Financial Statements

City of Manchester, New Hampshire

Department of Aviation

Year Ended June 30, 2018

With Report of Independent Auditors

City of Manchester, New Hampshire
Department of Aviation

Financial Statements

Year ended June 30, 2018

Contents

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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 Department of Aviation, an enterprise fund of the City of Manchester, New Hampshire (the DA), as of and for the year ended June 30, 2018 and the related notes to financial statements, which collectively comprise the DA's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Department'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 an opinion on these financial statements based on our audit. 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 opinion.

As discussed in Note 1, the financial statements present only the Department of Aviation Enterprise Fund and do not purport to, and do not, present fairly the financial position of the City of Manchester, New Hampshire as of June 30, 2018, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Manchester Department of Aviation, as of June 30, 2018 and the changes in financial position and, cash flows thereof, 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, and the Pension and OPEB schedules appearing on pages 41 to 44 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.

Melanson Heath

March 19, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

The management of the City of Manchester's Department of Aviation (DA) is pleased to offer readers of the Airport's financial statements this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2018 (FY2018).

Overview of the Financial Statements

This overview discussion will serve as an introduction to the Airport's audited financial statements, which follow this Management's Discussion and Analysis (MD&A) section. These audited financial statements comprise two components: 1) basic financial statements and 2) notes to the financial statements.

Basic Financial Statements – The basic financial statements provide a broad overview of the Airport's finances presented in a manner similar to a private sector business. The basic financial statements are prepared using proprietary fund (enterprise fund) accounting. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting are used. Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. These are followed by Notes to the Financial Statements.

The Statement of Net Position presents information on all of the Airport's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Airport's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents the Airport's operating revenues and expenses for the fiscal year, combined with nonoperating revenues (expenses) and capital contributions to determine the fiscal year's change in Net Position. Fiscal year operating results and change in net position amounts are contained in this statement.

The Statement of Cash Flows reports changes in cash and cash equivalents for the fiscal year resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

The financial statements include only the DA. There are no other city departments or government agencies whose financial statements should be combined with those of the Airport.

Following this MD&A are the financial statements (discussed above) together with notes thereto. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes are an integral part of the financial statements and should be read in their entirety.

The MD&A will now discuss the core components of the Airport's activity this past fiscal year.

Financial Highlights Summary

Manchester-Boston Regional Airport experienced a decrease of 0.72% in passenger enplanements in FY2018, as enplanements decreased by 7,089 from FY2017. The operating loss decreased from ($5,567,288) in FY2017 to ($5,079,901) in FY2018, a decrease of 8.76%. The operating loss decrease was due primarily to decreased operational expenses, increased depreciation and increased landing fee revenues. Landing fee revenue is adjusted due to a contractual adjustment to residual method for the airfield cost center. Salaries, wages and fringe benefits decreased primary due to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) effect on pension and OPEB expense. The change in pension and OPEB liabilities and related deferrals was lower in fiscal year 2018 than fiscal year 2017. Fiscal year 2018 is the first year of GASB 75 implementation, therefore, July 1, 2017 net position was restated accordingly. Depreciation and amortization increased as significant amount was reclassed from construction and progress in FY2017 and incurred full year depreciation in FY 2018.

For FY2018, the signatory landing fee rate was decreased to $6.60/1000 lbs. of maximum certificated aircraft landed weight (a decrease of 1.79%). After adjusting to actual net airfield requirement through the year-end reconciliation process, the fee was recalculated to $6.08/1000 lbs., resulting in a refund accrued back to the airlines. The terminal square footage rental rate was increased to $65.97/sq. ft. during FY2018 (an increase of 2.10%). After adjusting to actual net terminal requirements through the year end reconciliation process, the fee was recalculated to $61.75/sq. ft. Daily parking rates were maintained during FY2018. The garage parking rate remained $17 a day with a weekly maximum of $85. The long term lots remained at $10 a day.

Next, are condensed financial tables that summarize the major categories of the Airport's financial performance, as contained in the basic financial statements following this MD&A.

Summary of Operations and Changes in Net Position

	2018	2017
Operating revenues	$ 39,553,780	$ 39,326,543
Operating expenses	(25,968,171)	(26,625,201)
Operating income before depreciation and non-operating items	13,585,609	12,701,342
Depreciation	(18,665,510)	(18,268,630)
Operating loss before non-operating items	(5,079,901)	(5,567,288)
Other non-operating income and expenses, net	(8,917)	(1,320,121)
Net loss before capital contributions	(5,088,818)	(6,887,409)
Capital contributions	5,501,802	6,648,922
Change in fund net position	$ 412,984	$ (238,487)

Financial Position Summary

Net position may serve over time as a useful indicator of the Airport's overall financial health. The Airport's total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $176,785,180 at June 30, 2018, a ($431,901) or 0.24% decrease from June 30, 2017. The change reflects a GASB 75 restatement of ($844,885) and change in net position of $412,984 after restatement. The FY17 amounts in the table below were not restated for GASB 75.

	2018	2017
ASSETS:		
Current and other assets	$ 40,825,592	$ 34,463,788
Capital assets, net of depreciation	273,280,580	285,177,265
Noncurrent assets, restricted cash and equivalents	26,646,693	31,542,023
TOTAL ASSETS	340,752,865	351,183,076
Total Deferred Outflows of Resources	3,244,639	4,002,367
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 343,997,504	$ 355,185,443
LIABILITIES:		
Current liabilities	$ 9,477,619	$ 10,353,776
Long-term debt outstanding	132,374,892	143,420,398
Current maturities debt outstanding	11,045,505	10,755,545
Non-current liabilities	13,246,745	12,745,466
TOTAL LIABILITIES	166,144,761	177,275,185
Total Deferred Inflows of Resources	1,067,563	693,177
NET POSITION:		
Net investment in capital assets	130,910,905	132,250,442
Restricted net position	29,269,959	31,518,461
Unrestricted net position	16,604,316	13,448,178
TOTAL NET POSITION	176,785,180	177,217,081
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 343,997,504	$ 355,185,443

Fiscal year 2017 includes reclassification between restricted and unrestricted net position to confirm with current year presentation, which doesn't include customer facility charges (CFCs), coverage and revenue credit account balances as restricted. The increase in unrestricted net position of $3,156,138 was caused by various factors, including decrease in net investment in capital assets due to depreciation exceeding capital asset additions. Total net position remains consistent, with only a nominal decrease.

Summary of Cash Flow Activities

A summary of the major sources and uses of cash and cash equivalents for the past two fiscal years follows. Cash equivalents are bank deposits and highly liquid investments maturing in three months or less.

	FY2018	FY2017
Cash flow from operating activities	$ 13,996,883	$ 13,348,799
Cash used for principal, interest and fiscal charges	(16,739,239)	(16,789,585)
Subtotal	(2,742,356)	(3,440,786)
Cash flow from AIP grants, PFCs and CFCs	11,304,839	14,003,459
Cash used for acquisition/construction of capital assets	(7,192,291)	(7,715,722)
Subtotal	4,112,548	6,287,737
Other cash flow changes	1,318,670	461,783
Subtotal	1,318,670	461,783
Net increase/(decrease) in Cash and Cash Equivalents	2,688,862	3,308,734
Cash and Cash Equivalents:		
Beginning of year	58,903,486	55,594,752
End of year	$ 61,592,348	$ 58,903,486

The Airport's cash and cash equivalents increased 4.56% from $58,903,486 at the end of FY2017 to $61,592,348 at the end of FY2018.

Airport Activities and Highlights

The table below depicts key airport/aviation measurement yardsticks commonly used in assessing an airport's performance.

	FY2018	FY2017
Enplanements (people)*	978,216	985,305
% increase/(decrease)	-0.7%	-5.3%
Landed Weight (lbs.)**	1,612,146,263	1,584,009,165
% increase/(decrease)	1.8%	-1.5%
Cargo Shipped (lbs.) ***	180,379,201	170,041,529
% increase/(decrease)	6.1%	3.5%
Parking Revenue ($)	$ 15,134,441	$ 15,170,900
% increase/(decrease)	-0.2%	-4.3%

*Enplanements are a common airport/airline measurement statistic. It represents the number of people actually boarding an aircraft at Manchester versus the number of passengers who enplane and deplane at Manchester.
**Landed Weight is the actual total aircraft landed weight during the year. Manchester Airport collects $6.60 for each 1000 lbs. of landed weight (primarily commercial aircraft).
***The two major cargo shippers are FEDEX and UPS.

As of June 30, 2018, Manchester-Boston Regional Airport was served by the following commercial passenger air carriers: United/United Express, Delta/Delta Connection, Southwest Airlines, American Airlines/American Eagle.

Small Hub Status

Manchester Airport is classified as a small hub airport as defined by the FAA; it is ranked the 92nd largest commercial service airport in the country.

The Airline Agreement and Airport Rates and Charges

The Airport has entered into use and lease agreements (the Airline Agreement) with the aforementioned major carriers serving Manchester—collectively the Signatory Airlines. The Airline Agreement establishes procedures for the annual adjustment of Signatory Airline Terminal Building Rental, Landing Fee, and Apron Fee rates charged for the use and occupancy of the passenger terminal and airfield facilities.

As set forth in the Airline Agreement, terminal building square footage fees are based on compensatory ratemaking methodologies, and the apron square footage rate and landing fees are based on residual ratemaking methodologies. Airline rates and charges are calculated annually prior to the new fiscal year. The airlines are invited each year to attend a "rates and charges" meeting, at which the rates for the upcoming fiscal year are explained in detail. Should unforeseen circumstances arise that require a change of rates and charges during the fiscal year, the Airline Agreement gives the Airport the ability to adjust rates and charges to ensure adherence to its financial covenants. No such adjustments were required in FY2018 or FY2017. A comparison of the last two fiscal years' rates and charges follows:

Signatory Airline Rates	FY2018	FY2017
Landing Fees (per 1,000 lbs. MGLW)*	$6.60	$6.72
Terminal Rental Rates (per square foot)	$65.97	$64.61
Apron Fee Rental (per square foot)	$0.49	$0.49

*The landing fee for any non-signatory airline/aircraft is fixed at 125% of the signatory fee.

Airline Cost Per Enplaned Passenger

Airline Cost per Enplaned Passenger, another common measurement statistic, is used by the airline industry to assess individual airport cost structures. It is calculated based on what specific charges an airline pays to the airport's governing body, e.g., landing fees, terminal rental fees, apron fees, etc. Manchester's average Airline Cost per Enplaned Passenger for the last two fiscal years follows:

	FY2018	**FY2017**
Airline Cost Per Enplaned Passenger	$13.13	$13.16

Passenger Facility Charges (PFCs) and Customer Facility Charges (CFCs)

PFCs and CFCs are special categories of non-operating revenue in place at Manchester Airport and other airports. During FY2008, the FAA approved a $4.50 PFC, which is the maximum amount that can be charged. The FAA-approved projects include debt service for runway rehabilitations and extension, snow removal equipment, residential sound insulation, and other projects. Airlines collect the $4.50 PFC when they sell a ticket and then make monthly remittances directly to the Airport after deducting a small administrative charge of $0.11 for each $4.50 PFC. Since inception in 1993 through June 30, 2018, the Airport has collected (including earned interest) the amount of $107,650,482 in PFCs and expended $105,620,477 on approved projects. The existing charge expiration date per the FAA's records is December 1, 2022.

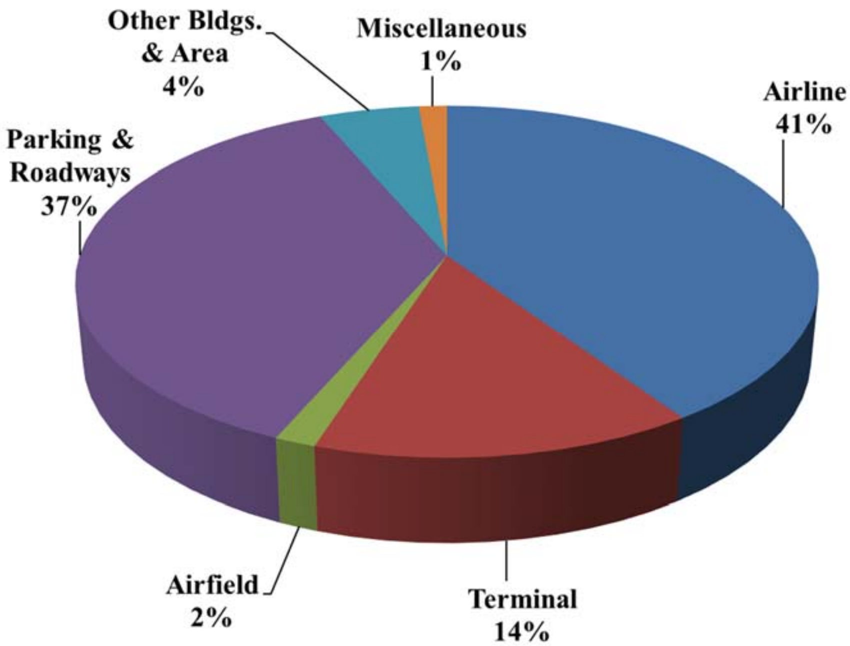
CFCs are collected through agreements with rental car companies servicing Manchester Airport. A rate of $2.25 per rental car day is charged to each rental car customer and remitted monthly to the Airport by the rental car companies. CFCs are used to partially offset airport operating costs of areas used by rental car companies; including the Pedestrian Bridge/Walkway, as well as Airport debt service related to that portion of the parking garage used by rental car companies. A summary of the PFC and CFC revenues collected for the last three fiscal years follows:

	FY2018	**FY2017**
PFC Revenue	$3,725,364	$3,787,507
CFC Revenue	$1,552,606	$1,547,282

Next is a discussion of Airport Revenues and Expenses in standard categories used throughout the aviation industry. These are categories used in each of the Airport's bond offering statements and differ slightly from municipal GAAP categories enumerated in the audited financial statements. Similarly, certain line item totals are slightly different, but have no appreciable effect on the Airport's FY2018 financial statistics.

REVENUES

The following chart depicts the Airport's major sources and percentage of Operating Revenues for FY2018:

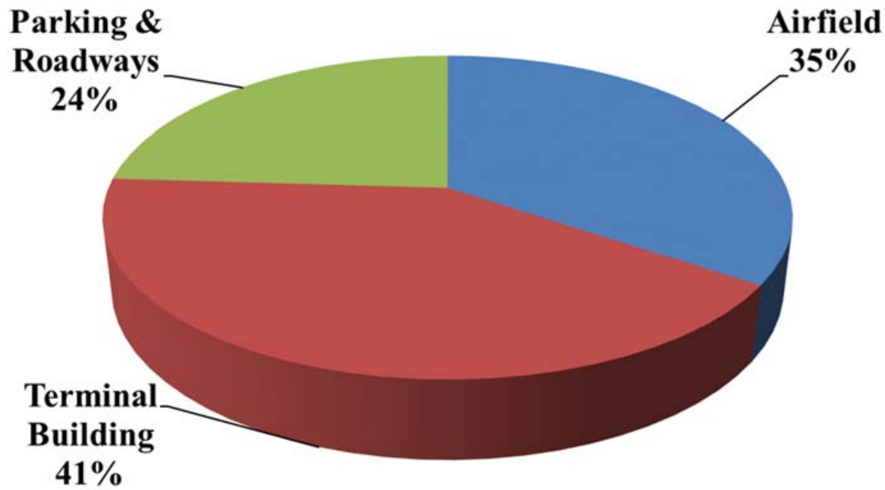


A summary of FY2018 revenues, and the amount and percentage of change in relation to FY2017 follows:

	FY2018 Amount	Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
Operating:				
Airline	$ 16,029,233	34.70 %	$ (96,440)	(0.6) %
Terminal	5,723,130	12.40	91,312	1.6
Airfield	622,783	1.30	61,449	10.9
Parking & Roadways	14,630,481	31.70	(48,804)	(0.3)
Other Bldgs. & Area	1,985,315	4.30	205,357	11.5
Miscellaneous	562,838	1.20	14,363	2.6
Total Operating	39,553,780	85.60	227,237	0.6
Non-Operating:				
Passenger Facility Charges	3,725,364	8.10	(62,143)	(1.6)
Customer Facility Charges	1,552,606	3.40	5,324	0.3
Operating Grant	-	0.00	(10,000)	100.0
Interest Income	811,534	1.80	351,796	76.5
Gain on disposal	562,216	1.2	560,171	27,392.2
Total Non-Operating	6,651,720	14.50	845,148	14.6
TOTAL REVENUES	$ 46,205,500	100.10 %	$ 1,072,385	2.4 %

EXPENSES

The following chart depicts the Airport's major cost centers and percentage of Operating Expenses for FY2018:



A summary of FY2018 expenses, and the amount and percentage of change in relation to FY2017 follows:

	FY2018 Amount	Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
Operating:				
Airfield	$ 8,963,891	17.5 %	$ (434,294)	(4.6) %
Terminal Building	10,756,571	21.0	(70,450)	(0.7)
Parking & Roadways	6,247,709	12.2	(152,286)	(2.4)
Total Operating	25,968,171	50.7	(657,030)	(2.5)
Depreciation	18,665,510	36.4	396,880	2.2
Non-Operating:				
Interest Expense	6,609,348	12.9	(441,806)	(6.3)
Bond Fees	51,289	0.1	(24,250)	(32.1)
Total Non-Operating	6,660,637	13.0	(466,056)	(6.5)
TOTAL EXPENSES	$ 51,294,318	100.1 %	$ (726,206)	(1.4) %

Airport Capital Program

The following is a general description of the Airport's current capital program which encompasses projects undertaken in the City's FY2018 and additional capital projects expected to be undertaken in the future. With the exception of projects deemed ineligible for funding by the FAA, the capital program is financed primarily through federal and state grants with Airport matching funds as discussed below.

City Fiscal Year 2018

Airside Improvements

RIMs HS2 at Taxiways P&U; Rehabilitate a Portion of Taxiways A and Remove Taxiway A1

The grants for this project were received just prior to the end of City FY 2018, and preliminary work was begun. The bulk of the construction will be accomplished in calendar years 2018 and 2019. The project resolves a non-standard taxiway configuration at the end of the Airport's main runway. The project is one of the FAA's National Runway Incursion Mitigation Program (RIMs) identified projects and will improve Airport safety and operations. In addition, pavements will be rehabilitated on a portion of Taxiway A, and Taxiway A1 is being removed. Work under this project will include relocation and extension of taxiways, service road relocation, retaining walls, lighting, signage, pavement rehabilitation, and demolition of an existing taxiway. The project budget, including minor property acquisitions and an FAA Reimbursable Agreement is $10.9M and will be funded by the FAA, State of NH, and Airport Capital. The project began in May of 2018 and is expected to be completed by November of 2019.

Airfield Geometry Study

This project is Manchester-Boston Regional Airport's Geometry Review and Alternative Analyses for safety improvements. It will identify existing geometry conditions on the Airport that do not meet the current standards as published by the Federal Aviation Administration (FAA), even though these geometries met the design standards when installed. The project will also involve identification of areas of the airport that could improve safety either through changing of pavement, addition of new pavement facilities or operational procedures. Once identified, these areas will be prioritized based on a safety risk assessment and alternatives provided to improve safety through pavement improvements and/or operational changes. Of particular importance is the review of potential improvements for alternatives of the access to the Runway 17 threshold by extending Taxiway A or other possible solutions. A final preferred alternative will be recommended and an updated Airport Layout Plan (ALP) will be produced at the conclusion of this project. The project will be funded by the FAA, State of NH, and Airport Capital. The cost of the study is $220,000. The study began in May of 2018 and is expected to be completed by the end of 2018.

The grand total of FAA eligible projects awarded in City FY2018 was estimated to be approximately $11.2 million.

These projects were financed through a combination of federal AIP grants, State of New Hampshire Grants, and Airport capital funds.

City (Airport) Funded Improvements

Parking Garage Ceiling Repairs; and Cross-over Slab & Drive Bay Joint Replacements

This project provides needed repairs to the parking garage. Cross-over slabs between the stair towers and the garage will be replaced due to deterioration. Joints will be repaired on the parking decks and in the underside of the precast slabs. These repairs are expected to significantly extend the useful life of the parking structure. The project budget is $1.35M. The project began in May 2018, and is scheduled for completion in 2018. Funding will be Airport Capital Funds and Rental Car Customer Facility Charges (CFC's) as this project is not eligible for FAA funding.

The grand total of all City funded capital projects awarded in City FY2018 was estimated to be approximately $1.35 million.

Projects Anticipated for FY2019

In FY2019, the Airport anticipates the following six (6) projects:

Rehabilitate a Portion of Taxiway H North

This project is necessary to correct settling pavement in a confined area of Taxiway H due to unstable subsurface conditions. This condition necessitated the temporary closing of this section of critical taxiway to commercial aircraft. The project includes the reconstruction of 150+/- feet of Taxiway H, north of Runway 24 intersection. Prior to the construction of new pavement existing soils will be investigated by ground penetrating radar (GPR) and soil borings. The existing subgrade will be reinforced and then the structural base and pavement will be reconstructed. The project cost is estimated at $771K and it is being funded by the FAA, State of NH, and Airport Capital. The project is anticipated to be started and completed in the fall of 2018.

Rehabilitate a Portion of Taxiway A and Taxiway F

This project includes the rehabilitation of a portion of Taxiway 'A' (2,203 LF), and Taxiway 'F' (250 LF.). The existing deteriorated pavement surface will be milled to a depth of 4" and a new P-401 surface course will be constructed. In addition, the intersection geometry will be reconfigured to meet current design criteria, new LED centerline lighting and edge lights will be installed and the shoulders will be reconstructed. The project will be funded by the FAA, State of NH, and Airport Capital. The Airport received supplemental FAA funding through the Consolidated Appropriations Act, 2018 (Public Law Number 115-141). The cost of the project is estimated at $3.4M. Construction will take place in 2019.

Acquisition of Snow Removal Equipment (SRE)

In order to meet the FAA requirements for snow removal, the Airport will be purchasing three (3) Class VI Rotary Plows to replace fully depreciated, aged equipment. Based on the Airport's Priority 1 Pavement Area, AC 150/5220-20A, and the Snow Removal Equipment Calculation, the Airport solicited bids for Class VI Rotary Plows, meeting FAA guidelines. The Airport will be awarding a contract to Fortbrand to provide three (3) Fresia PF1000, Class VI High Speed Rotary Plows. The contract will be awarded in early 2019 with delivery of the equipment expected 300 days after contract award. The contract amount is expected to be approximately $1.8M. The equipment purchases will be funded by the FAA, State of NH, and Airport Capital.

Rehabilitate Taxiway A & E Intersection

This project includes the rehabilitation of the intersection of Taxiway 'A' and Taxiway 'F'. The scope of the work includes excavation, subbase course construction, basecourse construction, HMA paving, taxiway LED centerline lighting, stop bar lighting, guard lights, airfield signage, pavement markings, pavement grooving, and turf establishment. This project will complete the centerline lighting on the main parallel taxiway to Runway 17-35, the CAT III runway at MHT. Taxiway A serves as the low visibility taxiway for Runway 35 operations. The Airport has applied for supplemental funding from the FAA under the Consolidated Appropriations Act, 2018 (Public Law Number 115-141). The estimated cost of this project is $1.6M. The timing of this project is dependent upon FAA funding and may not be constructed in 2019.

Communications Center and Terminal Fire Alarm System Upgrade

The existing Communications Center is located on the first floor of the airline terminal building and was constructed in 1992. The space has had only minor improvements made to it since then. The Airport commissioned a Feasibility Study to explore the current and future needs of the Airport and evaluate the possible options for upgrading the current space. The conclusion of the study was the need for an upgrade to better accommodate public visibility, better utilize the workspace, upgrade existing HVAC and electrical systems, enhance security of the center, and provide much needed space for both the Comm Center and ancillary functions. This project will accomplish these goals and will also address the need for an upgrade to the Fire Alarm System for the Main Terminal Building to include integration capability for incorporating Mass Notification System (MNS) and Active Shooter Hostile Event Response (ASHER) programs at a future/later date.

The project funding will be split between the Comm Center Upgrades, to be funded exclusively with Airport Capital Funds, and the Fire Alarm System Upgrade which will be funded by the FAA, State of NH, and Airport Capital. This project is expected to begin construction mid- to late-2019.

Clearing for the Runway 35 Approach

This project will remove vegetative obstructions from the Runway 35 Approach surface. Removal of this vegetation is necessary to allow the Airport to continue to provide a safe environment for aircraft and to better maintain this area in the future for tree growth. The project is estimated to cost $1.3M and will be funded by the FAA, State of NH, and Airport Capital. Work included in this project is anticipated to begin in October 2018 and all work is anticipated to be completed in June 2019.

Long-term Debt

As discussed, Manchester Airport issued several debt instruments in the form of long-term fixed and variable rate bonds in the past decade to finance the majority of its Master Plan Capital Program.

The **Series 2009 Bonds** were issued in December of 2009. The bonds are General Airport Revenue Bonds (Manchester Airport Project – Series 2009 A & B): Issued in two series: $64,830,000 of 2009A to refund all of the 2005B bonds and $20,705,000 of 2009B to refund a portion of the previously outstanding 1998A bonds and all of the 2000A bonds. Lots A & B totaling $85,535,000, comprised of $42,880,000 term bonds and $42,655,000 serial bonds, were sold at interest rates from 3.00% to 5.00%, due semi-annually on January 1 and July 1. As of June 30, 2018, the outstanding balance of these bonds was $50,605,000.

The **Series 2012 Bonds** General Airport Revenue Bonds (Series 2012 A & B) issued in two series: $59,215,000 of 2012A bonds to refund $56,930,000 of the 1998A bonds and $7,010,000 of the 2002 bonds and $25,725,000 of 2012B bonds to refund $28,635,000 of the 2002A bonds. The series 2012 bonds in total refunded 100% of the outstanding 2002A and 2002B bonds and 93% of the outstanding 1998A bonds. The 2012 series A and B bonds total $84,940,000; comprised of $11,845,000 term bonds and $73,095,000 serial bonds and were sold at interest rate yields from 2.00% to 5.00%. As of June 30, 2018, the outstanding balance of these bonds was $70,280,000.

The **Series 2013 Bonds** were issued in February 13, 2013. The bonds are General Airport Revenue Bond Refunding bank loan with Century Bank ($21,800,000). The General Airport Revenue Bond bank loan was issued to refund the outstanding 2008 General Airport Revenue Bonds and replaces variable rate debt with a fixed rate loan at a rate of 3.06%. The City undertook this issue primarily to eliminate the ongoing risks and uncertainties associated with variable rate debt and the letter of credit market. As of June 30, 2018, the outstanding balance of these bonds was $7,452,881

The **Series 2014 Bonds** were issued in December 2014. The bonds are General Airport Revenue Bond Refunding bank loan with TD Bank ($10,000,000). The General Airport Revenue Bond bank loan was issued to refund a portion of the outstanding 2005A Airport Revenue Bonds. The loan has a fixed interest rate of 2.44%. Interest and principal payments are made monthly with a final maturity of January 2027. As of June 30, 2018, the outstanding balance of these bonds was $9,927,745.

The **Series 2015 Bonds** were issued in January 2015. The bonds are General Airport Revenue Bond Refunding bank loan with TD Bank ($2,630,000). The General Airport Revenue Bond bank loan was issued to refund the remaining portion of the outstanding 2005A Airport Revenue Bonds. The loan has a fixed interest rate of 2.38%. Interest and principal payments are made monthly with a final maturity of January 2027. As of June 30, 2018, the outstanding balance of these bonds was $2,368,185.

The following table summarizes long-term debt balances as of June 30, 2018.

Series 2009 Bonds	Series 2012 Bonds	Series 2013 Bonds	Series 2014 Bonds	Series 2015 Bonds	Total Outstanding
$ 50,605,000	$ 70,280,000	$ 7,452,881	$ 9,927,745	$ 2,368,185	$ 140,633,811

Credit Ratings

The Airport has sought credit ratings for each of its bond issues from the following rating agencies. Over time, these agencies have become very familiar with Manchester-Boston Regional Airport, its capital program, its finances, and its overall operating successes.

Current Stand-Alone	S&P	Moody's	Kroll's
Ratings*	BBB+	Baa1	A-

*Most bonds are fully insured. The above table reflects the ratings of each agency, without insurance, as of the most current rating action date.

In summary, S&P affirmed its rating with stable outlook. Moody's affirmed the rating with stable outlook in February 2018, due to the stabilization of total enplanements. Kroll Bond Rating Agency (KBRA) affirmed their rating with stable outlook in October 2017.

Requests for Information

This financial report is designed to provide a general overview of the Airport's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed in writing to the Airport Director, Manchester-Boston Regional Airport, One Airport Road, Suite 300, Manchester, NH 03101-3395.

City of Manchester, New Hampshire
Department of Aviation

Statement of Net Position

	June 30, 2018
Assets and Deferred Outflows of Resources	
Current Assets:	
Cash and equivalents	$ 29,847,536
Accounts receivable	2,325,481
Federal and state grants receivable	1,889,480
Due from the City of Manchester	72,514
Inventory	242,359
Prepaid expenses	864,973
Total current assets	35,242,343
Current Restricted Assets:	
Restricted cash and cash equivalents	5,098,119
Passenger facility charges receivable	485,129
Total current restricted assets	5,583,248
Noncurrent Assets:	
Restricted cash and cash equivalents	26,646,693
Capital Assets:	
Land	53,204,230
Construction-in-progress	1,426,988
Buildings	177,802,360
Building improvements	23,020,917
Improvements	301,641,033
Vehicles	14,774,735
Intangibles	606,391
Equipment	16,650,507
Total property and equipment	589,127,161
Less accumulated depreciation	(315,846,581)
Property and equipment, net	273,280,580
Total noncurrent assets	299,927,273
Total Assets	340,752,864
Deferred Outflows of Resources:	
Deferred amount on refunding	1,050,722
Pension related - MECRS:	
Differences between expected and actual experience	303,448
Change in assumptions	766,547
Change in proportion	342,043
Contributions subsequent to the measurement date	676,023
OPEB related - MECRS:	
Change in assumptions	105,856
Total deferred outflows of resources	3,244,639
Total Assets and Deferred Outflows of Resources	$ 343,997,503

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

City of Manchester, New Hampshire
Department of Aviation

Statement of Net Position (Continued)

	June 30, 2018
Liabilities, Deferred Inflows of Resources, and Net Position	
Current Liabilities:	
Accounts and contracts payable	$ 3,702,132
Accrued expenses	1,795,746
Compensated absences	1,019,757
Total current liabilities	6,517,635
Current Liabilities Payable from Restricted Assets:	
Accrued interest payable	2,959,983
Current portion of revenue bonds payable	11,045,505
Total current liabilities payable from restricted assets	14,005,488
Noncurrent Liabilities:	
Revenue bonds payable, net of current portion	132,374,892
Deposits	36,633
Net OPEB liability	1,321,781
Net pension liability - MECRS	11,888,331
Total noncurrent liabilities	145,621,637
Total Liabilities	166,144,760
Deferred Inflows of Resources:	
Pension related - MECRS:	
Differences between expected and actual experience	319,464
Net difference between projected and actual investment earnings	326,108
Change in proportion	237,341
OPEB related - MECRS:	
Change in assumptions	6,737
Net difference between projected and actual investment earnings	42,344
OPEB related - City Plan:	
Differences between expected and actual experience	92,584
Change in assumptions	42,985
Total deferred inflows of resources	1,067,563
Total Liabilities and Deferred Inflows of Resources	167,212,323
Net Position:	
Net investment in capital assets	130,910,905
Restricted net position	29,269,959
Unrestricted net position	16,604,316
Total Net Position	176,785,180
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 343,997,503

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

City of Manchester, New Hampshire
Department of Aviation

Statement of Revenues, Expenses, and Changes in Net Position

		Year ended June 30, 2018
Operating Revenues:		
Automobile parking fees	$	15,134,441
Rental of facilities		12,072,902
Landing fees		9,796,234
Concession and other operating income		2,550,203
Total Operating Revenues		39,553,780
Operating Expenses:		
Salaries, wages and fringe benefits		8,579,975
Enforcement and fire protection		4,191,273
Purchased property services		11,754,605
General and administrative		1,418,323
Reimburse City of Manchester		23,995
Depreciation and amortization		18,665,510
Total Operating Expenses		44,633,681
Operating Loss		(5,079,901)
Nonoperating Revenues (Expenses):		
Passenger facility charges		3,725,364
Customer facility charges		1,552,606
Interest income		811,534
Gain on disposal of property and equipment		562,216
Interest expense		(6,609,348)
Rating fees		(51,289)
Total Nonoperating Revenues (Expenses), net		(8,917)
Net Loss before Capital Contributions		(5,088,818)
Capital Contributions		5,501,802
Change in Net Position		412,984
Net Position, Beginning of Year, as restated		176,372,196
Net Position, Ending of Year	$	176,785,180

The accompanying notes are an integral part of these financial statements

City of Manchester, New Hampshire
Department of Aviation

Statement of Cash Flows

		Year ended June 30, 2018
Cash flows from operating activities:		
Cash received from customers	$	40,050,197
Cash payments for goods and services		(17,958,112)
Cash payments to employees for services		(8,095,202)
Cash received from operating grant		-
Net cash provided by operating activities		13,996,883
Cash flows from capital and related financing activities:		
Contributed capital by federal and state governments		6,011,335
Passenger and customer facility charges		5,293,504
Proceeds from sale of capital assets		507,136
Acquisition and construction of capital assets		(7,192,291)
Interest paid on outstanding debt obligations		(6,609,348)
Payments on bond arbitrage and financing		(51,289)
Principal paid on revenue bonds		(10,078,602)
Net cash used in capital and related financing activities		(12,119,555)
Cash flows from investing activities:		
Interest on investments		811,534
Net cash provided by investing activities		811,534
Net increase/(decrease) in cash and cash equivalents		2,688,862
Cash and cash equivalents at beginning of year		58,903,486
Cash and cash equivalents at end of year	$	61,592,348
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$	(5,079,901)
Adjustments to reconcile operating (loss) to cash provided by operating activities:		
Depreciation and amortization		18,665,510
Change in Assets and Liabilities		
(Increase)/decrease in receivables		496,417
(Increase)/decrease in prepaid expenses		247,753
Decrease in inventory		25,666
(Increase)/decrease in interfund receivable		(97,903)
(Increase)/decrease in deferred outflows - net pension liability - MECRS		665,186
(Increase)/decrease in deferred outflows - OPEB		(105,857)
Increase in accounts and contracts payable		(709,452)
Increase/(decrease) in accrued liabilities		(31,946)
Increase/(decrease) in compensated absences		(109,370)
Increase/(decrease) in deposits		(4,034)
Increase in net pension liability - MECRS		(340,689)
Increase in OPEB liability		1,117
Increase in deferred inflows - net pension liability - MECRS		189,736
Increase in deferred inflows - OPEB		184,650
Net cash provided by operating activities	$	13,996,883

The accompanying notes are an integral part of these financial statements

1. Summary of Significant Accounting Policies

Reporting Entity

The Department of Aviation (DA) operates the Manchester-Boston Regional Airport, a fund of the City of Manchester, New Hampshire (the City). The Airport is reported as an enterprise fund in the proprietary fund financial statements and a business type activity in the City's government wide financial statements.

The financial statements present only the Airport and do not purport to, and do not, present fairly the financial position of the City, and the changes in its financial position, and cash flows where applicable, as of and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

The Airport's financial statements are prepared using the accrual basis of accounting; revenues are recorded when earned and expenses are recorded as incurred.

Accounting Estimates

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

Cash Equivalents

For purposes of the Statements of Cash Flows, cash equivalents represent investments with an initial maturity, when purchased, of three months or less. Included in cash equivalents are amounts reported as restricted.

Inventory

The inventory is stated at the lower of moving average cost method or market

Investments

Investments are carried at fair value, based on quoted market prices.

Capital Assets

Capital assets, consisting of property and equipment, are stated at cost (see Note 5), with the exception of property received from the federal government, which is stated at fair value at the date of transfer. Depreciation is computed using the straight-line method over estimated useful lives of the assets as follows:

Buildings	13 to 50 years
Improvements	3 to 50 years
Equipment	5 to 20 years
Vehicles	5 to 15 years

Expenditures for property and equipment and for major renewals or betterments which extend the estimated useful life of the assets are capitalized; maintenance and repairs are charged to expense as incurred. Assets with values greater than or equal to $25,000 and a useful life greater than or equal to one year are capitalized. At the time property and equipment are sold, retired or disposed of, the costs of such assets and related accumulated depreciation are removed from the accounts, with any gain or loss reported as nonoperating.

Interest is capitalized on property and equipment in accordance with the applicable accounting guidance. Management concluded that no interest needed to be capitalized for the year ending June 30, 2018.

Revenue Bond Discounts and Premiums

Bond discounts and premiums are deferred and amortized by the interest method; the unamortized balance is included within bonds payable.

Restricted Assets and Net Position

The City issues bonds pursuant to the General Airport Bond Resolution (the Bond Resolution), which requires the DA to establish and maintain restricted accounts and abide by specific procedures for bond issuance and payments of principal or interest. The "bond fund" is used to accumulate resources for the next scheduled principal and interest debt service payment for all prior issues.

The "bond reserve account" represents the lesser of:

1. the sum of 10% of the aggregate original net proceeds of each series of outstanding bond,
2. 125% of the average annual aggregate debt service on such bonds, or
3. the maximum aggregate amount of debt service due on such bonds in any succeeding bond year.

The “operations and maintenance reserve account” is kept at a level to fund three months of future operating expenses. The “renewal and replacement account” contains funds intended to meet unanticipated or emergency repairs.

The Airline Agreement with Signatory Airlines requires a “coverage account” to provide additional resources if needed to satisfy any additional bond coverage requirements. The agreement also requires a “revenue credit account” representing deposits based on percentage of remaining revenues, limited to $500,000 for additional deposits on an annual basis.

Passenger facility charges (PFCs) represent approximately $4.50 per passenger ticket collected by airline carriers and remitted to DA per enplaned passenger. PFC funds are restricted, to be used for financing eligible airport projects approved by the Federal Aviation Administration (FAA).

Customer Facility Charges (CFCs) are collected through agreements with rental car companies servicing the DA. A rate of $2.25 per rental car day is charged to each rental car customer and remitted monthly to the DA by the rental car companies. CFCs are used to partially offset airport operating costs of areas used by rental car companies; including the Pedestrian Bridge/Walkway, as well as Airport debt service related to that portion of the parking garage used by rental car companies

Other components of net position include:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources related to deferred amount on refunding is also included in this component of net position.

Unrestricted net position – This category represents the net position of the fund which is not restricted for any project or other purpose. When both restricted and unrestricted resources are available for use, it is the DA’s policy to use restricted resources before unrestricted.

Grants

Certain expenditures for airport capital improvements are funded through the Airport Improvement Program of the FAA. The funding provided under these government grants is considered earned when eligibility requirements are met.

Grants for capital asset acquisition, facility development and eligible long-term planning studies are reported in the statements of revenues, expenses, and changes in net position after non-operating revenues and expenses as capital contributions net of expenditures made on behalf of third parties.

Revenues from other grants are recognized as non-operating revenue as soon as all eligibility requirements imposed by the grantor have been met.

Risk Financing

Self-Insurance

The DA is self-insured for health care, workers' compensation, and comprehensive general liability claims, as are all City departments. Claims paid by the City on behalf of the DA are charged to the DA. For estimated unpaid claims, an accrual of $90,847 was recorded for workers' compensation claims as of June 30, 2018. The amounts paid for health care, workers' compensation, and comprehensive general liability claims for the year ended June 30, 2018 was $1,070,731. Coverage has not been materially reduced, nor have settled claims exceeded commercial coverage in the last fiscal year. Accident and health claims are administered through a private carrier. The DA is self-insured under the City's policy. The City maintains a stop-loss policy with limits of $250,000 per year, per claim.

Fiscal Year Ended	Claims Payable July 1	Claims Changes in Estimates	Claims Paid	Claims Payable June 30
2018	$ 130,964	$ 1,030,056	$ 1,070,173	$ 90,847

Other

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

Property coverage is maintained by the DA with a commercial insurer and provides for a deductible of $100,000 for each claim, with individual building maximums based on value. Settled claims have not exceeded commercial coverage in the past fiscal year.

Compensated Absences

Every continuing full-time employee is entitled to paid vacation and sick leave on the basis of the employee's scheduled workweek and years of service. Vacation and sick leave are computed at the end of each completed week of service.

Vacation and sick leave are cumulative for not more than the prescribed number of days. The maximum annual accrual ranges from 10 to 30 days for vacation and 15 days for sick leave. The maximum cumulative accrual ranges from 20 to 50 days for vacation and up to 120 days for sick leave. Unused vacation is payable upon retirement or termination. Upon termination under satisfactory conditions, non-affiliated employees with 15 or more years of continuous service are paid up to 90 days of accrued sick leave, whereas affiliated employees with 20 or more years of continuous service are paid up to 90 days.

Vested sick leave and accumulated vacation leave are recorded as an expense and liability as the benefits accrue to employees. Non-vested sick leave is recognized to the extent it is expected to be paid.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This 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) until then. The DA reports a deferred charge on refunding in this manner in the statement of net position. The charge 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. Additionally, deferred outflows related to pension are reported on the statement of net position.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This 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 DA reports pension related deferred inflows of resources.

Revenue

Rental revenue includes revenue from terminal fees charged to airlines and is recognized when earned under terms of the lease agreement. Concession revenue is generated from food and beverage outlets, retailers, rental agencies, advertising and commercial tenants.

Landing fees are recognized when earned in accordance with the agreement with signatory airlines, based on landed weight of aircraft.

Intergovernmental revenues from federal or state grants are recognized when eligibility requirements of the grant program have been met.

Operating Revenues and Expense

Revenues from airlines, concessions, rental cars, and parking are reported as operating revenues. Transactions which are capital, financing, or investing-related are reported as non-operating revenues or capital contributions. All expenses related to operating the DA are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

Reclassification

Certain amounts were reclassified between restricted and unrestricted net position in the prior year to conform to current year presentation.

2. Cash and Investments

The responsibility for custodial credit risk of deposits and investments and other risks and policies related to investments rests with the City as a whole; accordingly, separate disclosure is not possible. The City of Manchester's Comprehensive Annual Financial Report provides the detailed disclosure for deposits and investment risks. The DA follows the City's policies for deposits, investments, interest rate risk and concentrations.

3. Restricted Assets

Custodial Credit Risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

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

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.

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

Restricted assets are segregated into the following accounts:

		June 30, 2018
Bond fund	$	5,098,119
Bond reserve account		14,534,684
Operations and maintenance reserve account		9,832,000
Renewal and replacement account		250,000
Passenger facility charges (PFCs)		2,515,138
	$	32,229,941

The restricted PFC cash above of $2,515,138 less the PFC receivable amount of $485,130 equals $2,030,008, the total cash presented on the Schedule of Passenger Facility Charges (other information).

4. Restricted Net Position

In accordance with the Airline Agreement and FAA requirements, restricted accounts are established. At June 30, 2018 restricted net position is as follows:

		June 30, 2018
Restricted for bond fund	$	5,098,119
Restricted for bond reserve fund		14,534,684
Restricted for revenue bond operations and maintenance		9,832,000
Restricted for renewal and replacement		250,000
Restricted PFCs		2,515,138
Subtotal restricted assets		32,229,941
Less: liabilities payable from restricted assets:		
Accrued interest on bonds payable		(2,959,982)
Total restricted net position	$	29,269,959

5. Capital Assets

Capital asset activity for the year ended June 30, 2018 is as follows:

	Beginning Balance July 01, 2017	Increases	Retirements	Transfers	Ending Balance June 30, 2018
Capital assets, not being depreciated:					
Land	$ 53,248,690	$ -	$ (44,460)	$ -	$ 53,204,230
Construction-in-progress	2,913,382	7,257,463	(79,655)	(8,664,202)	1,426,988
Total capital assets not being depreciated:	56,162,072	7,257,463	(124,115)	(8,664,202)	54,631,218
Capital assets being depreciated:					
Buildings and building improvements	199,114,992	-	-	1,708,285	200,823,277
Improvement other than buildings	294,825,135	-	-	6,815,898	301,641,033
Vehicles	14,750,906	20,423	(73,939)	77,345	14,774,735
Intangibles	543,717	-	-	62,674	606,391
Equipment	16,570,461	93,600	(13,554)	-	16,650,507
Total capital assets being depreciated:	525,805,211	114,023	(87,493)	8,664,202	534,495,943
Less total accumulated depreciation	296,790,018	19,144,056	(87,493)	-	315,846,581
Capital assets, net	$ 285,177,265	$ (11,772,570)	$ (124,115)	$ -	$ 273,280,580

6. Rental of Facilities

Each year, the DA calculates the Terminal building rental rates as defined in the Airline Agreements, which include the space leased by each airline. This rate is based primarily on projected operating costs of the ensuing year. Future amounts relating to such agreements are not included below.

The DA has leasing arrangements with various non-airline parties for the use of land, buildings, office, and retail space within the boundaries of the airport area and the Terminal. Such leases range in length from 3 to 27 years. Non-terminal rentals are generally based upon set minimum rental fees, with additional payments based either upon defined escalator clauses for land, buildings and office rentals or upon stated percentages of gross receipts for retail space rentals.

Minimum future revenue from non-cancelable rental agreements in effect at June 30, 2018 is as follows:

Year	Amount
2019	$ 1,824,353
2020	1,488,360
2021	1,372,794
2022	1,352,285
2023	1,333,993
Thereafter	35,623,028
Total	$ 42,994,813

7. Bonds Payable

Revenue Bonds Payable

The Bond Resolution requires the DA to establish and maintain restricted accounts and follow certain procedures for bond issuance and payments. Notes 3 and 4 to the financial statements list various restricted balances related to outstanding bonds. The DA deposits all revenues into a revenue fund, which is used first to pay operating expenses and then to fund the restricted bond accounts.

The Bond Resolution further requires the DA 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.

After each fiscal year, the DA is required to review its fees to ensure anticipated revenues are sufficient to meet the above requirements. If this review discloses any risk of future noncompliance, the DA must engage an independent industry specialist to undertake a study of its fee schedules. Within 90 days after the beginning of the fiscal year, the specialist's recommended fees, at a level adequate to meet the above requirements, must be implemented.

Revenue bond activity for the year ended June 30, 2018 is as follows:

	Beginning Balance June 30, 2017	Increases	Decreases	Ending Balance June 30, 2018	Due Within One Year
General Airport Revenue Bonds	$ 150,712,413	$ -	$ (10,078,602)	$ 140,633,811	$ 10,491,179
Plus deferred amounts:					
Unamortized premiums	3,463,530	-	(676,944)	2,786,586	554,326
Total Bonds Payable	$ 154,175,943	$ -	$ (10,755,546)	$ 143,420,397	$ 11,045,505

Revenue Bonds payable are as follows:

	June 30, 2018
General Airport Revenue Bonds (Manchester Airport Project - Series 2009 A & B): Issued in two series: $64,830,000 of 2009A to refund all of the 2005B bonds and $20,705,000 of 2009B to refund a portion of the previously outstanding 1998A bonds and all of the 2000A bonds. Lots A and B total $85,535,000, comprised of $42,880,000 term bonds and $42,655,000 serial bonds, were sold at interest rates from 3.00% to 5.00%, due semi-annually on January 1 and July 1. Interest is paid monthly while principle maturities are paid January 2010 through 2029.	$ 50,605,000
General Airport Revenue Bonds (Series 2012 A & B) Issued in two series: $59,215,000 of 2012A bonds to refund $56,930,000 of the 1998A bonds and $7,010,000 of the 2002B Bonds and $25,725,000 of 2012B bonds to refund $28,635,000 of the 2002A bonds. The Series 2012 bonds in total refunded 100% of the outstanding 2002A and 2002B bonds and 93% of the outstanding 1998A bonds. The 2012 Lots A and B bonds total $84,940,000; comprised of $11,845,000 term bonds and $73,095,000 serial bonds and were sold at interest rate yields from 2.00% to 5.00%. Interest is paid monthly while principle maturities are paid January 2013 through 2031.	70,280,000
General Airport Revenue Bonds (Series 2013) Issued $21,800,000 in February 2013, with a fixed rate of 3.06%. The General Airport Revenue Bond bank loan was issued to refund the outstanding 2008 General Airport Revenue Bonds variable rate debt. Interest and Principal payments are made monthly with a final maturity of January 2022.	7,452,881
General Airport Revenue Bonds (Series 2014) Issued $10,000,000 in December 2014, with a fixed rate of 2.44%. The General Airport Revenue Bond bank loan was issued to refund a portion of the outstanding 2005A Airport Revenue Bonds. Interest and Principal payments are made monthly with a final maturity of January 2027.	9,927,745
General Airport Revenue Bonds (Series 2015) Issued $2,630,000 in January 2015, with a fixed rate of 2.38%. The General Airport Revenue Bond bank loan was issued to refund the outstanding 2005A Airport Revenue Bonds. Interest and Principal payments are made monthly with a final maturity of January 2027.	2,368,185
Total Revenue Bonds payable	140,633,811
Add: Bond premiums	2,786,586
Less: current portion	(11,045,505)
Total Revenue Bonds payable – non-current	$ 132,374,892

Debt Service Requirements

Aggregate debt service requirements subsequent to June 30, 2018 are:

	Principal	Interest	Total
2019	$ 10,491,179	$ 6,362,075	$ 16,853,254
2020	10,920,683	5,903,122	16,823,805
2021	11,367,171	5,431,416	16,798,587
2022	11,177,932	4,931,108	16,109,040
2023	12,393,337	4,414,354	16,807,691
2024-2028	67,708,509	13,261,571	80,970,080
2029-2032	16,575,000	1,554,708	18,129,708
Debt Service requirement	140,633,811	41,858,354	182,492,165
Add: bond premium	2,786,586	-	2,786,586
Total	$ 143,420,397	$ 41,858,354	$ 185,278,751

The City has pledged future airport revenues, net of specified operating expenses, to repay the airport revenue bonds. Pledged revenues total $42,164,157 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. The coverage ratio for 2018 is 1.61.

8. Retirement Plan

The DA follows the provisions of the Governmental Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions* with respect to the employees' retirement funds.

All eligible employees of the DA participate in the City of Manchester Employees' Contributory Retirement System (MECRS).

A. Plan Description

In 1974, the City established the Manchester Employees' Contributory Retirement System (the MECRS), a single-employer public employee retirement system that provides pension benefits to covered employees other than firefighters, police officers, teachers, and employees previously covered under the Old System pension plan. Manchester School District administration employees are also covered under the MECRS 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.

The DA's membership in the MECRS consisted of the following at December 31, 2017, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	29
Current employees - active or vested	77
Total participants	106

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 pension plan. Any difference between the ARC and the actual contribution made has been settled by the next actuarial valuation date.

B. 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 5 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 3 years of service in the last 10 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, of 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. Contributions

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.

All eligible employees are required to contribute 3.75% of their salaries to the MECRS. If an employee leaves covered employment or dies before 5 years of service, the MECRS refunds accumulated employee contributions and their earnings, calculated at the rates determined annually by the MECRS Board of Trustees.

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 2017 were based on an actuarial valuation performed as of December 31, 2017. For the year ended June 30, 2018, the DA's contributions to MECRS totaled $1,286,832 For the year ended June 30, 2018, the DA's covered payroll was $5,199,783.

D. 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 and additions to/deductions from 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. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At June 30, 2018, the DA reported a net pension liability of $11,888,331 for its proportionate share of the MECRS' collective net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The DA's proportionate share of the MECRS' collective net pension liability was actuarially determined, using covered payroll valued as of December 31, 2017, as provided by the City. At December 31, 2017, the DA's proportion was 9.50%.

For the year ended June 30, 2018, the DA recognized pension expense of $1,756,466. In addition, DA reported deferred outflows and inflows of resources related to MECRS pension liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 303,448	$ 319,464
Net difference between projected and actual investment earnings	-	326,108
Changes in proportional share of contributions	342,043	237,341
Changes in assumptions	766,547	-
Contributions subsequent to the measurement date	676,023	-
Total	$ 2,088,061	$ 882,913

Deferred outflows of resources related to the MECRS pension liability resulting from the DA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and (inflows) of resources related to the MECRS will be recognized in the DA's pension expense as follows:

Year ended June 30:	
2019	$ 419,716
2020	280,877
2021	(79,181)
2022	(151,415)
2023	59,128
Total	$ 529,125

Actuarial Assumptions: The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date:	December 31, 2017
Actuarial Cost Method:	Entry-Age Normal
Rate of investment return:	7.00%
Projected salary increases:	3.75% - 7.43% including inflation
Inflation rate:	2.75%
COLA assumption:	1.00% compounded annually

Mortality rates were based on the RP 2014 Mortality Table projected to 2026 for males and females using projection scale MP-2017. This assumption is used to measure the probabilities of dying after retirement. The projection to 2026 is the margin for mortality improvement. Post-retirement disabled mortality table is the RP-2014 Disabled Retiree Annuitant Table projected to 2026 using projection scale MP-2017. Pre-retirement mortality is modeled using the RP-2014 Employee Mortality Table projected to 2026 using projection scale MP-2017 and multiplied by a factor of 80%.

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.

For each major asset class that is included in the pension plan's target asset allocation at December 31, 2017, these best estimates are summarized in the following table:

Asset Class	Current Target	2018 30-Year Assumptions - Nominal Arithmetic Return	30-Year Real Returns Weighted Return
Cash	2.00%	2.80%	0.1%
Equities:			
Large cap equities	16.00%	8.80%	1.40%
Small/mid cap equities	6.00%	9.60%	0.60%
International equities (unhedged)	10.00%	9.60%	1.00%
International small cap (unhedged)	5.00%	10.10%	0.50%
Emerging international equities	5.00%	12.50%	0.60%
Total equity	42.00%		
Fixed Income:			
Core bonds	5.00%	3.90%	0.20%
Treasury inflation protected securities	5.00%	4.00%	0.20%
Diversified fixed income	6.00%	5.30%	0.30%
Absolute return fixed income	5.00%	4.50%	0.20%
Total Fixed Income	21.00%		
Alternatives:			
Real estate (core)	10.00%	7.30%	0.70%
Liquid alternatives	5.00%	550.00%	0.30%
Private equity	10.00%	11.70%	1.20%
Global asset allocation	10.00%	7.10%	0.70%
Total Alternatives	35.00%		
2018 Expected 30-year real return			8.00%

Discount Rate: The discount rate used to measure the total pension liability was 7.00%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the DA's net pension liability calculated using the discount rate of 7.00%, as well as what the DA's net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.00%) or one-percentage point higher (8.00%) than the current rate.

Year Ended	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
December 31, 2017	$ 15,768,656	$ 11,888,331	$ 8,601,364

9. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

A. Plan Description

All the following OPEB disclosures are based on a measurement date of June 30, 2018.

General Information about the OPEB Plan

Plan Description

The City provides post-employment healthcare benefits for retired employees through the City's plan. The City provides health insurance coverage through Anthem, Inc. The OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

The City indirectly provides post-employment healthcare for retired employees through an implicit rate covered by current employees. Retirees of the City who participate in this single-employer plan pay 100% of the healthcare premiums to participate in the City's healthcare program. Since they are included in the same pool as active employees, the insurance rates are implicitly higher for current employees due to the age consideration. This increased rate is an implicit subsidy the City pays for the retirees.

Benefits Provided

The City provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

Plan Membership

At June 30, 2018, the following employees were covered by the benefit terms:

Retired members and survivors	2
Covered spouses	1
Active employees	67
Total	70

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Discount rate	3.87%
Healthcare cost trend rates	9.00% for 2017, decreasing 1.00% per year to an ultimate rate of 5.00% for 2021 and later years
Retirees' share of benefit-related costs	100.00%

The discount rate was based on the Bond Buyer 20-Bond GO Index at June 28, 2018.

Mortality rates were based on the RP-2000 Combined Mortality table, projected to 2020, using Scale AA.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Total OPEB Liability

The DA's total OPEB liability of $537,517 and the City's total OPEB liability of $28,141,066 were measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

Changes in the Total OPEB Liability

Detailed information about the changes in total OPEB liability is available in the separately issued City of Manchester, New Hampshire's Comprehensive Annual Financial Report.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent as of June 30, 2017 to 3.87 percent as of June 30, 2018. All other assumptions were the same as those used in the previous measurement date.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
$ 585,330	$ 537,517	$ 494,260

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease (8% Year 1 Decreasing to 4%)	Healthcare Cost Trend Rates (9% Year 1 Decreasing to 5%)	1% Increase (10% Year 1 Decreasing to 6%)
$ 477,869	$ 537,517	$ 607,992

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Government recognized an OPEB expense of $47,634. At June 30, 2018, the Government reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Difference between expected and actual experience	$ 92,584
Change in assumptions	42,985
Total	$ 135,569

Amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	$ 24,063
2020	24,063
2021	24,063
2022	24,063
2023	23,540
Thereafter	15,777
Total	$ 135,569

B. Manchester Employees' Retirement System Medical Subsidy Plan Description
General Information about the OPEB Plan

Plan Description

In addition to the OPEB plan discussed in Note 10 A, the DA participates in the Manchester Employees' Contributory Retirement System (MECRS) Medical Subsidy. The MECRS administers a single-employer public employee retirement system that provides pension benefits to covered employees other than firefighters, police officers, teachers and employees previously covered under the Old System pension plan. Manchester School District administration employees are also covered under the MECRS plan. 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). All eligible employees are required to contribute 1.25% of covered payroll. 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. 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. Detailed information about the pension plan's fiduciary net position is available in the separately issued MECRS financial report.

Benefits Provided

The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by MECRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree. Spouses, dependents and/or beneficiaries are not eligible for any subsidy. The full amount of the monthly health insurance subsidy is $200 as of January 1, 2006 and increases by 4% annually beginning January 1, 2007. The full $200 is prorated based on the member's service at retirement.

Actuarial Assumptions and Other Inputs

The DA's proportionate share of the MECRS Medical Subsidy as of June 30, 2018 is based upon an actuarial valuation performed as of December 31, 2017. The actuarial valuation used the following actuarial assumptions:

Price inflation	2.25%
Wage inflation	2.75%
Salary increases	3.75% - 7.43%
Investment rate of return	7.00%
Discount rate	7.00%

Mortality rates were based on the RP-2014 mortality table projected to 2026 using projection scale MP-2017.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the most recent experience study, which was for the five-year period ended December 31, 2016.

Net OPEB Liability, Expense, and Deferred Outflows and Inflows

The DA's proportionate share of the net MECRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2018 was $784,265.

At June 30, 2018, the DA reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ 105,856	$ 6,737
Net difference between projected and actual OPEB investment earnings	-	42,344
Total	$ 105,856	$ 49,081

Other amounts reported as deferred outflows and (inflows) of resources related to OPEB will be recognized in OPEB expense over the next six years.

Sensitivity of the Net MECRS Medical Subsidy OPEB Liability to Changes in the Discount Rate

Detailed information about the sensitivity of the net MECRS medical subsidy OEPB liability to changes in the discount rate is available in the separately issued City of Manchester, New Hampshire's Comprehensive Annual Financial Report.

C. *Consolidation of Total/Net OPEB Liabilities and Related Deferred Outflows and Inflows*

The following consolidates the DA's total OPEB liability and related deferred outflows/inflows, and the DA's proportionate share of the MECRS Medical Subsidy net OPEB liability and related deferred outflows/inflows at June 30, 2018:

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
City OPEB Plan	$ 537,517	$ -	$ 135,569
MECRS Medical Subsidy Plan	784,265	105,856	49,081
Total	$ 1,321,782	$ 105,856	$ 184,650

10. Interfund Transactions

During the year ended June 30, 2018 the DA recorded $23,995, representing City services for legal, accounting, and administrative support. In addition, due to the pooling of substantially all cash by the City, the DA and the General Fund are able to borrow operating funds from each other.

11. Major Customers

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

The DA's earnings and revenues could be materially and adversely affected should any of these major airlines discontinue operations and should the DA 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 and their concentration for fiscal year 2018 are as follows:

Southwest Airlines	56%
American Airlines & Affiliates	23%

12. Beginning Net Position Restatement

Net position, beginning of year (July 1, 2017) of the DA has been decreased by $844,885 from $177,217,081 due to first year implementation of GASB 75.

13. Subsequent Events

Subsequent to June 30, 2018, the DA issued the following debt to refinance the 2009A bonds:

	Amount	Interest Rate	Issue Date	Maturity Date
MHT Series 2018 Bonds	$ 46,030,000	3.44%	11/20/18	01/01/30

City of Manchester, New Hampshire
Department of Aviation

Required Supplementary Information

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
June 30, 2018
(Unaudited)

Manchester Employees' Contributory Retirement System:

Fiscal year end	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Measurement date	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Proportion of the net pension liability	9.50%	9.41%	9.37%	9.81%
Proportionate share of the net pension liability	$ 11,888,331	$ 12,229,020	$ 11,980,795	$ 10,254,930
Covered payroll	$ 5,070,535	$ 4,979,129	$ 4,962,323	$ 5,323,978
Proportionate share of the net pension liability as a percentage of covered payroll	234.46%	245.61%	241.44%	192.62%
Plan fiduciary net position as a percentage of the total pension liability	6.70%	59.60%	59.30%	64.82%

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
Department of Aviation

Required Supplementary Information

SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2018
(Unaudited)

Manchester Employees' Contributory Retirement System:

Fiscal year end		6/30/2018		6/30/2017		6/30/2016		6/30/2015
Contractually determined contribution	$	1,286,832	$	1,247,677	$	1,106,878	$	1,141,174
Contributions in relation to the contractually determined contribution		1,286,832		1,247,677		1,106,878		1,141,174
Contribution deficiency (excess)	$	-	$	-	$	-	$	-
Covered payroll	$	5,199,783	$	5,378,940	$	4,962,323	$	5,323,978
Contributions as a percentage of covered payroll		24.75%		23.20%		22.31%		21.43%

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
Department of Aviation

Required Supplementary Information

SCHEDULE OF PROPORTIONATE SHARE
OF THE TOTAL OPEB LIABILITY (GASB 75)
Required Supplementary Information

JUNE 30, 2018
(Unaudited)

City OPEB Plan

Fiscal Year	Measurement Date	Proportion of the Total OPEB Liability	Proportionate Share of the Total OPEB Liability	Covered Payroll	Proportionate Share of the Total OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total OPEB Liability
June 30, 2018	June 30, 2018	1.91%	$537,517	$ 5,199,783	10.34%	0.00%

Manchester Employees' Contributory Retirement System Medical Subsidy

Fiscal Year	Measurement Date	Proportion of the Total OPEB Liability	Proportionate Share of the Total OPEB Liability	Covered Payroll	Proportionate Share of the Total OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total OPEB Liability
June 30, 2018	December 31, 2017	5.65%	$784,265	$ 5,070,535	15.47%	47.47%

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
Department of Aviation

Required Supplementary Information

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Schedules of Changes in the Total OPEB Liability and Contributions (GASB 75)

(Unaudited)

Schedule of Contributions **City OPEB Plan**	Fiscal Year 2018
Actuarially determined contribution	$ 64,907
Contributions in relation to the actuarially determined contribution	23,287
Contribution deficiency (excess)	$ 41,620
Covered employee payroll	$ 5,199,783
Contributions as a percentage of covered employee payroll	0.45%

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

See notes to the financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

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REPORT ON COMPLIANCE WITH REQUIREMENTS OF THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES

Independent Auditors' Report

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

Report on Compliance for the Passenger Facility Charge Program

We have audited the Department of Aviation of the City of Manchester, New Hampshire (the DA), an enterprise fund of the City of Manchester, New Hampshire (the City), for compliance with the requirements described in the *Passenger Facility Charges Audit Guide for Public Agencies (the Guide*) issued by the Federal Aviation Administration for its passenger facility charges program for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Passenger Facility Charges Program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the DA's Passenger Facility Charges Program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide.

Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charges Program occurred. An audit includes examining, on a test basis, evidence about the DA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the DA's Passenger Facility Charges Program. However, our audit does not provide a legal determination of the DA's compliance.

Opinion

In our opinion, the Department of Aviation of the City of Manchester, New Hampshire complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charges Program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the DA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the DAs internal control over compliance with requirements that could have a direct and material effect on the Passenger Facility Charges Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the DA's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Passenger Facility Charges Audit Guide for Public Agencies*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Passenger Facility Charges

We have audited the financial statements of the Department of Aviation of the City of Manchester New Hampshire, the enterprise fund of the City of Manchester, New Hampshire, as of and for the year ended June 30, 2018, and have issued our report thereon dated March 19, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the DA's financial statements. The schedule of passenger facility charges supplemental cash basis financial statement presentation 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. It provides relevant information that is not provided by the historical accrual basis financial statements, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or a complete presentation in accordance with the cash basis used for this financial statement presentation. Under the cash basis, certain revenue and the related assets are recognized when cash is received rather than earned, and certain expenses are recognized when paid rather than when the obligation is incurred. The information has been subjected to the auditing procedures applied in 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 schedule of passenger facility charges supplemental cash basis financial statement is fairly stated in all material respects in relation to the basic financial statements as a whole.

Melanson Heath

March 19, 2019

City of Manchester, New Hampshire
Department of Aviation

Schedule of Passenger Facility Charges
For the Year Ended June 30, 2018

Cash Balance - July 1, 2017	$ 2,148,984
Receipts:	
Passenger facility charges collected	3,740,897
Interest income	20,123
Total receipts	3,761,020
Disbursements:	
Project No. 98-07-C-01-MHT	2,719,506
Project No. 98-08-C-02-MHT	59,790
Project No. 03-10-C-01-MHT	852,720
Project No. 06-11-C-01-MHT	75,430
Project No. 07-12-U-01-MHT	172,550
Total disbursements	3,879,996
Decrease in cash balance	(118,976)
Cash Balance - June 30, 2018	$ 2,030,008

Please refer to Note 3 for reconciliation of above cash to the restricted account presented in the financial statements

CITY OF MANCHESTER, NEW HAMPSHIRE
DEPARTMENT OF AVIATION

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

I. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: unmodified

Internal Control over Financial Reporting:

- Material weaknesses identified? ____ Yes _✓_ No

- Significant deficiencies identified that are not considered to be material weaknesses? ____ Yes _✓_ None reported

Noncompliance material to financial statements noted? ____ Yes _✓_ No

Passenger Facility Charges Program

Internal Control over the Programs:

- Material weaknesses identified? ____ Yes _✓_ No

- Significant deficiencies identified that are not considered to be material weaknesses? ____ Yes _✓_ None reported

Type of auditors' report issued on compliance for the Programs: unmodified

- Any audit findings disclosed that are required to be reported in accordance with Passenger Facility Charges Audit Guide for Public Agencies? ____ Yes _✓_ No

II. Financial Statement Findings

None reported.

III. Findings and Questioned Costs for the Program

None reported.