

**CITY OF MANCHESTER, TENNESSEE
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020**

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FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

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INTRODUCTORY SECTION

**SCHEDULE OF ELECTED AND APPOINTED OFFICIALS
CITY OF MANCHESTER, TENNESSEE
JUNE 30, 2020**

ELECTED OFFICIALS

Board of Mayor and Aldermen

Lonnie Norman, Mayor	Bill Nickels, Vice Mayor
Chris Elam, Alderman	Ryan French, Alderman
Bob Bellamy, Alderman	Mark Messick, Alderman
Marilyn Howard, Alderwoman	

Manchester City School Board

Travis Hillis, Chairman	Susan Parsley, Member
Lisa Gregory, Member	Dr. Prater Powell, Member
Mike Lewis, 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

George Gannon, Director of Public Works

Jamie Sain, Director of Building and Codes

Tennie Smotherman, Information Systems Director

Joey Vaughn, Director of Schools

***Dedicated to Mayor Lonnie
Norman for his hard work,
dedication, and sacrifice to the
City of Manchester.***

Lonnie Norman

1941-2020

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, 2020, 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.

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, 2020, 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 February 25, 2021 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
February 25, 2021

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, 2020. 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 \$51,832,266. Of this amount, \$21,337,664 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Manchester continues 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 City of Manchester completed the Safe Route to Schools Project.
- The City of Manchester received a grant from the State of Tennessee Department of Environment and Conservation for a Playground Renovation and Soccer Complex Phase 3.
- The City of Manchester continues work on the extension of the Little Duck River Greenway to Bonnaroo.
- The City of Manchester Police Department also received a grant from the Governor's Highway Safety Office.
- The City of Manchester Parks and Recreation Department received a grant from the State of Tennessee Department of Health in the amount of \$450,000.
- The City of Manchester Parks and Recreation Department received a Tennessee Arts Commission grant for murals.
- The City of Manchester received a grant from the State of Tennessee Department of Health in the amount of \$30,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,363,395.
- 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, Assigned, Committed and Unassigned. The City's audited financial statement addresses four categories: Non-spendable \$156,644; Restricted \$1,764,859; Assigned \$932,429; and Unassigned \$16,509,463. 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. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report.

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. The notes to the financial statements can be found in this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to financial statements. Combining and individual fund statements and schedules can be found in this report.

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 \$51,832,266 at the close of this fiscal year.

By far the largest portion of the City's assets (38.74%) 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

	Governmental 2020	Activities 2019	Business type 2020	Activities 2019
Current and other assets	\$28,597,071	\$25,092,644	\$15,635,985	\$17,037,186
Capital Assets	29,263,166	28,557,404	33,786,357	33,444,399
Total Assets	57,860,237	53,650,048	49,422,342	50,481,585
Long-term liabilities outstanding	20,855,161	20,574,046	22,522,405	24,272,990
Other Liabilities	12,143,306	10,114,981	3,105,991	2,890,644
Total Liabilities	32,998,467	30,689,027	25,628,396	27,163,634
Net Position				
Net Investment in Capital Assets	10,500,337	9,148,255	9,579,935	7,658,599
Restricted	10,306,842	8,627,377	107,488	118,929
Unrestricted	7,152,489	7,171,889	14,185,175	15,656,629
Total net position	\$27,959,668	\$24,947,521	\$23,872,598	\$23,434,157

Changes in net position. Governmental activities increased the City's net position by \$3,012,147. Business-type activities net position increased by \$438,441.

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

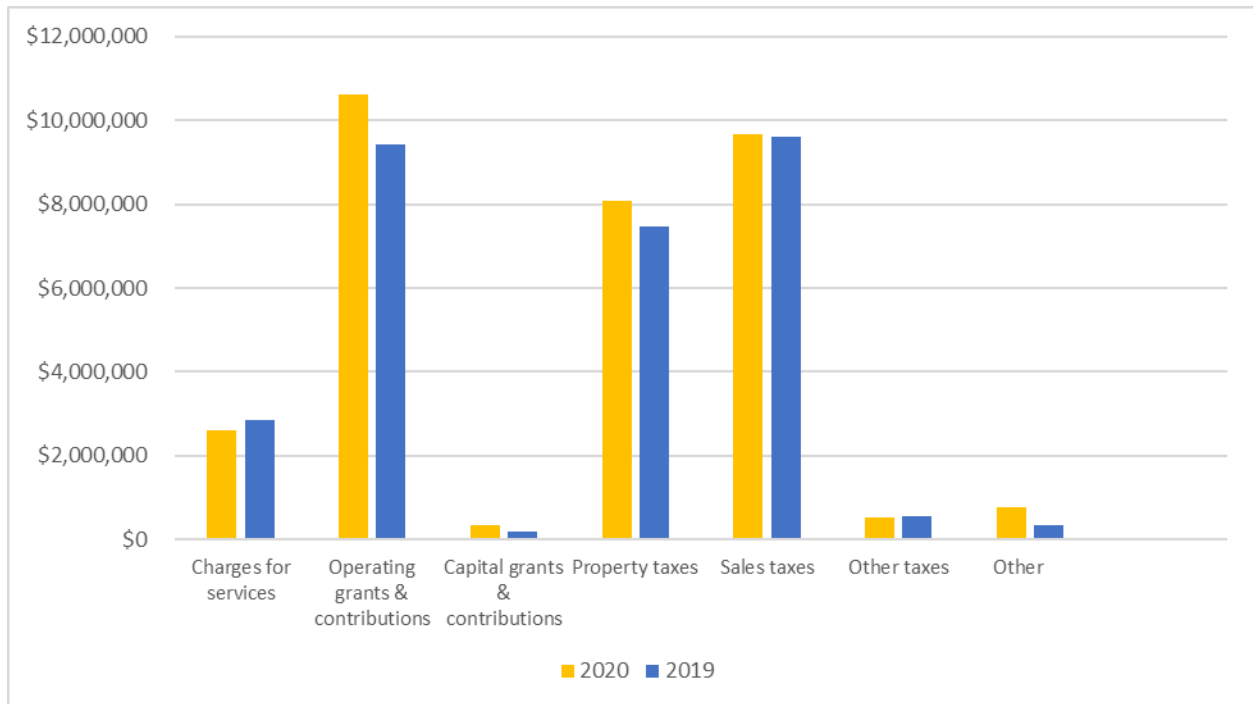
City of Manchester's Changes in Net Position

	Governmental Activities		Business-type Activities	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues				
<u>Program revenues</u>				
Charges for services	\$2,603,702	\$2,859,089	\$6,250,380	\$6,369,776
Operating grants and contributions	10,632,640	9,415,987	17,400	17,400
Capital grants and contributions	322,803	176,510	481,637	488,098
<u>General Revenues</u>				
Property taxes	8,076,835	7,479,650		
Sales taxes	9,683,916	9,623,174		
Other taxes	533,769	551,829		
Other	770,803	329,684	187,944	183,884
Total revenues	<u>\$32,624,468</u>	<u>\$30,435,923</u>	<u>\$6,937,361</u>	<u>\$7,059,158</u>
<u>Governmental Activities</u>				
General Government	\$1,737,532	\$1,958,999		
Public Safety	5,002,180	5,060,946		
Public Works	3,205,362	3,178,213		
Health, Welfare, Culture and Recreation	2,672,391	2,539,656		
Economic Development and Assistance	131,606	94,153		
Education	16,023,701	14,778,714		
Debt Service	742,049	756,489		
Water & Sewer			6,498,920	6,353,654
Total expenses	<u>\$29,514,821</u>	<u>\$28,367,170</u>	<u>\$6,498,920</u>	<u>\$6,353,654</u>
Change in Net Position	3,109,647	2,068,753	438,441	705,504
Net Position, as previously reported	24,947,521	22,878,768	23,434,157	22,728,653

Restatement from prior year	(97,500)			
Net Position, beg. Of year as restated	24,850,021			
Net Position, end of year	<u>\$27,959,668</u>	<u>\$24,947,521</u>	<u>\$23,872,598</u>	<u>\$23,434,157</u>

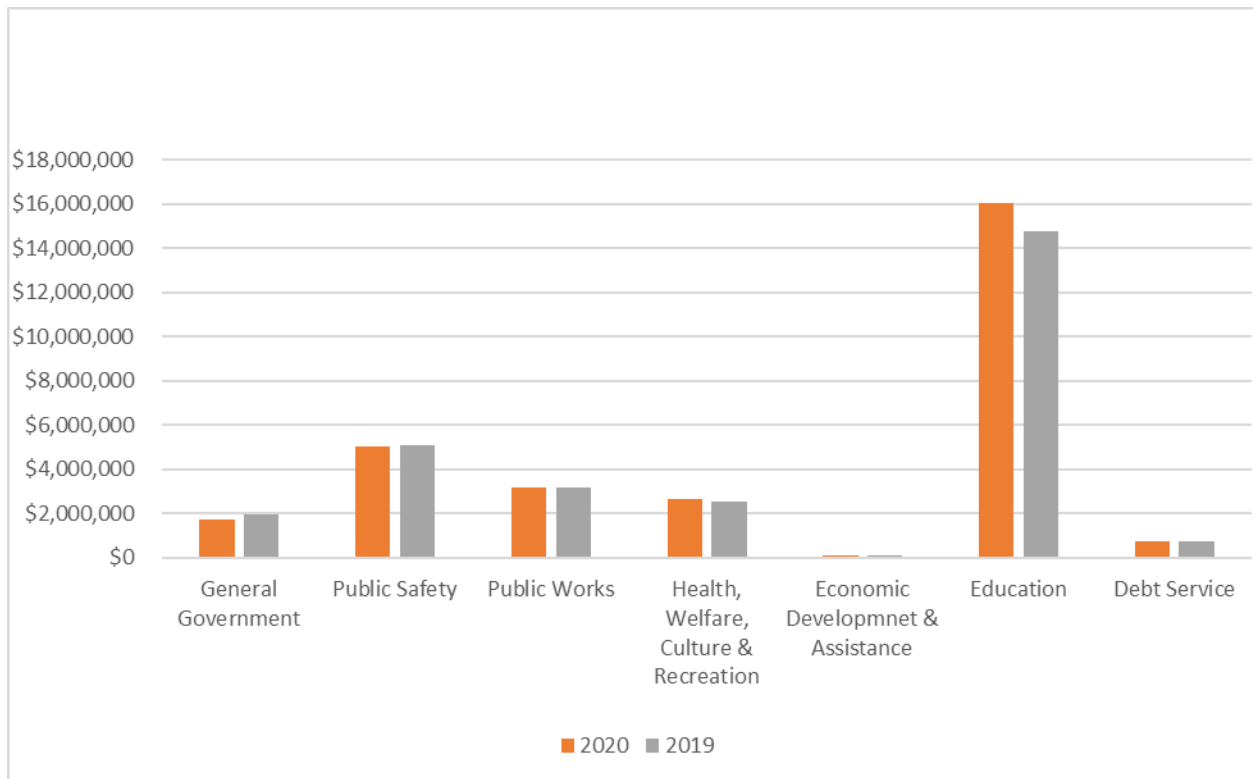
Revenues by Source – Governmental Activities

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 increased by approximately \$47,930. The increase is due to additional purchases of supplies.
- Education expenditures increased by \$1,244,987 due to School expansion project.

Business-type Activities

Business-type activities accounted for revenue of \$6,386,470 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 \$19,363,395, an increase of \$1,019,025 in comparison with the prior year. Within the governmental funds, \$122,364 is restricted for Inventory and Prepaid Costs in the General Fund. In the General Purpose School Fund, \$680,256 is restricted.

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 \$8,127,858. 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 62.2% of total general fund expenditures.

The City's general fund had a positive Net Change in Fund Balance of \$1,263,515.

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 \$14,185,175. This represents total Net Assets at June 30, 2020 of \$23,872,598.

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 \$1,036,733; General Purpose School Fund – decrease of \$18,291; School Federal and State Programs – no change; changes to appropriations of General Fund - decrease of \$930,344; General Purpose School Fund – increase of \$684,734; School Federal and State Programs – no change.

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

General Fund	Budgeted Amounts	
	Original	Final
Revenues:		
Total Taxes Revenue	\$ 10,491,000	\$10,361,000
General Purpose School Fund:		
Revenues	\$ 12,640,885	\$12,622,594
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, 2020, amounts to \$63,049,526 (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 increased in the amount of \$1,018,130 (a net increase of \$676,225 for governmental activities and a net increase of \$341,905 for business-type activities).

City of Manchester’s Capital Assets

	Governmental Activities	Business-type Activities	Total
Land	\$ 4,522,077	\$ 210,937	\$ 4,733,014
Buildings/land improvement	27,923,811	398,600	28,322,411
Machinery and Equipment	7,742,698	1,570,014	9,312,712

Infrastructure	27,848,025	53,897,913	81,745,938
Construction in progress	1,663,402	3,506,998	5,170,400
	69,700,013	59,584,462	129,284,475
Less Accumulated Depreciation	40,436,847	25,798,102	66,234,949
Net Capital Assets	<u>\$29,263,166</u>	<u>\$33,786,360</u>	<u>\$63,049,526</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 \$42,956,469. Of this amount, \$2,389,064 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	\$ 705,000	1,684,064	<u>2,389,064</u>

The City of Manchester’s combined total bonded debt decreased in the amount of \$2,254,332 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 10.5%. This compares to the State’s average unemployment rate of 9.7% and the National average rate of 11.1%. 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.

BASIC FINANCIAL STATEMENTS

City of Manchester, Tennessee
Statement of Net Position
June 30, 2020

	<u>Primary Government</u>		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Investment in pooled cash	\$ 18,881,816	\$ 1,166,047	\$ 20,047,863
Cash	81,114	5,492,001	5,573,115
Restricted assets- cash	-	142,098	142,098
Receivables			
Property taxes	5,354,339	-	5,354,339
Customers	-	502,498	502,498
Other	207,481	-	207,481
Less allowance for doubtful accounts	(122,915)	(47,668)	(170,583)
Due from other governments	1,482,130	-	1,482,130
Unbilled water and sewer	-	101,901	101,901
Notes receivable - DRUC	-	7,965,000	7,965,000
Inventories	156,644	206,620	363,264
Capital assets, not being depreciated	6,185,478	3,717,935	9,903,413
Capital assets, being depreciated, net	23,077,688	30,068,422	53,146,110
Net pension asset	2,556,462	107,488	2,663,950
Total assets	57,860,237	49,422,342	107,282,579
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	1,611,877	78,652	1,690,529
Related to OPEB	1,486,021	-	1,486,021
Total deferred outflows of resources	3,097,898	78,652	3,176,550
LIABILITIES			
Accounts payable and accrued liabilities	940,385	216,027	1,156,412
Accrued payroll	610,770	22,997	633,767
Accrued interest payable	59,948	47,210	107,158
Other payables	123,871	151,126	274,997
Due to other funds	(69,063)	69,063	-
Due to other governments	2,335	19,881	22,216
Customer deposits	-	422,834	422,834
Unearned revenue	85,982	-	85,982
Noncurrent liabilities:			
Compensated absences	2,104,136	365,389	2,469,525
Due within one year	732,800	1,684,064	2,416,864
Due in more than one year	18,045,000	22,522,405	40,567,405
Total OPEB liability	2,810,161	-	2,810,161
Total liabilities	25,446,326	25,520,996	50,967,322
DEFERRED INFLOWS OF RESOURCES			
Assessed & unlevied property taxes	4,982,933	-	4,982,933
Related to debt	14,971	60,898	75,869
Related to pensions	2,054,707	46,502	2,101,209
Related to OPEB	499,530	-	499,530
Total deferred inflows of resources	7,552,141	107,400	7,659,541
NET POSITION			
Net investment in capital assets	10,500,337	9,579,935	20,080,272
Restricted for:			
Net pension asset	2,556,462	107,488	2,663,950
Drug control and investigation	538,118	-	538,118
Education	7,212,262	-	7,212,262
Unrestricted	7,152,489	14,185,175	21,337,664
Total net position	\$ 27,959,668	\$ 23,872,598	\$ 51,832,266

See notes to the financial statements.

City of Manchester, Tennessee
Statement of Activities
For the Year Ended June 30, 2020

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	\$ 1,737,532	\$ 108,244	\$ 252,382	\$ 57,600	\$ (1,319,306)	\$ -	\$ (1,319,306)
Public safety	5,002,180	305,020	156,897	-	(4,540,263)	-	(4,540,263)
Public works	3,205,362	1,083,181	113,238	47,447	(1,961,496)	-	(1,961,496)
Health, welfare, and recreation	2,672,391	850,787	113,594	217,756	(1,490,254)	-	(1,490,254)
Economic development and assistance	131,606	-	-	-	(131,606)	-	(131,606)
Education	16,023,701	256,470	9,996,529	-	(5,770,702)	-	(5,770,702)
Debt Service	742,049	-	-	-	(742,049)	-	(742,049)
Total Governmental Activities	29,514,821	2,603,702	10,632,640	322,803	(15,955,676)	-	(15,955,676)
Business-type Activities:							
Water and Sewer	6,498,920	6,250,380	17,400	481,637	-	250,497	250,497
Total Primary Government	\$ 36,013,741	\$ 8,854,082	\$ 10,650,040	\$ 804,440	(15,955,676)	250,497	(15,705,179)
General revenues and Special items:							
Property taxes					7,729,027	-	7,729,027
Interest and penalty					136,691	-	136,691
In-lieu of tax					211,117	-	211,117
Licenses and Permits					134,496	-	134,496
Local option sales tax					6,721,603	-	6,721,603
Wholesale liquor and beer tax					807,391	-	807,391
Business, cable TV, and hotel occupancy taxes					1,217,447	-	1,217,447
Intergovernmental revenues:							
State sales tax					937,475	-	937,475
Other state revenue					533,769	-	533,769
Other revenue					211,806	92,134	303,940
Investment earnings and rental income					70,667	41,076	111,743
Gain on sale of capital assets					152,778	-	152,778
Special Items					201,056	54,734	255,790
Total general revenues					19,065,323	187,944	19,253,267
Change in net position							
Net position - beginning					3,109,647	438,441	3,548,088
Restatement - See financial notes					24,947,521	23,434,157	48,381,678
Net position - beginning, as restated					(97,500)	-	(97,500)
Net position - ending					24,850,021	23,434,157	48,284,178
					\$ 27,959,668	\$ 23,872,598	\$ 51,832,266

See notes to the financial statements.

City of Manchester, Tennessee
Balance Sheet
Governmental Funds
June 30, 2020

	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Investment in pooled cash	\$ 6,892,151	\$ 7,137,779	\$ 2,633,494	\$ 2,218,392	\$ 18,881,816
Cash	-	-	-	81,114	81,114
Receivables					
Property taxes	5,354,339	-	-	-	5,354,339
Other	134,553	-	-	72,928	207,481
Less allowance for doubtful accounts	(118,768)	-	-	(4,147)	(122,915)
Due from other governments	1,092,074	331,119	-	58,937	1,482,130
Due from other funds	38,266	-	-	102,654	140,920
Inventory	122,364	-	-	34,280	156,644
Total assets	\$ 13,514,979	\$ 7,468,898	\$ 2,633,494	\$ 2,564,158	\$ 26,181,529
LIABILITIES					
Accounts payable and accrued liabilities	\$ 138,303	\$ 559,501	\$ 2,779	\$ 239,803	\$ 940,385
Accrued payroll	103,244	445,660	-	61,866	610,770
Other payables	37,942	-	-	39,429	77,371
Judgements payable	-	-	-	46,500	46,500
Due to other funds	-	32,591	-	39,266	71,857
Due to other governments	2,335	-	-	-	2,335
Unearned revenues	-	-	-	85,982	85,982
Total liabilities	281,824	1,037,752	2,779	512,846	1,835,201
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	4,982,933	-	-	-	4,982,933
Total deferred inflows of resources	4,982,933	-	-	-	4,982,933
FUND BALANCES					
Nonspendable	122,364	-	-	34,280	156,644
Restricted	-	680,256	-	1,084,603	1,764,859
Assigned	-	-	-	932,429	932,429
Unassigned	8,127,858	5,750,890	2,630,715	-	16,509,463
Total fund balances	8,250,222	6,431,146	2,630,715	2,051,312	19,363,395
Total liabilities, deferred inflows of resources and fund balances	\$ 13,514,979	\$ 7,468,898	\$ 2,633,494	\$ 2,564,158	\$ 26,181,529

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, 2020

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

Total fund balances - balance sheet - governmental funds	\$	19,363,395
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Capital assets, not being depreciated	\$	6,185,478
Capital assets, being depreciated, net	23,077,688	29,263,166
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Accrued Interest Payable	(59,948)	
Accrued Vacation and Sick Leave	(2,104,136)	
Due Within One Year	(732,800)	
Due in More Than One Year	<u>(18,045,000)</u>	(20,941,884)
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	1,486,021	
Deferred outflows of resources related to pensions	1,611,877	
Deferred inflows of resources related to OPEB	(499,530)	
Deferred inflows of resources related to pensions	(2,054,707)	
Deferred inflows of resources related to debt	<u>(14,971)</u>	528,690
Total OPEB liabilities of the city agent plan are not current financial uses and are therefore not reported in the governmental funds:	<u>(2,810,161)</u>	(2,810,161)
Net pension assets of the city agent plan are not current financial uses and are therefore not reported in the governmental funds:	<u>2,556,462</u>	<u>2,556,462</u>
Net position of governmental activities	\$	<u><u>27,959,668</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, 2020

	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Local taxes	\$ 11,359,593	\$ -	\$ -	\$ 314,920	\$ 11,674,513
Licenses and permits	133,874	-	-	-	133,874
Charges for services	34,607	97,125	-	2,174,277	2,306,009
Fines and forfeitures	252,476	-	-	45,217	297,693
Other local revenues	46,736	38,542	26,032	101,772	213,082
Intergovernmental	1,685,797	4,936,012	-	-	6,621,809
Federal and state grants	505,862	8,296,324	-	1,992,492	10,794,678
Investment earning	-	11,022	31,529	2,084	44,635
Miscellaneous and contribution income	121,702	8,558	-	29,468	159,728
Total revenues	<u>14,140,647</u>	<u>13,387,583</u>	<u>57,561</u>	<u>4,660,230</u>	<u>32,246,021</u>
Expenditures					
General government	1,945,189	-	-	-	1,945,189
Public safety	4,715,622	-	-	156,544	4,872,166
Public works	1,848,961	-	-	1,225,753	3,074,714
Health, welfare, and recreation	256,785	-	-	2,693,395	2,950,180
Economic development and assistance	-	-	-	131,606	131,606
Education	-	15,063,002	-	1,833,516	16,896,518
Debt Service	-	-	1,534,729	-	1,534,729
Total expenditures	<u>8,766,557</u>	<u>15,063,002</u>	<u>1,534,729</u>	<u>6,040,814</u>	<u>31,405,102</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>5,374,090</u>	<u>(1,675,419)</u>	<u>(1,477,168)</u>	<u>(1,380,584)</u>	<u>840,919</u>
Other Financing Sources (Uses)					
Insurance Recoveries	598	19,700	-	5,465	25,763
Sale of Capital Assets	64,505	-	-	87,831	152,336
Transfers in	125,330	1,858,467	1,479,551	1,000,000	4,463,348
Transfers out	(4,301,016)	(125,330)	-	(37,002)	(4,463,348)
Total other financing sources and uses	<u>(4,110,583)</u>	<u>1,752,837</u>	<u>1,479,551</u>	<u>1,056,294</u>	<u>178,099</u>
Net change in fund balances	<u>1,263,507</u>	<u>77,418</u>	<u>2,383</u>	<u>(324,290)</u>	<u>1,019,018</u>
Fund balances - beginning	<u>6,986,715</u>	<u>6,353,728</u>	<u>2,628,332</u>	<u>2,375,602</u>	<u>18,344,377</u>
Fund balances - ending	<u>\$ 8,250,222</u>	<u>\$ 6,431,146</u>	<u>\$ 2,630,715</u>	<u>\$ 2,051,312</u>	<u>\$ 19,363,395</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, 2020

Net changes in fund balance - total governmental funds 1,019,018

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 gain on disposal. 655,235

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. 825,462

Special item in the statement of activities due to OPEB plan closure. (201,056)

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 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. 792,680

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. 18,308

Change in net position of governmental activities \$ 3,109,647

City of Manchester, Tennessee
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		Final
Revenues				
Local taxes	\$ 10,491,000	\$ 10,361,000	\$ 11,359,593	\$ 998,593
Licenses and permits	92,000	105,000	133,874	28,874
Charges for service	23,700	14,698	34,607	19,909
Fines and forfeitures	226,000	226,200	252,476	26,276
Other local revenues	20,500	35,700	46,736	11,036
Intergovernmental	1,603,231	1,563,593	1,685,797	122,204
Federal and state grants	1,636,866	732,490	505,862	(226,628)
Miscellaneous and contribution income	103,000	120,883	121,702	819
Total revenues	14,196,297	13,159,564	14,140,647	981,083
Expenditures				
General Government				
City Court				
Contractual services	12,000	12,000	12,000	-
	12,000	12,000	12,000	-
Mayor and Aldermen				
Personnel expenditures	113,426	113,576	97,126	16,450
Contractual services	158,221	158,071	97,030	61,041
Supplies	10,000	10,000	6,084	3,916
Fixed charges	1,500	1,500	236	1,264
	283,147	283,147	200,476	82,671
Financial Administration				
Personnel expenditures	329,850	330,850	322,245	8,605
Contractual services	69,350	68,350	32,830	35,520
Supplies	13,000	13,000	8,391	4,609
Fixed charges	1,500	1,500	939	561
	413,700	413,700	364,405	49,295
Information Systems				
Personnel expenditures	88,200	88,200	85,815	2,385
Contractual services	33,900	33,900	20,242	13,658
Supplies	5,500	5,550	4,550	1,000
Capital outlay	14,000	14,000	12,538	1,462
	141,600	141,650	123,145	18,505
Planning and Zoning				
Personnel expenditures	291,900	291,900	288,105	3,795
Contractual services	42,000	42,000	37,413	4,587
Supplies	8,600	10,600	7,238	3,362
Fixed charges	3,000	3,000	1,240	1,760
	345,500	347,500	333,996	13,504
General Government and Buildings				
Personnel expenditures	42,000	42,000	20,858	21,142
Contractual services	276,000	276,000	201,640	74,360
Supplies	6,500	6,500	6,958	(458)
Fixed charges	345,000	372,163	359,613	12,550
Capital outlay	1,762,727	628,117	322,098	306,019
	2,432,227	1,324,780	911,167	413,613
Total general government	3,628,174	2,522,777	1,945,189	577,588

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, 2020

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		
Public Safety				
Police Department				
Personnel expenditures	2,577,750	2,577,750	2,435,518	142,232
Contractual services	68,800	70,975	61,792	9,183
Supplies	152,050	149,925	122,492	27,433
Fixed charges	1,800	1,200	167	1,033
Capital outlay	18,000	18,550	18,522	28
	2,818,400	2,818,400	2,638,491	179,909
Fire Department				
Personnel expenditures	1,949,300	1,969,300	1,911,441	57,859
Contractual services	64,690	66,977	52,813	14,164
Supplies	131,800	134,616	101,291	33,325
Fixed charges	14,000	14,000	11,586	2,414
	2,159,790	2,184,893	2,077,131	107,762
Total public safety	4,978,190	5,003,293	4,715,622	287,671
Public Works				
Public Works Department				
Personnel expenditures	1,073,200	1,073,200	1,083,789	(10,589)
Contractual services	373,500	371,450	330,423	41,027
Supplies	185,500	187,500	95,267	92,233
Building materials	60,000	60,000	36,406	23,594
Fixed charges	6,000	6,000	306	5,694
Capital outlay	355,000	355,000	302,770	52,230
	2,053,200	2,053,150	1,848,961	204,189
Total public works	2,053,200	2,053,150	1,848,961	204,189
Health, Welfare, and Recreation				
Contributions to other agencies	196,116	346,116	256,785	89,331
Total expenditures	10,855,680	9,925,336	8,766,557	1,158,779
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,340,617	3,234,228	5,374,090	2,139,862
Other Financing Sources (Uses)				
Insurance recoveries	-	598	598	-
Sales of capital assets	-	64,505	64,505	-
Transfers in	125,330	125,330	125,330	-
Transfers Out	(4,051,016)	(4,301,016)	(4,301,016)	-
Total other financing sources and uses	(3,925,686)	(4,110,583)	(4,110,583)	-
Net change in fund balance	\$ (585,069)	\$ (876,355)	1,263,507	\$ 2,139,862
Fund Balance - beginning			6,986,715	
Fund Balance - ending			\$ 8,250,222	

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, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Positive (Negative) Variance with Final
	Original	Final		
Revenues				
Charges for services	\$ 149,684	\$ 149,684	\$ 97,125	\$ (52,559)
Other local revenues	20,000	20,000	38,542	18,542
Intergovernmental	4,218,360	4,219,860	4,936,012	716,152
Federal and state grants	8,246,341	8,224,092	8,296,324	72,232
Investment Earnings	4,000	4,000	11,022	7,022
Miscellaneous and contribution income	2,500	4,958	8,558	3,600
Total revenues	12,640,885	12,622,594	13,387,583	764,989
Expenditures				
<u>Instruction</u>				
Regular instruction	7,366,940	7,337,913	7,227,223	110,690
Alternative instruction	35,771	32,271	25,914	6,357
Special education	1,482,000	1,524,974	1,461,820	63,154
Student body education	2,000	2,000	-	2,000
<u>Support Services</u>				
Attendance	124,967	133,728	123,309	10,419
Health services	262,338	264,638	255,358	9,280
Other student support	421,012	467,733	332,278	135,455
Regular instruction	415,047	391,077	416,649	(25,572)
Special education	307,941	289,456	252,202	37,254
Technology	479,344	586,677	588,978	(2,301)
Board of Education	275,922	275,922	242,886	33,036
Office of the superintendent	263,682	265,202	317,318	(52,116)
Office of the principal	744,563	751,439	733,223	18,216
Fiscal services	291,086	294,116	282,112	12,004
Operation of plant	910,191	914,673	803,172	111,501
Maintenance of plant	480,311	502,862	432,468	70,394
Transportation	42,520	45,520	35,357	10,163
<u>Operation of Non-instructional Services</u>				
Community services	292,637	296,595	233,689	62,906
Early childhood education	301,530	301,530	278,646	22,884
<u>Capital Outlay</u>				
	-	506,210	1,020,400	(514,190)
Total expenditures	14,499,802	15,184,536	15,063,002	121,534
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(1,858,917)	(2,561,942)	(1,675,419)	886,523
Other Financing Sources (Uses)				
Insurance recoveries	500	19,521	19,700	179
Transfers In	1,858,467	1,858,467	1,858,467	-
Transfers Out	-	-	(125,330)	(125,330)
Total other financing sources and uses	1,858,967	1,877,988	1,752,837	(125,151)
Net change in fund balance	\$ 50	\$ (683,954)	77,418	\$ 761,372
Add encumbrances at end of year			402,529	
Less encumbrances at beginning of year			-	
Net change in fund balance- (GAAP)			479,947	
Fund balance - beginning-(GAAP)			5,951,199	
Fund balance - ending-(GAAP)			\$ 6,431,146	

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, 2020

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		Final
Revenues				
Other local revenues	\$ 27,875	\$ 27,875	\$ 26,032	\$ (1,843)
Investment earnings	12,000	27,000	31,529	4,529
Total revenues	39,875	54,875	57,561	2,686
Expenditures				
Debt service	1,515,909	1,570,226	1,534,729	35,497
Total expenditures	1,515,909	1,570,226	1,534,729	35,497
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(1,476,034)	(1,515,351)	(1,477,168)	38,183
Other Financing Sources (Uses)				
Transfers In	1,513,409	514,551	1,479,551	965,000
Total other financing sources and uses	1,513,409	514,551	1,479,551	965,000
Net change in fund balance	\$ 37,375	\$ (1,000,800)	2,383	\$ 1,003,183
Fund Balance - beginning			2,628,332	
Fund Balance - ending			\$ 2,630,715	

See notes to the financial statements.

City of Manchester, Tennessee
Proprietary Fund
Statement of Net Position
June 30, 2020

	Water and Sewer Department
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,166,047
Investment in pooled cash	5,492,001
Accounts receivable, net	454,830
Unbilled revenues	101,901
Notes receivable-current portion	405,000
Inventories	206,620
Restricted cash and cash equivalents	142,098
Total current assets	7,968,497
Noncurrent assets:	
Notes receivable-long-term portion	7,560,000
Net pension assets	107,488
Capital assets, not being depreciated	3,717,935
Capital assets, being depreciated, net	30,068,422
Total noncurrent assets	41,453,845
Total assets	49,422,342
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	78,652
Total deferred outflows of resources	78,652
LIABILITIES	
Current liabilities:	
Accounts payable	216,027
Accrued payroll and payroll liabilities	22,997
Due to other funds	69,063
Accrued interest payable	47,210
Retainage payable	142,098
Other current liabilities	28,909
Revenue bonds payable, current	1,684,064
Total current liabilities	2,210,368
Noncurrent liabilities:	
Customer deposits	422,834
Compensated absences	365,389
Revenue bonds payable	22,522,405
Total noncurrent liabilities	23,310,628
Total liabilities	25,520,996
DEFERRED INFLOWS OF RESOURCES	
Related to pension	46,502
Related to debt	60,898
Total deferred inflows of resources	107,400
NET POSITION	
Net investment in capital assets	9,579,935
Restricted for pension	107,488
Unrestricted	14,185,175
Total net position	\$ 23,872,598

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, 2020

	<u>Water and Sewer Department</u>
Operating revenues:	
Charges for services:	
Water and sewer revenues	\$ 5,918,025
Forfeited discounts	75,775
Connection and other fees	256,580
Miscellaneous water revenues	62,761
Other operating revenue	19,859
Total operating revenues	<u>6,333,000</u>
 Operating Expenses:	
Transmission and distribution	1,275,810
Customer accounting and collection	342,757
Sewer treatment and disposal	755,785
Shop and maintenance	2,035,991
Depreciation	1,646,701
Total operating expenses	<u>6,057,044</u>
 Operating income	 275,956
 Nonoperating revenues (expenses):	
Interest	26,556
Leases	14,520
Industrial park contribution	17,400
Insurance recoveries	9,514
Bond interest and fiscal charges	(441,876)
Special item	54,734
Total nonoperating revenues (expenses)	<u>(319,152)</u>
 Income (loss) Before Capital Contributions	 <u>(43,196)</u>
 Capital Contributions	 <u>481,637</u>
 Change in Net Position	 438,441
 Net position, beginning	 <u>23,434,157</u>
 Net position, ending	 <u><u>\$ 23,872,598</u></u>

See notes to the financial statements.

City of Manchester, Tennessee
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash Flows from Operating Activities

Cash received from customers	\$ 6,333,000
Cash paid to employees for services	(2,056,639)
Cash paid to suppliers of goods and services	(2,305,155)
Net cash provided by operating activities	1,971,206

Cash Flows from Capital and Related Financing Activities

Capital contributions	481,637
Insurance recoveries	9,514
Acquisitions of capital assets	(1,546,783)
Interest paid on capital debt	(441,876)
Principal paid on capital debt	(1,579,332)
Net cash used by capital and related financing activities	(3,076,840)

Cash Flows from Investing Activities

Interest received	26,556
Other nonoperating revenues	31,920
Net cash provided by investing activities	58,476

Net decrease in cash	(1,047,158)
Cash, beginning	7,705,206
Cash, ending	\$ 6,658,048

Reconciliation of Operating Income to Net Cash Provided by Operations

Operating Income	\$ 275,956
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,646,701
(Increase) decrease in accounts receivable	508,573
(Increase) decrease in inventory	(5,150)
(Increase) decrease in net pension asset	(52,816)
(Increase) decrease in deferred outflows related to opeb	(23,363)
(Increase) decrease in deferred outflows related to pension	(34,004)
Increase (decrease) in accounts payable	(279,967)
Increase (decrease) in accrued payroll	(13,605)
Increase (decrease) in compensated absences	(43,676)
Increase (decrease) in due to other funds	(1,765)
Increase (decrease) in accrued interest	(2,175)
Increase (decrease) in retainage payable	142,099
Increase (decrease) in other current liabilities	(5,140)
Increase (decrease) in total opeb	(86,977)
Increase (decrease) in bond premiums	(6,116)
Increase (decrease) in opeb deferred inflows	(31,534)
Increase (decrease) in pension deferred inflows	(9,542)
Increase (decrease) in customer deposits	(6,293)
Net cash provided by operating activities	\$ 1,971,206

See notes to the financial statements.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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*. 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)
JUNE 30, 2020

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. No debt was issued by the City on behalf of Manchester City Schools during the year ended June 30, 2020.

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 2020 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)
JUNE 30, 2020

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 those 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 and Sewer 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)
JUNE 30, 2020

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, 2020, 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)
JUNE 30, 2020

INVENTORIES

Inventories of the Central Cafeteria 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. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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.

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)
JUNE 30, 2020

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 the public employee retirement plan. 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.

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, 2020 are expected to be liquidated with expendable available financial resources;

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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:

Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation.

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.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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 expenses) 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.

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.

BUDGETARY INFORMATION

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.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of expenditures over appropriations- See note 7.

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.

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.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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, 2020, was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,522,077	\$ -	\$ -	\$ 4,522,077
Construction in Progress	146,191	1,604,705	(87,494)	1,663,402
Total not being depreciated	<u>4,668,268</u>	<u>1,604,705</u>	<u>(87,494)</u>	<u>6,185,479</u>
Capital assets being depreciated:				
Buildings	27,525,999	-	(5,856)	27,520,143
Other improvements	403,668	-	-	403,668
Infrastructure	27,474,305	373,720	-	27,848,025
Machinery & Equipment	7,914,075	459,072	(630,449)	7,742,698
Total capital assets being depreciated	<u>63,318,047</u>	<u>832,792</u>	<u>(636,305)</u>	<u>63,514,534</u>
Less: accumulated depreciation	<u>39,496,875</u>	<u>1,566,787</u>	<u>(626,815)</u>	<u>40,436,847</u>
Net capital assets being depreciated	<u>23,821,172</u>	<u>(733,995)</u>	<u>(9,490)</u>	<u>23,077,687</u>
Net capital assets	<u>\$ 28,489,440</u>	<u>\$ 870,710</u>	<u>\$ (96,984)</u>	<u>\$ 29,263,166</u>

Depreciation expense was charged to the following functions/programs:

General government	\$ 75,982
Public safety	132,608
Drug fund	113,028
Public works	469,751
Sanitation	26,238
Recreation	318,105
Schools	431,075
	<u>1,566,787</u>

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 210,937	\$ -	\$ -	\$ 210,937
Construction in Progress	2,049,219	1,468,507	10,728	3,506,998
Total capital assets not being depreciated	<u>2,260,156</u>	<u>1,468,507</u>	<u>10,728</u>	<u>3,717,935</u>
Capital assets being depreciated				
Buildings	398,600	-	-	398,600
Infrastructure	53,405,548	492,365	-	53,897,913
Machinery & Equipment	1,531,500	38,514	-	1,570,014
Total capital assets being depreciated	<u>55,335,648</u>	<u>530,879</u>	<u>-</u>	<u>55,866,527</u>
Less: accumulated depreciation	<u>24,151,401</u>	<u>1,646,701</u>	<u>-</u>	<u>25,798,102</u>
Net capital assets being depreciated	<u>31,184,247</u>	<u>(1,115,822)</u>	<u>-</u>	<u>30,068,425</u>
Net capital assets	<u>\$ 33,444,403</u>	<u>\$ 352,685</u>	<u>\$ 10,728</u>	<u>\$ 33,786,360</u>

During 2020, depreciation in the amount of \$1,646,701 was charged to operations.

NOTE 5 - INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2020, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds		
General Fund	\$ 38,266	\$ -
Debt Service Fund	-	-
General Purpose School Fund	-	32,591
	<u>38,266</u>	<u>32,591</u>
Nonmajor Funds		
Recreation Fund	-	38,266
Sanitation Fund	69,063	-
School Federal Project	2,128	-
Central Cafeteria Fund	31,463	1,000
	<u>102,654</u>	<u>39,266</u>
Proprietary Funds		
Water and Sewer Fund	-	69,063
	<u>-</u>	<u>69,063</u>
	<u>\$ 140,920</u>	<u>\$ 140,920</u>

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

Interfund Balances: These balances resulted from the time lag between the dates that (1) interfund 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.

The composition of interfund transfers for the year ended June 30, 2020, is as follows:

From Fund	To Fund	Amount
General	Sanitation	\$ 50,000
General	Recreation	950,000
General	Schools	1,858,467
General	Debt Service	1,442,549
Recreation	Debt Service	37,002
Schools	General	125,330
Total Transfers		\$ 4,463,348

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

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the primary government. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds 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 included in long-term debt as of June 30, 2020, will be retired from the Debt Service Fund.

Business-type Activities

Refunding and Revenue Bonds, and Direct Borrowings

The City issues refunding and revenue bonds and direct borrowings from the State Revolving Loan Fund for the acquisition and construction of major capital facilities for the Water and Sewer System. Refunding and revenue bonds, and SRL funds are issued pledging the revenue of the Manchester Water and Sewer system and the full faith and credit of the government. These bonds and loans outstanding were issued for original terms of up to 50 years for bonds

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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, 2020, will be retired from the Water and Sewer Fund.

Debt outstanding as of June 30, 2020 consisted of the following:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance June, 30 2020</u>
Governmental Activities:				
General Obligation Bonds:				
Refunding bonds, Series 2010	4.70%	2038	\$ 10,620,000	\$ 10,540,000
Refunding bonds, Series 2013	2.91%	2030	9,690,000	8,010,000
Refunding bonds, Series 2016B	2.00%	2021	880,000	200,000
			<u>21,190,000</u>	<u>18,750,000</u>
Business-Type Activities:				
Bonds Payable:				
Refunding bonds, Series 2010	3.82%	2028	5,620,000	5,425,000
Refunding bonds, Series 2014	3.94%	2020	3,120,000	-
Refunding bonds, Series 2016B	2.00%	2037	5,640,000	4,935,000
Rural Development, Series 2011	3.00%	2050	1,348,000	1,159,444
Rural Development, Series 2014		2028	443,658	286,672
(a) Public Improv Bonds, Series 2016A (DRUC)		2031	6,240,000	5,045,000
(a) Public Improv Bonds, Series 2010 (DRUC)	4.74%	2038	2,940,000	2,920,000
<i>Direct Borrowings</i>				
SRF Loan, Series 2011	2.16%	2031	7,500,000	4,435,353
			<u>32,851,658</u>	<u>24,206,469</u>
Total Governmental and Business			<u>\$ 54,041,658</u>	<u>\$ 42,956,469</u>
(a) See note on Duck River Utility Commission				

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

<u>Years Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 705,000	\$ 717,905	\$ 1,684,064	\$ 692,132
2022	735,000	697,267	1,729,025	649,533
2023	755,000	679,249	1,764,225	600,796
2024	775,000	657,861	1,834,665	554,668
2025	815,000	633,311	1,875,354	502,891
2026-2030	4,525,000	2,752,905	8,456,078	1,724,895
2031-2035	6,060,000	1,949,569	4,200,883	927,315
2036-2040	4,380,000	445,250	2,178,607	249,092
2041-2045	-	-	242,321	55,183
2046-2050	-	-	241,247	16,350
	<u>\$ 18,750,000</u>	<u>\$ 8,533,317</u>	<u>\$ 24,206,469</u>	<u>\$ 5,972,855</u>

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A summary of long-term liability activity, including debt, for the year ended June 30, 2020 is as follows:

	Balance June, 30 2019	Increases	Decreases	Balance June, 30 2020	Amounts Due Within One Year
Governmental Activities					
Bonds	19,425,000	-	(675,000)	18,750,000	705,000
Plus Bond Premium	17,613		(2,642)	14,971	-
Total bonds payable	<u>19,442,613</u>	<u>-</u>	<u>(677,642)</u>	<u>18,764,971</u>	<u>705,000</u>
Capital Lease	74,417	-	(46,617)	27,800	27,800
Compensated Absences	1,947,087	157,049	-	2,104,136	-
OPEB Liability	1,824,046	986,115	-	2,810,161	-
	<u>\$ 23,288,163</u>	<u>\$ 1,143,164</u>	<u>\$ (724,259)</u>	<u>\$ 23,707,068</u>	<u>\$ 732,800</u>
Business-Type Activities					
Refunding & Rural					
Development Bonds	\$ 20,988,891	\$ -	\$ (1,217,774)	\$ 19,771,117	\$ 1,314,619
Plus Bond Premium	67,014		(6,116)	60,898	-
Total bonds payable	<u>21,055,905</u>	<u>-</u>	<u>(1,223,890)</u>	<u>19,832,015</u>	<u>1,314,619</u>
Direct Borrowings:					
State Revolving Loan	4,796,910	-	(361,558)	4,435,352	369,445
Compensated Absences	347,181	18,208	-	365,389	-
OPEB Liability	27,018		(27,018)	-	-
	<u>\$ 26,227,014</u>	<u>\$ 18,208</u>	<u>\$ (1,612,466)</u>	<u>\$ 24,632,756</u>	<u>\$ 1,684,064</u>

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

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 their 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, 2020, of \$7,965,000. These loans will be retired by the Duck River Utility Commission.

NOTE 7 - EXPENDITURES IN EXCESS OF BUDGET

The City of Manchester's 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 Recreation Fund of the City exceeded appropriations at the level of control for Recreation Center by \$192,346.

CITY OF MANCHESTER, TENNESSEE
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JUNE 30, 2020

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.

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 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.

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 Legacy Pension Plan are required to be paid. The TCRS may intercept the state

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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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, 2020 to the Teacher Legacy Pension Plan were \$761,079 which is 11.11 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, 2020, Manchester City Schools reported an asset of \$1,994,161 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, 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 June 30, 2019 Manchester City Schools' proportion was 0.193951 percent. The proportion measured as of June 30, 2018 was 0.189869 percent.

Pension expense (negative pension expense). For the year ended June 30, 2020, Manchester City Schools recognized pension expense of \$306,584.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2020, Manchester City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 97,091	\$ 1,218,073
Changes in assumptions	268,723	-
Net difference between projected and actual earnings on pension plan investments	-	569,770
Changes in proportion of Net Pension Liability (Asset)	76,867	29,329
LEA's contributions subsequent to the measurement date of June 30, 2019	761,079	<i>(not applicable)</i>
Total	<u>\$ 1,203,760</u>	<u>\$ 1,817,172</u>

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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Manchester City Schools employer contributions of \$761,079, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an decrease of net pension liability (asset) in the year ended June 30, 2021. Other amounts 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:	
2021	(\$366,432)
2022	(569,329)
2023	(248,925)
2024	(189,804)
2025	-
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, 2019 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, 2019 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

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
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%
		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:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Manchester City Schools' proportionate share of the net pension liability (asset)	\$4,077,482	(\$1,994,161)	(\$6,823,984)

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, 2020, Manchester City Schools reported no payable for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

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 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

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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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 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. 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 or by automatic cost controls set out in law. 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, the employer contribution rate cannot be less than 4 percent, except in the years when the maximum funded level, as established by TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement 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, 2020 to the Teacher Retirement Plan were \$11,590 which is 2.46 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, 2020, Manchester City Schools reported an asset of \$27,831 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation 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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

measurement date of June 30, 2019 Manchester City Schools' proportion was 0.049303 percent. The proportion measured as of June 30, 2018 was 0.052857 percent.

Pension expense. (negative pension expense). For the year ended June 30, 2020, Manchester City Schools recognized pension expense of \$8,993.

Deferred outflows of resources and *deferred inflows* of resources. For the year ended June 30, 2020, Manchester City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,154	\$ 4,858
Changes in assumptions	-	1,177
Net difference between projected and actual earnings on pension plan investments	967	-
Changes in proportion of Net Pension Liability (Asset)	3,321	275
LEA's contributions subsequent to the measurement date of June 30, 2018	11,590	<i>(not applicable)</i>
Total	\$ 17,032	\$ 6,310

Manchester City Schools employer contributions of \$11,590, 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, 2021. Other amounts 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:	
2021	(\$331)
2022	(\$511)
2023	(\$181)
2024	(\$13)
2025	\$35
Thereafter	\$135

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

Actuarial assumptions. The total pension liability in the June 30, 2019 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, 2019 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 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. 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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
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%
		100%

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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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Manchester City Schools’ proportionate share of the net pension liability (asset)	\$8,818	(\$27,831)	(\$54,921)

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, 2020, Manchester City Schools reported no payable for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

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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.

Employees covered by benefit terms. At the measurement date of June 30, 2019, 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	74
Active employees	165
	<hr/>
	240

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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, 2020, the employer contributions for Manchester were \$297,740 based on a rate of 5.23 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, 2019, 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, 2019 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, 2019 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 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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
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 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 6/30/18	\$5,961,130	\$ 6,338,387	\$ (377,257)
Changes for the year:			
Service cost	595,405	-	595,405
Interest	471,675	-	471,675
Differences between expected and actual experience	(153,782)	-	(153,782)
Change in Assumptions	-	-	-
Contributions- employer	-	357,292	(357,292)
Contributions- employees	-	341,581	(341,581)
Net investment income	-	493,659	(493,659)
Benefit payments, including refunds of employee	(101,349)	(101,349)	-
Administrative expense	-	(14,533)	14,533
Other changes	-	-	-
Net changes	<u>811,949</u>	<u>1,076,650</u>	<u>(264,701)</u>
Balance at 6/30/19	<u>\$6,773,079</u>	<u>\$ 7,415,037</u>	<u>\$ (641,958)</u>

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)	\$605,823	(\$641,958)	(\$1,636,943)

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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

Pension expense. For the year ended June 30, 2020, Manchester recognized pension expense of \$278,776.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2020, Manchester reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 93,886	\$ 200,748
Net difference between projects and actual earnings on pension plan investments	-	76,979
Change in Assumptions	78,111	-
Contributions subsequent to the measurement date of June 30, 2019	297,740	<i>(Not applicable)</i>
Total	\$ 469,737	\$ 277,727

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2019,” 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:

Year Ended June 30:	
2021	(\$10,381)
2022	(48,393)
2023	(13,686)
2024	(1,959)
2025	640
Thereafter	(31,955)

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

Payable to the Pension Plan

At June 30, 2020, the City of Manchester reported a payable of \$44,515 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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 a 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, 2020 is limited to employee payroll withholdings for the week not yet remitted to the administrator.

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 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 employees and disability participants of local governments, who choose coverage,

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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, 2019, the following employees of the City of Manchester were covered by the benefit terms of the LGOP:

Inactive employees currently receiving benefit	-
Inactive employees entitled to but not yet receiving	-
Active employees	<div style="border-top: 1px solid black; border-bottom: 1px solid black; display: inline-block; width: 50px;"></div> -

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP 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. For the fiscal year ended June 30, 2020, the City of Manchester paid \$0 to the LGOP for OPEB benefits as they came due.

Actuarial assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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	6.03% for pre-65 in 2019, decreasing annually over a 10-year period to an ultimate rate of 4.50%. 5.20% for post-65 in 2019, decreasing annually over a 4 year period to an ultimate rate of 4.50%.
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, 2019, valuations were the same as those employed in the July 1, 2018 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 3.51 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 Bond Buyer 20-Year Municipal GO AA index.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

Changes in the Total OPEB Liability

LGOP	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 126,264
Changes for the year:	
Service cost	36,866
Interest	5,895
Changes of benefit terms	(168,472)
Differences between expected and actual experience	-
Change in assumptions	-
Benefit payments	(553)
Net changes	(126,264)
Total OPEB liability - ending balance	\$ -

Changes in assumptions - The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and slight changes to the near term health trend rates.

Changes in benefit terms - The City of Manchester has elected to opt out of retiree and active coverage as of June 30, 2020. The changes are presented as a special item in the financial statements.

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 (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$ -	\$ -	\$ -

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.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

	1% Decrease (5.03%/4.20% decreasing to 3.50%)	-	Healthcare Cost Trend Rates (6.03%/5.20% decreasing to 4.50%)	-	1% Increase (7.03%/6.20% decreasing to 5.50%)	-
Total OPEB liability	\$		\$		\$	-

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

OPEB expense - For the fiscal year ended June 30, 2020, the City of Manchester recognized OPEB expense of (\$255,791).

Deferred outflows of resources and deferred inflows of resources - For the fiscal year ended June 30, 2020, 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:

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	\$ -	\$ -
Changes of assumptions	-	-
Employer payments subsequent to the measurement date	-	-
Total	\$ -	\$ -

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.

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:		
2021	\$	-
2022		-
2023		-
2024		-
2025		-
Thereafter		-

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

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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 preferred provider organization (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 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 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, 2019, the following employees of Manchester City Schools were covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefit	20
Inactive employees entitled to but not yet receiving	-
Active employees	161
	181
	181

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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 \$191,089 to the TGOP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial assumptions - The collective total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	6.03% for 2019, decreasing annually to an ultimate rate of 4.5%/5.20% for 2019 and later years.
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, 2019, valuations were the same as those employed in the July 1, 2018 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.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

Discount rate - The discount rate used to measure the total OPEB liability was 3.51 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 Bond Buyer 20-Year Municipal GO AA index.

Changes in Collective Total OPEB Liability

TGOP	Total OPEB Liability (a)
Total OPEB liability-beginning balance	\$2,479,580
Changes for the year:	
Service cost	114,911
Interest	90,502
Changes of benefit terms	-
Differences between expected and actual experience	1,659,747
Change in assumptions	(287,283)
Benefit payments	(190,558)
Net changes	1,387,319
Total OPEB liability-ending balance	\$3,866,899
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$1,056,738
Employer's proportionate share of the collective total OPEB liability	\$2,810,161
Employer's proportion of the collective total OPEB liability	72.67%

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. Manchester City Schools' 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 3.11% from the prior measurement date. Manchester City Schools recognized \$62,229 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 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption decreased the total OPEB liability.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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 (2.51%) or 1-percentage-point higher (4.51%) than the current discount rate.

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Proportionate share of collective total OPEB liability	\$ 3,018,854	\$ 2,810,161	\$ 2,612,744

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 (5.03%/4.20% decreasing to 3.50%)	Healthcare Cost Trend Rates (6.03/5.20% decreasing to 4.50%)	1% Increase (7.03%/6.20% decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 2,521,560	\$ 2,810,161	\$ 3,150,314

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

OPEB expense - For the fiscal year ended June 30, 2020, Manchester City Schools recognized OPEB expense of \$308,300.

Deferred outflows of resources and deferred inflows of resources - For the fiscal year ended June 30, 2020, Manchester City Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	\$ 1,073,483	\$ 236,696
Changes of assumptions	40,590	262,834
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.	180,859	-
Employer payments subsequent to the measurement date	191,089	-
Total	\$ 1,486,021	\$ 499,530

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.

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:	
2021	\$ 96,793
2022	96,793
2023	96,793
2024	96,793
2025	96,793
Thereafter	311,437

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.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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. The state, as a governmental nonemployer contributing entity contributes to the premiums of eligible retirees of local 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, 2019, the following employees of Manchester City Schools were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit	38
Inactive employees entitled to but not yet receiving	23
Active employees	117
	178

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 Manchester City Schools 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, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

Inflation 2.20%

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.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2018 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 3.51 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 Bond Buyer 20-Year Municipal GO AA index.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

Changes in Collective Total OPEB Liability

TNP	Total OPEB Liability (a)
Total OPEB liability - beginning balance	<u>\$ 440,890</u>
Changes for the year:	
Service cost	6,503
Interest	15,801
Changes of benefit terms	-
Differences between expected and actual experience	75,963
Change in assumptions	9,698
Benefit payments	<u>(21,983)</u>
Net changes	<u>85,982</u>
Total OPEB liability - ending balance	<u><u>\$ 526,872</u></u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 526,872
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	0.00%

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. Manchester City Schools' proportionate share of the collective total OPEB liability was based on a projection of the employer's 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. Manchester City Schools' proportion of 0% did not change from the prior measurement date. Manchester City Schools recognized \$21,411 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 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. 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, 2020, Manchester City schools recognized OPEB expense of \$21,411.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2020

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 or claims paid (settled) that have exceeded insurance coverage in the past three years.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Several lawsuits against the City are ongoing, many of which normally occur 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.

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

Management has evaluated subsequent events through February 25, 2021, which is the date the financial statements were available to be issued. The full impact of the COVID-19 outbreak continues to evolve as of February 25, 2021. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's governmental funds and business-type funds financial condition and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, there is no estimate as to the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the fiscal year 2021.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Manchester, Tennessee
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2020

LGOP

	2018	2019	2020
Total OPEB liability			
Service cost	\$ 35,984	\$ 34,525	\$ 36,866
Interest	6,469	8,853	5,895
Changes of benefit terms	-	-	(168,472)
Differences between expected and actual experience	-	(136,964)	-
Changes of assumptions	(13,618)	5,934	-
Benefit payments	-	(486)	(553)
Net change in total OPEB liability	\$ 28,835	\$ (88,138)	\$ (126,264)
Total OPEB liability - beginning	185,567	214,402	126,264
Total OPEB liability - ending (a)	\$ 214,402	\$ 126,264	\$ -

Covered-employee payroll	\$ 7,067,778	\$ 6,125,387	\$ 6,548,318
Total OPEB liability as a percentage of covered-employee payroll	3.03%	2.06%	0.00%

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, 2020

TGOP

	2018	2019	2020
Total OPEB liability			
Service cost	\$ 159,634	\$ 147,249	\$ 114,911
Interest	103,722	123,011	90,502
Changes of benefit terms	-	(664,516)	-
Differences between expected and actual experience	-	(404,188)	1,659,747
Changes of assumptions	(152,751)	69,314	(287,283)
Benefit payments	(191,072)	(198,836)	(190,558)
Net change in total OPEB liability	\$ (80,467)	\$ (927,966)	\$ 1,387,319
Total OPEB liability - beginning	3,488,013	3,407,546	2,479,580
Total OPEB liability - ending (a)	\$ 3,407,546	\$ 2,479,580	\$ 3,866,899
Nonemployer contributing entities proportionate share of the	\$ 1,167,361	\$ 754,779	\$ 1,056,738
Employer's proportionate share of the collective total OPEB	\$ 2,240,185	\$ 1,724,801	\$ 2,810,161
Covered-employee payroll	\$ 6,454,473	\$ 6,781,547	\$ 6,581,248
Total OPEB liability as a percentage of covered-employee payroll	52.79%	36.56%	58.76%

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, 2020

TNP

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB liability			
Service cost	\$ 8,545	\$ 6,934	\$ 6,503
Interest	15,362	17,195	15,801
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(45,114)	75,963
Changes of assumptions	(43,796)	(3,357)	9,698
Benefit payments	(21,450)	(21,700)	(21,983)
Net change in total OPEB liability	\$ (41,339)	\$ (46,042)	\$ 85,982
Total OPEB liability - beginning	528	486,932	440,890
Total OPEB liability - ending (a)	\$ (40,811)	\$ 440,890	\$ 526,872
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 486,932	\$ 440,890	\$ 526,872
Employer's proportionate share of the collective total OPEB	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 461,909	\$ 471,147	\$ 529,725
Total OPEB liability as a percentage of covered-employee payroll	-8.84%	93.58%	99.46%

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	2019
Total Pension Liability (Asset)						
Service Cost	\$ 392,551	\$ 409,021	\$ 428,731	\$ 465,708	\$ 541,855	\$ 595,405
Interest	202,268	241,631	286,230	345,901	407,433	471,675
Changes in Benefit Terms	-	-	-	-	-	-
Differences Between Actual and Expected Experience	(36,349)	(29,547)	86,361	63,102	(42,116)	(153,782)
Changes in Assumptions	-	-	-	117,168		
Benefit Payments, Including Refunds of Employee Contributions	(20,597)	(79,607)	(12,722)	(72,644)	(47,907)	(101,349)
Net Change in Total Pension Liability (Asset)	537,873	541,498	788,600	919,235	859,265	811,949
Total Pension Liability (Asset), Beginning	2,314,659	2,852,532	3,394,030	3,394,030	5,101,865	5,961,130
Total Pension Liability (Asset), Ending (a)	\$ 2,852,532	\$ 3,394,030	\$ 4,182,630	\$ 4,313,265	\$ 5,961,130	\$ 6,773,079
Plan Fiduciary Net Position						
Contributions - Employer	\$ 236,299	\$ 248,031	\$ 265,914	\$ 299,259	\$ 332,328	\$ 357,292
Contributions - Employee	225,047	236,781	254,221	286,100	317,714	341,581
Net Investment Income	418,209	103,794	104,059	512,861	463,279	493,659
Benefit Payments, Including Refunds of Employee Contributions	(20,597)	(79,607)	(12,722)	(72,644)	(47,907)	(101,349)
Administrative Expense	(4,520)	(6,871)	(10,406)	(12,231)	(14,488)	(14,533)
Net Change in Plan Fiduciary Net Position	\$ 854,438	\$ 502,128	\$ 601,066	\$ 1,013,345	\$ 1,050,926	\$ 1,076,650
Plan Fiduciary Net Position, Beginning	2,316,484	3,170,922	3,673,050	3,673,050	5,287,461	6,338,387
Plan Fiduciary Net Position, Ending (b)	\$ 3,170,922	\$ 3,673,050	\$ 4,274,116	\$ 4,686,395	\$ 6,338,387	\$ 7,415,037
Net Pension Liability (Asset), Ending (a - b)	\$ (318,390)	\$ (279,020)	\$ (91,486)	\$ (373,130)	\$ (377,257)	\$ (641,958)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.16%	108.22%	102.19%	103.64%	106.33%	109.48%
Covered Employee Payroll	\$ 4,500,934	\$ 4,742,457	\$ 5,084,402	\$ 5,719,204	\$ 6,354,259	\$ 6,831,593
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	7.07%	5.88%	-1.80%	-3.25%	5.94%	-9.40%

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	2020
Actuarially Determined Contribution	\$ 236,299	\$ 248,031	\$ 265,914	\$ 258,508	\$ 304,369	\$ 327,233	\$ 297,740
Contributions in relation to the actuarially determined contribution	236,299	248,031	265,914	\$ 299,259	\$ 332,328	\$ 357,292	\$ 297,740
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (40,751)	\$ (27,959)	\$ (30,059)	\$ -
Covered Employee Payroll	\$ 4,500,934	\$ 4,742,457	\$ 5,084,402	\$ 5,719,204	\$ 6,354,259	\$ 6,831,593	\$ 5,692,922
Contributions as a Percentage of Covered Employee Payroll	5.25%	5.23%	5.23%	5.23%	5.23%	5.23%	5.23%

**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 Proportionate Share of the Net Pension Liability (Asset)
Teacher Retirement Plan of TCRS
For the Fiscal Year Ended June 30th

	2015	2016	2017	2018	2019
Manchestger City Schools' proportion of the net pension liability (asset)	0.050259%	0.062277%	0.060186%	0.052857%	0.049303%
Manchester City Schools' proportionate share of the net pension liability (asset)	\$ (2,022)	\$ (6,483.00)	\$ (15,879.00)	\$ (23,972.00)	\$ (27,831.00)
Manchester City Schools' covered payroll	\$ 104,427	\$ 247,023	\$ 446,187	\$ 461,909	\$ 521,716
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%	-5.33%
Plan fiduciary net postion as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%

*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
Teacher Retirement Plan of TCRS
For the Fiscal Year Ended June 30th

	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 4,177	\$ 6,859	\$ 15,801	\$ 7,533	\$ 10,121	\$ 11,590
Contributions in Relation to the contractually required contribution	4,177	10,961	15,801	18,476	10,121	11,590
Contribution Deficiency (Excess)	\$ -	\$ (4,102)	\$ -	\$ (10,943)	\$ -	\$ -
Manchester City School's covered payroll	\$ 104,427	\$ 247,023	\$ 446,187	\$ 461,909	\$ 521,716	\$ 471,147
Contributions as a Percentage of Manchester City Schools' covered payroll	4.00%	4.00%	3.54%	4.00%	1.94%	2.46%

*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.

**Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decrease the investment rate of return from 7.50 percent to 7.25 percent; decrease the cost-of-living adjustment from 2.50 percent to 2.25 percent; decrease 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.

**City of Manchester, Tennessee
Schedule of 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	2019
Manchester City Schools' proportion of the net pension liability (asset)	0.176430%	0.184713%	0.175901%	0.184037%	0.189869%	0.193951%
Manchester City Schools' proportionate share of the net pension liability (asset)	\$ (28,669)	\$ 75,665	\$ 1,099,287	\$ (60,213)	\$ (668,132)	\$ (1,994,161)
Manchester City Schools' covered payroll	\$ 6,924,855	\$ 6,914,728	\$ 6,349,698	\$ 6,454,473	\$ 6,648,576	\$ 6,503,432
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%	-30.66%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%	104.28%

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See independent auditor's report.

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

	2014	2015	2016	2017	2018	2019	2020
Contractually Required	\$ 614,927	\$ 625,091	\$ 574,012	\$ 588,109	\$ 603,691	\$ 680,260	\$ 761,079
Contributions in Relation to the contractually required contribution	614,927	625,091	574,012	588,109	603,691	680,260	761,079
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Manchester City Schools' covered payroll	\$ 6,924,857	\$ 6,914,728	\$ 6,349,698	\$ 6,454,473	\$ 6,648,576	\$ 6,503,432	\$ 6,850,146
Contributions as a Percentage of Manchester City Schools' covered payroll	8.88%	9.04%	9.04%	9.11%	9.08%	10.46%	11.11%

*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.

**Changes of assumptions. In 2017, the following assumptions were change: decreased inflation rate from 3.00 percent to 2.50 percent; decrease the investment rate of return from 7.50 percent to 7.25 percent; decrease the cost-of-living adjustment from 2.50 percent to 2.25 percent; decrease 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.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

Valuation Date: Actuarially determined contribution rates for fiscal year 2020 were calculated based on the June 30, 2018 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, 2020

	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	
ASSETS									
Investment in pooled cash	\$ 2,275	\$ 283,437	\$ 145,240	\$ 528,880	\$ 411,059	\$ 564,181	\$ 282,843	\$ 477	\$ 2,218,392
Cash	81,114	-	-	-	-	-	-	-	81,114
Accounts receivable, net	32,620	11,081	-	25,080	-	-	-	-	68,781
Due from other governments	-	-	50,855	-	-	8,082	-	-	58,937
Due from other funds	-	-	2,128	31,463	69,063	-	-	-	102,654
Inventories	-	-	-	34,280	-	-	-	-	34,280
Total assets	\$ 116,009	\$ 294,518	\$ 198,223	\$ 619,703	\$ 480,122	\$ 572,263	\$ 282,843	\$ 477	\$ 2,564,158
LIABILITIES									
Accounts payable and accrued liabilities	\$ 159,159	\$ 2,464	\$ -	\$ -	\$ 77,708	\$ 472	\$ -	\$ -	\$ 239,803
Accrued payroll	24,911	-	23,754	11,076	2,125	-	-	-	61,866
Other payables	4,776	-	980	-	-	33,673	-	-	39,429
Judgements payable	46,500	-	-	-	-	-	-	-	46,500
Due to other funds	38,266	-	-	1,000	-	-	-	-	39,266
Unearned revenue	77,232	-	-	-	8,750	-	-	-	85,982
Total liabilities	350,844	2,464	24,734	12,076	88,583	34,145	-	-	512,846
FUND BALANCES									
Nonspendable	-	-	-	34,280	-	-	-	-	34,280
Restricted	-	-	-	573,347	-	538,118	-	-	1,111,465
Assigned	(234,835)	292,054	173,489	-	391,539	-	282,843	477	905,567
Total fund balances	(234,835)	292,054	173,489	607,627	391,539	538,118	282,843	477	2,051,312
Total liabilities and fund balances	\$ 116,009	\$ 294,518	\$ 198,223	\$ 619,703	\$ 480,122	\$ 572,263	\$ 282,843	\$ 477	\$ 2,564,158

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, 2020

	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	
Revenues									
Local taxes	\$ 208,939	\$ 105,981	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 314,920
Charges for services	850,787	-	-	159,345	1,164,145	-	-	-	2,174,277
Fines and forfeitures	-	-	-	-	-	45,217	-	-	45,217
Other local revenues	6,851	7,299	-	3,855	-	83,767	-	-	101,772
Federal and state grants	302,025	-	972,674	717,793	-	-	-	-	1,992,492
Investment earnings	-	-	-	2,084	-	-	-	-	2,084
Miscellaneous and contribution income	11,825	-	-	143	-	-	17,500	-	29,468
Total revenues	1,380,427	113,280	972,674	883,220	1,164,145	128,984	17,500	-	4,660,230
Expenditures									
Public safety	-	-	-	-	-	156,544	-	-	156,544
Public works	-	-	-	-	1,151,833	-	73,920	-	1,225,753
Health, welfare, and recreation	2,625,300	-	-	-	-	-	68,095	-	2,693,395
Economic development and assistance	-	131,606	-	-	-	-	-	-	131,606
Education	-	-	977,158	856,358	-	-	-	-	1,833,516
Total expenditures	2,625,300	131,606	977,158	856,358	1,151,833	156,544	142,015	-	6,040,814
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(1,244,873)	(18,326)	(4,484)	26,862	12,312	(27,560)	(124,515)	-	(1,380,584)
Other Financing Sources (Uses)									
Insurance Recoveries	1,590	-	-	-	-	-	3,875	-	5,465
Sale of Capital Assets	2,994	-	-	-	-	1,200	83,637	-	87,831
Transfers In	950,000	-	-	-	50,000	-	-	-	1,000,000
Transfers Out	(37,002)	-	-	-	-	-	-	-	(37,002)
Total other financing sources and uses	917,582	-	-	-	50,000	1,200	87,512	-	1,056,294
Net change in fund balances	(327,291)	(18,326)	(4,484)	26,862	62,312	(26,360)	(37,003)	-	(324,290)
Fund balances - beginning	92,456	310,380	177,973	580,765	329,227	564,478	319,846	477	2,375,602
Fund balances - ending	\$ (234,835)	\$ 292,054	\$ 173,489	\$ 607,627	\$ 391,539	\$ 538,118	\$ 282,843	\$ 477	\$ 2,051,312

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, 2020

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		Final
Revenues				
Local taxes	225,000	200,000	\$ 208,939	\$ 8,939
Charges for services	1,174,600	1,002,573	850,787	(151,786)
Federal and state grants	429,000	463,825	302,025	(161,800)
Miscellaneous and contribution income	33,000	18,325	18,676	351
Total revenues	1,861,600	1,684,723	1,380,427	(304,296)
Expenditures				
<u>Health, Welfare, and Recreation</u>				
<u>Recreation Administration</u>				
Personnel expenditures	211,670	211,778	206,520	5,258
Contractual services	11,000	10,892	7,293	3,599
Supplies	2,500	2,500	1,279	1,221
Total recreation administration	225,170	225,170	215,092	10,078
<u>Recreation Centers</u>				
Personnel expenditures	599,870	601,615	603,090	(1,475)
Contractual services	468,500	477,868	524,795	(46,927)
Supplies	109,200	106,856	253,437	(146,581)
Fixed charges	29,000	30,782	28,145	2,637
Capital outlay	35,860	-	-	-
Total recreation centers	1,242,430	1,217,121	1,409,467	(192,346)
<u>Parks</u>				
Personnel expenditures	248,080	248,080	176,105	71,975
Contractual services	117,000	128,456	123,109	5,347
Supplies	67,755	55,953	38,138	17,815
Fixed charges	8,500	14,006	14,708	(702)
Capital outlay	717,000	742,126	648,681	93,445
Total park areas	1,158,335	1,188,621	1,000,741	187,880
Total expenditures	2,625,935	2,630,912	2,625,300	5,612
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(764,335)	(946,189)	(1,244,873)	(298,684)
Other Financing Sources (Uses)				
Insurance recoveries	-	1,589	1,590	1
Sale of capital assets	5,000	5,000	2,994	(2,006)
Transfers In	700,000	-	950,000	950,000
Transfers Out	-	(37,002)	(37,002)	-
Total other financing sources and uses	705,000	(30,413)	917,582	947,995
Net change in fund balance	\$ (59,335)	\$ (976,602)	(327,291)	\$ 649,311
Fund Balance - beginning			92,456	
Fund Balance - ending			\$ (234,835)	

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Positive (Negative) Variance with Final
	<u>Original</u>	<u>Final</u>		<u>Final</u>
Revenues				
Local taxes	\$ 95,000	\$ 90,000	\$ 105,981	\$ 15,981
Other Local Revenues	-	3,299	7,299	4,000
Total revenues	<u>95,000</u>	<u>93,299</u>	<u>113,280</u>	<u>19,981</u>
Expenditures				
<u>Economic Development and Assistance</u>				
<u>Tourism and Community Development</u>				
Personnel expenditures	4,000	4,000	-	4,000
Contractual services	90,000	101,700	105,853	(4,153)
Supplies	1,000	1,000	753	247
Total expenditures	<u>95,000</u>	<u>106,700</u>	<u>106,606</u>	<u>94</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(13,401)	6,674	20,075
Other Financing Sources (Uses)				
Transfers out	-	(25,000)	(25,000)	-
Total other financing sources and uses	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(38,401)</u>	<u>(18,326)</u>	<u>\$ 20,075</u>
Fund Balance -beginning			<u>310,380</u>	
Fund Balance - ending			<u>\$ 292,054</u>	

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, 2020

	Budgeted Amounts		Actual	Positive (Negative) Variance with
	Original	Final		Final
Revenues				
Federal and state grants	\$ 972,674	\$ 972,674	\$ 972,674	\$ -
Total revenues	972,674	972,674	972,674	-
Expenditures				
<u>Instruction</u>				
Regular instruction	377,410	377,410	333,384	44,026
Special education	534,727	534,727	436,956	97,771
<u>Support Services</u>				
Other student support	9,839	9,839	5,644	4,195
Regular instruction	159,059	159,059	107,129	51,930
Special education	88,410	88,410	62,363	26,047
Transportation	6,995	6,995	4,419	2,576
Community Service	52,500	52,500	27,263	25,237
Total expenditures	1,228,940	1,228,940	977,158	251,782
Net change in fund balance	<u>\$ (256,266)</u>	<u>\$ (256,266)</u>	(4,484)	<u>\$ 251,782</u>
Fund Balance - beginning			<u>177,973</u>	
Fund Balance - ending			<u>\$ 173,489</u>	

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, 2020

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		Final
Revenues				
Charges for services	\$ 232,346	\$ 232,346	\$ 159,345	\$ (73,001)
Other local revenues	-	-	3,855	3,855
Federal and state grants	738,153	738,153	717,793	(20,360)
Investment earnings	300	300	2,084	1,784
Miscellaneous and contribution income	-	-	143	143
Total revenues	970,799	970,799	883,220	(87,579)
Expenditures				
<u>Operation of Non-instructional Services</u>				
Food service	970,799	1,120,799	856,358	264,441
Total expenditures	970,799	1,120,799	856,358	264,441
Net change in fund balance	\$ -	\$ (150,000)	26,862	\$ (352,020)
Fund Balance - beginning			580,765	
Fund Balance- ending			\$ 607,627	

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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u>
Revenues				
Charges for services	\$ 1,053,000	\$ 1,053,000	\$ 1,164,145	\$ 111,145
Miscellaneous and contribution income	3,000	3,000	-	(3,000)
Total revenues	<u>1,056,000</u>	<u>1,056,000</u>	<u>1,164,145</u>	<u>108,145</u>
Expenditures				
<u>Public Works</u>				
Personnel expenditures	395,755	397,079	322,767	74,312
Contractual services	742,000	742,000	803,803	(61,803)
Supplies	30,000	30,000	22,886	7,114
Fixed charges	2,500	2,500	2,377	123
Total expenditures	<u>1,170,255</u>	<u>1,171,579</u>	<u>1,151,833</u>	<u>19,746</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(114,255)	(115,579)	12,312	127,891
Other Financing Sources (Uses)				
Transfers in	50,000	50,000	50,000	-
Transfers out	(35,000)	-	-	-
Total other financing sources and uses	<u>15,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	<u>\$ (99,255)</u>	<u>\$ (65,579)</u>	<u>62,312</u>	<u>\$ 127,891</u>
Fund Balance - beginning			<u>329,227</u>	
Fund Balance -ending			<u>\$ 391,539</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u>
Revenues				
Fines and forfeitures	\$ 65,000	\$ 65,000	\$ 45,217	\$ (19,783)
Other local revenues	127,000	95,901	83,767	(12,134)
Miscellaneous and contribution income	25,000	25,000	-	(25,000)
Total revenues	<u>217,000</u>	<u>185,901</u>	<u>128,984</u>	<u>(56,917)</u>
Expenditures				
<u>Public Safety</u>				
Personnel expenditures	34,050	34,000	10,092	23,908
Contractual services	38,800	38,800	7,082	31,718
Supplies	94,500	54,500	58,030	(3,530)
Capital outlay	85,000	83,100	81,340	1,760
Total expenditures	<u>252,350</u>	<u>210,400</u>	<u>156,544</u>	<u>53,856</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(35,350)	(24,499)	(27,560)	(3,061)
Other Financing Sources (Uses)				
Insurance recoveries	-	4,000	-	(4,000)
Sale of capital assets	-	38,000	1,200	(36,800)
Total other financing sources and uses	<u>-</u>	<u>42,000</u>	<u>1,200</u>	<u>(40,800)</u>
Net change in fund balance	<u>\$ (35,350)</u>	<u>\$ 17,501</u>	<u>(26,360)</u>	<u>\$ (43,861)</u>
Fund balance -beginning			<u>564,478</u>	
Fund balance - ending			<u>\$ 538,118</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, 2020

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		Final
Revenues				
Miscellaneous and contribution income	\$ -	\$ 17,500	\$ 17,500	\$ -
Total Revenues	-	17,500	17,500	-
Expenditures				
<u>Public Works</u>				
Public Works - capital outlay	-	73,923	73,920	3
<u>Recreation</u>				
Recreation Center - capital outlay	-	46,365	46,365	-
Park areas - capital outlay	-	21,730	21,730	-
Total expenditures	-	142,018	142,015	3
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(124,518)	(124,515)	(3)
Other Financing Sources (Uses)				
Insurance recoveries	-	3,875	3,875	-
Sale of capital assets	-	48,849	83,637	(34,788)
Total other financing sources and uses	-	52,724	87,512	(34,788)
Net change in fund balance	\$ -	\$ (71,794)	(37,003)	\$ (34,791)
Fund balance -beginning			<u>319,846</u>	
Fund balance - ending			<u>\$ 282,843</u>	

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, 2020

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Last Maturity Date	Outstanding 7/1/2019	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2020
Governmental Activities							
<u>Capitalized Leases</u>							
Recreation Cardio Equipment Lease	\$ 100,080	0.00%	2021	\$ 61,160	\$ -	\$ (33,360)	\$ 27,800
Schools Servers Lease	\$ 64,144	3.46%	2020	13,257	-	(13,257)	-
Total Capitalized Leases				<u>74,417</u>	-	<u>(46,617)</u>	<u>27,800</u>
<u>Bonds Payable</u>							
General Obligation Refunding Bonds, Series 2010	\$ 10,620,000	4.70%	2038	10,550,000	-	(10,000)	10,540,000
General Obligation Refunding Bonds, Series 2013	\$ 9,690,000	2.91%	2030	8,490,000	-	(480,000)	8,010,000
General Obligation Refunding Bonds Series 2016B	\$ 880,000	2.00%	2021	385,000	-	(185,000)	200,000
Total Bonds Payable				<u>19,425,000</u>	-	<u>(675,000)</u>	<u>18,750,000</u>
Total Governmental Activities				<u>19,499,417</u>	-	<u>(721,617)</u>	<u>18,777,800</u>
Business-type Activities							
<u>Bonds Payable</u>							
GO Refunding Bonds, Series 2010	\$ 5,620,000	3.82%	2028	5,445,000	-	(20,000)	5,425,000
General Obligation Refunding Bonds, Series 2014	\$ 3,120,000	3.94%	2020	495,000	-	(495,000)	-
RDA Bonds, Series 2011	\$ 1,348,000	3.00%	2050	1,183,752	-	(24,308)	1,159,444
RDA Bonds, Series 2014	\$ 443,658	3.25%	2028	320,138	-	(33,466)	286,672
General Obligation Refunding Bond, Series 2016B	\$ 5,640,000	2.00%	2037	5,175,000	-	(240,000)	4,935,000
Total Bonds Payable				<u>12,618,890</u>	-	<u>(812,774)</u>	<u>11,806,116</u>
<u>Other Loans Payable</u>							
SRF Loan, Series 2011	\$ 7,500,000	2.16%	2031	4,796,911	-	(361,558)	4,435,353
Public Building Authority of Coffee County, TN Series 2016A DRUC	\$ 9,180,000	4.74%	2038	8,370,000	-	(405,000)	7,965,000
Total Other Loans Payable				<u>13,166,911</u>	-	<u>(766,558)</u>	<u>12,400,353</u>
Total Business-type Activities				<u>\$ 25,785,801</u>	\$ -	<u>\$ (1,579,332)</u>	<u>\$ 24,206,469</u>

See independent auditor's report.

City of Manchester, Tennessee
Schedule of Principal and Interest Requirements
Governmental Activities
June 30, 2020

Fiscal Year Ending	General Obligation Refunding Bond, Series 2010		General Obligation Refunding Bond, Series 2013		General Obligation Refunding Bond, Series 2016B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 10,540,000</u>	<u>\$ 7,301,474</u>	<u>\$ 8,010,000</u>	<u>\$ 1,227,843</u>	<u>\$ 200,000</u>	<u>\$ 4,000</u>	<u>\$ 18,750,000</u>	<u>\$ 8,533,317</u>

See independent auditor's report.

City of Manchester, Tennessee
Schedule of Principal and Interest Requirements
Business-type Activities
June 30, 2020

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 Revenue & Tax Refunding GO Bonds Series 2016A -DRUC		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
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	31,399	285,000	66,525	-	146,250	475,000	34,450	429,691	32,439	30,892	28,681	19,356	153	2,024,939	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	448,644	13,486	32,800	26,696	-	-	1,276,444	256,407
2031	-	-	305,000	48,925	-	146,250	505,000	5,050	356,300	3,777	33,797	25,698	-	-	1,200,097	229,700
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	7,124	450,000	46,250	-	-	-	-	40,453	19,042	-	-	790,453	72,416
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	4,901	-	-	54,586	4,901
2048	-	-	-	-	-	-	-	-	-	-	56,246	3,258	-	-	56,246	3,258
2049	-	-	-	-	-	-	-	-	-	-	57,957	1,539	-	-	57,957	1,539
2050	-	-	-	-	-	-	-	-	-	-	19,483	133	-	-	19,483	133
	\$ 5,425,000	\$ 998,137	\$ 4,935,000	\$ 1,009,500	\$ 2,920,000	\$ 2,222,500	\$ 5,045,000	\$ 574,550	\$ 4,435,353	\$ 546,030	\$ 1,159,444	\$ 585,893	\$ 286,672	\$ 36,245	\$ 24,206,469	\$ 5,972,855

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, 2020

Tax Year	Tax Rate	Assessed Value	Original Levy	Balance July 1, 2019	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Allowance for Uncollectible	Net Receivable Balance June 30, 2020
2020				\$ -	\$ -	\$ 4,982,933	\$ -	\$ -	\$ -	\$ 4,982,933
2019	1.9316	237,401,977	4,696,366	-	4,696,366	-	(45,414)	(4,368,409)	-	282,543
2018	2.2999	237,401,977	4,933,336	253,410	-	-	(8,792)	(155,127)	(628)	88,863
2017	2.2999	238,463,091	4,845,752	129,036	-	-	(12,591)	(79,983)	(36,462)	-
2016	2.2999	210,695,655	4,725,424	133,742	-	-	(2,120)	(75,744)	(55,878)	-
2015	2.2999	205,498,253	4,648,498	40,734	-	-	(5,370)	(29,861)	(5,503)	-
2014	2.2999	202,117,409	4,607,596	8,375	-	-	12,137	(12,859)	(7,653)	-
2013	2.2999	200,337,660	4,582,317	3,378	-	-	16,192	(11,219)	(8,351)	-
2012 and Before				3,761	-	-	8,586	(8,054)	(4,293)	-
Totals				\$ 572,436	\$ 4,696,366	\$ 4,982,933	\$ (37,372)	\$ (4,741,256)	\$ (118,768)	\$ 5,354,339

NOTES: All uncollected taxes for years prior to 2017 were turned over to the Clerk and Master for collection.

City of Manchester, Tennessee
 AWWA Reporting Worksheet- Unaudited
 June 30, 2020

WAS v5.0
 American Water Works Association.
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AWWA Free Water Audit Software: Reporting Worksheet											
<input type="button" value="Click to access definition"/>		Water Audit Report for: City of Manchester Water & Sewer Department (0000429)									
<input type="button" value="Click to add a comment"/>		Reporting Year: 2019		7/2019 - 6/2020							
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											
All volumes to be entered as: MILLION GALLONS (US) PER YEAR											
To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds <u>all</u> criteria for that grade and all grades below it.					Master Meter and Supply Error Adjustments						
WATER SUPPLIED		<----- Enter grading in column 'E' and 'J' ----->					Pcnt: <input type="text"/> Value: <input type="text"/>		<input type="text"/>		
Volume from own sources:		+ ?	<input type="text"/>	<input type="text"/>	<input type="text"/>	MG/Yr	+ ?	<input type="text"/>	<input type="text"/>	MG/Yr	
Water imported:		+ ?	<input type="text"/>	10	948.855	MG/Yr	+ ?	10	3.00%	<input type="text"/>	MG/Yr
Water exported:		+ ?	<input type="text"/>	10	215.261	MG/Yr	+ ?	9	3.00%	<input type="text"/>	MG/Yr
WATER SUPPLIED:					712.227	MG/Yr			Enter negative % or value for under-registration Enter positive % or value for over-registration		
AUTHORIZED CONSUMPTION								Click here: ? for help using option buttons below			
Billed metered:		+ ?	<input type="text"/>	10	635.503	MG/Yr					
Billed unmetered:		+ ?	<input type="text"/>	10		MG/Yr					
Unbilled metered:		+ ?	<input type="text"/>	10	3.812	MG/Yr			Pcnt: <input type="text"/>	Value: <input type="text"/>	
Unbilled unmetered:		+ ?	<input type="text"/>		8.903	MG/Yr			1.25%	<input type="text"/>	MG/Yr
Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed											
AUTHORIZED CONSUMPTION:					648.218	MG/Yr			Use buttons to select percentage of water supplied OR value		
WATER LOSSES (Water Supplied - Authorized Consumption)					64.009	MG/Yr					
Apparent Losses								Pcnt: <input type="text"/> Value: <input type="text"/>			
Unauthorized consumption:		+ ?	<input type="text"/>	8	1.781	MG/Yr			0.25%	<input type="text"/>	MG/Yr
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed											
Customer metering inaccuracies:		+ ?	<input type="text"/>	9	0.000	MG/Yr					
Systematic data handling errors:		+ ?	<input type="text"/>	5	1.589	MG/Yr			0.25%	<input type="text"/>	MG/Yr
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed											
Apparent Losses:					3.369	MG/Yr					
Real Losses (Current Annual Real Losses or CARL)											
Real Losses = Water Losses - Apparent Losses:					60.640	MG/Yr					
WATER LOSSES:					64.009	MG/Yr					
NON-REVENUE WATER											
NON-REVENUE WATER:					76.724	MG/Yr					
= Water Losses + Unbilled Metered + Unbilled Unmetered											
SYSTEM DATA											
Length of mains:		+ ?	<input type="text"/>	10	235.0	miles					
Number of active AND inactive service connections:		+ ?	<input type="text"/>	10	8,222						
Service connection density:					35	conn./mile main					
Are customer meters typically located at the curbside or property line?					Yes						
Average length of customer service line:		+ ?	<input type="text"/>	10	0.0	ft			(length of service line, beyond the property boundary, that is the responsibility of the utility)		
Average length of customer service line has been set to zero and a data grading score of 10 has been applied											
Average operating pressure:		+ ?	<input type="text"/>	9	60.0	psi					
COST DATA											
Total annual cost of operating water system:		+ ?	<input type="text"/>	10	\$3,070,239	\$/Year					
Customer retail unit cost (applied to Apparent Losses):		+ ?	<input type="text"/>	9	\$4.43	\$/1000 gallons (US)					
Variable production cost (applied to Real Losses):		+ ?	<input type="text"/>	10	\$1,250.00	\$/Million gallons			<input type="checkbox"/> Use Customer Retail Unit Cost to value real losses		
WATER AUDIT DATA VALIDITY SCORE:											
*** YOUR SCORE IS: 93 out of 100 ***											
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score											
PRIORITY AREAS FOR ATTENTION:											
Based on the information provided, audit accuracy can be improved by addressing the following components:											
1: Unauthorized consumption											
2: Systematic data handling errors											
3: Customer metering inaccuracies											

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

Water Audit Report for:

Reporting Year:

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 93 out of 100 ***

System Attributes:

Apparent Losses:	<input type="text" value="3.369"/>	MG/Yr
+ Real Losses:	<input type="text" value="60.640"/>	MG/Yr
= Water Losses:	<input type="text" value="64.009"/>	MG/Yr

? 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:
Non-revenue water as percent by cost of operating system: Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: gallons/connection/day
Real Losses per service connection per day: gallons/connection/day
Real Losses per length of main per day*:
Real Losses per service connection per day per psi pressure: 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, 2020

	<u>2019-2020</u>		<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	Water	Sewer
<u>Within Corporate Limits</u>												
Up to and including 2,000 gallons	\$8.86	\$11.14	\$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	\$4.43	\$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	\$3.52	\$4.43	\$3.42	\$4.30	\$3.42	\$4.30	\$ 3.42	\$ 4.30	\$ 3.42	\$ 4.30
Unmetered Residential Customers		\$26.51		\$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	4,497	4,420	4,737	4,425	4,224	4,113	4,267	4,175	4,267	4,175	4,215	4,124
Residential - Outside of City	1,984	10	1,905	11	1,877	11	1,989	10	1,989	10	1,965	10
Commercial - Inside of City	664	610	672	603	680	605	677	601	677	601	669	594
Commercial - Outside of City	78	10	86	10	73	10	96	11	96	11	95	11
Industrial - Inside of City	15	10	24	10	14	12	11	11	11	11	11	11
Industrial - Outside of City	40	32	54	32	54	32	30	28	30	28	30	28
Total	7,278	5,092	7,478	5,091	6,922	4,783	7,070	4,836	7,070	4,836	6,985	4,778

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, 2020

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Contract Number	Expenditures
U.S. Department of Agriculture			
Passed Through Tennessee Department of Education			
Child Nutrition Cluster:			
National School Breakfast Program	10.553		174,994
National School Lunch Program	10.555		458,289
Other USDA	10.559		21,106
Passed Through Tennessee Department of Agriculture			
Commodity Supplemental Food Program	10.565		55,503
Total Child Nutrition Cluster			<u>709,892</u>
Total U.S. Department of Agriculture			<u>709,892</u>
U. S. Department of Housing and Urban Development			
Home Investment Partnership Program	14.239	HM-14-47-0100	252,382
U.S. Department of Transportation			
Passed through Tennessee Department of Transportation			
Highway Planning & Construction Cluster:			
Highway Planning and Construction - Signal Maintenance	20.205	16001-3177-44	17,340
Highway Planning and Construction - Safe Routes to School	20.205	16LPLM-F3-030	59,706
			<u>77,046</u>
Passed through Tennessee Department of Safety and Homeland Security			
Alcohol Countermeasures Highway Safety Projects	20.607	Z19THS173	2,704
Alcohol Countermeasures Highway Safety Projects	20.607	Z20THS151	17,804
Total U. S. Department of Transportation			<u>97,554</u>
U.S. Department of Education:			
Passed-through Tennessee Department of Education:			
Special Education Cluster:			
Special Education Grants to States	84.027		332,979
Special Education - Preschool Grants	84.173		49,366
Total Special Education Cluster			<u>382,345</u>
Title I, Part A	84.010		306,076
Rural Education Achievement Program	84.358		24,591
English Language Acquisition Grants	84.365		20,753
Title II, Part A	84.367		34,174
Total U.S. Department of Education			<u>767,939</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>1,827,767</u></u>
STATE AWARDS			
Tennessee Department of Health			
Project Diabetes A	N/A	N/A	152,400
Project Diabetes B	N/A	N/A	16,267
Tennessee Department of Education			
Coordinated School Health Initiative	N/A	N/A	81,000
21st CCLC	N/A	N/A	27,263
CTE Perkins Reserve	N/A	N/A	19,418
IDEA Discretionary	N/A	N/A	88,915
IDEA Discretionary Supplemental	N/A	N/A	5,375
IDEA Technology Partnership	N/A	N/A	9,883
Lottery for Education - Afterschool Programs	N/A	N/A	77,836
Family Resource Centers	N/A	N/A	60,723
Safe Schools	N/A	N/A	30,671
Voluntary Pre-K	N/A	N/A	278,348
Total Tennessee Department of Education			<u>679,432</u>
Tennessee Department of Environment and Conservation			
LPRF Playground Renovation	N/A	32701-03844	175,856
Total Tennessee Department of Environment and Conservation			<u>175,856</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u><u>1,023,955</u></u>
TOTAL EXPENDITURE OF FEDERAL AND STATE AWARDS			<u><u>2,851,722</u></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, 2020

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, 2020. 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, 2020, 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 February 25, 2021.

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) as a basis for designing 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 2020-001 and 2020-002 that we consider to be

515 NW Atlantic Street, Tullahoma, Tennessee 37388

16053 Rankin Avenue, Dunlap, Tennessee 37327

Phone (931) 393-3307

Fax (931) 563-5585

significant deficiencies.

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 2020-001 and 2020-002.

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
February 25, 2021

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, 2020. 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, 2020.

515 NW Atlantic Street, Tullahoma, Tennessee 37388
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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
February 25, 2021

**City of Manchester, Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

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, 2020

SECTION II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

2020-001: (Repeat 2015-003) BUDGETED EXPENDITURES IN EXCESS OF APPROPRIATIONS
(Noncompliance under *Government Auditing Standards*)

Condition: The Recreation Fund of the City exceeded appropriations at the level of control for Recreation Centers by \$192,346.

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....

Cause: Failure to cut-off purchases made at year end for each department.

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.

City of Manchester, Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Manchester City Schools

2020-002: DEPOSIT WITH FINANCIAL INSTITUTION IN EXCESS OF REQUIRED COLLATERAL PLEDGES
(Noncompliance under *Government Auditing Standards*)

Condition: Manchester City Schools had uncollateralized, uninsured deposits at various times throughout the year ended June 30, 2020.

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.

Cause: Failure of the banking institute to respond to fluctuations in uncollateralized funds.

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 School'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
Summary Schedule of Prior Year Findings
June 30, 2020**

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, 2019.

Prior-year Financial Statement Findings

Prior Year Finding Number	Title of Finding	Status/Current Year Finding Number
2019-001	RECEIVABLES- RECREATION CENTER (original finding # 2015-002)	Corrected
2019-002	ADJUSTING ENTRIES MADE TO CASH COLLECTIONS WITHOUT APPROVAL OR DOCUMENTATION - RECREATION CENTER (original finding # 2016-002)	Corrected
2019-003	BUDGETED EXPENDITURES IN EXCESS OF APPROPRIATIONS (original findings # 2015-003)	Repeated/ 2020-001
2019-004	DEPOSIT WITH FINANCIAL INTITUTION IN EXCESS OF REQUIRED COLLATERAL PLEDGES	Repeated/ 2020-002
2019-005	INCOMPLETE RECONCILIATION OF BANK ACCOUNT	Corrected
2019-006	EMPLOYEE RECORDS SECURITY - RECREATION CENTER	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, 2020

FINDINGS RELATING TO THE FINANCIAL STATEMENTS

FINDING 2020-01: (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, 2021

Bridget Anderson, Finance Director
City of Manchester