fund Equity	\$ 1,677,866	\$ 9,587,357	\$ 5,856,384	\$ 993,444

City of Manchester, New Hampshire

June 30, 2017

Special Revenue		Permanent Funds		
Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	Total
\$ -	\$ 764,194	\$ 840,090	\$ 82,136	\$ 6,490,439
483,206	-	-	165,854	2,270,205
-	1,396,438	23,606,403	4,757,433	29,760,274
88,133	-	87	8,592	11,786,699
\$ 571,339	\$ 2,160,632	\$ 24,446,580	\$ 5,014,015	\$ 50,307,617
\$ -	\$ -	\$ -	\$ -	\$ 1,261,817
-	-	-	-	35,114
458,649	-	-	-	2,351,768
-	-	-	-	11,155,006
458,649	-	-	-	14,803,705
-	-	21,870,572	4,476,114	26,346,686
112,690	-	2,576,008	537,901	7,474,618
-	2,160,632	-	-	2,160,632
-	-	-	-	(478,024)
112,690	2,160,632	24,446,580	5,014,015	35,503,912
\$ 571,339	\$ 2,160,632	\$ 24,446,580	\$ 5,014,015	\$ 50,307,617

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

	Special Revenue			
	HUD		Other	Civic
	Section 108	CDBG	Grant	Center
	Fund	Fund	Fund	Fund
Revenues				
Federal and state grants and aid	\$ -	\$ 2,745,834	\$ 7,113,631	\$ 5,278,074
Interest	-	-	-	4,557
Contributions	-	-	697,046	-
Net appreciation (depreciation) in fair value of securities	-	-	-	-
Other	-	-	-	-
Total Revenues	-	2,745,834	7,810,677	5,282,631
Expenditures				
Current:				
General government	-	1,791,462	1,786,140	5,472,487
Public safety	-	72,000	1,436,138	-
Health and sanitation	-	-	3,111,634	-
Highway and streets	-	90,218	194,671	-
Education	-	-	170,121	-
Parks and recreation	-	438,398	91,629	-
Cemetery trust	-	-	-	-
Investment management fee	-	-	-	-
Capital outlay	-	369,752	2,080,445	-
Total Expenditures	-	2,761,830	8,870,778	5,472,487
Excess (deficiency) of revenues over expenditures	-	(15,996)	(1,060,101)	(189,856)
Other Financing Sources (Uses)				
Transfers in	-	-	2,300,681	-
Transfers out	-	-	(270,998)	-
Total Other Financing Sources (Uses)	-	-	2,029,683	-
Net Change in Fund Balance (Deficit)	-	(15,996)	969,582	(189,856)
Fund Balance (Deficit), beginning of year	-	(29,650)	1,852,615	1,183,300
Fund Balance (Deficit), end of year	\$ -	\$ (45,646)	\$ 2,822,197	\$ 993,444

City of Manchester, New Hampshire
Year Ended June 30, 2017

Special Revenue		Permanent Funds			
Revolving Loan Fund	Expendable Trust Fund	Cemetery Trust	Library Trust	Total	
\$ -	\$ -	\$ -	\$ -	\$ 15,137,539	
7,546	41,447	333,379	144,976	531,905	
-	11,092	569,789	464,599	1,742,526	
-	(46,386)	2,675,174	195,941	2,824,729	
5,440	-	-	-	5,440	
12,986	6,153	3,578,342	805,516	20,242,139	
-	12,197	-	243,510	9,305,796	
-	-	-	-	1,508,138	
-	-	-	-	3,111,634	
-	-	-	-	284,889	
-	2,603,852	-	-	2,773,973	
-	-	-	-	530,027	
-	-	82,500	-	82,500	
-	-	48,083	24,555	72,638	
-	-	-	-	2,450,197	
-	2,616,049	130,583	268,065	20,119,792	
12,986	(2,609,896)	3,447,759	537,451	122,347	
-	-	-	-	2,300,681	
-	-	(500,100)	-	(771,098)	
-	-	(500,100)	-	1,529,583	
12,986	(2,609,896)	2,947,659	537,451	1,651,930	
99,704	4,770,528	21,498,921	4,476,564	33,851,982	
\$ 112,690	\$ 2,160,632	\$ 24,446,580	\$ 5,014,015	\$ 35,503,912	



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Statistical Section

Statistical Section

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

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. 131

Revenue Capacity

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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. 146

Demographic and Economic Information

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Operating Information

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

City of Manchester, New Hampshire
Table I

	2008	2009	2010 *	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 130,205,321	\$ 144,179,247	\$ 134,654,018	\$ 140,218,259	\$ 141,589,820	\$ 138,136,953	\$ 141,643,156	\$ 132,864,167	\$ 129,313,006	\$ 136,783,674
Restricted	22,171,646	18,254,369	19,466,347	18,990,583	23,071,145	24,720,045	27,640,940	28,475,544	28,332,984	31,984,959
Unrestricted	(22,179,743)	(37,769,673)	(27,211,134)	(24,479,074)	(22,513,971)	(18,702,119)	(39,935,901)	(194,919,019)	(191,048,782)	(218,406,961)
Total governmental activities net position	\$ 130,197,224	\$ 124,663,943	\$ 126,909,231	\$ 134,729,768	\$ 142,146,994	\$ 144,154,879	\$ 129,348,195	\$ (33,579,308)	\$ (33,402,792)	\$ (49,638,328)
Business-type activities:										
Net investment in capital assets	\$ 326,272,247	\$ 315,979,117	\$ 304,237,386	\$ 306,967,260	\$ 318,572,917	\$ 318,507,431	\$ 338,138,218	\$ 340,731,477	\$ 357,446,113	\$ 353,802,649
Restricted	56,532,400	59,319,350	59,496,926	63,087,461	55,255,580	54,860,666	49,641,409	47,118,514	42,767,676	47,520,434
Unrestricted	12,377,354	16,858,763	28,740,551	32,711,684	32,527,468	37,638,450	35,909,989	18,791,549	16,297,466	23,452,904
Total business-type activities net position	\$ 395,182,001	\$ 392,157,230	\$ 392,474,863	\$ 402,766,405	\$ 406,355,965	\$ 411,006,547	\$ 423,689,616	\$ 406,641,540	\$ 416,511,255	\$ 424,775,987
Primary government:										
Net investment in capital assets	\$ 456,477,568	\$ 460,158,364	\$ 438,891,404	\$ 447,185,519	\$ 460,162,737	\$ 456,644,384	\$ 479,781,374	\$ 473,595,644	\$ 486,759,119	\$ 490,586,323
Restricted	78,704,046	77,573,719	78,963,273	82,078,044	78,326,725	79,580,711	77,282,349	75,594,058	71,100,660	79,505,393
Unrestricted	(9,802,389)	(20,910,910)	1,529,417	8,232,610	10,013,497	18,936,331	(4,025,912)	(176,127,470)	(174,751,316)	(194,954,057)
Total primary government net position	\$ 525,379,225	\$ 516,821,173	\$ 519,384,094	\$ 537,496,173	\$ 548,502,959	\$ 555,161,426	\$ 553,037,811	\$ 373,062,232	\$ 383,108,463	\$ 375,137,659

* As restated for OPEB accrual.

Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

City of Manchester, New Hampshire
Table II

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
General government	\$ 39,763,033	\$ 42,805,918	\$ 44,072,312	\$ 43,125,554	\$ 44,278,816	\$ 47,682,276	\$ 49,677,821	\$ 45,477,734	\$ 47,456,518	\$ 50,891,446
Public safety	52,318,965	53,056,030	56,344,474	61,213,077	60,454,957	59,542,996	63,484,399	60,724,148	67,169,582	78,398,684
Health and sanitation	5,046,882	5,050,940	5,775,524	5,867,746	6,031,708	5,620,653	5,860,696	6,252,648	6,932,313	8,175,993
Highways and streets	26,607,881	28,332,502	28,611,754	29,260,549	27,764,814	24,209,780	26,964,556	27,638,943	28,954,003	30,950,866
Welfare	1,313,418	1,290,779	1,478,191	1,343,084	1,325,476	1,307,546	1,454,060	1,261,955	1,243,227	1,353,827
Education and library	7,791,145	8,183,872	8,318,868	8,680,202	8,964,830	9,515,356	10,831,748	9,444,111	10,729,959	13,374,099
Parks and recreation	6,767,095	6,229,200	5,538,284	5,737,764	6,574,730	5,737,521	6,216,146	5,555,694	6,193,407	8,363,631
Cemetery Trust	60,000	125,855	79,055	36,359	46,182	48,195	49,000	97,742	89,514	82,500
Investment management fee	55,177	56,649	57,695	55,407	54,125	57,837	68,533	70,922	63,729	72,638
Interest	4,409,099	4,042,827	3,895,389	5,466,279	5,824,536	5,139,884	5,226,003	5,473,060	5,004,183	4,703,688
Total governmental activities expenses	144,132,695	149,174,572	154,171,546	160,786,021	161,320,174	158,862,044	169,832,962	161,996,957	173,836,435	196,367,372
Business-type activities:										
Water	16,781,801	17,756,287	17,507,643	18,455,490	17,512,501	18,234,535	15,895,647	16,129,517	16,910,802	16,717,107
EPD	13,538,731	14,429,389	14,564,969	15,127,410	15,419,089	18,177,753	17,545,488	18,031,956	17,792,589	18,410,901
Aviation	65,814,560	66,214,304	59,678,505	54,480,487	56,169,425	50,443,553	53,224,987	51,023,435	49,823,452	52,020,524
Recreation	2,737,979	3,190,810	2,724,185	2,431,535	2,219,200	1,811,568	1,997,040	2,218,010	2,217,413	-
Parking	3,093,657	2,938,857	2,337,593	2,582,954	2,455,616	2,822,173	2,649,591	2,264,591	2,426,118	2,787,272
Total business-type activities expenses	101,966,728	104,529,647	96,812,895	93,077,876	93,775,831	91,489,582	91,312,753	89,667,509	89,170,374	89,935,804
Total primary government expenses	246,099,423	253,704,219	250,984,441	253,863,897	255,096,005	250,351,626	261,145,715	251,664,466	263,006,809	286,303,176
Program revenue:										
Governmental activities:										
Charges for services:										
General government	12,964,400	11,269,228	15,431,257	20,430,052	18,121,623	14,529,316	14,635,734	14,108,926	13,681,090	12,968,718
Public safety	1,455,129	1,360,027	1,273,527	1,601,622	1,818,606	1,704,115	1,692,413	1,799,449	2,332,003	2,055,032
Health and sanitation	1,834,023	1,954,809	2,010,744	2,212,021	2,286,383	2,495,061	2,605,847	2,371,922	2,394,618	2,574,894
Highways and streets	1,738,416	1,610,511	1,579,244	1,572,687	2,347,920	3,048,308	2,987,032	3,608,999	3,302,528	6,432,619
Welfare	44,825	47,925	31,092	21,544	31,293	24,048	34,996	16,157	12,851	18,172
Education and library	-	-	121,260	441,807	(68,672)	-	-	200,000	2,325,745	475,691
Parks and recreation	689,115	547,336	1,955,050	3,673,131	653,918	737,419	987,494	1,212,081	739,982	2,460,752
Operating grants and contributions:										
General government	14,851,309	18,508,228	15,433,226	10,852,586	8,581,356	8,187,673	9,001,774	8,905,625	10,025,686	9,643,349
Public safety	983,941	738,082	2,416,018	2,678,785	2,668,080	2,221,939	1,583,883	1,377,785	1,123,910	1,451,897
Health and sanitation	1,439,145	1,621,655	1,891,185	1,918,638	1,637,322	1,435,364	1,494,283	1,673,351	2,233,546	3,161,464
Highways and streets	2,055,444	2,264,109	2,039,904	2,304,118	2,898,538	2,089,952	2,149,114	1,990,204	2,297,104	2,172,676
Education and library	125,820	154,977	57,045	55,380	45,166	57,027	502,722	55,806	68,976	-
Parks and recreation	1,561,614	662,097	815,756	696,688	179,133	210,980	39,107	49,543	70,228	1,045,189
Capital grants and contributions:										
General government	-	-	-	406,928	400,000	394,258	238,000	-	-	-
Public safety	-	-	-	-	37,705	171,905	131,000	-	-	-
Highways and streets	6,201,812	2,690,181	908,525	4,099,925	2,769,813	1,281,282	794,638	519,786	2,717,364	1,777,474
Parks and recreation	-	-	315,029	-	-	-	15,829	14,689	509,915	78,128
Total governmental activities program revenue	45,944,993	43,429,165	46,278,862	52,965,912	44,408,184	38,588,647	38,893,866	37,904,323	43,835,546	46,316,055

(Continued)

Changes In Net Position (Continued)
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (Unaudited)

City of Manchester, New Hampshire
 Table II

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services:										
Water	\$ 16,316,339	\$ 15,706,634	\$ 15,855,099	\$ 16,987,128	\$ 16,187,322	\$ 17,672,365	\$ 15,061,978	\$ 16,290,013	\$ 17,366,473	\$ 17,376,705
EPD	16,645,295	18,947,577	21,103,987	21,558,040	19,917,784	20,670,900	20,414,119	21,076,122	20,956,366	20,530,182
Aviation	55,359,856	50,879,087	46,551,051	46,497,429	44,508,490	44,746,976	44,420,536	44,976,038	44,298,025	44,661,332
Recreation	2,102,962	2,117,984	1,673,650	1,587,848	1,567,601	1,574,731	1,450,735	1,306,300	1,559,492	-
Parking	4,892,834	4,849,094	4,534,452	4,365,668	4,407,972	4,487,839	4,825,369	5,641,262	5,790,373	5,719,446
Operating grants and contributions:										
EPD	983,903	-	-	49,906	34,865	26,885	265,603	189,568	174,158	163,113
Aviation	4,844,795	4,049,880	1,871,938	94,541	-	-	1,400,000	-	-	10,000
Capital grants and contributions:										
Water	1,588,069	732,896	1,029,149	3,470,596	1,459,935	620,019	893,519	875,555	1,037,752	2,101,390
EPD	389,462	1,520,198	1,192,828	761,826	3,794,290	447,984	8,131,231	351,418	140,800	4,402,331
Aviation	17,325,965	2,962,441	4,747,164	8,810,475	6,648,304	7,151,330	5,224,240	6,021,700	9,747,920	6,648,922
Recreation	-	120,200	-	-	-	-	-	-	-	-
Total business-type activities program revenues	120,449,480	101,885,991	98,559,318	104,183,457	98,526,563	97,399,029	102,087,330	96,727,976	101,071,359	101,613,421
Total primary government program revenues	159,038,127	140,779,857	136,463,641	104,183,457	98,526,563	97,399,029	140,981,196	134,632,299	144,906,905	147,929,476
Net (expense) revenue:										
Governmental activities	(98,187,702)	(98,187,702)	(105,745,407)	(107,892,684)	(116,911,990)	(120,273,397)	(130,939,096)	(124,092,634)	(130,000,889)	(150,051,317)
Business-type activities	18,482,752	(2,643,656)	1,746,423	11,105,581	4,750,732	5,909,447	10,774,577	7,060,467	11,900,985	11,677,617
Total primary government net expense	(79,704,950)	(100,831,358)	(103,998,984)	(96,787,103)	(112,161,258)	(114,363,950)	(120,164,519)	(117,032,167)	(118,099,904)	(138,373,700)
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	73,227,606	77,269,610	89,492,106	90,457,552	94,089,096	93,837,225	93,362,542	101,135,415	98,166,170	96,974,549
Auto registration fees	14,936,473	13,958,285	13,644,776	13,953,158	14,328,534	15,115,730	16,141,777	16,658,483	18,900,997	18,678,231
Franchise fees	1,127,631	1,224,321	1,692,256	1,755,899	1,791,461	1,840,954	1,893,672	1,960,231	2,012,078	2,098,503
Unrestricted investment earnings programs	2,465,960	(1,006,154)	1,187,001	1,202,692	1,285,836	2,904,064	3,912,561	1,477,956	224,117	3,705,972
Investment income	-	-	-	-	4,660,770	-	-	-	-	-
Debt reimbursement from MSD	5,759,531	5,900,612	6,001,664	6,162,664	6,208,443	6,906,691	6,926,952	7,296,407	7,896,842	8,075,793
Wall Street Tower Recovery	-	1,600,978	-	-	-	-	-	-	-	-
Impact fees	-	-	-	-	-	-	-	-	39,610	-
Transfer of debt	-	-	-	-	-	-	-	-	-	-
Transfer of capital assets	31,071	(75,000)	-	-	-	-	-	-	-	-
Transfers in (out)	1,633,821	1,339,474	1,971,376	1,979,574	1,966,382	1,638,702	(4,408,790)	2,206,984	2,887,792	3,243,851
Gain (Loss) on disposal of assets	63,354	-	1,689,667	129,107	(1,306)	37,916	160,317	(2,035,020)	49,799	(83,098)
Total governmental activities	99,245,447	100,212,126	115,678,846	115,640,646	124,329,216	122,281,282	117,989,031	128,700,456	130,177,405	132,693,801
Business-type activities:										
Unrestricted investment earnings programs	3,313,981	824,396	1,032,108	872,337	797,856	381,184	336,537	474,142	748,022	817,168
Miscellaneous	-	89,096	-	-	-	-	-	-	15,960	52,437
Transfer of capital assets	(31,071)	-	-	-	-	-	-	-	-	-
Transfer of debt	-	-	-	-	-	-	-	-	-	-
Transfers in (out)	(1,633,821)	(1,339,474)	(1,971,376)	(1,979,574)	(1,966,382)	(1,638,702)	4,408,790	(2,206,984)	(2,887,792)	(3,243,851)
Service line protection	-	-	-	-	-	-	-	-	195,419	157,596
Gain (loss) on disposal of assets	2,564,812	44,867	(489,522)	293,198	7,354	(1,347)	14,042	27,905	(102,879)	(74,252)
Total business-type activities	4,213,901	(381,115)	(1,428,790)	(814,039)	(1,161,172)	(1,258,865)	4,759,369	(1,704,937)	(2,031,270)	(2,290,902)
Total primary government	\$ 103,459,348	\$ 99,831,011	\$ 114,250,056	\$ 114,826,607	\$ 123,168,044	\$ 121,022,417	\$ 122,748,400	\$ 126,995,519	\$ 128,146,135	\$ 130,402,899
Changes in net position:										
Governmental activities	\$ 1,057,745	\$ 2,024,424	\$ 9,933,439	\$ 7,747,962	\$ 7,417,226	\$ 2,007,885	\$ (12,950,065)	\$ 4,607,822	\$ 176,516	\$ (17,357,516)
Business-type activities	22,696,653	(3,024,771)	317,633	10,291,542	3,589,560	4,650,582	15,533,946	5,355,530	9,869,715	9,386,715
Total primary government	\$ 23,754,398	\$ (1,000,347)	\$ 10,251,072	\$ 18,039,504	\$ 11,006,786	\$ 6,658,467	\$ 2,583,881	\$ 9,963,352	\$ 10,046,231	\$ (7,970,801)

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

City of Manchester, New Hampshire
 Table III

Function / Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government	\$ 27,815,709	\$ 29,777,456	\$ 30,864,483	\$ 31,689,566	\$ 27,102,979	\$ 23,111,247	\$ 23,875,508	\$ 23,014,551	\$ 23,706,776	\$ 22,612,067
Public safety	2,439,070	2,098,109	3,689,545	4,280,407	4,524,391	4,097,959	3,407,296	3,177,234	3,455,913	3,506,929
Health and sanitation	3,273,168	3,576,464	3,901,929	4,130,659	3,923,705	3,930,425	4,100,130	4,045,273	4,628,164	5,736,358
Highways and streets	9,995,672	6,564,801	4,527,673	7,976,730	8,016,271	6,419,542	5,930,784	6,118,989	8,316,996	10,382,769
Welfare	44,825	47,925	31,092	21,544	31,293	24,048	34,996	16,157	12,851	18,172
Education and library	125,820	154,977	178,305	497,187	(23,506)	57,027	502,722	255,806	2,394,721	475,691
Parks and recreation	2,250,729	1,209,433	3,085,835	4,369,819	833,051	948,398	1,042,430	1,276,313	1,320,125	3,584,069
Total governmental activities	45,944,993	43,429,165	46,278,862	52,965,912	44,408,184	38,588,646	38,893,866	37,904,323	43,835,546	46,316,055
Business-type activities:										
Water	17,904,408	16,439,530	16,884,248	20,457,724	17,647,257	18,292,384	15,955,497	17,165,568	18,404,225	19,478,095
EPD	18,018,660	20,467,775	22,296,815	22,369,772	23,746,939	21,145,769	28,810,953	21,617,108	21,271,324	25,095,626
Aviation	77,530,616	57,891,408	53,170,153	55,402,445	51,156,794	51,898,306	51,044,776	50,997,738	54,045,945	51,320,254
Recreation	2,102,962	2,238,184	1,673,650	1,587,848	1,567,601	1,574,731	1,450,735	1,306,300	1,559,492	-
Parking	4,892,834	4,849,094	4,534,452	4,365,668	4,407,972	4,487,839	4,825,369	5,641,262	5,790,373	5,719,446
Total business-type activities	120,449,480	101,885,991	98,559,318	104,183,457	98,526,563	97,399,029	102,087,330	96,727,976	101,071,359	101,613,421
Total government	\$ 166,394,473	\$ 145,315,156	\$ 144,838,180	\$ 157,149,369	\$ 142,934,747	\$ 135,987,675	\$ 140,981,196	\$ 134,632,299	\$ 144,906,905	\$ 147,929,476



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

	Fiscal Year			
	2008	2009	2010	2011
General Fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ 10,493,541
Restricted	-	-	-	1,127,897
Committed	-	-	-	3,386,978
Assigned	-	-	-	376,310
Unassigned	-	-	-	7,620,229
Reserved	9,293,045	6,085,726	7,282,959	-
Designated	12,890,049	14,656,303	18,601,566	-
Unreserved	(757,981)	(4,292,560)	(4,697,684)	-
Total General Fund	\$ 21,425,113	\$ 16,449,469	\$ 21,186,841	\$ 23,004,955
All Other Governmental Funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ 17,862,686
Restricted	-	-	-	49,116,167
Committed	-	-	-	6,050,816
Assigned	-	-	-	1,254,670
Unassigned	-	-	-	(2,266,539)
Reserved	1,456,645	4,775,205	1,303,620	-
Unreserved, reported in:				
Special revenue funds	6,249,863	1,132,950	2,496,791	-
Capital projects funds	6,103,294	(8,227,489)	8,968,775	-
Designated				
Permanent funds	19,596,479	16,952,664	18,164,642	-
Total All Other Government				
Funds	\$ 33,406,281	\$ 14,633,330	\$ 30,933,828	\$ 72,017,800

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

Manchester, New Hampshire
Table IV

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 10,955,951	\$ 10,876,516	\$ 4,574,066	\$ 4,279,443	\$ 4,296,436	\$ 4,680,346
1,954,897	1,618,788	1,128,600	1,602,649	2,357,499	2,524,364
2,796,925	2,243,078	1,068,556	2,304,671	4,235,311	5,878,562
719,593	1,115,449	586,585	691,975	1,242,448	1,157,202
7,512,470	7,688,929	6,449,466	6,265,510	7,696,350	8,052,406
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 23,939,836</u>	<u>\$ 23,542,760</u>	<u>\$ 13,807,273</u>	<u>\$ 15,144,248</u>	<u>\$ 19,828,044</u>	<u>\$ 22,292,880</u>
\$ 17,871,615	\$ 19,850,387	\$ 22,403,033	\$ 23,833,678	\$ 22,905,823	\$ 26,346,686
9,585,968	6,411,738	6,940,746	18,255,978	10,632,100	10,110,038
9,493,873	4,675,607	2,507,593	3,103,054	4,770,528	2,160,632
9,562,724	-	-	-	-	-
(767,566)	(2,553,299)	(10,349,229)	(875,772)	(12,768,835)	(25,742,959)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 45,746,614</u>	<u>\$ 28,384,433</u>	<u>\$ 21,502,143</u>	<u>\$ 44,316,938</u>	<u>\$ 25,539,616</u>	<u>\$ 12,874,397</u>

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues:				
Taxes	\$ 74,336,731	\$ 77,904,205	\$ 90,436,153	\$ 92,102,359
Federal and state grants and aid	23,305,609	26,231,368	23,095,722	22,139,779
Charges for sales and services	2,429,468	2,368,050	2,165,049	2,277,246
Licenses and permits	18,313,330	17,115,452	17,617,599	17,505,243
Interest	4,445,436	1,814,972	1,187,000	1,202,693
Contributions	985,543	402,087	135,880	4,803,681
Net gain (loss) on sale of securities	-	(3,637,617)	1,458,322	3,491,857
School charge backs	-	-	-	-
Lease and rent income	-	-	-	-
Debt recovery	-	-	-	-
Wall Street Tower recovery	-	1,600,978	-	-
Miscellaneous	11,150,475	11,647,136	15,072,675	16,321,844
Total revenues	134,966,592	135,446,631	151,168,400	159,844,702
Expenditures:				
General government	30,981,002	38,316,759	39,216,341	36,255,021
Public safety	51,736,764	51,665,596	54,795,033	59,337,519
Health and sanitation	4,908,827	4,887,210	5,527,220	5,750,650
Highway and streets	24,334,488	24,601,891	23,418,349	24,687,830
Welfare	1,301,558	1,249,651	1,436,588	1,360,692
Education	2,508,754	2,609,605	2,809,571	2,880,827
Parks and recreation	3,973,816	4,075,944	3,939,829	3,867,091
Cemetery trust	60,000	125,855	79,055	36,358
Investment management fee	55,179	56,649	57,695	55,407
Capital outlay	13,578,094	18,682,024	16,344,382	20,085,277
Debt service:				
Principal retirement	9,218,984	9,469,389	7,972,425	9,330,350
Interest	5,518,191	5,131,797	4,742,047	5,170,992
Total expenditures	148,175,657	160,872,370	160,338,535	168,818,014
Excess of expenditures over revenues	(13,209,065)	(25,425,739)	(9,170,135)	(8,973,312)
Other financing sources (uses):				
Proceeds of bonds	-	-	-	-
Proceeds from premium of bonds	-	-	-	-
Proceeds of refunding bonds	-	-	25,758,915	49,360,000
Payment to refunded bond escrow agent	-	-	-	(34,440,529)
Proceeds from premium of refunding bonds	-	-	801,754	31,584,742
Deferred cost of issuance	-	-	-	(933,463)
Proceeds from sale of capital assets	431,873	412,670	1,562,670	4,584,498
Transfers in	4,462,992	3,252,946	3,818,579	2,713,249
Transfers out	(2,829,171)	(1,988,472)	(1,733,913)	(993,099)
Total other financing sources	2,065,694	1,677,144	30,208,005	51,875,398
Net changes in fund balance	\$ (11,143,371)	\$ (23,748,595)	\$ 21,037,870	\$ 42,902,086
Debt service as a percentage of noncapital expenditures	9.95%	9.08%	7.93%	8.59%

City of Manchester, New Hampshire
Table V

		Fiscal Year					
		2012	2013	2014	2015	2016	2017
\$	95,403,257	\$ 95,394,620	\$ 94,909,143	\$ 101,273,122	\$ 99,360,223	\$ 100,208,002	
	18,709,403	15,265,886	14,788,343	14,074,310	17,519,784	18,814,113	
	2,500,250	2,482,741	2,794,063	3,160,621	3,150,831	4,580,815	
	17,789,758	18,489,427	19,676,747	20,393,820	23,364,179	26,221,183	
	1,285,835	1,007,663	1,186,033	1,255,173	1,178,053	881,243	
	3,508,925	140,452	4,222,939	2,538,785	3,131,573	1,742,526	
	(195,946)	1,896,401	2,724,044	222,783	(953,936)	2,824,729	
	-	-	9,210,982	9,344,919	9,379,583	9,291,929	
	-	-	958,606	960,031	962,763	946,557	
	-	-	1,187,603	1,192,075	909,301	1,075,282	
	-	-	-	-	-	-	
	16,401,661	16,927,548	2,213,862	3,073,976	2,888,929	2,963,559	
	155,403,143	151,604,738	153,872,365	157,489,615	160,891,283	169,549,938	
	37,623,065	43,760,870	42,986,136	40,975,792	42,373,716	44,566,109	
	57,758,252	58,232,991	61,249,963	62,354,415	66,543,229	68,083,493	
	5,612,106	5,338,405	5,325,041	5,962,648	6,383,434	7,166,483	
	23,730,684	20,440,116	22,725,604	22,432,823	21,400,697	23,153,464	
	1,314,382	1,308,246	1,462,618	1,212,288	1,171,783	1,194,319	
	2,745,594	3,206,756	2,858,466	2,885,462	3,626,769	5,797,495	
	4,399,399	3,882,722	4,207,365	4,183,541	4,271,144	6,206,516	
	46,182	48,195	49,000	97,742	89,514	82,500	
	54,125	57,837	68,532	70,922	63,729	72,638	
	34,291,831	17,282,136	7,684,575	12,107,841	14,933,976	9,901,415	
	11,434,283	11,926,329	11,931,546	11,264,935	11,601,455	11,675,985	
	6,767,364	6,291,348	5,939,981	5,687,494	5,489,115	5,418,794	
	185,777,267	171,775,951	166,488,827	169,235,903	177,948,561	183,319,211	
	(30,374,124)	(20,171,213)	(12,616,462)	(11,746,288)	(17,057,278)	(13,769,273)	
	-	-	-	33,275,000	-	-	
	-	-	-	1,398,151	-	-	
	2,855,000	-	-	-	12,167,005	-	
	(20,624,886)	-	-	-	(12,112,045)	-	
	20,491,796	-	-	-	-	-	
	(235,915)	549,984	-	-	-	-	
	598,014	(70,000)	598,600	1,439,571	21,000	240,437	
	2,669,856	3,320,012	3,119,645	3,675,423	4,846,219	6,315,630	
	(716,046)	(1,388,040)	(7,719,500)	(1,218,440)	(1,958,427)	(3,071,779)	
	5,037,819	2,411,956	(4,001,255)	38,569,705	2,963,752	3,484,288	
\$	(25,336,305)	\$ (17,759,257)	\$ (16,617,717)	\$ 26,823,417	\$ (14,093,526)	\$ (10,284,985)	
	9.80%	10.61%	10.73%	10.02%	9.60%	9.33%	

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

Fiscal Year	Property Tax	Fee	Deferred Tax	Cost on Tax Title	Interest on Tax
2008	\$ 71,914,352	\$ 1,127,633	\$ 40,981	\$ 30,692	\$ 453,840
2009	75,500,428	1,224,321	41,577	24,019	491,936
2010	87,560,329	1,523,139	44,385	29,022	498,715
2011	88,951,612	1,599,521	41,904	40,447	514,970
2012	92,353,239	1,639,884	39,789	30,113	468,646
2013	92,036,185	1,670,643	38,313	21,684	461,086
2014	91,681,426	1,731,700	39,538	24,074	487,410
2015	97,790,358	1,798,349	41,419	23,539	500,098
2016	95,964,486	1,870,203	34,803	21,999	416,324
2017	96,497,427	1,962,707	33,018	26,828	420,911
Change from first year on record versus 2017	34.18%	74.06%	-19.43%	-12.59%	-7.26%

City of Manchester, New Hampshire
Table VI

Lien	Railroad Tax	Tax Lien	Yield / Miscellaneous tax	Central Business District	Total
\$ 390,181	\$ -	\$ 131,358	\$ 3,694	\$ 244,000	\$ 74,336,731
332,065	715	41,430	2,123	245,591	77,904,205
470,802	3,644	43,193	4,834	258,090	90,436,153
651,006	2,147	28,222	14,529	258,001	92,102,359
575,337	1,226	36,579	442	258,002	95,403,257
721,366	122	187,218	-	258,003	95,394,620
628,223	1,918	56,854	-	258,000	94,909,143
822,914	-	36,344	2,507	258,000	101,273,528
706,720	1,048	83,538	3,102	258,000	99,360,223
994,700	2,230	4,138	8,043	258,000	100,208,002
154.93%	100.00%	-96.85%	117.73%	5.74%	34.80%

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

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

Fiscal Year	Residential Property	Non-Residential Property	Total Taxable Assessed Value	Percent Growth (Reduction)	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
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	0.50%	17.81	9,807,261,625	97.18%
2012	5,276,088,576	3,138,997,224	8,415,085,800	-16.62%	21.96	8,197,207,000	97.41%
2013	5,281,188,600	3,210,164,000	8,491,352,600	0.91%	22.18	8,285,246,013	97.57%
2014	5,307,185,900	3,216,732,700	8,523,918,600	0.38%	22.67	8,339,261,400	97.83%
2015	5,321,822,431	3,257,084,769	8,578,907,200	0.65%	23.50	8,409,714,728	98.03%
2016	5,340,634,374	3,340,650,306	8,681,284,680	1.19%	23.44	8,548,613,841	98.47%
2017	5,544,356,799	3,533,730,190	9,078,086,989	4.57%	23.14	8,946,360,522	98.55%

Source: City of Manchester Assessor's Office

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.

Total Assessed and Actual Taxable Values represent valuations reported on the MS-1 Summary Inventory of Valuation. The values on the 2016 MS-1 form were used for fiscal year 2017.

REAL PROPERTY TAX RATES

DRA	Fiscal Year	Rate per thousand (1)				
		City	School Local	School State	County	Total
2007	2008	\$ 7.84	\$ 5.29	\$ 2.42	\$ 1.02	\$ 16.57
2008	2009	8.05	5.98	2.28	1.04	17.35
2009	2010	9.27	5.34	2.22	1.02	17.85
2010	2011	9.28	5.41	2.16	0.96	17.81
2011	2012	11.62	6.72	2.46	1.16	21.96 (1)
2012	2013	11.40	7.16	2.46	1.16	22.18
2013	2014	11.22	7.77	2.48	1.20	22.67
2014	2015	11.76	8.09	2.41	1.24	23.50
2015	2016	11.53	8.20	2.42	1.29	23.44
2016	2017	10.96	8.58	2.31	1.29	23.14 (1)

Notes

(1) 2012 and 2017 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	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Public Service Co. of NH	\$ 201,215,300	1	2.23%	\$ 104,122,900	2	1.07%
Manchester Mall Realty Trust	147,066,000	2	1.63%	155,000,000	1	1.59%
Energy North Natural Gas, Inc.	84,762,800	3	0.94%	32,161,600	9	0.33%
SMC Waterford Place Apts, LP	50,542,900	4	0.56%	46,000,000	3	0.47%
Merion Countryside, LLC	38,525,500	5	0.43%	38,000,000	4	0.39%
Wellington DHC, LLC	33,480,500	6	0.37%	-		0.00%
1200 Elm Street, LLC	27,389,400	7	0.30%	35,544,700	5	0.37%
Brady Sullivan Plaza, LLC	26,166,100	8	0.29%	29,448,700	8	0.30%
Cotter & Co.	21,690,600	9	0.24%	-		0.00%
SMC Sundial, LP	15,734,200	10	0.17%	-		0.00%
Manchester Hill Vistas Inc	-		-	33,311,800	6	0.34%
IPC Office Properties, LLC	-		-	33,223,200	7	0.34%
Farley White Manchester, LLC	-		-	25,000,000	10	0.26%
Total	<u>\$ 646,573,300</u>		<u>7.16%</u>	<u>\$ 531,812,900</u>		<u>5.47%</u>

Source: City of Manchester, Board of Assessors' total taxable value for the November 2017 tax billing

**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
2008	2007	\$ 157,734,927	\$ 155,578,438	98.63%	\$ 2,674,305	\$ 158,252,743	100.33%
2009	2008	166,837,817	163,671,486	98.10%	1,778,931	165,450,417	99.17%
2010	2009	172,560,076	169,338,645	98.13%	2,391,041	171,729,686	99.52%
2011	2010	173,060,676	170,247,675	98.37%	2,864,001	173,111,676	100.03%
2012	2011	179,018,678	176,015,644	98.32%	3,038,303	179,053,947	100.02%
2013	2012	182,298,518	179,154,037	98.28%	3,179,750	182,333,787	100.02%
2014	2013	187,708,795	184,547,925	98.32%	3,196,137	187,744,062	100.02%
2015	2014	196,369,088	192,851,239	98.21%	3,553,119	196,404,358	100.02%
2016	2015	198,594,226	195,619,849	98.50%	3,009,646	198,629,495	100.02%
2017	2016	205,299,084	202,768,901	98.77%	2,552,709	205,321,610	100.01%

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			Total Primary Government		
	General Obligation Bonds	Percentage of Actual Property Value (1)	Debt Per Capita (2)	General Obligation Bonds	Percentage of Actual Property Value (1)	Debt Per Capita (2)	Total Primary Government	Percentage of Per Capita Income	Per Capita (2)
2008	\$ 148,669,615	1.53%	\$ 1,369	\$ 45,115,198	0.47%	\$ 416	\$ 193,784,813	0.0220%	\$ 1,785
2009	136,029,614	1.39%	1,258	46,667,578	0.48%	431	182,697,192	0.0245%	1,689
2010	150,689,440	1.54%	1,387	42,191,320	0.43%	388	192,880,760	0.0236%	1,776
2011	189,869,044	2.32%	1,733	49,922,515	0.51%	456	239,791,559	0.0191%	2,189
2012	178,249,438	2.15%	1,625	85,078,576	1.04%	776	263,328,014	0.0182%	2,401
2013	162,826,417	1.95%	1,484	85,255,508	1.03%	777	248,081,925	0.0198%	2,262
2014	147,808,735	1.77%	1,339	79,660,378	0.96%	722	227,469,113	0.0231%	2,061
2015	166,497,393	1.98%	1,507	77,527,779	0.92%	702	244,025,172	0.0215%	2,209
2016	151,443,024	1.77%	1,384	73,297,890	0.86%	670	224,740,914	0.0246%	2,054
2017	142,212,424	1.59%	1,300	82,943,072	0.93%	758	225,155,496	0.0251%	2,058

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
CITY										
Debt limit	\$ 1,003,185	\$ 954,056	\$ 834,777	\$ 822,217	\$ 818,504	\$ 790,137	\$ 819,245	\$ 846,821	\$ 897,270	\$ 928,117
Total net debt applicable to limit	103,739	94,848	108,476	143,510	135,516	124,591	113,399	125,423	114,593	103,689
Legal debt margin	\$ 899,446	\$ 859,208	\$ 726,301	\$ 678,707	\$ 682,988	\$ 665,546	\$ 705,846	\$ 721,398	\$ 782,677	\$ 824,428
Total net debt applicable to the limit as a percentage of debt limit	10.34%	9.94%	12.99%	17.45%	16.56%	15.77%	13.84%	14.81%	12.77%	11.17%
Legal Debt Margin Calculation for Fiscal Year 2017										
Base equalized valuation - real estate										\$ 9,519,151
Debt limit (9.75% of base valuation)										928,117
Debt applicable to limit:										
Total bonded debt for general government										111,756
Less debt for urban redevelopment										(202)
Less debt for pension obligation bonds										(7,865)
Total net debt applicable to limit										103,689
Legal debt margin										\$ 824,428
SCHOOL										
Debt limit	\$ 720,236	\$ 684,963	\$ 599,327	\$ 590,310	\$ 587,644	\$ 567,278	\$ 588,176	\$ 607,974	\$ 644,194	\$ 666,341
Total net debt applicable to limit	35,708	32,538	34,734	37,712	34,746	31,250	27,838	38,801	34,995	31,014
Legal debt margin	\$ 684,528	\$ 652,425	\$ 564,593	\$ 552,598	\$ 552,898	\$ 536,028	\$ 560,338	\$ 569,173	\$ 609,199	\$ 635,327
Total net debt applicable to the limit as a percentage of debt limit	4.96%	4.75%	5.80%	6.39%	5.91%	5.51%	4.73%	6.38%	5.43%	4.65%
Legal Debt Margin Calculation for Fiscal Year 2017										
Base valuation - real estate										\$ 9,519,151
Debt limit (7% of base valuation)										666,341
Debt applicable to limit:										
Total bonded debt for school district										92,799
Less debt for facilities revenue bond										(61,785)
Total net debt applicable to limit										31,014
Legal debt margin										\$ 635,327
WATER AND WASTE WATER										
Debt limit	\$ 1,028,908	\$ 978,519	\$ 856,182	\$ 843,299	\$ 839,492	\$ 810,397	\$ 840,252	\$ 868,535	\$ 920,277	\$ 951,915
Total net debt applicable to limit	32,098	34,660	30,710	40,182	40,649	78,035	73,253	68,346	64,887	81,280
Legal debt margin	\$ 996,810	\$ 943,859	\$ 825,472	\$ 803,117	\$ 798,843	\$ 732,362	\$ 766,999	\$ 800,189	\$ 855,390	\$ 870,635
Total net debt applicable to the limit as a percentage of debt limit	3.12%	3.54%	3.59%	4.76%	4.84%	9.63%	8.72%	7.87%	7.05%	8.54%
Legal Debt Margin Calculation for Fiscal Year 2017										
Base valuation - real estate										\$ 9,519,151
Debt limit (10% of base valuation)										951,915
Debt applicable to limit:										
Total bonded debt for water projects										37,914
Total bonded debt for sewer projects										43,366
Total net debt applicable to limit										81,280
Legal debt margin										\$ 870,635

Aviation Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Revenue Credit From Prior Year ⁽³⁾	Coverage Amount From Prior Year ⁽³⁾	Expenses ⁽¹⁾
2008	\$ 49,821,503	\$ 5,076,000	\$ 3,172,740	\$ 31,143,159
2009	44,732,558	3,987,000	3,037,745	27,790,716
2010	40,739,466	2,485,000	3,275,222	25,547,284
2011	40,820,451	1,909,000	3,275,222	25,234,918
2012	39,346,192	2,024,000	3,275,222	24,863,023
2013	39,970,021	979,000	3,275,222	24,613,776
2014	40,109,455	1,410,000	3,275,222	25,781,498
2015	40,681,868	43,000	3,275,222	25,250,914
2016	40,362,305	502,734	3,298,279	24,709,385
2017	41,071,582	754,952	3,298,279	26,502,718

Notes

- ⁽¹⁾ Exclusive of depreciation and bond interest.
- ⁽²⁾ Principal, interest, and O&M reserve required at year end to fund three months of operations and maintenance expense.
- ⁽³⁾ Provided by Leigh Fisher Management Consultants, formerly known as Jacob's Consultancy formerly known as Leigh Fisher Associates, Aviation Consultants
- ⁽⁴⁾ As of fiscal 2009, the O & M Reserve and bond issuance costs of \$609,400 were not included in the coverage ratio calculation.

City of Manchester, New Hampshire
Table XIII

Net Revenue Available for 1998/2000/2001/2002 Debt Service	REQUIREMENTS 1998/2000/2001/2002 Debt Service		Coverage Ratio
	Total ⁽²⁾	O & M Reserve ⁽³⁾	
\$ 26,927,084	\$ 12,150,980	\$ 1,521,600	1.97
23,966,587	12,671,309	609,400 ⁽⁴⁾	1.89
20,952,405	11,872,671	-	1.76
20,769,755	10,515,216	-	1.98
19,782,391	12,230,032	-	1.62
19,610,467	10,718,720	-	1.83
19,013,179	12,770,897	-	1.49
18,749,176	13,193,116	-	1.42
19,453,933	12,187,053	-	1.60
18,622,095	12,909,883	-	1.44

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

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

MWW Fiscal Year ⁽³⁾	Gross Revenue	Expenses ⁽¹⁾	Net Revenue Available for Debt Service	REQUIREMENTS	
				Revenue Bonds Section 705	
				Total	Coverage Ratio
12/31/2008	\$ 15,118,063	\$ 9,830,727	\$ 5,287,336	\$ 3,504,758	1.51
12/31/2009	14,316,685	10,391,946	3,924,739	3,336,488	1.18
12/31/2010	15,347,925	10,758,562	4,589,363	3,186,496	1.44
12/31/2011 ⁽²⁾	N/A	N/A	N/A	N/A	N/A
12/31/2012 ⁽²⁾	N/A	N/A	N/A	N/A	N/A
6/30/2013 ⁽²⁾	N/A	N/A	N/A	N/A	N/A
6/30/2014 ⁽²⁾	N/A	N/A	N/A	N/A	N/A
6/30/2015 ⁽²⁾	N/A	N/A	N/A	N/A	N/A
6/30/2016 ⁽²⁾	N/A	N/A	N/A	N/A	N/A
6/30/2017 ⁽²⁾	N/A	N/A	N/A	N/A	N/A

Note

⁽¹⁾ Exclusive of depreciation and bond interest.

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

⁽³⁾ The MWW adopted a change in fiscal year from the calendar year to a July 1 through June 30 fiscal budget and operating year. The financial statements reflect the six month period from January 1 through June 30, 2013 as the transition period to the new fiscal year.

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

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

Fiscal Year Ended June 30	Population ⁽¹⁾	Per Capita Income ⁽²⁾	School Enrollment ⁽³⁾	Monthly Unemployment Rate ⁽⁴⁾
2008	108,580	42,704	16,476	4.1%
2009	108,154	44,726	16,159	7.5%
2010	108,625	45,432	16,153	6.5%
2011	109,565	45,892	16,117	5.2%
2012	109,687	47,981	15,875	6.0%
2013	109,693	49,129	15,442	5.5%
2014	110,378	52,509	14,806	4.6%
2015	110,448	55,379	14,799	3.8%
2016	109,419	57,180	14,430	3.0%
2017	109,419	56,531	13,999	3.0%

Sources:

- ⁽¹⁾ NH Office of Energy and Planning, using most recent data available up through FY2013. NH Business Review Book of Lists used for FY 2014 and FY2017.
- ⁽²⁾ U.S. Department of Commerce, BEA (Bureau of Economic Analysis), using Manchester-Nashua MSA, based on most recent data available up through 2016.
- ⁽³⁾ City of Manchester, NH School Department
- ⁽⁴⁾ State of New Hampshire, Economic and Labor Market Information Bureau

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

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

Employer	2017			2008		
	Employees ⁽¹⁾	Rank ⁽¹⁾	Percentage of Total Average City Employment ⁽³⁾	Employees ⁽²⁾	Rank ⁽²⁾	Percentage of Total Average City Employment ⁽³⁾
Elliot Hospital	3,682	1	5.78%	3,060	2	4.58%
Catholic Medical Center	2,600	2	4.08%	1,700	4	2.54%
Southern NH University	2,093	3	3.29%	1,400	6	2.09%
Eversource (formerly PSNH)	1,400	4	2.20%	1,250	7	1.87%
FairPoint Comms. (formerly Verizon)	1,050	5	1.65%	1,650	5	2.47%
TD Bank, N.A.	900	6	1.41%	1,150	8	1.72%
Velcro	800	7	1.26%	-	-	-
Citizens Bank	700	8	1.10%	1,130	9	1.69%
Saint Anselm College	689	9	1.08%	-	-	-
Burndy, LLC	612	10	0.96%	-	-	-
Anthem Blue Cross				700	10	1.05%
Hannaford Brothers				4,629	1	6.93%
Home Depot				3,000	3	4.49%

Sources:

⁽¹⁾ 2017 Book of Lists, NH Business Review

⁽²⁾ 2008 Book of Lists, NH Business Review

⁽³⁾ NH Employment Security, Economic and Labor Market Bureau

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

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

<u>Functions/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government:										
Aldermen	14	14	14	14	14	14	14	14	14	13
Assessors	8	8	8	7	7	7	7	7	7	7
Building	18	19	-	-	-	-	-	-	-	-
Building Maintenance	19	18	18	20	18	17	20	20	20	20
City Clerk	15	15	16	17	15	14	14	12	14	14
City Solicitor	13	13	13	13	13	13	12	12	12	12
Economic Development Office	4	4	4	3	2	-	2	2	2	2
Elderly Services	4	4	4	4	4	4	4	1	4	4
Finance	10	12	12	11	10	10	10	10	11	10
Human Resources	8	8	9	9	9	9	9	9	10	10
Information Systems	15	15	15	15	14	14	14	14	14	15
Mayor	4	4	4	4	4	4	4	4	4	4
MCAM/MPTS	5	5	5	5	4	4	4	4	4	4
Office of Youth Services	9	10	12	10	9	9	9	7	9	9
Planning & Community Develop	9	10	30	32	30	31	30	24	29	30
Tax Collector	11	12	11	10	10	8	9	7	8	9
Parks and Recreation:										
Cemetery Care	14	12	9	11	11	11	10	9	11	11
Derryfield Golf Course	4	4	4	3	3	3	3	3	3	3
Forestry	2	2	2	2	2	2	2	2	2	2
General & Administrative	9	8	10	8	8	4	3	3	4	4
Gill Stadium	2	2	2	-	-	-	-	-	-	-
McIntyre Ski Area	1	1	-	-	-	-	-	-	-	-
Public Swimming Pools	1	1	1	1	1	1	1	1	1	1
Parks Maintenance	17	16	12	15	15	13	13	9	13	13
Recreation	1	1	1	1	1	1	1	1	-	1
Skating Arenas	6	6	6	5	4	4	4	4	4	4
Police:										
Officers	214	215	217	206	207	214	199	205	216	223
Civilians	63	62	65	65	62	57	57	52	55	53
Fire:										
Firefighters and Officers	236	232	233	226	211	208	208	207	208	208
Civilians	18	18	17	17	16	16	15	16	16	16
Fleet	-	-	-	-	1	23	23	21	22	23
Public Works:										
Administration	14	14	14	13	13	14	13	14	15	15
Street Maintenance/Const.	61	63	62	65	62	63	56	55	51	56
Street Sweeping	5	5	5	4	4	5	5	5	5	5
Refuse Collection	32	36	35	31	31	32	29	33	33	34
Vehicle Maintenance	20	20	20	19	19	-	-	-	-	-
Boiler Plant	1	1	1	-	-	1	-	-	-	-
Drain/Sewer Repair/Const.	20	19	20	19	18	16	16	14	17	17
Engineering	20	18	17	17	16	15	16	12	15	15
Traffic	10	11	11	9	9	9	10	8	11	12
Parking:										
Administration	4	4	4	3	3	3	4	4	4	4
Meters	2	2	2	2	2	2	2	2	1	1
Myrna Lot	1	1	1	1	1	-	-	-	-	-
Victory Garage	5	5	5	5	5	5	5	4	3	4
PCOs	7	7	7	7	7	7	5	7	5	7
Water:										
Administration & Financial	16	15	15	15	15	14	14	14	16	16
Water Distribution	44	42	41	41	42	42	41	39	40	39
Water Supply	24	25	25	24	21	22	20	19	21	21
Sewer:										
Administration & Financial	10	10	10	11	11	11	11	7	8	8
Monitoring	2	2	2	2	2	2	2	1	2	2
Sewer Plant Operation	15	14	15	14	13	15	14	12	16	15
Maintenance	15	14	15	15	15	15	15	13	13	13
Airport - total										
Administration & Financial	26	26	25	24	23	22	22	22	20	20
Airfield Maintenance	25	25	26	25	24	25	25	23	25	25
Terminal Maintenance	24	25	22	22	23	25	24	25	24	23
Other Programs/Functions:										
Health	61	63	60	61	57	57	53	50	55	55
Library	39	39	46	43	39	41	38	36	38	37
Welfare	12	12	13	11	12	12	11	12	12	11
Total	1,269	1,269	1,273	1,237	1,192	1,190	1,152	1,111	1,167	1,180

N/A = Not Available.

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

Function/Program	Calendar Year			
	2008	2009	2010	2011
Police:				
Physical arrests	6,244	6,769	6,319	6,033
Parking violations	51,612	45,969	67,016	45,053
Traffic citations	10,815	10,183	8,616	6,790
Fire:				
Number of calls answered	18,012	16,935	18,102	20,129
Inspections	822	1,079	1,380	1,389
Property loss	\$ 8,609,879	\$ 3,192,135	\$ 2,452,800	\$ 2,711,350
Building safety ⁽³⁾:				
Total building permits	2,030	1,788	1,913	1,648
Total value all permits	\$ 90,874,321	\$ 137,637,515	\$ 89,116,581	\$ 123,498,877
Library, visits	462,456	476,981	486,205	447,158
Public service:				
Garbage collected (ton)	42,551	40,492	38,887	39,335
Recycle collected (ton)	4,364	4,281	4,300	4,457
Streets paved resurf (miles)	9.70	9.40	8.74	1.02
Streets reconstructed (miles)	4.40	1.01	3.07	6.20
Drain reconstruction (miles)	2.30	0.55	0.27	0.10
Sewer reconstruction(miles)	2.00	0.12	0.05	3.62
New drain (miles)	N/A	N/A	N/A	N/A
Airport:				
Enplane	1,861,695	1,595,477	1,409,600	1,359,187
Deplane	1,854,698	1,585,772	1,404,832	1,351,560
Total passengers	3,716,393	3,181,249	2,814,432	2,710,747
Cargo (in pounds)	178,155,941	161,670,797	174,425,531	174,675,282
Air mail (in pounds)	208	900	10	-
Parks and Recreation:				
Public skating attendance	7,058	6,675	6,658	6,084
Aquatics program attendance	61,419	77,786	96,891	75,622
Golf rounds played	32,157	31,836	33,593	30,691
Ski passes sold	165	32	-	-
Street trees maintained	40,000	40,000	40,000	40,000

(1) The figures in column 2016 have been updated to reflect the full calendar year.

(2) The figures in column 2017 are January thru June only.

(3) The figures for Building Safety in columns 2010 through 2015 have been updated to reflect calendar year.

City of Manchester, New Hampshire
Table XVIII

Calendar Year					
2012	2013	2014	2015	2016 ⁽¹⁾	2017 ⁽²⁾
5,996	5,743	5,279	5,535	5,175	2,802
40,317	27,853	36,853	41,305	43,049	25,742
6,620	6,430	6,640	6,936	5,274	3,040
19,947	19,150	20,709	21,697	24,471	12,081
1,206	1,480	1,480	1,423	1,501	630
\$ 4,708,700	\$ 3,164,125	\$ 3,354,014	\$ 2,814,210	\$ 4,137,173	\$ 1,383,722
1,850	1,692	1,796	1,894	2,041	923
\$ 104,982,994	\$ 79,116,666	\$ 90,203,357	\$ 123,400,416	\$ 141,511,026	\$ 49,559,303
458,826	432,561	413,475	428,500	358,439	140,231
37,470	36,548	36,215	36,039	35,906	17,893
5,423	6,275	6,478	6,331	6,682	3,431
3.54	5.97	7.75	21.90	15.00	7.40
4.04	3.16	1.10	5.96	6.20	3.20
0.16	0.68	1.10	0.83	0.80	-
1.09	0.47	2.95	1.09	0.98	0.10
N/A	N/A	N/A	0.13	0.32	-
1,227,286	1,214,126	1,048,128	1,038,454	1,010,408	464,684
1,224,378	1,207,976	1,047,546	1,034,617	1,010,871	469,563
2,451,664	2,422,102	2,095,674	2,073,071	2,021,279	934,247
176,467,795	167,291,943	159,371,572	159,025,507	172,256,058	78,497,690
9	190	507	30	-	-
8,290	8,194	10,627	8,585	7,395	4,662
92,307	68,757	68,569	74,038	61,525	8,734
34,731	31,942	26,188	21,521	27,460	10,596
-	-	-	-	-	-
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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police:										
Facilities	5	5	5	5	5	5	5	5	5	5
Marked patrol vehicles	35	35	35	32	35	35	35	35	35	35
Unmarked vehicles	19	19	19	22	26	26	26	26	26	26
Specialty vehicles	15	17	17	15	15	15	15	15	15	15
Bikes for bike patrols	21	21	21	18	18	18	18	18	18	18
Motorcycles	4	4	4	3	3	3	3	3	3	3
Horses	2	2	2	2	2	2	2	2	2	2
Canine	6	6	6	9	8	8	8	8	8	9
Fire:										
Fire stations	10	10	10	10	10	10	10	10	10	10
Refuse Collection:										
Collection trucks	14	14	14	14	14	14	14	14	14	13
Other Public Works:										
Streets (miles)	395.00	395.00	395.00	395.15	395.15	395.15	395.50	395.50	402.85	402.85
Street lights	8,849	8,849	8,861	8,889	8,881	8,923	8,923	8,919	9,113	9,031
Traffic signals	152.0	151.0	151.0	151.0	154.0	157.0	157.0	157.0	159.0	159.0
Parks & Recreation:										
Acreage	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073
Parks	55	55	55	55	55	55	55	55	55	55
Golf course	1	1	1	1	1	1	1	1	1	1
Baseball/softball diamonds	44	44	44	44	44	44	44	44	44	44
Walking trail(s)	2	8	8	8	8	8	8	8	8	8
Soccer/football fields	18	24	24	24	24	24	24	24	24	24
Indoor ice rinks	2	2	2	2	2	2	2	2	2	2
Basketball courts	21	26	26	26	26	25	25	25	25	25
Tennis courts	4	8	8	8	5	5	5	5	5	5
Swimming pools	4	4	4	4	4	4	4	4	3	3
Parks with playground equipment	5	20	20	20	20	20	20	20	20	20
Public Bbeaches	1	1	1	1	1	1	1	1	1	1
Pickleball court	-	-	-	-	6	6	6	6	6	6
Cemeteries	9	9	9	9	9	9	9	9	9	9
Splash pad	-	-	-	-	-	-	-	-	1	1
18 hole disc golf course	-	-	-	-	-	-	-	-	1	1
Library:										
Facilities	2	2	2	2	2	2	2	2	2	2
Volumes	246,391	250,156	250,090	246,599	235,225	224,624	224,566	205,778	184,528	201,804
Water:										
Finished water storage capacity (MG)	38.8	38.8	38.8	38.8	38.8	38.8	38.8	38.8	38.8	31.8
Average daily consumption (MGD)	17.860	16.902	16.048	17.593	17.147	17.185	17.214	17.457	17.944	17.819
Peak consumption (MGD)	29.093	30.461	24.476	32.267	31.266	28.864	26.308	27.789	27.911	30.495
Municipal fire hydrants	3,310	3,309	3,327	3,337	3,344	3,374	3,380	3,391	3,399	3,418
Water main in system (million feet)	3	3	3	3	3	3	3	3	3	3
Wastewater:										
Sanitary sewers (miles)	352.80	354.40	354.40	375.00	380.00	385.00	388.00	391.00	391.00	391.00
Maximum daily treatment capacity (MGPD)	34	34	34	34	34	34	34	34	42	42
Information Systems Department										
PC's	1,072	1,065	1,066	1,041	1,028	1,034	1,093	1,108	1,120	1,110
Miles of fiber optic cabling	49.00	50.00	51.00	52.00	53.00	53.00	54.00	54.00	55.00	57.00
Airport:										
Runways	2	2	2	2	2	2	2	2	2	2
Terminals	1	1	1	1	1	1	1	1	1	1
Buildings - square footage	332,600	332,600	332,600	332,600	332,600	332,600	332,600	332,600	343,600	343,600

N/A = Not Available.