

**CITY OF MANCHESTER, TENNESSEE  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2019**

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**For the Year Ended June 30, 2019**

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# **INTRODUCTORY SECTION**

**OFFICIALS OF THE  
CITY OF MANCHESTER, TENNESSEE  
JUNE 30, 2019**

**OFFICIALS**

**Board of Mayor and Aldermen**

Lonnie Norman, Mayor	Ryan French, Vice Mayor
Chris Elam, Alderman	Tim Kilgore, Alderman
Bob Bellamy, Alderman	Lana Sain, Alderwoman
Cheryl Swan, Alderwoman	

**Manchester City School Board**

Mike Lewis, Chairman	Susan Parsley, Member
Lisa Gregory, Member	Travis Hillis, Member
Susan Wood, Member	

**Appointed Officials**

Bridget Anderson, CMFO, Finance Director

Mark Yother, Chief of Police

George Chambers, Fire Chief

Bryan Pennington, Director of Water and Sewer

Bonnie Gamble, Director of Parks & Recreation

Brent Carter, Director of Public Works

Jamie Sain, Director of Building and Codes

Joey Vaughn, Director of Schools

# **FINANCIAL SECTION**

# *The MG Group, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor  
and Board of Aldermen  
City of Manchester, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manchester, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Manchester, Tennessee's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 auditor's 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.

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**515 NW Atlantic Street, Tullahoma, Tennessee 37388**

**16053 Rankin Avenue, Dunlap, Tennessee 37327**

**Phone (931) 393-3307      Fax (931) 563-5585**

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manchester, Tennessee as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents 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 the 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 sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manchester, Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the schedules shown in the other information section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other

records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, and the schedules shown in the other information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2019 on our consideration of the City of Manchester, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Manchester, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Manchester, Tennessee's internal control over financial reporting and compliance.

*MG Group, P.C.*

Tullahoma, Tennessee  
December 26, 2019

## Management's Discussion and Analysis

As management of the City of Manchester, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

### Financial Highlights:

- The assets of the City of Manchester exceeded its liabilities at the close of the most recent year by \$48,307,261. Of this amount, \$22,828,518 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Manchester began work on the Interstate Drive Widening Project where the City's portion will be 20% of the project.
- The City of Manchester is in the preliminary stages on the Signalization Project through TDOT.
- The Recreation Center completed LPRF Phase 2 of the Soccer Complex Project.
- The City of Manchester received a Tourism COOP Marketing Grant from the State of Tennessee Department of Tourist Development.
- The City of Manchester received a 50/50 Forestry Grant from the Tennessee Department of Agriculture in the amount of \$3,147.00.
- The City of Manchester received a grant from the State of Tennessee Department of Transportation in the amount of \$960,000 for the extension of the Little Duck River Greenway to Bonnaroo.
- The City of Manchester received a \$25,000 grant from The Boyd Foundation for the Dog Park Project.
- The City of Manchester received a grant from the Community Foundation of Middle Tennessee in the amount of \$5,000 for an After School Program.
- The City of Manchester Police Department also received a grant from the Governor's Highway Safety Office.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,344,370.
- The Government Accounting Standards Board issued Statement 54: Fund Balance Reporting and Governmental Fund Type Definitions. The implementation date for this standard is for periods beginning after June 15, 2010, which means FYE June 30, 2011. Governmental accounting standards now require the reporting of five classifications of fund balance: Non-Spendable, Restricted, Committed, Assigned and Unassigned. The City's audited financial statement addresses four categories: Non-spendable \$124,667; Restricted \$1,199,990; Committed \$418,521; Assigned \$1,524,051; and Unassigned \$15,077,141. The Unassigned Fund Balance is available for spending at the government's discretion.

## **Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the City of Manchester's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Manchester include general government, public works, public safety, state street aid, public welfare and recreation and schools. The business-type activities of the City include Water and Sewer services.

Fund Financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Manchester, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and General Purpose School Fund which are considered to be major funds. Data for the other ten governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with this budget, as well as for the non-major funds.

Proprietary Funds – The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented in the business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for Water and Sewer operations which is considered to be a major fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to financial statements.

## Financial Analysis of the Financial Statements

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Manchester, assets exceeded liabilities by \$48,381,678 at the close of this fiscal year.

By far the largest portion of the City's assets (34.74%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Manchester's Net Position

	<b>Governmental 2019</b>	<b>Activities 2018</b>	<b>Business type 2019</b>	<b>Activities 2018</b>
Current and other assets	\$27,079,144	\$26,047,782	\$17,153,392	\$18,757,358
Capital Assets	28,557,404	29,021,143	33,444,399	32,456,111
<b>Total Assets</b>	<b>55,636,548</b>	<b>55,068,925</b>	<b>50,481,585</b>	<b>51,213,469</b>
Long-term liabilities outstanding	23,196,133	21,119,592	26,159,999	25,785,801
Other Liabilities	7,492,894	12,115,450	1,003,635	2,699,015
<b>Total Liabilities</b>	<b>30,689,027</b>	<b>33,235,042</b>	<b>27,163,634</b>	<b>28,484,816</b>
<b>Net Position</b>				
Net Investment in Capital Assets	9,148,255	8,715,884	7,658,599	12,160,706
Restricted	8,627,377	1,391,668	118,929	35,923
Unrestricted	7,171,889	14,347,382	15,656,629	10,532,024
<b>Total net position</b>	<b>\$24,947,521</b>	<b>\$24,454,934</b>	<b>\$23,434,157</b>	<b>\$22,728,653</b>

Changes in net position. Governmental activities increased the City's net position by \$492,587. Business-type activities net position increased by \$755,504.

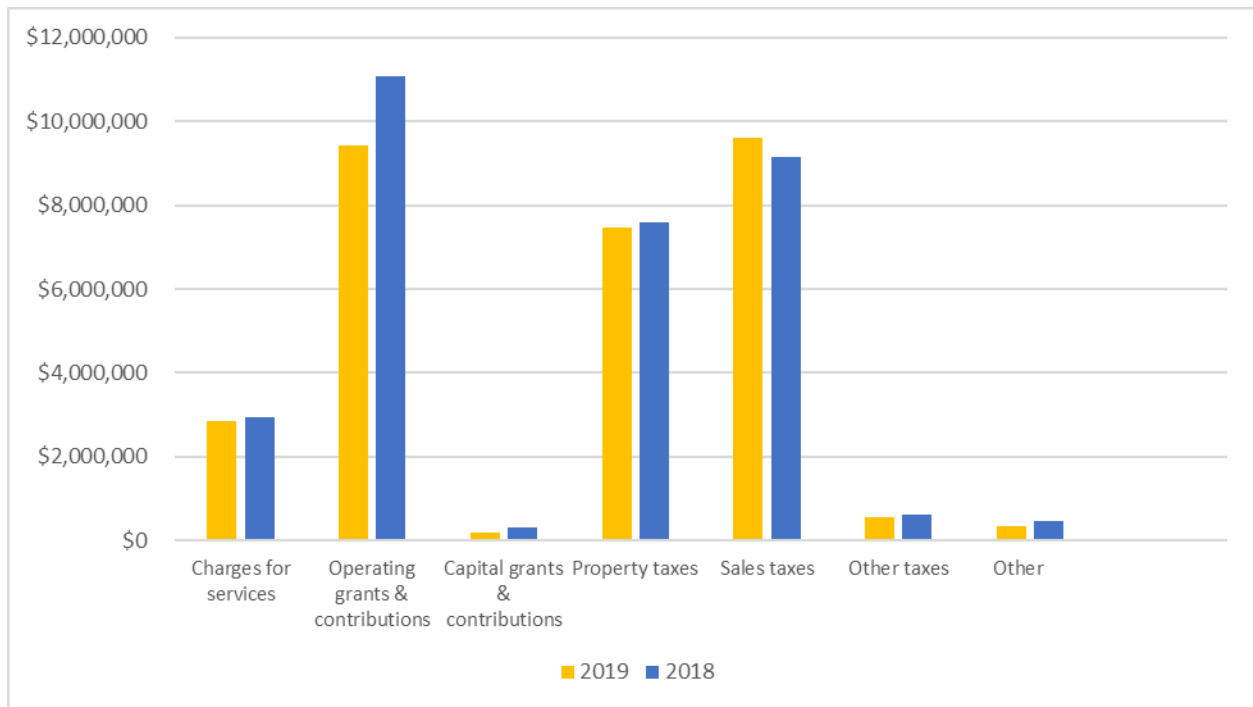
The table below provides a summary of the City's net assets broken down by governmental and business-type activities.

### City of Manchester's Changes in Net Position

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
<b>Revenues</b>				
<u>Program revenues</u>				
Charges for services	\$2,859,089	\$2,941,521	\$6,369,776	\$6,178,633
Operating grants and contributions	9,415,987	11,080,801	17,400	17,400
Capital grants and contributions	176,510	319,461	488,098	
<u>General Revenues</u>				
Property taxes	7,479,650	7,366,497		
Sales taxes	7,481,036	7,008,316		
Other taxes	2,824,184	3,005,107		
Other	199,467	1,193,386	183,884	132,896
Total revenues	<u>\$30,435,923</u>	<u>\$32,915,089</u>	<u>\$7,059,158</u>	<u>\$6,328,930</u>
<u>Governmental Activities</u>				
General Government	\$1,958,999	\$2,134,255		
Public Safety	5,060,946	4,694,114		
Public Works	3,178,213	2,878,051		
Health, Welfare, Culture and Recreation	2,539,656	2,534,281		
Economic Development and Assistance	94,153	135,429		
Education	14,728,714	15,263,073		
Debt Service	755,549	1,691,259		
Water & Sewer			6,353,654	6,156,142
Total expenses	<u>\$28,367,170</u>	<u>\$29,330,462</u>	<u>\$6,353,654</u>	<u>\$6,156,142</u>
Change in Net Position	2,068,753	3,584,627	705,504	172,788
Net Position, as previously reported	22,878,768	20,690,839	22,728,653	23,340,599
Restatement from prior year		(1,396,698)		23,878
Net Position, beg. Of year as restated		19,294,141		
Net Position, end of year	<u>\$24,947,521</u>	<u>\$22,878,768</u>	<u>\$23,434,157</u>	<u>\$23,537,265</u>

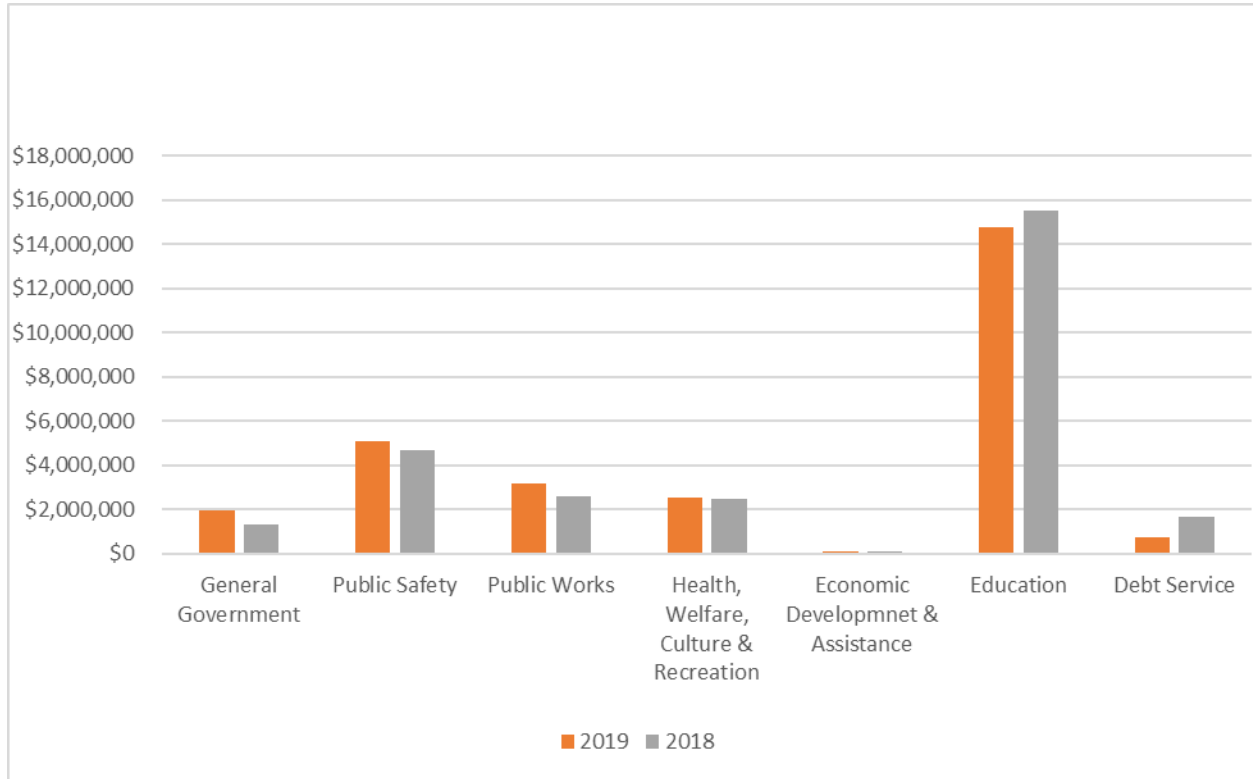
## Revenues by Source – Governmental Activities

### Revenues



## Expenditures – Governmental Activities

### Expenditures



Significant variances in Governmental Activities revenues and expenditures from that of the prior year were as follows:

- The overall expenditures decreased by approximately \$963,292. The decrease is due to budgetary cuts and being resourceful with available funds.
- Education expenditures decreased by \$534,359 due to conservative spending.

### **Business-type Activities**

Business-type activities accounted for revenue of \$6,571,060 which includes contributed capital.

### **Financial Analysis of the Government's Funds**

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

### **Governmental Funds**

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,344,370, an increase of \$1,448,875 in comparison with the prior year. Within the governmental funds, \$98,978 is restricted for Inventory and Prepaid Costs in the General Fund. In the General Purpose School Fund, \$0 is committed for Non-Instructional Services.

The general fund is the chief operation fund of the City of Manchester, Tennessee. Due to the compliance of GASB 54, the general fund recognizes "unassigned" fund balance instead of "unreserved" fund balance. At the end of this fiscal year, this amount is \$6,887,729. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 52.05% of total general fund expenditures.

The City's general fund had a positive Net Change in Fund Balance of \$533,245.

### **Proprietary funds**

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

Unrestricted Net Assets at the end of the year for the Water and Sewer Fund amounted to \$15,656,629. This represents total Net Assets at June 30, 2019 of \$23,434,157.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were as follows: changes to revenues were as follows: General Fund – increase of \$73,214; General Purpose School Fund – increase of \$147,529; School Federal and State Programs – no change; changes to appropriations of General Fund - increase of \$195,756; General Purpose School Fund – increase of \$654,061; School Federal and State Programs – increase of \$119,623.

Specific Revenue increases for the General Fund and General Purpose School Fund were as follows:

	Budgeted Amounts	
	Original	Final
<b>General Fund</b>		
Revenues:		
Total Taxes Revenue	\$ 10,179,612	\$10,179,612
<b>General Purpose School Fund:</b>		
Revenues	\$ 4,254,460	\$4,401,989
Operating Transfer-General Fund	\$ 1,858,467	\$1,858,467

## Capital Assets

The City of Manchester’s investment in capital assets from its governmental and business-type activities at June 30, 2019, amounts to \$62,031,396 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total of the City’s investment in capital assets for the current fiscal year decreased in the amount of \$196,500 (a net decrease of \$425,865 for governmental activities and a net increase of \$229,365 for business-type activities).

## City of Manchester's Capital Assets

	Governmental Activities	Business-type Activities	Total
Land	\$ 4,710,363	\$ 210,937	\$ 4,921,300
Buildings/land improvement	27,741,381	398,600	28,139,981
Machinery and Equipment	7,905,575	1,531,500	9,437,075
Infrastructure	27,474,305	53,405,548	80,879,853
Construction in progress	133,857	2,049,219	2,183,076
	<u>67,965,481</u>	<u>57,595,804</u>	<u>125,561,285</u>
Less Accumulated Depreciation	<u>39,378,540</u>	<u>24,151,349</u>	<u>63,529,889</u>
Net Capital Assets	<u>\$28,586,941</u>	<u>\$33,444,455</u>	<u>\$62,031,396</u>

Additional information on the City of Manchester's capital assets can be found in the notes to the financial statements section of this report.

### Long-term Debt

At the end of the current year, the City of Manchester had bonded debt outstanding of \$45,210,801. Of this amount, \$2,254,334 is due in the next fiscal year.

## City of Manchester's Outstanding Debt

	Governmental Activities	Business-type Activities	Total
Principal due in the next fiscal year	\$ 675,000	1,579,334	<u>2,254,334</u>

The City of Manchester's combined total bonded debt decreased in the amount of \$2,210,454 during the current fiscal year.

Additional information on the City of Manchester's debt can be found in the notes to the financial statements section of this report.

**Currently Known Factors Affecting Future Years**

The unemployment rate for the Coffee County at the end of the fiscal year was 3.9%. This compares to the State's average unemployment rate of 3.4% and the National average rate of 3.7%. Due to the economic situation, the City used the conservative approach in the preparation of next year's budget.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Manchester, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director/Chief Financial Officer, 200 West Fort Street, Manchester, TN 37355.

**City of Manchester, Tennessee**  
**Statement of Net Position**  
**June 30, 2019**

	<u>Primary Government</u>		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Investment in pooled cash	\$ 17,016,281	\$ 1,928,859	\$ 18,945,140
Cash	162,365	5,757,624	5,919,989
Receivables			
Property taxes	4,697,859	-	4,697,859
Customers	-	455,595	455,595
Other	543,381	-	543,381
Less allowance for doubtful accounts	(250,012)	(39,073)	(289,085)
Due from other governments	1,847,673	-	1,847,673
Unbilled water and sewer	-	243,782	243,782
Notes receivable - DRUC	-	8,370,000	8,370,000
Inventories	124,667	201,470	326,137
Capital assets, not being depreciated	4,844,220	2,260,156	7,104,376
Capital assets, being depreciated, net	23,713,183	31,184,243	54,897,426
Net pension asset	950,430	118,929	1,069,359
Total assets	53,650,048	50,481,585	104,131,633
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	1,687,289	114,934	1,802,223
Related to OPEB	299,211	1,272	300,483
Total deferred outflows of resources	1,986,500	116,206	2,102,706
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	301,518	262,578	564,096
Accrued payroll	550,892	36,602	587,494
Accrued interest payable	62,488	49,140	111,628
Other payables	224,639	11,841	236,480
Due to other funds	(70,828)	70,828	-
Due to other governments	2,331	22,208	24,539
Customer deposits	-	416,541	416,541
Unearned revenue	92,927	-	92,927
Noncurrent liabilities:			
Compensated absences	1,947,087	347,181	2,294,268
Due within one year	675,000	1,579,334	2,254,334
Due in more than one year	18,750,000	24,206,466	42,956,466
Total OPEB liability	1,824,046	27,018	1,851,064
Total liabilities	24,360,100	27,029,737	51,389,837
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Assessed & unlevied property taxes	4,696,366	-	4,696,366
Related to debt	15,852	67,014	82,866
Related to pensions	1,171,801	37,895	1,209,696
Related to OPEB	444,908	28,988	473,896
Total deferred inflows of resources	6,328,927	133,897	6,462,824
<b>NET POSITION</b>			
Net investment in capital assets	9,148,255	7,658,599	16,806,854
Restricted for:	-		
Net pension asset	950,430	118,929	1,069,359
Drug control and investigation	564,480	-	564,480
Education	7,112,467	-	7,112,467
Unrestricted	7,171,889	15,656,629	22,828,518
Total net position	\$ 24,947,521	\$ 23,434,157	\$ 48,381,678

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 1,958,999	\$ 112,204	\$ -	\$ 57,600	\$ (1,789,195)	\$ -	\$ (1,789,195)
Public safety	5,060,946	263,906	21,873	-	(4,775,167)	-	(4,775,167)
Public works	3,178,213	1,007,879	285,501	53,593	(1,831,240)	-	(1,831,240)
Health, welfare, and recreation	2,540,596	1,142,166	42,781	65,317	(1,290,332)	-	(1,290,332)
Economic development and assistance	94,153	-	-	-	(94,153)	-	(94,153)
Education	14,778,714	332,934	9,065,832	-	(5,379,948)	-	(5,379,948)
Debt Service	755,549	-	-	-	(755,549)	-	(755,549)
<b>Total Governmental Activities</b>	<b>28,367,170</b>	<b>2,859,089</b>	<b>9,415,987</b>	<b>176,510</b>	<b>(15,915,584)</b>	<b>-</b>	<b>(15,915,584)</b>
Business-type Activities:							
Water and Sewer	6,353,654	6,369,776	17,400	488,098		521,620	521,620
<b>Total Primary Government</b>	<b>\$ 34,720,824</b>	<b>\$ 9,228,865</b>	<b>\$ 9,433,387</b>	<b>\$ 664,608</b>	<b>(15,915,584)</b>	<b>521,620</b>	<b>(15,393,964)</b>
General revenues:							
Property taxes					7,225,466	-	7,225,466
Interest and penalty					67,985	-	67,985
In-lieu of tax					186,199	-	186,199
Licenses and Permits					130,217	-	130,217
Local option sales tax					6,568,859	-	6,568,859
Wholesale liquor and beer tax					772,281	-	772,281
Business, cable TV, and hotel occupancy taxes					1,369,857	-	1,369,857
Intergovernmental revenues:							
State sales tax					912,177	-	912,177
Other state revenue					551,829	-	551,829
Other revenue					116,492	112,934	229,426
Investment earnings and rental income					69,661	57,577	127,238
Gain (loss) on sale of capital assets					13,314	13,373	26,687
<b>Total general revenues</b>					<b>17,984,337</b>	<b>183,884</b>	<b>18,168,221</b>
Change in net position					2,068,753	705,504	2,774,257
Net position - beginning					22,878,768	22,728,653	45,607,421
Net position - ending					<b>\$ 24,947,521</b>	<b>\$ 23,434,157</b>	<b>\$ 48,381,678</b>

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Investment in pooled cash	\$ 5,781,254	\$ 6,195,423	\$ 2,631,112	\$ 2,408,492	\$ 17,016,281
Cash	-	-	-	162,365	162,365
Receivables					
Property taxes	4,697,859	-	-	-	4,697,859
Other	396,650	-	-	146,731	543,381
Less allowance for doubtful accounts	(189,989)	-	-	(60,023)	(250,012)
Due from other governments	1,119,781	653,730	-	74,162	1,847,673
Due from other funds	40,031	-	-	100,526	140,557
Inventory	98,978	-	-	25,689	124,667
<b>Total assets</b>	<b>\$ 11,944,564</b>	<b>\$ 6,849,153</b>	<b>\$ 2,631,112</b>	<b>\$ 2,857,943</b>	<b>\$ 24,282,772</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 131,347	\$ 55,424	\$ 2,781	\$ 111,966	\$ 301,518
Accrued payroll	94,229	408,538	-	48,125	550,892
Other payables	33,584	-	-	144,555	178,139
Judgements payable	-	-	-	46,500	46,500
Due to other funds	-	31,463	-	38,266	69,729
Due to other governments	2,331	-	-	-	2,331
Unearned Revenues	-	-	-	92,927	92,927
<b>Total liabilities</b>	<b>261,491</b>	<b>495,425</b>	<b>2,781</b>	<b>482,339</b>	<b>1,242,036</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Assessed & unlevied property taxes	4,696,366	-	-	-	4,696,366
<b>Total deferred inflows of resources</b>	<b>4,696,366</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,696,366</b>
<b>FUND BALANCES</b>					
Nonspendable	98,978	-	-	25,689	124,667
Restricted	-	374,126	-	825,864	1,199,990
Committed	-	418,521	-	-	418,521
Assigned	-	-	-	1,524,051	1,524,051
Unassigned	6,887,729	5,561,081	2,628,331	-	15,077,141
<b>Total fund balances</b>	<b>6,986,707</b>	<b>6,353,728</b>	<b>2,628,331</b>	<b>2,375,604</b>	<b>18,344,370</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,944,564</b>	<b>\$ 6,849,153</b>	<b>\$ 2,631,112</b>	<b>\$ 2,857,943</b>	<b>\$ 24,282,772</b>

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Reconciliation of the Balance Sheet of Governmental Funds to**  
**the Statement of Net Position**  
**June 30, 2019**

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

Total fund balances - balance sheet - governmental funds	\$	18,344,370
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Capital assets, not being depreciated	\$	4,844,220
Capital assets, being depreciated, net	23,713,183	28,557,403
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Accrued Interest Payable	(62,488)	
Accrued Vacation and Sick Leave	(1,947,087)	
Due Within One Year	(675,000)	
Due in More Than One Year	<u>(18,750,000)</u>	(21,434,575)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Deferred outflows of resources related to OPEB	299,211	
Deferred outflows of resources related to pensions	1,687,289	
Deferred inflows of resources related to OPEB	(444,908)	
Deferred inflows of resources related to pensions	(1,171,801)	
Deferred inflows of resources related to debt	<u>(15,852)</u>	353,939
(4) Total OPEB liabilities of the city agent plan are not current financial uses and are therefore not reported in the governmental funds	<u>(1,824,046)</u>	(1,824,046)
(5) Net pension assets of the city agent plan are not current financial uses and are therefore not reported in the governmental funds	<u>950,430</u>	<u>950,430</u>
Net position of governmental activities	\$	<u><u>24,947,521</u></u>

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local taxes	\$ 10,912,013	\$ -	\$ -	\$ 358,462	\$ 11,270,475
Licenses and permits	129,554	-	-	-	129,554
Charges for services	13,833	133,344	-	2,442,342	2,589,519
Fines and forfeitures	215,701	-	-	54,557	270,258
Other local revenues	18,968	7,365	27,875	84,457	138,665
Intergovernmental	1,674,818	4,740,694	-	-	6,415,512
Investment earning	-	10,142	29,987	1,657	41,786
Total revenues	<u>12,964,887</u>	<u>4,891,545</u>	<u>57,862</u>	<u>2,941,475</u>	<u>20,855,769</u>
<b>Expenditures</b>					
General government	1,866,988	-	-	6,825	1,873,813
Public safety	4,611,915	-	-	641,367	5,253,282
Public works	1,866,947	-	-	1,206,897	3,073,844
Health, welfare, and recreation	205,080	-	-	2,074,960	2,280,040
Economic development and assistance	-	-	-	94,153	94,153
Education	-	14,037,359	-	1,750,621	15,787,980
Debt Service	-	-	1,514,752	-	1,514,752
Total expenditures	<u>8,550,930</u>	<u>14,037,359</u>	<u>1,514,752</u>	<u>5,774,823</u>	<u>29,877,864</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>4,413,957</u>	<u>(9,145,814)</u>	<u>(1,456,890)</u>	<u>(2,833,348)</u>	<u>(9,022,095)</u>
<b>Other Financing Sources (Uses)</b>					
Contributions	89,131	6,050	-	3,400	98,581
Grants and contracts	584,982	7,418,319	-	1,746,161	9,749,462
Sale of Capital Assets	-	-	-	14,696	14,696
Insurance recoveries	5,602	380	-	4,072	10,054
Transfers in	121,680	1,858,467	1,489,395	1,372,591	4,842,133
Transfers out	(4,682,107)	(121,680)	-	-	(4,803,787)
Total other financing sources and uses	<u>(3,880,712)</u>	<u>9,161,536</u>	<u>1,489,395</u>	<u>3,140,920</u>	<u>9,911,139</u>
<b>Net change in fund balances</b>	533,245	15,722	32,505	307,572	889,044
<b>Fund balances - beginning</b>	<u>6,453,469</u>	<u>6,338,006</u>	<u>2,595,826</u>	<u>2,068,032</u>	<u>17,455,333</u>
<b>Fund balances - ending</b>	<u>\$ 6,986,714</u>	<u>\$ 6,353,728</u>	<u>\$ 2,628,331</u>	<u>\$ 2,375,604</u>	<u>\$ 18,344,377</u>

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

Net changes in fund balance - total governmental funds	889,044
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period, net loss on disposal.	(512,004)
Governmental funds report retirement contributions as expenditures. These expenditures are reported as deferred outflows of resources and either pension and OPEB income or expense in the government-wide financial statements. This is the amount by which pension income exceeds pension and OPEB expenditures in the current period.	956,231
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	758,263
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.	(22,781)
Change in net position of governmental activities	\$ 2,068,753

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Positive (Negative) Variance with
	Original	Final		Final
<b>Revenues</b>				
Local taxes	\$ 10,179,612	\$ 10,179,612	\$ 10,912,013	\$ 732,401
Licenses and permits	92,000	92,050	129,554	37,504
Charges for service	24,000	30,632	13,833	(16,799)
Fines and forfeitures	231,000	231,888	215,701	(16,187)
Other local revenues	20,500	22,300	18,968	(3,332)
Intergovernmental	1,725,258	1,789,102	1,674,818	(114,284)
Total revenues	12,272,370	12,345,584	12,964,887	619,303
<b>Expenditures</b>				
<b>General Government</b>				
City Court				
Contractual services	12,000	12,000	12,000	-
	12,000	12,000	12,000	-
Mayor and Aldermen				
Personnel expenditures	116,235	121,235	100,244	20,991
Contractual services	177,321	172,321	104,451	67,870
Supplies	10,000	10,000	4,094	5,906
Fixed charges	1,500	1,500	222	1,278
	305,056	305,056	209,011	96,045
Financial Administration				
Personnel expenditures	320,850	320,850	291,398	29,452
Contractual services	64,050	65,067	86,463	(21,396)
Supplies	13,000	13,000	9,593	3,407
Fixed charges	1,500	1,500	989	511
	399,400	400,417	388,443	11,974
Information Systems				
Personnel expenditures	86,280	86,280	85,141	1,139
Contractual services	38,900	38,900	32,434	6,466
Supplies	5,300	5,300	3,845	1,455
Fixed charges	50	50	-	50
Capital outlay	14,000	14,455	13,251	1,204
	144,530	144,985	134,671	10,314
Planning and Zoning				
Personnel expenditures	\$ 286,900	\$ 286,900	274,759	12,141
Contractual services	41,500	37,500	26,075	11,425
Supplies	8,600	8,600	6,447	2,153
Fixed charges	1,000	14,000	10,062	3,938
	338,000	347,000	317,343	29,657
General Government and Buildings				
Personnel expenditures	42,000	42,000	20,794	21,206
Contractual services	221,200	251,200	209,563	41,637
Supplies	6,500	6,500	3,479	3,021
Fixed charges	295,000	343,500	302,722	40,778
Capital outlay	400,360	526,391	268,962	257,429
	965,060	1,169,591	805,520	364,071
Total general government	2,164,046	2,379,049	1,866,988	512,061

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual (Continued)**  
**General Fund**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		Final
<b>Public Safety</b>				
Police Department				
Personnel expenditures	2,451,500	2,451,500	2,393,521	57,979
Contractual services	66,400	66,301	62,265	4,036
Supplies	155,750	159,069	145,742	13,327
Fixed charges	1,800	1,800	366	1,434
Capital outlay	18,000	18,000	15,743	2,257
	2,693,450	2,696,670	2,617,637	79,033
Fire Department				
Personnel expenditures	1,864,700	1,882,200	1,830,369	51,831
Contractual services	62,590	55,510	59,719	(4,209)
Supplies	112,300	107,525	92,052	15,473
Fixed charges	14,000	14,000	12,138	1,862
	2,053,590	2,059,235	1,994,278	64,957
Total public safety	4,747,040	4,755,905	4,611,915	143,990
<b>Public Works</b>				
Public Works Department				
Personnel expenditures	1,084,695	1,054,695	994,606	60,089
Contractual services	365,950	358,550	319,535	39,015
Supplies	176,500	183,900	154,126	29,774
Building materials	60,000	61,888	33,218	28,670
Fixed charges	6,000	6,000	5,359	641
Capital outlay	425,000	425,000	360,103	64,897
	2,118,145	2,090,033	1,866,947	223,086
Total public works	2,118,145	2,090,033	1,866,947	223,086
<b>Health, Welfare, and Recreation</b>				
Contributions to other agencies	182,015	182,015	205,080	(23,065)
Total expenditures	9,211,246	9,407,002	8,550,930	856,072
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	3,061,124	2,938,582	4,413,957	1,475,375
<b>Other Financing Sources (Uses)</b>				
Contributions	102,153	86,682	89,131	2,449
Grants and contracts	226,836	494,222	584,982	90,760
Insurance recoveries	-	2,671	5,602	2,931
Transfers in	121,680	121,680	121,680	-
Transfers Out	(4,310,946)	(4,682,107)	(4,682,107)	-
Total other financing sources and uses	(3,860,277)	(3,976,852)	(3,880,712)	96,140
<b>Net change in fund balance</b>	\$ (799,153)	\$ (1,038,270)	533,245	\$ 1,571,515
<b>Fund Balance - beginning</b>			6,453,469	
<b>Fund Balance - ending</b>			\$ 6,986,714	

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Purpose School Funds**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Positive (Negative) Variance with Final
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 142,000	\$ 159,800	\$ 133,344	\$ (26,456)
Other local revenues	20,000	20,000	7,365	(12,635)
Intergovernmental	4,088,460	4,218,189	4,740,694	522,505
Investment Earnings	4,000	4,000	10,142	6,142
Total revenues	4,254,460	4,401,989	4,891,545	489,556
<b>Expenditures</b>				
<u>Instruction</u>				
Regular instruction	7,210,580	7,155,186	7,036,228	118,958
Alternative instruction	33,544	35,431	34,973	458
Special education	1,402,524	1,463,496	1,434,451	29,045
Student body education	2,000	2,000	1,500	500
<u>Support Services</u>				
Attendance	116,509	139,730	135,362	4,368
Health services	251,262	258,002	246,481	11,521
Other student support	183,348	348,847	207,147	141,700
Regular instruction	413,371	447,882	435,197	12,685
Special education	313,448	306,079	263,450	42,629
Technology	230,824	475,483	423,483	52,000
Board of Education	249,792	274,902	238,776	36,126
Office of the superintendent	707,695	319,451	539,776	(220,325)
Office of the principal	248,559	717,735	712,407	5,328
Fiscal services	848,987	272,663	281,487	(8,824)
Operation of plant	465,284	893,724	830,681	63,043
Maintenance of plant	35,712	479,289	512,888	(33,599)
Transportation	505,188	51,060	46,851	4,209
Central and other	-	-	-	-
<u>Operation of Non-instructional Services</u>				
Community services	329,782	333,637	287,666	45,971
Early childhood education	141,000	292,121	292,053	68
<u>Capital Outlay</u>	18,564	95,316	76,502	18,814
Total expenditures	13,707,973	14,362,034	14,037,359	324,675
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	(9,453,513)	(9,960,045)	(9,145,814)	814,231
<b>Other Financing Sources (Uses)</b>				
Contributions	2,500	8,550	6,050	(2,500)
Grants and contracts	7,869,502	8,080,341	7,418,319	(662,022)
Insurance recoveries	500	500	380	(120)
Transfers In	1,858,467	1,858,467	1,858,467	-
Transfers Out	-	-	(121,680)	(121,680)
Total other financing sources and uses	9,730,969	9,947,858	9,161,536	(786,322)
<b>Net change in fund balance</b>	\$ 277,456	\$ (12,187)	15,722	\$ 27,909
<b>Add encumbrances at end of year</b>			-	
<b>Less encumbrances at beginning of year</b>			(402,529)	
<b>Net change in fund balance- (GAAP)</b>			(386,807)	
<b>Fund balance - beginning-(GAAP)</b>			6,338,006	
<b>Fund balance - ending-(GAAP)</b>			\$ 5,951,199	

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Debt Service Fund**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		
<b>Revenues</b>				
Other local revenues	\$ 12,000	\$ 27,875	\$ 27,875	\$ -
Investment earnings	27,875	24,000	29,987	5,987
Total revenues	39,875	51,875	57,862	5,987
<b>Expenditures</b>				
Debt service	1,671,454	1,671,454	1,514,752	156,702
Total expenditures	1,671,454	1,671,454	1,514,752	156,702
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	(1,631,579)	(1,619,579)	(1,456,890)	162,689
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,671,454	1,521,454	1,489,395	(32,059)
Total other financing sources and uses	1,671,454	1,521,454	1,489,395	(32,059)
<b>Net change in fund balance</b>	\$ 39,875	\$ (98,125)	32,505	\$ 130,630
<b>Fund Balance - beginning</b>			2,595,826	
<b>Fund Balance - ending</b>			\$ 2,628,331	

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Proprietary Fund**  
**Statement of Net Position**  
**June 30, 2019**

	<u>Water and Sewer Department</u>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 1,928,859
Investment in pooled cash	5,757,624
Accounts receivable, net	416,522
Unbilled revenues	243,782
Notes Receivable-current portion	390,000
Inventories	201,470
Total current assets	8,938,257
<b>Noncurrent assets:</b>	
Notes receivable-long-term portion	7,980,000
Net pension assets	118,929
Capital assets, not being depreciated	2,260,156
Capital assets, being depreciated, net	31,184,243
Total noncurrent assets	41,543,328
Total assets	50,481,585
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pension	114,934
Related to opeb	1,272
Total deferred outflows of resources	116,206
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	262,578
Accrued payroll and payroll liabilities	36,602
Due to other funds	70,828
Accrued interest payable	49,140
Other current liabilities	34,049
Revenue bonds payable, current	1,579,334
Total current liabilities	2,032,531
<b>Noncurrent liabilities:</b>	
Customer deposits	416,541
Compensated absences	347,181
Total opeb liability	27,018
Revenue bonds payable	24,206,466
Total noncurrent liabilities	24,997,206
Total liabilities	27,029,737
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pension	37,895
Related to opeb	28,988
Related to debt	67,014
Total deferred inflows of resources	133,897
<b>NET POSITION</b>	
Net investment in capital assets	7,658,599
Restricted for pension	118,929
Unrestricted	15,656,629
Total net position	\$ 23,434,157

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Proprietary Fund**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2019**

	<u>Water and Sewer Department</u>
Operating revenues:	
Charges for services:	
Water and sewer revenues	\$ 6,017,959
Forfeited discounts	112,146
Connection and other fees	239,671
Miscellaneous water revenues	66,667
Other operating revenue	<u>38,772</u>
Total operating revenues	<u>6,475,215</u>
 Operating Expenses:	
Transmission and distribution	1,284,131
Customer accounting and collection	341,840
Sewer treatment and disposal	743,903
Shop and maintenance	1,858,125
Depreciation	<u>1,634,329</u>
Total operating expenses	<u>5,862,328</u>
 Operating income	 612,887
 Nonoperating revenues (expenses):	
Interest	43,057
Leases	14,520
Industrial park contribution	17,400
Donated/Contributed Asset	31,877
Donated Infrastructure	456,221
Insurance recoveries	7,495
Sales of capital assets	13,373
Bond interest and fiscal charges	<u>(491,326)</u>
Total nonoperating revenues (expenses)	<u>92,617</u>
 Change in Net Position	 705,504
 Net position, beginning	 <u>22,728,653</u>
 Net position, ending	 <u><u>\$ 23,434,157</u></u>

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2019**

<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 6,475,215
Cash paid to employees for services	(1,721,636)
Cash paid to suppliers of goods and services	(2,102,344)
Net cash provided by (used in) operating activities	<u>2,651,235</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisitions of capital assets	(2,273,202)
Interest paid on capital debt	(491,326)
Principal paid on capital debt	(1,539,828)
Net cash provided by (used in) by capital and related financing activities	<u>(4,304,356)</u>
<b>Cash Flows from Investing Activities</b>	
Interest received	43,057
Other nonoperating revenues	31,920
Net cash provided by (used in) investing activities	<u>74,977</u>
Net decrease in cash	(1,578,144)
Cash, beginning	<u>9,283,350</u>
Cash, ending	<u>\$ 7,705,206</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operations</b>	
Operating Income	\$ 612,887
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,634,329
(Increase) decrease in accounts receivable	267,950
(Increase) decrease in inventory	(4,465)
(Increase) decrease in net pension asset	(53,006)
(Increase) decrease in deferred outflows related to opeb	(1,164)
(Increase) decrease in deferred outflows related to pension	(53,948)
Increase (decrease) in accounts payable	177,513
Increase (decrease) in accrued payroll	10,377
Increase (decrease) in compensated absences	9,667
Increase (decrease) in due to other funds	(16,958)
Increase (decrease) in accrued interest	5,813
Increase (decrease) in other current liabilities	(2,048)
Increase (decrease) in total opeb	(21,402)
Increase (decrease) in bond premiums	(111)
Increase (decrease) in opeb deferred inflows	26,258
Increase (decrease) in pension deferred inflows	27,387
Increase (decrease) in customer deposits	13,435
Net cash provided by operating activities	<u>\$ 2,632,514</u>

See notes to the financial statements.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Manchester, Tennessee (the City) operates under a Mayor-Alderperson form of government. The City's major operations include the following departments: general government, public safety, public school system, highways and streets, health and social services, recreation, public improvements, and planning and zoning. In addition, the City owns and provides water and sewer services.

The accounting and reporting policies of the City relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The GASB periodically updates its codification of the existing Governmental Accounting Standards, which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting policies of the City are described below.

**Reporting Entity**

The City, for financial purposes, includes all the funds relevant to the operations of the City of Manchester, Tennessee (the primary government). The City is also required to include in its financial statements those separately administered organizations (component units) with which the City has significant operational or financial relationships. The criteria for including organizations as component units within the City's reporting entity include whether the organization is legally separate and whether the City holds the corporate powers, whether the City appoints a majority of the organization's board and is able to impose its will, and the ability of the organization to impose a financial benefit or burden on the City. Based on the foregoing criteria, the City of Manchester has no component units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. However, when applicable, inter-fund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The City of Manchester issues all debt for the Manchester City Schools. There were no debt issues contributed by the City to the City Schools during the year ended June 30, 2019.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). However, July and August 2019 property tax collections have been included in revenues. All other revenue items are considered to be measurable and available only when the City receives cash.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classifications within the financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

General Purpose School Fund – The General Purpose School Fund is used to account for the primary activities of the schools of the City of Manchester.

Debt Service – The Debt Service Fund is used to account for the accumulation of resources for the payment of interest and principal on long-term general obligation debt other than payable from the Proprietary Fund.

The City reports the following major proprietary fund:

Water & Sewer Fund - The Water & Sewer Fund accounts for revenues and expenses related to potable water and waste water services provided to customers of the system.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the government's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. The Water Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

**DEPOSITS AND INVESTMENTS**

State statutes authorize the City to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the City's own legally issued bonds or notes.

The City's Financial Officer maintains a cash and internal investment pool that is used by all funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Investment in Pooled Cash.

Cash consists of cash-on-hand and on-deposit with financial institutions. For purposes of reporting cash on the Statement of Net Position, the City considers unrestricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash is reported on the Statement of Cash Flows as "Cash". At June 30, 2019, the City had no cash equivalents or investments.

**RECEIVABLES AND PAYABLES**

All property taxes are shown with an allowance for uncollectible taxes. Allowances for uncollectible taxes are based on historical collection data.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30th.

Property taxes are levied as of October 1. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

**INVENTORIES**

Inventories of the School Fund consists of food and supplies and is valued at cost and recorded using purchase and consumption methods for fund and governmental activities statement presentation.

Inventory of the Water and Sewer Funds, principally materials, supplies, and replacement parts, is valued at the lower of cost, first-in, first-out, or market.

Inventory of the General Fund, principally materials and gasoline, is valued at cost and recorded as an expenditure at the time individual inventory items are purchased.

**CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The City's policy is to capitalize the net interest cost incurred during the year resulting from borrowings utilized to finance the construction of assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

Depreciation of capital assets is computed and recorded by the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the various classes of depreciable capital assets are as follows:

	<u>Estimated Useful Life</u>
Buildings	25-50 Years
Infrastructure (roads, bridges)	50 Years
Distribution Systems	10-50 Years
Equipment	3-10 Years
Furniture and Fixtures	3-10 Years

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Other deferred outflows of resources include those related to pension and OPEB changes and employer contributions to the pension plan after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. This includes unavailable revenues from property taxes and other revenues as well as deferred inflows of resources related to pension and OPEB changes.

**PENSIONS**

*Teacher Legacy Pension Plan/Teacher Retirement Plan/Manchester Public Employee Retirement Plan*

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

*Manchester City Schools - Other Postemployment Benefits:* For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and pension OPEB expense, for the period if not otherwise identifiable in the financial statements. Amounts paid by the employer for OPEB benefits as they came due subsequent to the measurement date of total OPEB liability and before the end of the reporting period are reported as deferred outflows.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

**COMPENSATED ABSENCES**

The City provides for the accumulation of unused vacation. Accumulated vacation and sick leave vest with the employee and may be taken, or paid to the employee upon termination or retirement. For Governmental Fund accounting and reporting purposes, no amounts accrued at June 30, 2019 are expected to be liquidated with expendable available financial resources; accordingly, a liability is not recorded in the fund statements. Compensated absences are accrued when incurred in the governmental activities and proprietary fund financial statements.

**LONG-TERM OBLIGATIONS**

In government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt or other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the fund financial statements, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and other post-employment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

**INTERNAL ACTIVITY (DUE FROM/TO OTHER FUNDS)**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (the non-current portion of inter-fund loans) or “advances to/from other funds” (the current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.” These balances are eliminated within the governmental activities funds and within the business-type activities funds. Any residual balances outstanding are reported in the government-wide financial statements as “internal balances.”

**NET POSITION AND FUND BALANCE**

In the government-wide financial statements, equity is classified as net position and may be displayed in the following components:

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation. It should be noted that no outstanding long-term debt exists for this entity.

Restricted net position – Consists of net position with constraints placed on the use either by:

(A) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or

(B) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

Governmental funds utilize a fund balance presentation of equity. Fund balance is categorized as non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable fund balance - Includes amounts that cannot be spent because they are either not in a spendable form (such as inventory or prepaid) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance - Includes amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed fund balance - Includes amounts that can be used only for specific purposes imposed by a formal action of the government's highest level of decision-making authority. The Board of Aldermen is the highest level of decision making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by ordinance remains in place until a similar action is taken (adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance - Is intended to be used by the City for specific purposes but do not meet the classification as committed. This limitation can be imposed by a designee of the Board of Aldermen. The Board of Aldermen may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Unassigned fund balance - Is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Proprietary fund equity is classified the same as in the government-wide statements.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

**Fund Balance Flow Assumption** - When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed fund balances would be reduced first, followed by assigned amounts, and then unassigned amounts.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets and Budgetary Accounting - General governmental revenue and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements, which govern the City's operations.

The City is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the City Board and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

Subsequently the budget is enacted through vote of the Mayor and Board of Aldermen with an operative date of July 1. Budgets, as adopted and amended, are adopted for the General Fund, and Special Revenue Funds, on a basis consistent with generally accepted accounting principles. These formal budgets are adopted on a departmental basis. The City Mayor is authorized to transfer budgeted amounts between departments within any fund. However, any revision that alters the total expenditures of any fund must be approved by the Board of Aldermen. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations that are not expended lapse at year end.

The City's budgetary basis of accounting is with consistent GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The City of Manchester participates in an internal cash and investment pool through the City Finance Director's office. The City Financial Director is responsible for receiving, disbursing, and investing most City funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Investment in Pooled Cash. Cash reflected on the balance sheets or statements of net position represents non-pooled amounts held separately by individual funds.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105% of the average daily balance of public deposits held.

Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105% of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the City.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019, was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,710,363	\$ -	\$ -	\$ 4,710,363
Construction in Progress	268,256	121,310	255,709	133,857
Total not being depreciated	<u>4,978,619</u>	<u>121,310</u>	<u>255,709</u>	<u>4,844,220</u>
Capital assets being depreciated:				
Buildings	27,337,713	-	-	27,337,713
Other improvements	403,668	-	-	403,668
Infrastructure	26,824,950	649,355	-	27,474,305
Machinery & Equipment	7,232,110	698,967	25,502	7,905,575
Total capital assets being depreciated	<u>61,798,441</u>	<u>1,348,322</u>	<u>25,502</u>	<u>63,121,261</u>
Less: accumulated depreciation	<u>37,902,020</u>	<u>1,502,022</u>	<u>25,502</u>	<u>39,378,540</u>
Net capital assets being depreciated	<u>23,896,421</u>	<u>(153,700)</u>	<u>-</u>	<u>23,742,721</u>
Net capital assets	<u>\$ 28,875,040</u>	<u>\$ (32,390)</u>	<u>\$ 255,709</u>	<u>\$ 28,586,941</u>

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

Depreciation expense was charged to the following functions/programs:

General government	\$ 70,178
Public Safety	120,023
Drug Fund	106,997
Public Works	441,850
Sanitation	37,471
Recreation	294,559
Schools	430,944
Total	<u><u>\$1,502,022</u></u>

<b><u>Business-type Activities</u></b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 210,937	\$ -	\$ -	\$ 210,937
Construction in Progress	136,134	2,051,763	138,678	2,049,219
Total capital assets not being depreciated	<u>347,071</u>	<u>2,051,763</u>	<u>138,678</u>	<u>2,260,156</u>
Capital assets being depreciated				
Buildings	398,600	-		398,600
Infrastructure	52,848,327	557,221	-	53,405,548
Machinery & Equipment	1,410,340	152,310	31,150	1,531,500
Total capital assets being depreciated	<u>54,657,267</u>	<u>709,531</u>	<u>31,150</u>	<u>55,335,648</u>
Less: accumulated depreciation	<u>22,548,226</u>	<u>1,634,329</u>	<u>31,206</u>	<u>24,151,349</u>
Net capital assets being depreciated	<u>32,109,041</u>	<u>(924,798)</u>	<u>(56)</u>	<u>31,184,299</u>
Net capital assets	<u><u>\$ 32,456,112</u></u>	<u><u>\$ 1,126,965</u></u>	<u><u>\$ 138,622</u></u>	<u><u>\$ 33,444,455</u></u>

During 2018, depreciation in the amount of \$1,634,329 was charged to operations.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

**NOTE 5 - INTERFUND TRANSACTIONS**

The composition of interfund balances as of June 30, 2019, is as follows:

<u>Due from:</u>	<u>Due to:</u>	<u>Amount</u>
Water/Sewer	Sanitation	\$ 69,063
	General	1,765
Recreation	General	38,266
General Purpose School	Central Cafeteria	31,463
Total		<u>\$ 140,557</u>

**Interfund Balances:** These balances resulted from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances will be repaid within one year.

**Transfers:** Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 6 - LONG-TERM OBLIGATIONS**

**Governmental Activities**

**General Obligation Bonds, Capital Outlay Notes, and Other Loans**

The City issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 30 years for bonds and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2019, will be retired from the Debt Service Fund.

**Business-type Activities**

**General Obligation and Revenue Bonds, and Other Loans**

The City issues general obligation and revenue bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the Water and Sewer System.

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**For the Year Ended June 30, 2019**

General obligation and revenue bonds, and other loans are issued pledging the revenue of the Manchester Water and Sewer system and the full faith and credit of the government. These bonds and other loans outstanding were issued for original terms of up to 50 years for bonds and up to 30 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. These bonds and the State Revolving Loan as of June 30, 2019, will be retired from the Water and Sewer Fund.

**Debt outstanding as of June 30, 2019 consisted of the following:**

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance June, 30 2019</u>
<b>Governmental Activities:</b>				
General Obligation Bonds:				
Refunding bonds, Series 2010	4.70%	2038	10,620,000	10,550,000
Refunding bonds, Series 2013	2.91%	2030	9,690,000	8,490,000
Refunding bonds, Series 2016B	2.00%	2021	880,000	385,000
			<u>\$ 21,190,000</u>	<u>\$ 19,425,000</u>
<b>Business-Type Activities:</b>				
Bonds Payable:				
Refunding bonds, Series 2010	3.82%	2028	5,620,000	5,445,000
Refunding bonds, Series 2014	3.94%	2020	3,120,000	495,000
Refunding bonds, Series 2016B	2.00%	2037	5,640,000	5,175,000
Rural Development, Series 2011	3.00%	2050	1,348,000	1,183,752
Rural Development, Series 2014		2028	443,658	320,138
(a) Public Improv Bonds, Series 2016A (DRUC)		2031	6,240,000	5,450,000
(a) Public Improv Bonds, Series 2010 (DRUC)	4.74%	2038	2,940,000	2,920,000
Other Loans:				
SRF Loan, Series 2011	2.16%	2031	7,500,000	4,796,910
			<u>\$ 32,851,658</u>	<u>\$ 25,785,800</u>
<b>Total Governmental and Business</b>			<u>\$ 54,041,658</u>	<u>\$ 45,210,800</u>
(a) See note on Duck River Utility Commission				

**CITY OF MANCHESTER, TENNESSEE**  
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**For the Year Ended June 30, 2019**

**Annual debt service requirements to maturity for long-term debt are as follows:**

Years Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 675,000	\$ 732,449	\$ 1,579,334	\$ 735,410
2021	705,000	717,905	1,684,064	692,133
2022	735,000	697,267	1,729,025	649,533
2023	755,000	679,249	1,764,225	600,795
2024	775,000	657,861	1,834,665	554,668
2025-2029	4,370,000	2,897,331	9,054,988	1,971,380
2030-2034	5,700,000	2,152,954	4,679,224	1,050,539
2035-2039	5,710,000	730,750	2,932,449	366,996
2040-2044	-	-	235,168	62,377
2045-2049	-	-	273,175	24,312
2050	-	-	19,483	123
	<u>\$ 19,425,000</u>	<u>\$ 9,265,766</u>	<u>\$ 25,785,800</u>	<u>\$ 6,708,266</u>

**A summary of long-term liability activity, including debt, for the year ended June 30, 2019 is as follows:**

	Balance June, 30 2018	Increases	Decreases	Balance June, 30 2019	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds	20,095,000	-	(670,000)	19,425,000	675,000
Compensated Absences	1,862,263	84,824	-	1,947,087	-
OPEB	2,407,167	-	(583,121)	1,824,046	-
	<u>\$ 24,364,430</u>	<u>\$ 84,824</u>	<u>\$ (1,253,121)</u>	<u>\$ 23,196,133</u>	<u>\$ 675,000</u>
<b>Business-Type Activities</b>					
Refunding Bonds, all Series	\$ 11,845,000	\$ -	\$ (730,000)	\$ 11,115,000	\$ 755,000
Rural Development Bonds	1,559,880	-	(55,989)	1,503,891	57,776
Public Improvement Bonds	8,770,000	-	(400,000)	8,370,000	405,000
State Revolving Loan	5,150,749	-	(353,839)	4,796,910	361,558
Compensated Absences	337,514	9,667	-	347,181	-
OPEB	47,420	-	(20,402)	27,018	-
	<u>\$ 27,710,563</u>	<u>\$ -</u>	<u>\$ (1,560,230)</u>	<u>\$ 26,160,000</u>	<u>\$ 1,579,334</u>

Compensated absences and other post-employment benefits are generally liquidated by the general fund and general purpose school fund.

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**For the Year Ended June 30, 2019**

**Other Long-Term Debt - Duck River Utility Commission**

The local Government Improvement Bonds-Series Z-1-B-DRUC Portion and Public Building Authority of Coffee County, TN-Utility Revenue and tax Bonds-Series 2006-DRUC were used by the Duck River Utility Commission (DRUC) to construct their facilities and improvements to utility plant through an agreement between the City of Tullahoma and the City of Manchester. As a result, DRUC is primarily responsible for the repayment of the loans. The City carries the long-term debt related to these bonds and a corresponding receivable from DRUC at June 30, 2019, of \$7,765,000. These loans will be retired by the Duck River Utility Commission.

**NOTE 7 - EXPENDITURES IN EXCESS OF BUDGET**

The City of Manchester actual expenditures exceeded the amount appropriated in the final budget. This is contrary to state statutes, which require all expenditures of the general and special revenue funds to be authorized by the governing body.

The General Fund of the City exceeded appropriations at the level of control for Health, Welfare and Recreation by \$23,065.

**NOTE 8 - RETIREMENT PLANS**

**Manchester City Schools Teacher Legacy Pension Plan**

*Plan description.* The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at: <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Teachers with by Manchester City Schools with memberships in the TCRS before July 1, 2014 of Manchester City Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014 but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs (Local Education Agencies) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

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**For the Year Ended June 30, 2019**

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit, or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's service credit. A reduced early retirement benefit is available at age 55 if vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees is reached. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Manchester City Schools for the year ended June 30, 2019 to the Teacher Legacy Pension Plan were \$745,372 which is 10.99 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

*Pension liabilities (assets).* At June 30, 2019, Manchester City Schools reported an asset of (\$668,132) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial value as of that date. Manchester City Schools' proportion of the net pension asset was based on Manchester City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

June 30, 2018 Manchester City Schools' proportion was 0.189869 percent. The proportion measured as of June 30, 2017 was 0.184037 percent.

*Pension expense (negative pension expense).* For the year ended June 30, 2019, Manchester City Schools recognized pension expense (negative pension expense) of (\$149,853).

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2019, Manchester City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 135,052	\$ 901,363
Changes in assumptions	394,602	-
Net difference between projected and actual earnings on pension plan investments	-	145,413
Changes in proportion of Net Pension Liability (Asset)	135,083	40,098
LEA's contributions subsequent to the measurement date of June 30, 2018	745,372 <i>(not applicable)</i>	
<b>Total</b>	<b>\$ 1,410,109</b>	<b>\$ 1,086,874</b>

Manchester City Schools employer contributions of \$745,372, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>	
2020	\$ 179,134
2021	(171,967)
2022	(371,510)
2023	(57,793)
2024	-
Thereafter	-

*In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.*

*Actuarial assumptions.* The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market return was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates 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 of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<hr/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate.* The following presents Manchester City Schools’ proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Manchester City School’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Manchester City Schools’ proportionate share of the net pension liability (asset)	\$5,150,381	(\$668,132)	(\$5,482,140)

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

**Payable to the Pension Plan**

At June 30, 2019, Manchester City Schools reported a payable of \$178,535 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

**Teacher Retirement Plan-Manchester City Schools**

*Plan description.* The Tennessee Consolidated Retirement System (TCRS) was created by state statute under Tennessee code Annotated Title 8, Chapters 34-37. TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial

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**For the Year Ended June 30, 2019**

report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Teachers employed by Manchester City Schools with memberships in TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. Beginning July 1, 2014, the Teacher Legacy Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. . By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared

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**For the Year Ended June 30, 2019**

taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Manchester City Schools for the year ended June 30, 2019 to the Teacher Retirement Plan were \$23,053 which is 4.89 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

*Pension liabilities (assets).* At June 30, 2019, Manchester City Schools reported a liability (asset) of (\$23,972) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date Manchester City Schools' proportion of the net pension liability (asset) was based on Manchester City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018 Manchester City Schools' proportion was 0.052857 percent. The proportion measured as of June 30, 2017 was 0.060186 percent.

*Pension expense. (negative pension expense).* For the year ended June 30, 2019, Manchester City Schools recognized pension expense of \$8,320.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2019, Manchester City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$ 1,358	\$ 955	
Changes in assumptions	-	1,354	
Net difference between projected and actual earnings on pension plan investments	1,131	-	
Changes in proportion of Net Pension Liability (Asset)	1,988	305	
LEA's contributions subsequent to the measurement date of June 30, 2018	23,053	<i>(not applicable)</i>	
<b>Total</b>	<b>\$ 27,530</b>	<b>\$ 2,614</b>	

Manchester City Schools employer contributions of \$23,053, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2020. Other amounts

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

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

Year Ended June 30:		
2020	\$	(42)
2021		(85)
2022		(278)
2023		76
2024		256
Thereafter		1,937

*In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.*

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actual assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<hr/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate.* The following presents Manchester City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Manchester City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
	Manchester City Schools' proportionate share of the net pension liability (asset)	\$3,706	(\$23,972)

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**For the Year Ended June 30, 2019**

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**Payable to the Pension Plan**

At June 30, 2019, Manchester City Schools reported a payable of \$7,555 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

**TCRS Manchester General Government Retirement Plan**

*Plan description.* Employees of Manchester are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at: <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

*Employees covered by benefit terms.* At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	64
Active employees	154
	219

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Manchester makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2019, the employer contributions for Manchester were \$163,921 based on a rate of 2.68 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Manchester’s state shared taxes if required employer contributions are not remitted. The employer’s ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

Manchester’s net pension liability (asset) was measured as of June 30, 2018, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability as of June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<hr style="width: 100%; border: 0.5px solid black;"/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described previously.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Manchester will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease) Plan		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
<b>Balance at 6/30/17</b>	\$5,101,865	\$5,287,461	\$(185,596)
<b>Changes for the year:</b>			
Service cost	541,855		541,855
Interest	407,433		407,433
Differences between expected and actual experience	(42,116)		(42,116)
Change in Assumptions			
Contributions- employer		332,328	(332,328)
Contributions- employees		317,714	(317,714)
Net investment income		463,279	(463,279)
Benefit payments, including refunds of employee	(47,907)	(47,907)	-
Administrative expense		(14,488)	14,488
Other changes	-		-
<b>Net changes</b>	859,265	1,050,926	(191,661)
<b>Balance at 6/30/18</b>	\$5,961,130	\$6,338,387	\$(377,257)

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of Manchester calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Manchester's net pension liability (asset)	\$ 746,044	\$ (377,257)	\$ (1,268,884)

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions**

*Pension expense.* For the year ended June 30, 2019, Manchester recognized pension expense of \$234,895.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2019, Manchester reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 109,533	\$ 74,992
Net difference between projects and actual earnings on pension plan investments	-	45,216
Change in Assumptions	91,130	-
Contributions subsequent to the measurement date of June 30, 2017	163,921	<i>(Not applicable)</i>
<b>Total</b>	<b>\$ 364,584</b>	<b>\$ 120,208</b>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2018,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<b>Year Ended June 30:</b>			
2020		\$	39,098
2021			9,305
2022			(28,707)
2023			6,000
2024			17,727
Thereafter			37,033

*In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.*

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

**Payable to the Pension Plan**

At June 30, 2019, the City of Manchester reported a payable of \$247,258 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

**Manchester Public Employee Retirement System (MPERS)**

Any employee participating in the City of Manchester Retirement Plan a single employer defined contribution plan established under 401(a) of the internal revenue code who was a member of the Plan prior to July 1, 2002, or who was hired between July 1, 2001 and July 1, 2002 and elects to join the Plan at the first available enrollment, and any employee of the Manchester City School Board, shall be permitted to contribute as before, and the City will contribute to match the employee's one (1%) percent contribution with seven (7%) percent city contribution. Any person, other than employees of the Manchester City School Board, who began employment with the City of Manchester on or after July 1, 2002, or any current employee who was hired between July 1, 2001 and July 1, 2002 who does not elect to join the Plan at the first available enrollment, or any employee not presently in the Retirement Plan, or who re-joins the Plan after having stopped contributing to it, shall be limited to a City contribution equal to the employee's contribution, up to the maximum City contribution set by the fiscal year Budget Ordinance.

Each participant's account is credited with the participant's contributions and City's matching contributions. Participants are vested immediately in their contributions and in the City's contribution plus actual earnings thereon. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

**Deferred Compensation Plan**

All employees of the City of Manchester may voluntarily participate in a 457(b)(6) deferred compensation plan administered by Nationwide Retirement. Under Section 457 of the Internal Revenue Code, an employee may defer certain allowable wages to the plan. Participation is handled through payroll deduction, reducing employee federal taxes. Employees may increase, decrease, stop and restart contributions as they wish. The City does not contribute to the plan and does not recognize any expense related to the plan. The City's liability at June 30, 2018 is limited to employee payroll withholdings for the week not yet remitted to the administrator.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Plan description** - Employees of the City of Manchester who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

**Benefits provided** - The City offer the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health-savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LGOP receive the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The City currently pays for post-employment medical insurance benefits on a pay-as-you-go basis paying the monthly premiums. Retirees must pay the full premium for dependent coverage. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75

**Employees covered by benefit terms** - At July 1, 2018, the following employees of the City of Manchester were covered by the benefit terms of the LGOP:

Inactive employees currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit	-
Active employees	134
Total	134

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

**Actuarial assumptions** - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	6.75% for 2019, decreasing annually over a 32 year period to an ultimate rate of 3.81%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

**Discount rate** - The discount rate used to measure the total OPEB liability was 3.62 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

***Changes in the Total OPEB Liability***

	Total OPEB Liability (a)
<b>LGOP</b>	
Total OPEB liability - beginning balance	\$ 214,402
Changes for the year:	
Service cost	34,525
Interest	8,853
Changes of benefit terms	-
Differences between expected and actual experience	(136,964)
Change in assumptions	5,934
Benefit payments	(486)
Net changes	(88,138)
Total OPEB liability - ending balance	\$ 126,264

***Changes in assumptions*** - The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability. It was also decided to change the status of the LGOP from a closed plan to one that is open to all eligible employees regardless of initial hire date. This change in status will increase the OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and slight changes to the near term health trend rates.

***Sensitivity of total OPEB liability to changes in the discount rate*** - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB liability	\$ 140,088	\$ 126,264	\$ 113,619

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

**Sensitivity of total OPEB liability to changes in the healthcare cost trend rate** - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate.

	<b>1% Decrease (5.75% decreasing to 2.81%)</b>	<b>Healthcare Cost Trend Rates (6.75% decreasing to 3.81%)</b>	<b>1% Increase (7.75% decreasing to 4.81%)</b>
Total OPEB liability	\$ 106,015	\$ 126,264	\$ 151,149

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

**OPEB expense** - For the fiscal year ended June 30, 2019, the City of Manchester recognized OPEB expense of \$30,083.

**Deferred outflows of resources and deferred inflows of resources** - For the fiscal year ended June 30, 2019, the City of Manchester reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

LGOP

	<u>Deferred Outflows of resources</u>	<u>Deferred Inflows of resources</u>
Differences between actual and expected experience	\$ -	\$ 124,398
Changes of assumptions	5,390	11,072
Employer payments subsequent to the measurement date	553	-
Total	<u>\$ 5,943</u>	<u>\$ 135,470</u>

*The amounts shown above for "Employer payments subsequent to the measurement date" is zero and will have no effect on total OPEB liability in the following measurement period.*

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

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

For the year ended June 30:	
2020	(13,295)
2021	(13,295)
2022	(13,295)
2023	(13,295)
2024	(13,295)
Thereafter	(63,605)

*In the table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.*

**Manchester City Schools Closed Teacher Group OPEB Plan**

**Plan description** - Employees of Manchester City Schools, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

**Benefits provided** - The Manchester City Schools offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums, the employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the healthsavings CDHP. The TGOP is funded

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Employees covered by benefit terms** - At July 1, 2018, the following employees of Manchester City Schools was covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefit	19
Inactive employees entitled to but not yet receiving	0
Active employees	<u>161</u> <u>180</u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Manchester City Schools paid \$131,466 to the TGOP for OPEB benefits as they came due.

**Total OPEB Liability**

**Actuarial assumptions** - The collective total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	6.75% for 2019, decreasing annually to an ultimate
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

**Discount rate** - The discount rate used to measure the total OPEB liability was 3.62 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

***Changes in Collective Total OPEB Liability***

TGOP	Total OPEB Liability (a)
Total OPEB liability-beginning balance	<u>\$3,407,546</u>
Changes for the year:	
Service cost	147,246
Interest	123,011
Changes of benefit terms	(664,516)
Differences between expected and actual experience	(404,188)
Change in assumptions	69,314
Benefit payments	<u>(198,836)</u>
Net changes	<u>(927,969)</u>
Total OPEB liability-ending balance	<u><u>\$2,479,577</u></u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	 \$ 754,779
Employer's proportionate share of the collective total OPEB liability	 \$ 1,724,801
Employer's proportion of the collective total OPEB liability	 69.56%

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

The Manchester City Schools has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. [entity]'s proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 3.82% from the prior measurement date. Manchester City Schools recognized (\$147,506) in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Manchester City School's retirees.

**Changes in assumptions** - The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability.

**Changes in Benefit terms**- The city have a drop in active employees participating in the TGOP plans the changes resulted in a change in benefits of (\$664,516).

**Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate** - The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62%) or 1-percentage-point higher (4.62%) than the current discount rate.

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Proportionate share of collective total OPEB liability	\$ 1,843,338	\$ 1,724,801	\$ 1,612,742

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

***Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate*** - The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate.

	1% Decrease (5.75% decreasing to 2.85%)	Healthcare Cost Trend Rates (6.75% decreasing to 3.85%)	1% Increase (7.75% decreasing to 4.85%)
Proportionate share of collective total OPEB liability	\$ 1,553,341	\$ 1,724,801	\$ 1,927,001

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

***OPEB expense*** - For the fiscal year ended June, 30, 2019, Manchester City Schools, recognized OPEB expense of \$442,355.

***Deferred outflows of resources and deferred inflows of resources*** - For the fiscal year ended June, 30, 2019, Manchester City Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	\$ -	\$ 253,856
Changes of assumptions	43,533	84,570
Changes in proportion and differences between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due.	119,540	-
Employer payments subsequent to the measurement date	131,466	-
Total	\$294,539	\$ 338,426

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

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

TGOP	
For the year ended June 30:	
2019	\$ (20,603)
2020	(20,603)
2021	(20,603)
2022	(20,603)
2023	(20,603)
Thereafter	(72,338)

*In the table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.*

**Manchester City Schools Closed Tennessee Plan**

**Plan description** - Employees of Manchester City Schools, who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the state, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

**Benefits provided** - The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TN plan does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums, the employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state, as a governmental nonemployer contributing entity contributes to the premiums of eligible retirees of local

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

education agencies based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Employees covered by benefit terms** - At July 1, 2018, the following employees of Manchester City Schools was covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit	38
Inactive employees entitled to but not yet receiving	20
Active employees	<u>115</u> <u>173</u>

In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the [entity name] did not make any payments to the TNP for OPEB benefits as they came due.

**Total OPEB Liability**

**Actuarial assumptions** - The collective total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

**Discount rate** - The discount rate used to measure the total OPEB liability was 3.62 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

***Changes in Collective Total OPEB Liability***

TNP	Total OPEB Liability (a)
Total OPEB liability - beginning balance	<u>\$ 486,932</u>
Changes for the year:	
Service cost	6,934
Interest	17,195
Changes of benefit terms	-
Differences between expected and actual experience	(45,114)
Change in assumptions	(3,357)
Benefit payments	<u>(21,700)</u>
Net changes	<u>(46,042)</u>
Total OPEB liability - ending balance	<u>\$ 440,890</u>
 Nonemployer contributing entities proportionate share of the collective total OPEB liability	 \$ 440,890
 Employer's proportionate share of the collective total OPEB liability	 \$ -
 Employer's proportion of the collective total OPEB liability	 0.00%

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

The Manchester City Schools has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. [entity name]'s proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefits paid through the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The Manchester City Schools proportion of 0% did not change from the prior measurement date. Manchester City Schools recognized \$13,111 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for Manchester City Schools' retired employees.

**Changes in assumptions** - The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability.

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

**OPEB expense** - For the fiscal year ended June, 30, 2019, Manchester City schools recognized OPEB expense of \$13,111.

**NOTE 10 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, errors and omissions, damages to assets and injuries to employees. The City participates in the Tennessee Municipal League (TML) Risk Management Pool. The membership allows the City to share liability and employee related risks.

The TML Risk Management Pool is a governmental entity organized by Tennessee cities as a not-for-profit corporation to provide liability and workers' compensation coverage to Tennessee cities. Emphasis is on risk management and controlling losses, as all costs are shared by the Pool member cities. An extensive program of loss prevention, employee training, and legal counsel supplements experienced claims processing for member cities.

The City is subject to additional assessments as a member of the Pool, but such assessments have never been levied on the City and are not expected. There are no claims or judgments pending and claims paid (settled) have not exceeded insurance coverage in the past three years.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

Several lawsuits against the City are ongoing, many of which normally recur in governmental operations. The ultimate outcome of the actions is not determinable; however, City officials believe that the outcome of these proceedings, either singularly or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended June 30, 2019**

**NOTE 12 - USE OF ESTIMATES**

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

**NOTE 13 – SUBSEQUENT EVENTS**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about the conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the City through November 21, 2018 (the date the financial statements were available to be issued) and concluded that no events should be disclosed as a subsequent event.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**City of Manchester, Tennessee**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**June 30, 2019**

**LGOP**

	<b>2018</b>	<b>2019</b>
<b>Total OPEB liability</b>		
Service cost	\$ 35,984	\$ 34,525
Interest	6,469	8,853
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(136,964)
Changes of assumptions	(13,618)	5,934
Benefit payments	-	(486)
<b>Net change in total OPEB liability</b>	<b>\$ 28,835</b>	<b>\$ (88,138)</b>
<b>Total OPEB liability - beginning</b>	<b>185,567</b>	<b>214,402</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 214,402</b>	<b>\$ 126,264</b>

**Covered-employee payroll** \$ 7,067,778    \$ 6,125,387

**Total OPEB liability as a percentage of covered-employee payroll** 3.03%    2.06%

**Notes to Schedule**

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

See independent auditor's report.

**City of Manchester, Tennessee**

**Schedule of Changes in Proportionate Share of Collective OPEB Liability and Related Ratios**

**June 30, 2019**

**TGOP**

	<u>2018</u>	<u>2019</u>
<b>Total OPEB liability</b>		
Service cost	\$ 159,634	\$ 147,249
Interest	103,722	123,011
Changes of benefit terms	-	(664,516)
Differences between expected and actual experience	-	(404,188)
Changes of assumptions	(152,751)	69,314
Benefit payments	(191,072)	(198,836)
<b>Net change in total OPEB liability</b>	\$ (80,467)	\$ (927,966)
<b>Total OPEB liability - beginning</b>	<u>3,488,013</u>	<u>3,407,546</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 3,407,546</u>	<u>\$ 2,479,580</u>
<b>Nonemployer contributing entities proportionate share of the</b>	\$ 1,167,361	\$ 754,779
<b>Employer's proportionate share of the collective total OPEB</b>	\$ 2,240,185	\$ 1,724,801
<b>Covered-employee payroll</b>	\$ 6,454,473	\$ 6,781,547
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	52.79%	36.56%

**Notes to Schedule**

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

See independent auditor's report.

**City of Manchester, Tennessee**

**Schedule of Changes in Proportionate Share of Collective OPEB Liability and Related Ratios  
June 30, 2019**

**TNP**

	<b>2018</b>	<b>2019</b>
<b>Total OPEB liability</b>		
Service cost	\$ 8,545	\$ 6,934
Interest	15,362	17,195
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(45,114)
Changes of assumptions	(43,796)	(3,357)
Benefit payments	(21,450)	(21,700)
<b>Net change in total OPEB liability</b>	<b>\$ (41,339)</b>	<b>\$ (46,042)</b>
<b>Total OPEB liability - beginning</b>	<b>528</b>	<b>486,932</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ (40,811)</b>	<b>\$ 440,890</b>
<b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>	<b>\$ 486,932</b>	<b>\$ 440,890</b>
<b>Employer's proportionate share of the collective total OPEB</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered-employee payroll</b>	<b>\$ 461,909</b>	<b>\$ 471,147</b>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>-8.84%</b>	<b>93.58%</b>

**Notes to Schedule**

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on**  
**Participation in the Public Employee Pension Plan of TCRS**  
**General Government Employees**  
**For the Fiscal Year Ended June 30th**

	2014	2015	2016	2017	2018
<b>Total Pension Liability (Asset)</b>					
Service Cost	\$ 392,551	\$ 409,021	\$ 428,731	\$ 465,708	\$ 541,855
Interest	202,268	241,631	286,230	345,901	407,433
Changes in Benefit Terms	-	-	-	-	-
Differences Between Actual and Expected Experience	(36,349)	(29,547)	86,361	63,102	(42,116)
Changes in Assumptions	-	-	-	117,168	-
Benefit Payments, Including Refunds of Employee Contributions	(20,597)	(79,607)	(12,722)	(72,644)	(47,907)
Net Change in Total Pension Liability (Asset)	537,873	541,498	788,600	919,235	859,265
Total Pension Liability (Asset), Beginning	2,314,659	2,852,532	3,394,030	3,394,030	5,101,865
Total Pension Liability (Asset), Ending (a)	<u>\$ 2,852,532</u>	<u>\$ 3,394,030</u>	<u>\$ 4,182,630</u>	<u>\$ 4,313,265</u>	<u>\$ 5,961,130</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 236,299	\$ 248,031	\$ 265,914	\$ 299,259	\$ 332,328
Contributions - Employee	225,047	236,781	254,221	286,100	317,714
Net Investment Income	418,209	103,794	104,059	512,861	463,279
Benefit Payments, Including Refunds of Employee Contributions	(20,597)	(79,607)	(12,722)	(72,644)	(47,907)
Administrative Expense	(4,520)	(6,871)	(10,406)	(12,231)	(14,488)
Net Change in Plan Fiduciary Net Position	\$ 854,438	\$ 502,128	\$ 601,066	\$ 1,013,345	\$ 1,050,926
Plan Fiduciary Net Position, Beginning	2,316,484	3,170,922	3,673,050	3,673,050	5,287,461
Plan Fiduciary Net Position, Ending (b)	<u>\$ 3,170,922</u>	<u>\$ 3,673,050</u>	<u>\$ 4,274,116</u>	<u>\$ 4,686,395</u>	<u>\$ 6,338,387</u>
Net Pension Liability (Asset), Ending (a - b)	<u>\$ (318,390)</u>	<u>\$ (279,020)</u>	<u>\$ (91,486)</u>	<u>\$ (373,130)</u>	<u>\$ (377,257)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.16%	108.22%	102.19%	103.64%	106.33%
Covered Employee Payroll	\$ 4,500,934	\$ 4,742,457	\$ 5,084,402	\$ 5,719,204	\$ 6,354,259
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	7.07%	5.88%	-1.80%	-3.25%	5.94%

Changes of assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

\*\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Contributions Based on Participation in the Public**  
**Employee Pension Plan of TCRS**  
**General Government Employees**  
**For the Fiscal Year Ended June 30th**

	2014	2015	2016	2017	2018	2019
Actuarially Determined Contribution	\$ 236,299	\$ 248,031	\$ 265,914	\$ 258,508	\$ 304,369	\$ 163,921
Contributions in relation to the actuarially determined contribution	236,299	248,031	265,914	\$ 299,259	\$ 332,328	\$ 163,921
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (40,751)	\$ (27,959)	\$ -
Covered Employee Payroll	\$ 4,500,934	\$ 4,742,457	\$ 5,084,402	\$ 5,719,204	\$ 6,354,259	\$ 6,125,387
Contributions as a Percentage of Covered Employee Payroll	5.25%	5.23%	5.23%	5.23%	5.23%	2.68%

\*\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Manchester City Schools' Proportionate Share of the**  
**Net Pension Liability (Asset)**  
**Teacher Retirement Plan of TCRS**  
**For the Fiscal Year Ended June 30th**

	2015	2016	2017	2018
Manchester City Schools' proportion of the net pension liability (asset)	0.050259%	0.062277%	0.060186%	0.052857%
Manchester City Schools' proportionate share of the net pension liability (asset)	\$ (2,022)	\$ (6,483.00)	\$ (15,879.00)	\$ (23,972.00)
Manchester City Schools' covered payroll	\$ 104,427	\$ 247,023	\$ 446,187	\$ 461,909
Manchester City Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	1.94%	-2.37%	-3.56%	-5.19%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%

\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Contributions Based on Participation in the Teacher**  
**Retirement Plan of TCRS**  
**For the Fiscal Year Ended June 30th**

	2015	2016	2017	2018	2019
Contractually required contribution	\$ 4,177	\$ 6,859	\$ 15,801	\$ 7,533	\$ 23,053
Contributions in Relation to the contractually required contribution	4,177	10,961	15,801	18,476	23,053
Contribution Deficiency (Excess)	\$ -	\$ (4,102)	\$ -	\$ (10,943)	\$ -
Manchester City School's covered payroll	\$ 104,427	\$ 247,023	\$ 446,187	\$ 461,909	\$ 471,147
Contributions as a Percentage of Manchester City Schools' covered payroll	4.00%	4.00%	3.54%	4.00%	4.89%

\*GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Manchester City Schools' Proportionate Share of the**  
**Net Pension Liability (Asset)**  
**Teacher Legacy Pension Plan of TCRS**  
**For the Fiscal Year Ended June 30th**

	2014	2015	2016	2017	2018
Manchester City Schools' proportion of the net pension liability (asset)	0.176430%	0.184713%	0.175901%	0.184037%	0.189869%
Manchester City Schools' proportionate share of the net pension liability (asset)	\$ (28,669)	\$ 75,665	\$ 1,099,287	\$ (60,213)	\$ (668,132)
Manchester City Schools' covered payroll	\$ 6,924,855	\$ 6,914,728	\$ 6,349,698	\$ 6,454,473	\$ 6,648,576
Manchester City Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.414002%	1.094253%	17.31%	-0.93%	10.05%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%

\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Contributions**  
**Legacy Pension Plan of TCRS**  
**For the Fiscal Year Ended June 30th**

	2014	2015	2016	2017	2018	2019
Contractually Required	\$ 614,927	\$ 625,091	\$ 574,012	\$ 588,109	\$ 603,691	\$ 745,372
Contributions in Relation to the contractually required contribution	614,927	625,091	574,012	588,109	603,691	745,372
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Manchester City Schools' covered payroll	\$ 6,924,857	\$ 6,914,728	\$ 6,349,698	\$ 6,454,473	\$ 6,648,576	\$ 6,781,547
Contributions as a Percentage of Manchester City Schools' covered payroll	8.88%	9.04%	9.04%	9.11%	9.08%	10.99%

\*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

*Valuation Date:* Actuarially determined contribution rates for fiscal year 2019 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed (Not to Exceed 20 Years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustment	2.25 percent

*Changes of assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

See independent auditor's report.

**OTHER SUPPLEMENTARY  
INFORMATION**

City of Manchester, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2019

	Special Revenue Funds						Capital Projects		Total Nonmajor Governmental Funds
	Recreation	Tourism and Community Development	School Federal Projects	Central Cafeteria	Sanitation	Drug Control	Capital Equipment Replacement	Education Capital Projects	
<b>ASSETS</b>									
Investment in pooled cash	\$ 97,645	\$ 295,866	\$ 137,411	\$ 523,613	\$ 386,816	\$ 644,976	\$ 321,688	\$ 477	\$ 2,408,492
Cash	162,365	-	-	-	-	-	-	-	162,365
Accounts receivable, net	67,865	18,844	-	-	-	-	-	-	86,709
Due from other governments	-	-	66,080	-	-	8,082	-	-	74,162
Due from other funds	-	-	-	31,463	69,063	-	-	-	100,526
Inventories	-	-	-	25,689	-	-	-	-	25,689
Total assets	<u>\$ 327,875</u>	<u>\$ 314,710</u>	<u>\$ 203,491</u>	<u>\$ 580,765</u>	<u>\$ 455,879</u>	<u>\$ 653,058</u>	<u>\$ 321,688</u>	<u>\$ 477</u>	<u>\$ 2,857,943</u>
<b>LIABILITIES</b>									
Accounts payable and accrued liabilities	\$ 37,167	\$ 4,330	\$ 2,660	\$ -	\$ 61,912	\$ 4,055	\$ 1,842	\$ -	\$ 111,966
Accrued payroll	23,143	-	22,857	-	2,125	-	-	-	48,125
Other payables	5,809	-	-	-	54,223	84,523	-	-	144,555
Due to State of Tennessee	-	-	-	-	-	-	-	-	-
Judgements payable	46,500	-	-	-	-	-	-	-	46,500
Due to other funds	38,266	-	-	-	-	-	-	-	38,266
Unearned revenue	84,534	-	-	-	8,393	-	-	-	92,927
Total liabilities	<u>235,419</u>	<u>4,330</u>	<u>25,517</u>	<u>-</u>	<u>126,653</u>	<u>88,578</u>	<u>1,842</u>	<u>-</u>	<u>482,339</u>
<b>FUND BALANCES</b>									
Nonspendable	-	-	-	25,689	-	-	-	-	25,689
Restricted	-	-	-	261,384	-	564,480	-	-	825,864
Assigned	92,456	310,380	177,974	293,692	329,226	-	319,846	477	1,524,051
Total fund balances	<u>92,456</u>	<u>310,380</u>	<u>177,974</u>	<u>580,765</u>	<u>329,226</u>	<u>564,480</u>	<u>319,846</u>	<u>477</u>	<u>2,375,604</u>
Total liabilities and fund balances	<u>\$ 327,875</u>	<u>\$ 314,710</u>	<u>\$ 203,491</u>	<u>\$ 580,765</u>	<u>\$ 455,879</u>	<u>\$ 653,058</u>	<u>\$ 321,688</u>	<u>\$ 477</u>	<u>\$ 2,857,943</u>

See independent auditor's report.

City of Manchester, Tennessee  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2019

	Special Revenue Funds						Capital Projects		Total Nonmajor Governmental Funds
	Recreation	Tourism and Community Development	School Federal Projects	Central Cafeteria	Sanitation	Drug Control	Capital Equipment Replacement	Capital Education Projects	
<b>Revenues</b>									
Local taxes	\$ 238,975	\$ 119,487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 358,462
Charges for services	1,142,166	-	-	199,590	1,100,586	-	-	-	2,442,342
Fines and forfeitures	-	-	-	-	-	54,557	-	-	54,557
Other local revenues	13,706	2,950	921	6,339	-	60,541	-	-	84,457
Investment earnings	-	-	-	1,657	-	-	-	-	1,657
<b>Total revenues</b>	<b>1,394,847</b>	<b>122,437</b>	<b>921</b>	<b>207,586</b>	<b>1,100,586</b>	<b>115,098</b>	<b>-</b>	<b>-</b>	<b>2,941,475</b>
<b>Expenditures</b>									
Planning and codes	-	-	-	-	-	-	6,825	-	6,825
Public safety	-	-	-	-	-	154,206	487,161	-	641,367
Public works	-	-	-	-	1,151,160	-	55,737	-	1,206,897
Health, welfare, and recreation	2,036,268	-	-	-	-	-	38,692	-	2,074,960
Economic development and assistance	-	94,153	-	-	-	-	-	-	94,153
Education	-	-	949,737	800,884	-	-	-	-	1,750,621
<b>Total expenditures</b>	<b>2,036,268</b>	<b>94,153</b>	<b>949,737</b>	<b>800,884</b>	<b>1,151,160</b>	<b>154,206</b>	<b>588,415</b>	<b>-</b>	<b>5,774,823</b>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<b>(641,421)</b>	<b>28,284</b>	<b>(948,816)</b>	<b>(593,298)</b>	<b>(50,574)</b>	<b>(39,108)</b>	<b>(588,415)</b>	<b>-</b>	<b>(2,833,348)</b>
<b>Other Financing Sources (Uses)</b>									
Contributions	3,400	-	-	-	-	-	-	-	3,400
Grants and other contracts	104,698	-	950,174	691,289	-	-	-	-	1,746,161
Insurance Recoveries	-	-	-	-	-	4,072	-	-	4,072
Sale of Capital Assets	-	-	-	-	-	14,696	-	-	14,696
Transfers In	520,351	-	-	-	173,079	-	679,161	-	1,372,591
<b>Total other financing sources and uses</b>	<b>628,449</b>	<b>-</b>	<b>950,174</b>	<b>691,289</b>	<b>173,079</b>	<b>18,768</b>	<b>679,161</b>	<b>-</b>	<b>3,140,920</b>
<b>Net change in fund balances</b>	<b>(12,972)</b>	<b>28,284</b>	<b>1,358</b>	<b>97,991</b>	<b>122,505</b>	<b>(20,340)</b>	<b>90,746</b>	<b>-</b>	<b>307,572</b>
<b>Fund balances - beginning</b>	<b>105,428</b>	<b>282,096</b>	<b>176,616</b>	<b>482,774</b>	<b>206,721</b>	<b>584,820</b>	<b>229,100</b>	<b>477</b>	<b>2,068,032</b>
<b>Fund balances - ending</b>	<b>\$ 92,456</b>	<b>\$ 310,380</b>	<b>\$ 177,974</b>	<b>\$ 580,765</b>	<b>\$ 329,226</b>	<b>\$ 564,480</b>	<b>\$ 319,846</b>	<b>\$ 477</b>	<b>\$ 2,375,604</b>

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Recreation Fund**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
				<u>Variance with</u>
				<u>Final</u>
<b>Revenues</b>				
Local taxes	\$ 200,000	\$ 200,000	\$ 238,975	\$ 38,975
Charges for services	1,178,700	1,185,165	1,142,166	(42,999)
Other local revenues	13,000	13,000	13,706	706
Total revenues	<u>1,391,700</u>	<u>1,398,165</u>	<u>1,394,847</u>	<u>(3,318)</u>
<b>Expenditures</b>				
<u>Health, Welfare, and Recreation</u>				
<u>Recreation Administration</u>				
Personnel expenditures	205,865	204,035	198,179	5,856
Contractual services	11,000	12,830	14,944	(2,114)
Supplies	2,500	2,500	1,915	585
Total recreation administration	<u>219,365</u>	<u>219,365</u>	<u>215,038</u>	<u>4,327</u>
<u>Recreation Centers</u>				
Personnel expenditures	548,727	560,417	613,276	(52,859)
Contractual services	432,700	442,000	498,027	(56,027)
Supplies	110,200	112,922	130,292	(17,370)
Fixed charges	28,000	28,373	27,644	729
Total recreation centers	<u>1,119,627</u>	<u>1,143,712</u>	<u>1,269,239</u>	<u>(125,527)</u>
<u>Parks</u>				
Personnel expenditures	221,915	227,760	212,555	15,205
Contractual services	115,000	128,450	141,268	(12,818)
Supplies	96,500	72,000	79,393	(7,393)
Fixed charges	8,500	8,500	6,682	1,818
Capital outlay	190,000	240,000	73,747	166,253
Total park areas	<u>631,915</u>	<u>676,710</u>	<u>513,645</u>	<u>163,065</u>
Total expenditures	<u>1,970,907</u>	<u>2,039,787</u>	<u>1,997,922</u>	<u>41,865</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	(579,207)	(641,622)	(603,075)	38,547
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	5,000	5,000	-	(5,000)
Contributions	-	-	3,400	3,400
Grants and other contracts	105,000	126,551	104,698	(21,853)
Transfers In	520,351	520,351	520,351	-
Transfers Out	(36,510)	(36,510)	(38,346)	(1,836)
Total other financing sources and uses	<u>593,841</u>	<u>615,392</u>	<u>590,103</u>	<u>(25,289)</u>
<b>Net change in fund balance</b>	<u>\$ 14,634</u>	<u>\$ (26,230)</u>	<u>(12,972)</u>	<u>\$ 13,258</u>
<b>Fund Balance - beginning</b>			<u>105,428</u>	
<b>Fund Balance - ending</b>			<u>\$ 92,456</u>	

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Tourism and Community Development Fund**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		
<b>Revenues</b>				
Local taxes	\$ 90,000	\$ 90,000	\$ 119,487	\$ 29,487
Other Local Revenues	-	2,950	2,950	-
Total revenues	90,000	92,950	122,437	29,487
<b>Expenditures</b>				
<u>Economic Development and Assistance</u>				
<u>Tourism and Community Development</u>				
Personnel expenditures	4,000	4,000	716	3,284
Contractual services	85,000	104,085	93,017	11,068
Supplies	1,000	1,200	420	780
Total expenditures	90,000	109,285	94,153	15,132
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	-	(16,335)	28,284	44,619
<b>Net change in fund balance</b>	\$ -	\$ (16,335)	28,284	\$ 44,619
<b>Fund Balance -beginning</b>			282,096	
<b>Fund Balance - ending</b>			\$ 310,380	

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**School Federal Projects**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		Final
<b>Revenues</b>				
Other local revenues	\$ 900	\$ 900	\$ 921	\$ 21
Total revenues	900	900	921	21
<b>Expenditures</b>				
<u>Instruction</u>				
Regular instruction	416,921	504,208	448,452	55,756
Special education	449,179	449,179	311,101	138,078
<u>Support Services</u>				
Other student support	5,500	37,836	5,231	32,605
Regular instruction	98,655	98,655	101,478	(2,823)
Special education	41,255	41,255	29,850	11,405
Transportation	6,317	6,317	7,175	(858)
Community Service	52,500	52,500	46,450	6,050
Total expenditures	1,070,327	1,189,950	949,737	240,213
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(1,069,427)	(1,189,050)	(948,816)	240,234
<b>Other Financing Sources (Uses)</b>				
Grants and other contracts	950,000	950,000	950,174	174
Total other financing sources and uses	950,000	950,000	950,174	174
<b>Net change in fund balance</b>	\$ (119,427)	\$ (239,050)	1,358	\$ 240,408
<b>Fund Balance - beginning</b>			176,616	
<b>Fund Balance - ending</b>			\$ 177,974	

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Central Cafeteria Fund**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Positive (Negative) Variance with
	Original	Final		Final
<b>Revenues</b>				
Charges for services	\$ 218,481	\$ 218,481	\$ 199,590	\$ (18,891)
Other local revenues	250	250	6,339	6,089
Investment earnings	300	300	1,657	1,357
Total revenues	<u>219,031</u>	<u>219,031</u>	207,586	(11,445)
<b>Expenditures</b>				
<u>Operation of Non-instructional Services</u>				
Food service	874,607	1,024,607	800,884	223,723
Total expenditures	<u>874,607</u>	<u>1,024,607</u>	800,884	223,723
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	(655,576)	(805,576)	(593,298)	212,278
<b>Other Financing Sources (Uses)</b>				
Grants and other contracts	655,576	655,576	691,289	35,713
Total other financing sources and uses	<u>655,576</u>	<u>655,576</u>	691,289	35,713
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (150,000)</u>	97,991	<u>\$ 247,991</u>
<b>Add encumbrances at end of year</b>			-	
<b>Less encumbrances at beginning of year</b>			<u>(10,353)</u>	
<b>Net change in fund balance- (GAAP)</b>			87,638	
<b>Fund Balance - beginning- (GAAP)</b>			<u>482,774</u>	
<b>Fund Balance- ending-(GAAP)</b>			<u>\$ 570,412</u>	

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Sanitation Fund**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance with Final</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 1,033,000	\$ 1,030,000	\$ 1,100,586	\$ 70,586
Other local revenues	-	3,000	-	(3,000)
Total revenues	<u>1,033,000</u>	<u>1,033,000</u>	<u>1,100,586</u>	<u>67,586</u>
<b>Expenditures</b>				
<u>Public Works</u>				
Personnel expenditures	404,320	404,320	351,763	52,557
Contractual services	742,000	742,000	773,269	(31,269)
Supplies	55,500	53,000	26,128	26,872
Fixed charges	-	2,500	-	2,500
Total expenditures	<u>1,201,820</u>	<u>1,201,820</u>	<u>1,151,160</u>	<u>50,660</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(168,820)	(168,820)	(50,574)	118,246
<b>Other Financing Sources (Uses)</b>				
Transfers in	173,079	173,079	173,079	-
Transfers out	(33,895)	(33,895)	-	33,895
Total other financing sources and uses	<u>139,184</u>	<u>139,184</u>	<u>173,079</u>	<u>33,895</u>
<b>Net change in fund balance</b>	<u>\$ (29,636)</u>	<u>\$ (29,636)</u>	122,505	<u>\$ 152,141</u>
<b>Fund Balance - beginning</b>			<u>206,721</u>	
<b>Fund Balance -ending</b>			<u>\$ 329,226</u>	

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Drug Control Fund**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
				<u>Variance with</u>
				<u>Final</u>
<b>Revenues</b>				
Fines and forfeitures	\$ 72,500	\$ 72,500	\$ 54,557	\$ (17,943)
Other local revenues	107,000	131,800	60,541	(71,259)
Total revenues	<u>179,500</u>	<u>204,300</u>	<u>115,098</u>	<u>(89,202)</u>
<b>Expenditures</b>				
<u>Public Safety</u>				
Personnel expenditures	33,000	34,050	14,644	19,406
Contractual services	62,400	62,400	5,788	56,612
Supplies	66,000	63,000	26,838	36,162
Capital outlay	109,000	109,000	106,936	2,064
Total expenditures	<u>270,400</u>	<u>268,450</u>	<u>154,206</u>	<u>114,244</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	(90,900)	(64,150)	(39,108)	25,042
<b>Other Financing Sources (Uses)</b>				
Contributions and Donations	45,000	45,000	-	(45,000)
Insurance recoveries	-	4,072	4,072	-
Sale of capital assets	45,900	25,900	14,696	(11,204)
Total other financing sources and uses	<u>90,900</u>	<u>74,972</u>	<u>18,768</u>	<u>(56,204)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 10,822</u>	<u>(20,340)</u>	<u>\$ (31,162)</u>
<b>Fund balance -beginning</b>			<u>584,820</u>	
<b>Fund balance - ending</b>			<u>\$ 564,480</u>	

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Capital Equipment Replacement Fund**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Positive (Negative) Variance with
	Original	Final		Final
<b>Expenditures</b>				
<u>General Government</u>				
Planning & zoning - capital outlay	\$ 33,000	\$ 37,000	\$ 6,825	30,175
<u>Public Safety</u>				
Fire - capital outlay	20,000	507,151	487,161	19,990
<u>Public Works</u>				
Public Works - capital outlay	40,000	70,000	55,737	14,263
<u>Recreation</u>				
Recreation Center - capital outlay	65,000	65,000	29,233	35,767
Park areas - capital outlay	-	9,459	9,459	-
Total expenditures	158,000	688,610	588,415	100,195
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(158,000)	(688,610)	(588,415)	(100,195)
<b>Other Financing Sources (Uses)</b>				
Transfers in	158,000	679,161	679,161	-
Total other financing sources and uses	158,000	679,161	679,161	-
<b>Net change in fund balance</b>	\$ -	\$ (9,449)	90,746	\$ (100,195)
<b>Fund balance -beginning</b>			229,100	
<b>Fund balance - ending</b>			\$ 319,846	

See independent auditor's report.

# **OTHER INFORMATION SECTION**

**City of Manchester, Tennessee**  
**Schedule of Changes in Long-term Debt by Individual Issue**  
**For the Year Ended June 30, 2019**

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Last Maturity Date	Outstanding 7/1/2018	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2019
<b><u>Governmental Activities</u></b>							
<b><u>Capitalized Leases</u></b>							
Recreation Cardio Equipment Lease	\$ 100,080	0.00%	4/17/2021	\$ 94,520	\$ -	\$ 33,360	\$ 61,160
Schools Servers Lease	\$ 64,144	3.46%	4/6/2020	26,071	-	12,814	13,257
<b>Total Capitalized Leases</b>				<b>120,591</b>	<b>-</b>	<b>46,174</b>	<b>74,417</b>
<b><u>Bonds Payable</u></b>							
General Obligation Refunding Bonds, Series 2010	\$ 10,620,000	4.70%	6/1/2038	10,560,000	-	10,000	10,550,000
General Obligation Refunding Bonds, Series 2013	\$ 9,690,000	2.91%	6/1/2030	8,975,000	-	485,000	8,490,000
General Obligation Refunding Bonds Series 2016B	\$ 880,000	2.00%	6/1/2037	560,000	-	175,000	385,000
<b>Total Bonds Payable</b>				<b>20,095,000</b>	<b>-</b>	<b>670,000</b>	<b>19,425,000</b>
<b>Total Governmental Activities</b>				<b>20,215,591</b>	<b>-</b>	<b>716,174</b>	<b>19,499,417</b>
<b><u>Business-type Activities</u></b>							
<b><u>Bonds Payable</u></b>							
GO Refunding Bonds, Series 2010	\$ 5,620,000	3.82%	2028	5,465,000	-	20,000	5,445,000
General Obligation Refunding Bonds, Series 2014	\$ 3,120,000	3.94%	2020	970,000	-	475,000	495,000
RDA Bonds, Series 2011	\$ 1,348,000	3.00%	2050	1,207,342	-	23,590	1,183,752
RDA Bonds, Series 2014	\$ 443,658		2028	352,537	-	32,399	320,138
General Obligation Refunding Bond, Series 2016B	\$ 5,640,000		2037	5,410,000	-	235,000	5,175,000
<b>Total Bonds Payable</b>				<b>13,404,879</b>	<b>-</b>	<b>785,989</b>	<b>12,618,890</b>
<b><u>Other Loans Payable</u></b>							
SRF Loan, Series 2011	\$ 7,500,000	2.16%	2037	5,150,750	-	353,839	4,796,911
Public Building Authority of Coffee County, TN Series 2016A DRUC	\$ 6,240,000		2038	8,770,000	-	400,000	8,370,000
<b>Total Other Loans Payable</b>				<b>13,920,750</b>	<b>-</b>	<b>753,839</b>	<b>13,166,911</b>
<b>Total Business-type Activities</b>				<b>\$ 27,325,629</b>	<b>\$ -</b>	<b>\$ 1,539,828</b>	<b>\$ 25,785,801</b>

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Principal and Interest Requirements**  
**Governmental Activities**  
**June 30, 2019**

Fiscal Year Ending	General Obligation Refunding Bond, Series 2010		General Obligation Refunding Bond, Series		General Obligation Refunding Bond, Series 2016B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 10,000	\$ 492,630	\$ 480,000	\$ 232,119	\$ 185,000	\$ 7,700	\$ 675,000	\$ 732,449
2021	10,000	492,305	495,000	221,600	200,000	4,000	705,000	717,905
2022	10,000	491,980	725,000	205,287	-	-	735,000	697,267
2023	10,000	491,655	745,000	187,594	-	-	755,000	679,249
2024	10,000	491,305	765,000	166,556	-	-	775,000	657,861
2025	10,000	490,905	805,000	142,406	-	-	815,000	633,311
2026	10,000	490,505	830,000	117,506	-	-	840,000	608,011
2027	10,000	490,105	860,000	90,631	-	-	870,000	580,736
2028	10,000	489,705	895,000	62,663	-	-	905,000	552,368
2029	10,000	489,305	930,000	33,600	-	-	940,000	522,905
2030	10,000	488,885	960,000	-	-	-	970,000	488,885
2031	1,115,000	488,465	-	-	-	-	1,115,000	488,465
2032	1,155,000	441,635	-	-	-	-	1,155,000	441,635
2033	1,195,000	393,125	-	-	-	-	1,195,000	393,125
2034	1,265,000	340,844	-	-	-	-	1,265,000	340,844
2035	1,330,000	285,500	-	-	-	-	1,330,000	285,500
2036	1,380,000	219,000	-	-	-	-	1,380,000	219,000
2037	1,475,000	150,000	-	-	-	-	1,475,000	150,000
2038	1,525,000	76,250	-	-	-	-	1,525,000	76,250
	<u>\$ 10,550,000</u>	<u>\$ 7,794,104</u>	<u>\$ 8,490,000</u>	<u>\$ 1,459,962</u>	<u>\$ 385,000</u>	<u>\$ 11,700</u>	<u>\$ 19,425,000</u>	<u>\$ 9,265,766</u>

See independent auditor's report.

City of Manchester, Tennessee  
Schedule of Principal and Interest Requirements  
Business-type Activities  
June 30, 2019

Fiscal Year	General Obligation Refunding Bonds, Series 2010		General Obligation Refunding Bonds, Series 2016B		Local Government Public Improvement Bonds Series 2010 Z-1-DRUC*		Water & Sewer Revenue & Tax Refunding GO Bonds Series 2016A -DRUC		General Obligation Refunding Bonds, Series 2014		SRF Loan Series 2011		RDA Bonds Series 2011		RDA Bonds Series 2014		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 20,000	\$ 205,450	\$ 240,000	\$ 113,225	\$ -	\$ 146,250	\$ 405,000	\$ 104,950	\$ 495,000	\$ 19,800	\$ 361,558	\$ 100,575	\$ 24,308	\$ 35,284	\$ 33,468	\$ 9,876	\$ 1,579,334	\$ 735,410
2021	595,000	204,800	245,000	108,425	-	146,250	415,000	96,750	-	-	369,445	92,688	25,047	34,448	34,572	8,772	1,684,064	692,133
2022	615,000	185,463	250,000	103,525	-	146,250	425,000	88,350	-	-	377,504	84,627	25,809	33,686	35,712	7,632	1,729,025	649,533
2023	625,000	165,475	260,000	93,525	-	146,250	430,000	79,800	-	-	385,740	76,391	26,594	32,901	36,891	6,453	1,764,225	600,795
2024	670,000	143,600	265,000	88,325	-	146,250	440,000	71,100	-	-	394,154	67,976	27,403	32,180	38,108	5,236	1,834,665	554,667
2025	685,000	116,800	270,000	83,025	-	146,250	450,000	62,200	-	-	402,754	59,377	28,236	31,259	39,365	3,979	1,875,355	502,890
2026	705,000	89,400	275,000	77,625	-	146,250	460,000	53,100	-	-	411,540	50,591	29,095	30,400	40,663	2,681	1,921,298	450,047
2027	745,000	61,200	280,000	72,125	-	146,250	465,000	43,850	-	-	420,517	41,613	29,980	29,515	42,005	1,339	1,982,502	395,892
2028	785,000	31,400	285,000	66,525	-	146,250	475,000	34,450	-	-	429,691	32,439	30,892	28,681	19,355	152	2,024,938	339,897
2029	-	-	295,000	60,825	-	146,250	485,000	24,850	-	-	439,064	23,065	31,831	27,664	-	-	1,250,895	282,654
2030	-	-	300,000	54,925	-	146,250	495,000	15,050	-	-	448,643	13,486	32,800	26,696	-	-	1,276,443	256,407
2031	-	-	305,000	48,925	-	146,250	505,000	5,050	-	-	356,300	3,779	33,797	25,698	-	-	1,200,097	229,702
2032	-	-	315,000	42,825	350,000	146,250	-	-	-	-	-	-	34,825	24,737	-	-	699,825	213,812
2033	-	-	325,000	36,525	375,000	128,750	-	-	-	-	-	-	35,884	23,611	-	-	735,884	188,886
2034	-	-	330,000	29,213	400,000	110,000	-	-	-	-	-	-	36,976	22,520	-	-	766,976	161,733
2035	-	-	335,000	21,788	425,000	90,000	-	-	-	-	-	-	38,101	21,395	-	-	798,101	133,183
2036	-	-	300,000	14,250	450,000	68,750	-	-	-	-	-	-	39,259	20,291	-	-	789,259	103,291
2037	-	-	300,000	7,125	450,000	46,250	-	-	-	-	-	-	40,453	19,042	-	-	790,453	72,417
2038	-	-	-	-	470,000	23,750	-	-	-	-	-	-	41,684	17,812	-	-	511,684	41,562
2039	-	-	-	-	-	-	-	-	-	-	-	-	42,952	16,544	-	-	42,952	16,544
2040	-	-	-	-	-	-	-	-	-	-	-	-	44,258	15,278	-	-	44,258	15,278
2041	-	-	-	-	-	-	-	-	-	-	-	-	45,604	13,891	-	-	45,604	13,891
2042	-	-	-	-	-	-	-	-	-	-	-	-	46,991	12,504	-	-	46,991	12,504
2043	-	-	-	-	-	-	-	-	-	-	-	-	48,421	11,075	-	-	48,421	11,075
2044	-	-	-	-	-	-	-	-	-	-	-	-	49,894	9,628	-	-	49,894	9,628
2045	-	-	-	-	-	-	-	-	-	-	-	-	51,411	8,085	-	-	51,411	8,085
2046	-	-	-	-	-	-	-	-	-	-	-	-	52,975	6,521	-	-	52,975	6,521
2047	-	-	-	-	-	-	-	-	-	-	-	-	54,586	49,010	-	-	54,586	49,010
2048	-	-	-	-	-	-	-	-	-	-	-	-	56,246	3,258	-	-	56,246	3,258
2049	-	-	-	-	-	-	-	-	-	-	-	-	57,957	1,539	-	-	57,957	1,539
2050	-	-	-	-	-	-	-	-	-	-	-	-	19,483	124	-	-	19,483	124
	\$ 5,445,000	\$ 1,203,588	\$ 5,175,000	\$ 1,122,726	\$ 2,920,000	\$ 2,368,750	\$ 5,450,000	\$ 679,500	\$ 495,000	\$ 19,800	\$ 4,796,910	\$ 646,607	\$ 1,183,752	\$ 665,277	\$ 320,139	\$ 46,120	\$ 25,785,801	\$ 6,752,368

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Assessed Property Tax Values,**  
**Property Tax Rates and Changes in Property Taxes Receivable**  
**For the Year Ended June 30, 2019**

<b>Tax Year</b>	<b>Tax Rate</b>	<b>Assessed Value</b>	<b>Original Levy</b>	<b>Balance July 1, 2018</b>	<b>Property Tax Levied</b>	<b>Anticipated Current Year Levy</b>	<b>Abatements and Adjustments</b>	<b>Collections</b>	<b>Allowance for Uncollectible</b>	<b>Net Receivable Balance June 30, 2019</b>
2019						4,696,366.00				4,696,366
2018	1.9316	237,401,977	4,696,366.00		4,696,366.00		(167,244.00)	(4,275,712.00)		253,410
2017	2.2999	238,463,091	4,933,336.00	267,208.00			14,286.00	(152,458.00)		129,036
2016	2.2999	210,695,655	4,845,752.00	159,065.00			(4,757.00)	(20,566.00)	(133,742.00)	-
2015	2.2999	205,498,253	4,725,423.53	21,935.00			26,356.00	(7,557.00)	(40,734.00)	-
2014	2.2999	202,117,409	4,648,498.28				10,025.00	(1,650.00)	(8,375.00)	-
2013	2.2999	200,337,660	4,607,595.84	149,560.00			(137,877.00)	(8,305.00)	(3,378.00)	-
2012	2.2999	199,239,840	4,582,317.08	58,756.00			(48,367.00)	(6,628.00)	(3,761.00)	-
2011 and Before				-			6,686	(6,686)		-
<b>Totals</b>				<b>\$ 656,524</b>	<b>\$ 4,696,366</b>	<b>\$ 4,696,366</b>	<b>\$ (300,892)</b>	<b>\$ (4,479,562)</b>	<b>\$ (189,990)</b>	<b>\$ 5,078,812</b>

NOTES: All uncollected taxes for years prior to 2016 were turned over to the Clerk and Master for collection.

See independent auditor's report.

City of Manchester, Tennessee  
 Schedule of Water Loss  
 June 30, 2019

AWWA Free Water Audit Software: Reporting Worksheet										WAS v5.0 American Water Works Association, Copyright © 2014, All Rights Reserved.	
? <a href="#">Click to access definition</a>		<b>Water Audit Report for:</b> City of Manchester Water & Sewer Department (0000429)									
+ <a href="#">Click to add a comment</a>		<b>Reporting Year:</b> 2018		7/2018 - 6/2019							
Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades											
<b>All volumes to be entered as: MILLION GALLONS (US) PER YEAR</b>											
To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.						Master Meter and Supply Error Adjustments					
----- Enter grading in column 'E' and 'J' ----->											
<b>WATER SUPPLIED</b>								Pcmt:		Value:	
Volume from own sources:		+ ?				MG/Yr		+ ?		MG/Yr	
Water imported:		+ ? 10		948.053		MG/Yr		+ ? 10		3.00% MG/Yr	
Water exported:		+ ? 10		197.488		MG/Yr		+ ? 9		3.00% MG/Yr	
<b>WATER SUPPLIED:</b>				<b>728.704</b>		MG/Yr				Enter negative % or value for under-registration	
Enter positive % or value for over-registration											
<b>AUTHORIZED CONSUMPTION</b>										Click here: ? for help using option buttons below	
Billed metered:		+ ? 10		635.542		MG/Yr					
Billed unmetered:		+ ? 10				MG/Yr					
Unbilled metered:		+ ? 10		13.165		MG/Yr		Pcmt:		Value:	
Unbilled unmetered:		+ ?		9.109		MG/Yr		1.25%		MG/Yr	
Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed											
<b>AUTHORIZED CONSUMPTION:</b>		?		<b>657.815</b>		MG/Yr				Use buttons to select percentage of water supplied OR value	
<b>WATER LOSSES (Water Supplied - Authorized Consumption)</b>				<b>70.889</b>		MG/Yr					
<b>Apparent Losses</b>								Pcmt:		Value:	
Unauthorized consumption:		+ ? 8		1.822		MG/Yr		0.25%		MG/Yr	
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed											
Customer metering inaccuracies:		+ ? 9		0.000		MG/Yr				MG/Yr	
Systematic data handling errors:		+ ? 5		1.589		MG/Yr		0.25%		MG/Yr	
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed											
<b>Apparent Losses:</b>		?		<b>3.411</b>		MG/Yr					
<b>Real Losses (Current Annual Real Losses or CARL)</b>											
<b>Real Losses = Water Losses - Apparent Losses:</b>		?		<b>67.478</b>		MG/Yr					
<b>WATER LOSSES:</b>				<b>70.889</b>		MG/Yr					
<b>NON-REVENUE WATER</b>											
<b>NON-REVENUE WATER:</b>		?		<b>93.163</b>		MG/Yr					
= Water Losses + Unbilled Metered + Unbilled Unmetered											
<b>SYSTEM DATA</b>											
Length of mains:		+ ? 10		225.0		miles					
Number of active AND inactive service connections:		+ ? 10		8,312							
Service connection density:		?		37		conn./mile main					
Are customer meters typically located at the curbside or property line?				Yes						(length of service line, beyond the property boundary, that is the responsibility of the utility)	
Average length of customer service line:		+ ? 10		0.0		ft					
Average length of customer service line has been set to zero and a data grading score of 10 has been applied											
Average operating pressure:		+ ? 8		60.0		psi					
<b>COST DATA</b>											
Total annual cost of operating water system:		+ ? 10		\$2,901,359		\$/Year					
Customer retail unit cost (applied to Apparent Losses):		+ ? 9		\$4.43		\$/1000 gallons (US)					
Variable production cost (applied to Real Losses):		+ ? 10		\$1,250.00		\$/Million gallons		<input type="checkbox"/> Use Customer Retail Unit Cost to value real losses			
<b>WATER AUDIT DATA VALIDITY SCORE:</b>											
<b>*** YOUR SCORE IS: 92 out of 100 ***</b>											
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score											
<b>PRIORITY AREAS FOR ATTENTION:</b>											
Based on the information provided, audit accuracy can be improved by addressing the following components:											
<b>1: Unauthorized consumption</b>											
<b>2: Systematic data handling errors</b>											
<b>3: Customer metering inaccuracies</b>											

City of Manchester, Tennessee  
 Water System Attributes and Performance Indicators  
 June 30, 2019



**AWWA Free Water Audit Software:  
 System Attributes and Performance Indicators**

WAS v5.0  
 American Water Works Association.  
 Copyright © 2014, All Rights Reserved.

Water Audit Report for:   
 Reporting Year:

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 92 out of 100 \*\*\*

**System Attributes:**

Apparent Losses:	3.411	MG/Yr
+	Real Losses:	67.478
=	<b>Water Losses:</b>	<b>70.889</b>

? Unavoidable Annual Real Losses (UARL):  MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses:  Valued at **Variable Production Cost**  
 Return to Reporting Worksheet to change this assumption

**Performance Indicators:**

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	12.8%	Real Losses valued at Variable Production Cost
		Non-revenue water as percent by cost of operating system:	4.4%	

Operational Efficiency:	{	Apparent Losses per service connection per day:	1.12	gallons/connection/day
		Real Losses per service connection per day:	22.24	gallons/connection/day
		Real Losses per length of main per day*:	N/A	
		Real Losses per service connection per day per psi pressure:	0.37	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL):  million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]:

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

**City of Manchester, Tennessee**  
**Schedule of Utility Rate Structure and Number of Customers**  
**June 30, 2019**

	<u>2018-2019</u>		<u>2017-2018</u>		<u>2016-2017</u>		<u>2015-2016</u>		<u>2014-2015</u>	
	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
<u>Within Corporate Limits</u>										
Up to and including 2,000 gallons	\$8.86	\$11.14	\$8.60	\$10.82	\$8.60	\$10.82	\$ 8.60	\$ 10.82	\$ 8.60	\$ 10.82
Next 98,000 gallons per 1,000 gallons	\$4.43	\$5.57	\$4.30	\$5.41	\$4.30	\$5.41	\$ 4.30	\$ 5.41	\$ 4.30	\$ 5.41
All over the next 100,000 gallons per 1,000 gallons	\$3.52	\$4.43	\$3.42	\$4.30	\$3.42	\$4.30	\$ 3.42	\$ 4.30	\$ 3.42	\$ 4.30
Unmetered Residential Customers		\$26.51		\$25.74		\$25.74		\$ 25.74		\$ 25.74
<u>Outside Corporate Limits</u>										
One and one-half times inside rate - Industrial										
Two times inside rate - Residential and Commercial										
<u>Number of Customers</u>										
Residential - Inside of City	4,737	4,425	4,224	4,113	4,267	4,175	4,267	4,175	4,215	4,124
Residential - Outside of City	1,905	11	1,877	11	1,989	10	1,989	10	1,965	10
Commercial - Inside of City	672	603	680	605	677	601	677	601	669	594
Commercial - Outside of City	86	10	73	10	96	11	96	11	95	11
Industrial - Inside of City	24	10	14	12	11	11	11	11	11	11
Industrial - Outside of City	54	32	54	32	30	28	30	28	30	28
<b>Total</b>	<b>7,478</b>	<b>5,091</b>	<b>6,922</b>	<b>4,783</b>	<b>7,070</b>	<b>4,836</b>	<b>7,070</b>	<b>4,836</b>	<b>6,985</b>	<b>4,778</b>

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Transfers**  
**For the Year Ended June 30, 2019**

From Fund	To Fund	Purpose	Amount
General	Sanitation	To Provide Funding for Operations	\$ 173,079
General	Recreation	To Provide Funding for Operations	520,351
General	Schools	To Provide Funding for Operations	1,858,467
General	Capital Equipment	To Provide Funding for Operations	679,161
General	Debt Service	To Provide Funding for Debt	1,451,049
Schools	General	To Provide SRO	<u>121,680</u>
Total Transfers			<u><u>\$ 4,803,787</u></u>

See independent auditor's report.

**GOVERNMENT AUDITING  
STANDARDS SECTION**

**City of Manchester, Tennessee**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Contract Number	Expenditures
<b>U.S. Department of Agriculture</b>			
Passed Through Tennessee Department of Education			
<b>Child Nutrition Cluster:</b>			
National School Breakfast Program	10.553	N/A	\$ 151,169
National School Lunch Program	10.555	N/A	466,132
Summer Food Service Program - Lunch	10.559	N/A	<u>22,631</u>
Total Child Nutrition Cluster			639,932
Passed Through Tennessee Department of Agriculture			
Commodity Supplemental Food Program	10.565	N/A	<u>56,925</u>
Total U.S. Department of Agriculture			696,857
<b>U.S. Department of Justice</b>			
Bulletproof Vest Partnership	16.607	N/A	3,004
<b>U. S. Department of Housing and Urban Development</b>			
Home Investment Partnership Program	14.239	HM-14-13	166,415
<b>U.S. Department of Transportation</b>			
Passed through Tennessee Department of Transportation			
<b>Highway Planning &amp; Construction Cluster:</b>			
Highway Planning and Construction - Signal Maintenance	20.205	16001-3177-44	5,882
Highway Planning and Construction - Safe Routes to School	20.205	16LPLM-F3-030	6,125
Highway Planning and Construction - Transportation Master Plan	20.205	16LPLM-F0-026	<u>79,681</u>
Total Highway Planning & Construction Cluster			91,688
Driving Under the Influence Laws	20.607	Z19THS173	<u>16,324</u>
Total U. S. Department of Transportation			108,012
<b>U.S. Department of Education:</b>			
Passed-through Tennessee Department of Education:			
<b>Special Education Cluster:</b>			
Special Education Grants to States	84.027A	N/A	406,024
Special Education - Preschool Grants	84.173A	N/A	<u>83,542</u>
Total Special Education Cluster			489,566
Title I, Part A	84.010	N/A	422,421
Rural Education Achievement Program	84.358	N/A	22,128
English Language Acquisition Grants	84.365	N/A	27,974
Improving Teacher Quality	84.367A	N/A	<u>39,012</u>
Total U.S. Department of Education			1,001,101
<b>U.S. Department of Health and Human Services:</b>			
Passed-through Tennessee Department of Education:			
Read to Be Ready	93.575	N/A	<u>7,400</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 981,688</u>
<b>STATE AWARDS</b>			
Tennessee Arts Commission			
Creative Murals	N/A	N/A	\$ 2,172
Tennessee Department of Education			
Read to Be Ready - State Portion	N/A	N/A	29,600
Coordinated School Health Initiative	N/A	N/A	81,000
Family Resource Center Grant	N/A	N/A	59,223
Safe Schools Act 2003	N/A	N/A	15,120
Twenty-first Century Community Learning	N/A	N/A	52,500
IDEA Discretionary	N/A	N/A	7,185
Student Support and Academic Enrichment	N/A	N/A	1,200
School Safety	N/A	N/A	37,800
Voluntary Pre-K	N/A	N/A	282,171
LEAP Grant	N/A	N/A	<u>109,877</u>
Total Tennessee Department of Education			675,676
Tennessee Department of Transportation			
Interstate Drive Widening - STBG	N/A	16951-3572-54	68,209
Transportation Planning Grant	N/A	N/A	4,989
Little Duck River Greenway Extension	N/A	126628	<u>10,504</u>
Total Tennessee Department of Transportation			83,702
Tennessee Department of Agriculture			
Forestry Grant	N/A	N/A	<u>3,147</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>764,697</u>
TOTAL EXPENDITURE OF FEDERAL AND STATE AWARDS			<u>\$ 1,746,385</u>

See Independent Auditor's Report and notes to schedule of expenditures of federal and state awards

**CITY OF MANCHESTER, TENNESSEE**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**For the Year Ended June 30, 2019**

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards includes the federal and state financial assistance activity of the City under programs of the federal government and State of Tennessee for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance.

# *The MG Group, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

### **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor  
and Board of Aldermen  
City of Manchester, Tennessee

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manchester, Tennessee as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Manchester, Tennessee's basic financial statements, and have issued our report thereon dated December 26, 2019.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Manchester, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Manchester, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Manchester, Tennessee's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-005 that we consider to be significant deficiencies.

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**515 NW Atlantic Street, Tullahoma, Tennessee 37388**

**16053 Rankin Avenue, Dunlap, Tennessee 37327**

**Phone (931) 393-3307      Fax (931) 563-5585**

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Manchester, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-003, 2019-004, and 2019-006.

### **City of Manchester, Tennessee's Response to Findings**

The City of Manchester, Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and responses and in the accompanying management's corrective action plan. The City of Manchester, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*MG Group, P.C.*

Tullahoma, Tennessee  
December 26, 2019

# *The MG Group, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor  
and Board of Aldermen  
City of Manchester, Tennessee

#### **Report on Compliance for Each Major Federal Program**

We have audited the City of Manchester, Tennessee's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2019.

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**16053 Rankin Avenue, Dunlap, Tennessee 37327**  
**Phone (931) 393-3307      Fax (931) 563-5585**

## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 City'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.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*MG Group, P.C.*

Tullahoma, Tennessee  
December 26, 2019

**City of Manchester, Tennessee  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019**

**SECTION I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

1. Our report on the financial statements of the City of Manchester is unmodified.
2. Internal Control Over Financial Reporting:
  - Material weakness identified? NO
  - Significant deficiency identified? YES
3. Noncompliance material to the financial statement noted? YES

**Federal Awards:**

4. Internal Control Over Major Federal Programs:
  - Material weakness identified? NONE REPORTED
  - Significant deficiency identified? NONE REPORTED
5. Type of report auditor issued on compliance for Major program: UNMODIFIED
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? NONE REPORTED
7. Identification of Major Federal Programs:

**CFDA Number**

**10.553,10.555,10.559 & 10.565**

Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, Summer Food Service Program and Commodity Supplemental Food Program

**CFDA Number**

**84.027 & 84.173**

Special Education Cluster: Special Education Grants to States and Special Education - Preschool Grants

**CFDA Number 84.010**

Title I, Part A

8. Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000
9. Auditee qualified as low-risk auditee? NO

**City of Manchester, Tennessee**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

**SECTION II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

**2019-001:** (Repeat 2015-002) RECEIVABLES- RECREATION CENTER  
(Significant Deficiency under *Government Auditing Standards*)

**Condition:** As of June 30, 2019, accounts receivable in the Manchester Recreation Center totaled \$90,291 of which \$57,342 was shown in the aging report at over 120 days. Collection of these amounts does not appear to be likely. These receivables do not appear to have been reviewed and no determination of uncollectible accounts has been made.

**Criteria:** Short term accounts receivable should be reconciled on a monthly basis. Collectibility of accounts should be determined by management and action taken to prevent the situation in future periods.

**Effect:** Accounts Receivable that are not collectible falsely inflate the assets of the fund. In addition, any receivables that are not available for current period expenses should be included in deferred inflows to offset this asset.

**Recommendation:** Receivables should be periodically reviewed and a listing of accounts that are determined to be uncollectable should be prepared and submitted to the Board of Mayor and Aldermen for approval to be written off.

**Management's Response:** We concur with this finding. See corrective action plan.

**2019-002:** (Repeat 2016-002) VOIDED AND/OR ADJUSTING ENTRIES MADE TO CASH COLLECTIONS WITHOUT APPROPRIATE DOCUMENTATION OR APPROVAL - RECREATION CENTER  
(Significant Deficiency under *Government Auditing Standards*)

**Condition:** Debit entries to revenue accounts were routinely made to correct prior credit entries supposedly made in error. However; personnel did not provide any documentation of the error nor an approval from management to make the correction. In addition, the same user made the original entry and the correcting entry.

**Criteria:** The City's Manual on Internal Control Policies prohibits a single individual from entering a transaction and also reversing that transaction.

**Effect:** Without proper segregation of duties, individuals are placed at risk should questions regarding the protection of assets arise.

**Recommendation:** To prevent fraud and/or abuse of city funds, adjustments involving cash collections should have proper supporting documentation. This documentation should include the nature of the adjustment as well as the approval of management.

**Management's Response:** We concur with this finding. See corrective action plan.

**City of Manchester, Tennessee**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

**2019-003:** (Repeat 2015-003) BUDGETED EXPENDITURES IN EXCESS OF APPROPRIATIONS  
(Noncompliance under *Government Auditing Standards*)

**Condition:** The General Fund exceeded appropriations at the level of control for Health, Welfare, and Recreation by \$23,065.

**Criteria:** *Tennessee Code Annotated*, Section 6-56-203(1) states in part: ...all moneys received and expended by a municipality shall be included in a budget ordinance. Therefore, notwithstanding any other law, no municipality may expend any moneys regardless of their source, including moneys derived from bond and long-term note proceeds, federal, state or private grants or loans, or special assessments, except in accordance with a budget ordinance....

**Effect:** Expenditures made in excess of budgeted amounts could result in a loss of control over financial operations by the governing body.

**Recommendation:** Expenditures should be held within appropriations approved by the Board of Mayor and Aldermen.

**Management's Response:** We concur with this finding. See corrective action plan.

**2019-004:** DEPOSIT WITH FINANCIAL INSTITUTION IN EXCESS OF REQUIRED COLLATERAL PLEDGES  
(Noncompliance under *Government Auditing Standards*)

**Condition:** The City of Manchester had uncollateralized, uninsured deposits with First National Bank of \$368,045 at June 30, 2019.

**Criteria:** *Tennessee Code Annotated*, Title 6, Chapter 56, Section 110 states in part: ... any municipal funds deposited with a financial institution shall be secured by collateral in the same manner and under the same conditions as state deposits under title 9, chapter 4, parts 1 and 4, or as provided in the collateral pool created under title 9, chapter 4, part 5. These statutes generally require collateralization of 105% on all deposits above the FDIC/FSLIC insured amounts.

**Effect:** Amounts in excess of deposit insurance and pledged collateral would be subject to loss upon failure of the depository institution.

**Recommendation:** Management should either:

- 1) obtain pledged collateral based on a monthly analysis of the City's cash deposits, or
- 2) deposit funds with other banks who participate in the State Collateral Pool.

**Management's Response:** We concur with this finding. See corrective action plan.

**City of Manchester, Tennessee**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

**2019-005: INCOMPLETE RECONCILIATION OF BANK ACCOUNT**  
(Significant Deficiency under *Government Auditing Standards*)

**Condition:** The reconciliation of the pooled cash bank account as of June 30, 2019 did not match the general ledger balance by at least \$142,000. Uncleared items were not investigated and there was no apparent follow-up on uncleared outstanding checks.

**Criteria:** *Tennessee Code Annotated*, Section 9-2-102 requires that Municipalities must maintain records sufficient and necessary to comply with legal provisions and generally accepted accounting principles. GAAP requires that underlying records of original entry be periodically reconciled to a control account.

**Cause:** The reconciliation process is not followed to its completion and variances are not investigated.

**Effect:** A failure to complete the reconciliation between a bank statement and the general ledger results in the possibility of material misstatements of cash balances.

**Recommendation:** Management should ensure that the reconciliation process for bank accounts includes investigating and resolving all variances in a timely manner.

**Management's Response:** We concur with this finding. See corrective action plan.

**2019-006: EMPLOYEE RECORDS SECURITY- RECREATION CENTER**  
(Noncompliance under *Government Auditing Standards*)

**Condition:** During the audit, we observed employee files being kept in an unlocked file cabinet along with petty cash funds and other miscellaneous records.

**Criteria:** *Tennessee Code Annotated*, Section 50-7-701(B) states in relation to public employee work records that "Information thus obtained pursuant to the administration of this chapter shall be held confidential and shall not be published or be open to public inspection in any manner revealing the individual's or the employing unit's identity,..."

**Cause:** It appears that, due to the need for various employees to have access to cash funds, the file cabinet containing employee records is left unlocked during business hours.

**Effect:** The private information of department employees is susceptible to fraudulent and malicious activity.

**Recommendation:** All employee records should remain confidential and be stored in a secure location.

**Management's Response:** We concur with this finding. See corrective action plan.

**City of Manchester, Tennessee**  
**Summary Schedule of Prior Year Findings**  
**June 30, 2019**

*Government Audit Standards* require auditors to report the status of uncorrected findings for prior audits. In addition, OMB’s Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or uncorrected. Presented below are financial statement findings along with their status from the Financial Statements and Supplementary Information of the City of Manchester, for year ended June 30, 2018.

***Prior-year Financial Statement Findings***

**City - General Government**

Prior Year Finding Number	Title of Finding	Status/ Current Year Finding Number
2018-001	RECEIVABLES - RECREATION CENTER (original finding # 2015-002)	Repeated/ 2019-001
2018-002	ADJUSTING ENTRIES MADE TO CASH COLLECTIONS WITHOUT APPROVAL OR DOCUMENTATION- RECREATION CENTER (original finding # 2016-002)	Repeated/ 2019-002
2018-003	BUDGETED EXPENDITURES IN EXCESS OF APPROPRIATIONS (original finding # 2015-003)	Repeated/ 2019-003
2018-004	SUBSIDIARY RECORDS NOT RECONCILED TO GENERAL LEDGER CONTROL ACCOUNTS	Corrected
2018-005	MATERIAL AUDITOR PROPOSED ADJUSTING ENTRIES	Corrected

**City of Manchester, Tennessee  
Summary Schedule of Prior Year Findings  
June 30, 2019**

**Manchester City Schools**

<b>Prior Year</b>	<b>Title of Finding</b>	<b>Status/ Current</b>
2018-006	NONCOMPLIANCE WITH TCA 9-2-102. FAILURE TO RECONCILE SUBSIDIARY LEDGER CHECK REGISTER. (original finding # 2017-005)	Corrected
2018-007	NONCOMPLIANCE WITH TCA 6-56-111. DEPOSIT ACCOUNTS NOT CARRIED ON THE GENERAL LEDGER (original finding # 2017-006)	Corrected
2018-008	DEPOSIT WITH FINANCIAL INSTUTIONS IN EXCESS OF REQUIRED COLLATERAL PLEDGES (original finding # 2015-003)	Corrected
2018-009	BUDGETED EXPENDITURES IN EXCESS OF APPROPRIATIONS - CAFETERIA FUND	Corrected

***Prior-year Federal Award Findings***

There were no prior-year federal award findings or questioned costs to report.



# CITY OF MANCHESTER

FINANCE OFFICE  
200 WEST FORT STREET  
MANCHESTER, TN 37355

3-STAR COMMUNITY

Award Recipient for Economic Preparedness

## Management's Corrective Action Plan For the Fiscal Year Ended June 30, 2019

### FINDINGS RELATING TO THE FINANCIAL STATEMENTS

**FINDING 2019-001** (Repeat 2015-002) RECEIVABLES-RECREATION CENTER (Internal Control – Significant Deficiency under *Government Auditing Standards*)

**Recommendation:** Receivables should be periodically reviewed and a listing of accounts that are determined to be uncollectable should be prepared and submitted to the Board of Mayor and Aldermen for approval to be written off.

**Action Taken:** We will review the policy regarding write-off of bad debts and address these issues with Parks and Recreation. We will set up procedures to follow in the future.

**Name of Contact Person:** Bridget Anderson, Finance Director

**Anticipated Completion Date:** June 30, 2020

**FINDING 2019-002** (Repeat 2016-002) VOIDED AND/OR ADJUSTING ENTRIES MADE TO CASH COLLECTIONS WITHOUT APPROPRIATE DOCUMENTATION OR APPROVAL - RECREATION DEPARTMENT (Internal Control – Significant Deficiency under *Government Auditing Standards*)

**Recommendation:** To prevent fraud and/or abuse of city funds, adjustments involving cash collections should have proper supporting documentation. This documentation should include the nature of the adjustment as well as the approval of management.

**Action Taken:** We will review over the segregation of duties with Parks and Recreation, so a procedure can be put in place.

**Name of Contact Person:** Bridget Anderson, Finance Director

**Anticipated Completion Date:** June 30, 2020

**FINDING 2019-003:** (Repeat 2015-003) BUDGETED EXPENDITURES IN EXCESS OF APPROPRIATIONS (Non Compliance under *Government Auditing Standards*)

**Recommendation:** Expenditures should be held within appropriations approved by the Board of Mayor and Aldermen.

**Action Taken:** The City understands that the law requires that municipalities maintain self-supporting funds. The City also realizes that the Health, Welfare, and Recreation Fund inadvertently closed the fiscal year with a deficit balance. We will review the law regarding budgeted expenditures in excess of appropriations with the Director.

**Name of Contact Person:** Bridget Anderson, Finance Director

**Anticipated Completion Date:** June 30, 2020

**FINDING 2019-004** DEPOSIT WITH FINANCIAL INSTITUTION IN EXCESS OF REQUIRED COLLATERAL PLEDGES (Non Compliance under *Government Auditing Standards*)

**Recommendation:** Management should either:

- 1) Obtain pledged collateral based on a monthly analysis of the City's cash deposits, or
- 2) Deposit funds with other banks who participate in the State Collateral Pool.

**Action Taken:** We will speak with the banks to make sure that the City has sufficient pledged collateral.

**Name of Contact Person:** Bridget Anderson, Finance Director

**Anticipated Completion Date:** June 30, 2020

**FINDING 2019-005** INCOMPLETE RECONCILIATION OF BANK ACCOUNT (Significant Deficiency under *Government Auditing Standards*)

**Recommendation:** Management should ensure that the reconciliation process for bank accounts includes investigating and resolving all variances in a timely manner.

**Action Taken:** We have discussed this finding with the Auditors, and we will implement a procedure to correct this.

**Name of Contact Person:** Bridget Anderson, Finance Director

**Anticipated Completion Date:** June 30, 2020

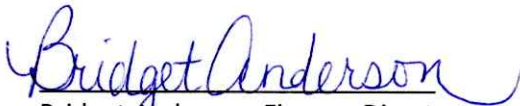
**FINDING 2019-006** EMPLOYEE RECORDS SECURITY-RECREATION CENTER (Noncompliance under *Government Auditing Standards*)

**Recommendation:** All Employee records should remain confidential and be stored in a secure location.

**Action Taken:** We have discussed this with the Director and corrective action has already been taken.

**Name of Contact Person:** Bridget Anderson, Finance Director

**Anticipated Completion Date:** January 31, 2020



Bridget Anderson, Finance Director  
City of Manchester