

**CITY OF MANCHESTER, TENNESSEE  
ANNUAL FINANCIAL REPORT  
FOR YEAR ENDED JUNE 30, 2021**

**CITY OF MANCHESTER, TENNESSEE**  
**ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2021**

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# **INTRODUCTORY SECTION**

**SCHEDULE OF ELECTED AND APPOINTED OFFICIALS  
CITY OF MANCHESTER, TENNESSEE  
JUNE 30, 2021**

**ELECTED OFFICIALS**

**Board of Mayor and Aldermen**

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

**Manchester City School Board**

Travis Hillis, Chairman	Susan Parsley, Member
Lisa Gregory, Member	Dr. Prater Powell, Member
Lee Sullivan, 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

Joey Vaughn, Director of Schools

# **FINANCIAL SECTION**

# *The MG Group, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manchester, Tennessee, as of and for the year ended June 30, 2021, 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 did not audit the financial statements of the Public Building Authority of the City of Manchester, Tennessee, which is a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the entity, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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

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

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

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

### ***Basis for Qualified Opinion on the Aggregate Remaining Fund Information***

As discussed in Note 13 to the financial statements, management has elected not to include financial information for Manchester City Schools Internal School Funds within the Aggregate Remaining Fund Information. Accounting principles generally accepted in the United States of America require that funds such as internal school funds be included as a special revenue fund within the Aggregate Remaining Fund Information. The amount by which this departure would affect the assets, fund balances, revenues, and expenditures of the Aggregate Remaining Fund Information has not been determined.

### ***Qualified Opinion***

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on the Aggregate Remaining Fund Information” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the City of Manchester, Tennessee as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified 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, the discretely presented component unit, and each major fund of the City of Manchester, Tennessee as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, General Purpose School Fund, and Debt Service Fund 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 March 18, 2022 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  
March 18, 2022

## 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, 2021. 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 \$58,293,045. Of this amount, \$28,362,192 (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 a grant project from the State of Tennessee Department of Environment and Conservation for playground renovation and the soccer complex phase 3.
- The City of Manchester Police Department also received a grant from the Governor's Highway Safety Office.
- The City received a Multimodal Access grant from the State of Tennessee Department of Transportation in the amount of \$950,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,283,209.
- 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 \$132,764; Restricted \$1,967,249; Assigned \$10,254,933; and Unassigned \$10,928,263. 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 \$58,293,045 at the close of this fiscal year.

By far the largest portion of the City's assets (43.76%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Manchester's Net Position

	<b>Governmental 2021</b>	<b>Activities 2020</b>	<b>Business type 2021</b>	<b>Activities 2020</b>
Current and other assets	\$32,522,854	\$28,597,071	\$14,983,624	\$15,635,985
Capital Assets	31,523,735	29,263,166	33,684,226	33,786,357
<b>Total Assets</b>	<b>64,046,589</b>	<b>57,860,237</b>	<b>48,667,850</b>	<b>49,422,342</b>
Long-term liabilities outstanding	20,992,631	20,855,161	21,424,009	22,522,405
Other Liabilities	12,995,786	12,143,306	2,698,286	3,105,991
<b>Total Liabilities</b>	<b>33,988,417</b>	<b>32,998,467</b>	<b>24,122,295</b>	<b>25,628,396</b>
<b>Net Position</b>				
Net Investment in Capital Assets	14,664,794	10,500,337	10,843,089	9,579,935
Restricted	4,381,718	10,306,842	41,252	107,488
Unrestricted	14,607,544	7,152,489	13,754,648	14,185,175
<b>Total net position</b>	<b>\$33,654,056</b>	<b>\$27,959,668</b>	<b>\$24,638,989</b>	<b>\$23,872,598</b>

Changes in net position. Governmental activities increased the City's net position by \$5,694,388. Business-type activities net position increased by \$766,391.

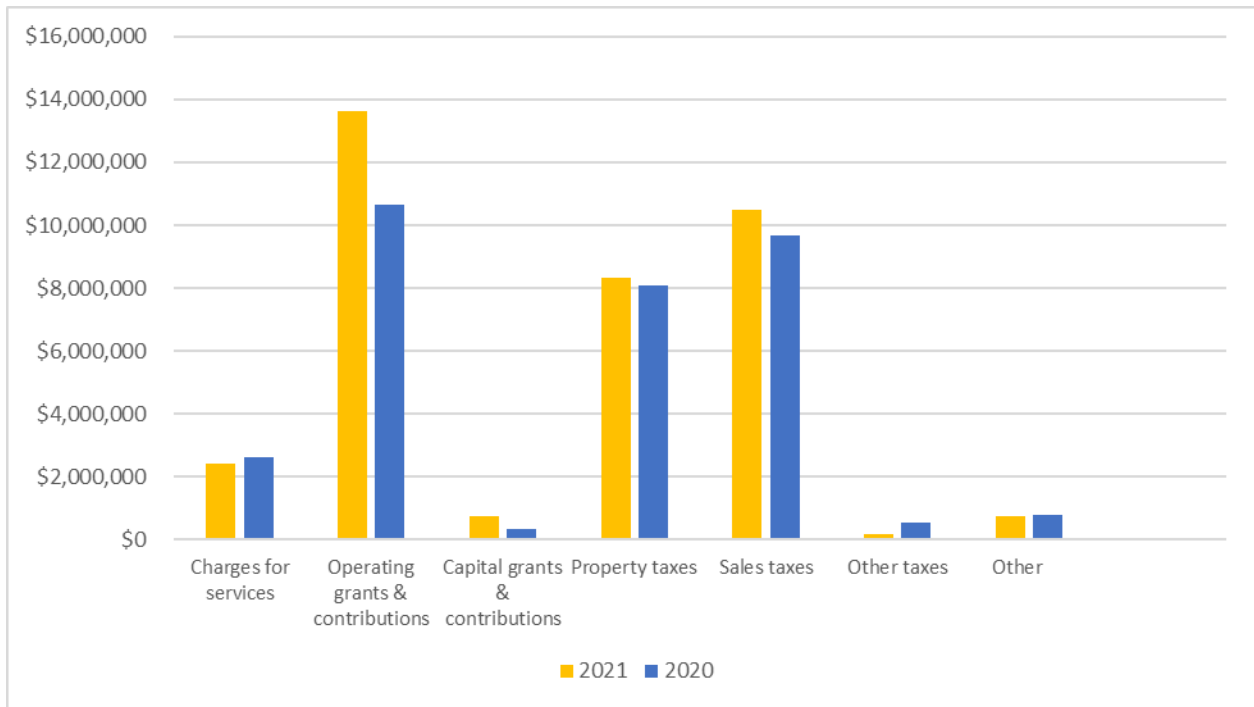
The table below provides a summary of the City's net assets broken down by governmental and business-type activities.

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

	Governmental Activities		Business-type Activities	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Revenues</b>				
<u>Program revenues</u>				
Charges for services	\$2,425,172	\$2,603,702	\$6,460,449	\$6,250,380
Operating grants and contributions	13,629,604	10,632,640	63,175	17,400
Capital grants and contributions	723,927	322,803	632,200	481,637
<u>General Revenues</u>				
Property taxes	8,330,625	8,076,835		
Sales taxes	10,502,271	9,683,916		
Other taxes	170,343	533,769		
Other	749,687	770,803	92,984	187,944
Total revenues	<u>\$36,531,629</u>	<u>\$32,624,468</u>	<u>\$7,248,808</u>	<u>\$6,937,361</u>
<u>Governmental Activities</u>				
General Government	\$2,024,440	\$1,737,532		
Public Safety	5,082,784	5,002,180		
Public Works	3,290,475	3,205,362		
Health, Welfare, Culture and Recreation	2,552,986	2,672,391		
Economic Development and Assistance	134,456	131,606		
Education	17,472,845	16,023,701		
Debt Service	453,467	742,049		
Water & Sewer			6,482,417	6,498,920
<b>Total expenses</b>	<u>\$31,011,453</u>	<u>\$29,514,821</u>	<u>\$6,482,417</u>	<u>\$6,498,920</u>
Change in Net Position	5,520,176	3,109,647	766,391	438,441
Net Position, as previously reported	27,959,668	24,947,521	23,872,598	23,434,157
Restatement from prior year	174,212	(97,500)		
Net Position, beg. Of year as restated	<u>28,133,880</u>	<u>24,850,021</u>		

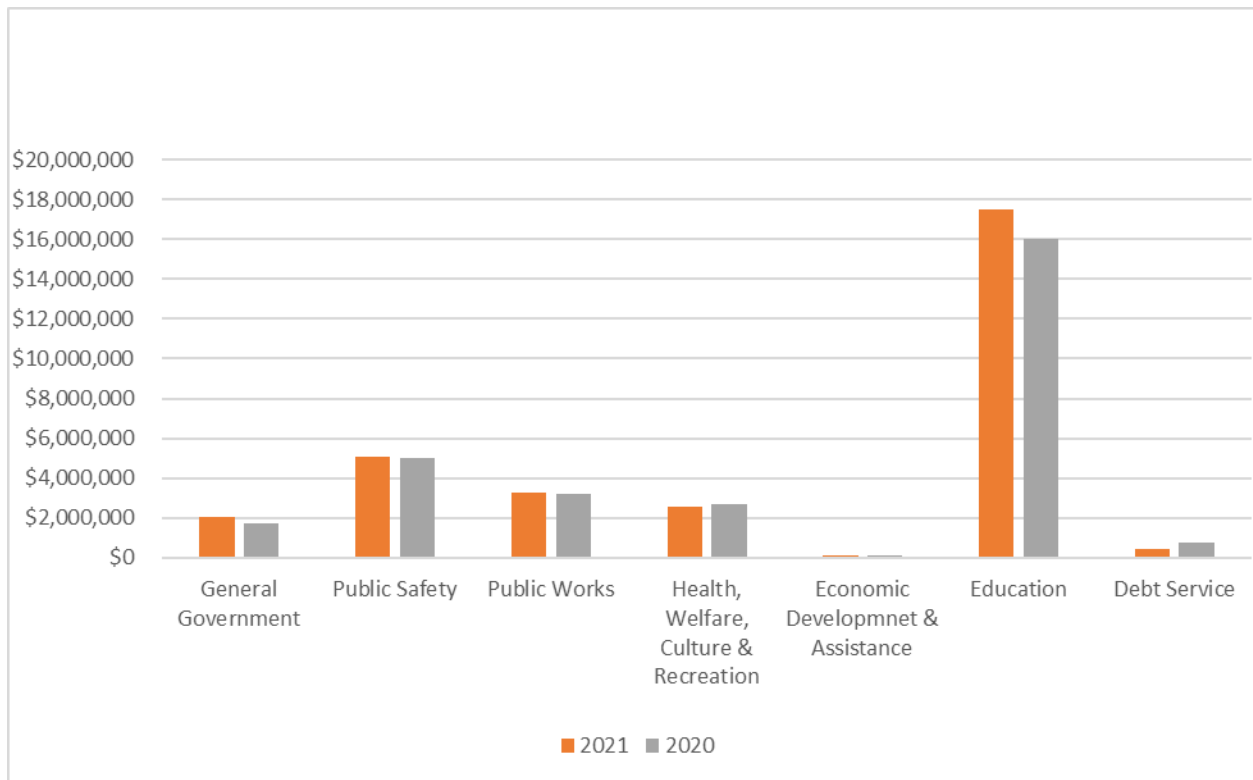
## Revenues by Source – Governmental Activities

### 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 \$30,985. The increase in expenditures is due to the price increase of supplies.
- Education expenditures increased by \$1,449,144 due to School expansion project.

### **Business-type Activities**

Business-type activities accounted for revenue of \$6,554,861 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 \$23,283,209, an increase of \$3,919,814 in comparison with the prior year. Within the governmental funds, \$98,484 is restricted for Inventory and Prepaid Costs in the General Fund. In the General Purpose School Fund, \$670,594 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 \$10,928,263. 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 32.98% of total general fund expenditures.

The City's general fund had a positive Net Change in Fund Balance of \$2,776,525.

#### **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 \$13,754,648. This represents total Net Assets at June 30, 2021 of \$24,638,989.

## 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 \$1,391,711; General Purpose School Fund – increase of \$854,313; School Federal and State Programs – no change; changes to appropriations of General Fund - increase of \$722,644; General Purpose School Fund – increase of \$2,136,205; School Federal and State Programs – no change.

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

	Budgeted Amounts	
	Original	Final
<b>General Fund</b>		
Revenues:		
Total Taxes Revenue	\$ 9,599,100	\$10,848,155
 General Purpose School Fund:		
Revenues	\$ 13,259,880	\$14,114,193
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, 2021, amounts to \$65,207,961 (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 \$2,008,428 (a net increase of \$2,110,562 for governmental activities and a net decrease of \$102,134 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	28,710,556	398,600	29,109,156
Machinery and Equipment	7,818,768	1,611,014	9,429,782
Infrastructure	28,449,834	54,715,755	83,165,589
 Construction in progress	<u>3,991,663</u>	<u>4,199,495</u>	<u>8,191,158</u>
	73,492,898	61,135,801	134,628,699
Less Accumulated Depreciation	<u>41,969,163</u>	<u>27,451,575</u>	<u>69,420,738</u>

Net Capital Assets

\$31,523,735   \$33,684,226   \$65,207,961

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 \$41,337,403. Of this amount, \$2,659,025 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	\$ 855,000	1,804,025	<u>2,659,025</u>

The City of Manchester’s combined total bonded debt decreased in the amount of \$1,619,066 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 5.3%. This compares to the State’s average unemployment rate of 4.4% and the National average rate of 5.9%. The City continues to use a 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, 2021**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>	
	<b>Activities</b>	<b>Activities</b>		
<b>ASSETS</b>				
Investment in pooled cash	22,371,855	1,180,729	\$ 23,552,584	\$ -
Cash	176,209	5,130,488	5,306,697	84,276
Restricted assets- cash	115,205	142,219	257,424	-
Receivables				
Property taxes, net	5,308,525	-	5,308,525	-
Customers, net	-	382,356	382,356	-
Other	345,600	-	345,600	19,833
Due from other governments	1,658,227	-	1,658,227	-
Other assets	-	-	-	352
Unbilled water and sewer	-	201,587	201,587	-
Notes receivable - DRUC	-	7,675,000	7,675,000	-
Inventories	132,764	229,993	362,757	9,681
Capital assets, not being depreciated	8,513,740	4,410,432	12,924,172	-
Capital assets, being depreciated, net	23,009,995	29,273,794	52,283,789	32,225
TCRS Stabilization Reserve Trust	49,537	-	49,537	-
Net pension asset	2,364,932	41,252	2,406,184	19,307
Total assets	<u>64,046,589</u>	<u>48,667,850</u>	<u>112,714,439</u>	<u>165,674</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to pensions	1,865,787	93,434	1,959,221	3,359
Related to OPEB	1,730,097	-	1,730,097	-
Total deferred outflows of resources	<u>3,595,884</u>	<u>93,434</u>	<u>3,689,318</u>	<u>3,359</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	969,698	138,549	1,108,247	53,140
Accrued payroll	493,616	22,253	515,869	-
Accrued interest payable	45,764	58,716	104,480	-
Other payables	111,195	185,989	297,184	-
Due to other funds	(84,108)	84,108	-	-
Due to other governments	3,450	21,023	24,473	-
Customer deposits	-	435,384	435,384	-
Unearned revenue	72,337	-	72,337	-
Noncurrent liabilities:				
Compensated absences	2,234,709	314,084	2,548,793	-
Due within one year	855,000	1,354,025	2,209,025	47,510
Due in more than one year	17,705,000	21,424,009	39,129,009	43,214
Total OPEB liability	3,287,631	-	3,287,631	-
Total liabilities	<u>25,694,292</u>	<u>24,038,140</u>	<u>49,732,432</u>	<u>143,864</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Assessed & unlevied property taxes	5,071,705	-	5,071,705	-
Related to debt	1,701,059	63,103	1,764,162	-
Related to pensions	1,079,893	21,052	1,100,945	3,620
Related to OPEB	441,468	-	441,468	-
Total deferred inflows of resources	<u>8,294,125</u>	<u>84,155</u>	<u>8,378,280</u>	<u>3,620</u>
<b>NET POSITION</b>				
Net investment in capital assets	14,664,794	10,843,089	25,507,883	-
Restricted for:				
Net pension asset	2,364,932	41,252	2,406,184	-
TCRS Stabilization Reserve Trust	49,537	-	49,537	-
Drug control and investigation	488,430	-	488,430	-
Education	1,478,819	-	1,478,819	-
Unrestricted	14,607,544	13,754,648	28,362,192	21,549
Total net position	<u>\$ 33,654,056</u>	<u>\$ 24,638,989</u>	<u>\$ 58,293,045</u>	<u>\$ 21,549</u>

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 2,024,440	\$ 108,352	\$ 342,213	\$ 57,600	\$ (1,516,275)	\$ -	\$ (1,516,275)	
Public safety	5,082,784	232,162	59,080	-	(4,791,542)	-	(4,791,542)	
Public works	3,290,475	1,122,955	435,102	52,959	(1,679,459)	-	(1,679,459)	
Health, welfare, and recreation	2,552,986	901,634	61,145	473,887	(1,116,320)	-	(1,116,320)	
Economic development and assistance	134,456	-	-	139,481	5,025	-	5,025	
Education	17,472,845	60,069	12,732,064	-	(4,680,712)	-	(4,680,712)	
Debt Service	453,467	-	-	-	(453,467)	-	(453,467)	
Total Governmental Activities	31,011,453	2,425,172	13,629,604	723,927	(14,232,750)	-	(14,232,750)	
Business-type Activities:								
Water and Sewer	6,482,417	6,460,449	63,175	632,200	-	673,407	673,407	
Total Primary Government	\$ 37,493,870	\$ 8,885,621	\$ 13,692,779	\$ 1,356,127	(14,232,750)	673,407	(13,559,343)	
Component Unit								
The Public Building Authority of Manchester, Tennessee	\$ 300,578	\$ 88,121	\$ -	\$ -				\$ (212,457)
General revenues and Special items:								
Property taxes					7,991,519	-	7,991,519	-
Interest and penalty					118,529	-	118,529	-
In-lieu of tax					220,577	-	220,577	-
Licenses and Permits					217,683	-	217,683	-
Local option sales tax					7,305,114	-	7,305,114	-
Wholesale liquor and beer tax					881,589	-	881,589	-
Business, cable TV, and hotel occupancy taxes					1,224,854	-	1,224,854	-
Intergovernmental revenues:								
State sales tax					1,090,714	-	1,090,714	-
Other state revenue					170,343	-	170,343	-
Other revenue					443,332	63,531	506,863	233,983
Investment earnings and rental income					54,108	29,453	83,561	23
Gain on sale of capital assets					34,564	-	34,564	-
Total general revenues					19,752,926	92,984	19,845,910	234,006
Change in net position								
Net position - beginning					5,520,176	766,391	6,286,567	21,549
Restatement - change in accounting estimate					27,959,668	23,872,598	51,832,266	-
Net position - beginning, as restated					174,212	-	174,212	-
Net position - beginning, as restated					28,133,880	23,872,598	52,006,478	-
Net position - ending					\$ 33,654,056	\$ 24,638,989	\$ 58,293,045	\$ 21,549

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Investment in pooled cash	\$ 10,172,366	\$ 6,518,821	\$ 2,762,359	\$ 2,918,309	\$ 22,371,855
Cash	-	-	-	176,209	176,209
Receivables					
Property taxes	5,308,525	-	-	-	5,308,525
Other	251,511	-	-	94,089	345,600
Due from other governments	1,177,731	396,630	-	83,866	1,658,227
Due from other funds	53,311	-	-	100,526	153,837
Inventory	98,484	-	-	34,280	132,764
TCRS Stabilization Reserve Trust	-	49,537	-	-	49,537
Restricted cash and cash equivalents	115,205	-	-	-	115,205
<b>Total assets</b>	<b>\$ 17,177,133</b>	<b>\$ 6,964,988</b>	<b>\$ 2,762,359</b>	<b>\$ 3,407,279</b>	<b>\$ 30,311,759</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 672,033	\$ 74,157	\$ -	\$ 223,508	\$ 969,698
Accrued payroll	126,005	308,868	-	58,743	493,616
Other payables	40,373	-	-	24,322	64,695
Judgements payable	-	-	-	46,500	46,500
Due to other funds	-	31,463	-	38,266	69,729
Due to other governments	3,450	-	-	-	3,450
Unearned revenues	-	-	-	72,337	72,337
<b>Total liabilities</b>	<b>841,861</b>	<b>414,488</b>	<b>-</b>	<b>463,676</b>	<b>1,720,025</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	5,308,525	-	-	-	5,308,525
<b>Total deferred inflows of resources</b>	<b>5,308,525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,308,525</b>
<b>FUND BALANCES</b>					
Nonspendable	98,484	-	-	34,280	132,764
Restricted					
General purpose school	-	670,594	-	-	670,594
School federal projects	-	-	-	216,687	216,687
Central cafeteria	-	-	-	591,538	591,538
Drug control and investigation	-	-	-	488,430	488,430
Assigned					
General purpose school	-	5,879,906	-	-	5,879,906
Debt service	-	-	2,762,359	-	2,762,359
Recreation	-	-	-	414,731	414,731
Tourism and community development	-	-	-	297,079	297,079
Sanitation	-	-	-	656,115	656,115
Capital equipment replacement	-	-	-	244,266	244,266
Education capital projects	-	-	-	477	477
Unassigned	10,928,263	-	-	-	10,928,263
<b>Total fund balances</b>	<b>11,026,747</b>	<b>6,550,500</b>	<b>2,762,359</b>	<b>2,943,603</b>	<b>23,283,209</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 17,177,133</b>	<b>\$ 6,964,988</b>	<b>\$ 2,762,359</b>	<b>\$ 3,407,279</b>	<b>\$ 30,311,759</b>

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Reconciliation of the Balance Sheet of Governmental Funds to**  
**the Statement of Net Position**  
**June 30, 2021**

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

Total fund balances - balance sheet - governmental funds	\$	23,283,209
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Capital assets, not being depreciated	\$	8,513,740
Capital assets, being depreciated, net	23,009,995	31,523,735
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Accrued Interest Payable	(45,764)	
Accrued Vacation and Sick Leave	(2,234,709)	
Due Within One Year	(855,000)	
Due in More Than One Year	<u>(17,705,000)</u>	(20,840,473)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension and OPEB expense in future years:		
Deferred outflows of resources related to OPEB	1,730,097	
Deferred outflows of resources related to pensions	1,865,787	
Deferred inflows of resources related to OPEB	(441,468)	
Deferred inflows of resources related to pensions	(1,079,893)	
Deferred inflows of resources related to debt	<u>(1,701,059)</u>	373,464
Total OPEB liabilities of the city agent plan are not current financial uses and are therefore not reported in the governmental funds:	<u>(3,287,631)</u>	(3,287,631)
Net pension assets of the city agent plan are not current financial uses and are therefore not reported in the governmental funds:	<u>2,364,932</u>	2,364,932
Other long-term liabilities that are not available to for current period revenues and, therefore, are either deferred or not reported in the fund:	<u>236,820</u>	<u>236,820</u>
Net position of governmental activities	\$	<u><u>33,654,056</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, 2021**

	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local taxes	\$ 11,857,142	\$ -	\$ -	\$ 199,545	\$ 12,056,687
Licenses and permits	217,046	-	-	-	217,046
Charges for services	35,579	32,547	-	2,133,784	2,201,910
Fines and forfeitures	200,012	-	-	23,250	223,262
Other local revenues	45,880	181,276	23,932	37,831	288,919
Intergovernmental	1,847,821	5,228,134	-	-	7,075,955
Federal and state grants	545,583	9,494,368	-	3,898,634	13,938,585
Investment earning	14	13,468	16,138	556	30,176
Miscellaneous and contribution income	20,720	9,450	-	164,410	194,580
Total revenues	<u>14,769,797</u>	<u>14,959,243</u>	<u>40,070</u>	<u>6,458,010</u>	<u>36,227,120</u>
<b>Expenditures</b>					
General government	4,246,283	-	-	-	4,246,283
Public safety	4,751,650	-	-	171,554	4,923,204
Public works	1,855,227	-	-	1,197,117	3,052,344
Health, welfare, and recreation	277,790	-	-	2,129,105	2,406,895
Economic development and assistance	-	-	-	134,456	134,456
Education	-	14,999,031	-	3,341,068	18,340,099
Debt Service	18,826,983	-	1,579,370	-	20,406,353
Total expenditures	<u>29,957,933</u>	<u>14,999,031</u>	<u>1,579,370</u>	<u>6,973,300</u>	<u>53,509,634</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>(15,188,136)</u>	<u>(39,788)</u>	<u>(1,539,300)</u>	<u>(515,290)</u>	<u>(17,282,514)</u>
<b>Other Financing Sources (Uses)</b>					
Bond premiums	1,854,137	-	-	-	1,854,137
Bond discounts	(103,710)	-	-	-	(103,710)
Debt proceeds	19,360,000	-	-	-	19,360,000
Insurance recoveries	31,255	1,668	-	202	33,125
Sale of capital assets	-	-	-	34,564	34,564
Transfers in (out)	(3,177,021)	133,262	1,670,944	1,372,815	-
Total other financing sources and uses	<u>17,964,661</u>	<u>134,930</u>	<u>1,670,944</u>	<u>1,407,581</u>	<u>21,178,116</u>
<b>Net change in fund balances</b>	2,776,525	95,142	131,644	892,291	3,895,602
<b>Fund balances - beginning</b>	8,250,222	6,431,146	2,630,715	2,051,312	19,363,395
<b>Restatement- change in accounting estimate</b>	-	24,212	-	-	24,212
<b>Fund balances - ending</b>	<u>\$ 11,026,747</u>	<u>\$ 6,550,500</u>	<u>\$ 2,762,359</u>	<u>\$ 2,943,603</u>	<u>\$ 23,283,209</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, 2021**

Net changes in fund balance - total governmental funds	3,895,602
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	236,820
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.	2,041,198
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.	507,754
Bond and other debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of 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.	(1,238,249)
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.	77,051
Change in net position of governmental activities	\$ 5,520,176

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final		Variance with Final
<b>Revenues</b>				
Local taxes	\$ 9,599,100	\$ 10,848,155	\$ 11,857,142	\$ 1,008,987
Licenses and permits	92,075	169,075	217,046	47,971
Charges for service	28,545	32,205	35,579	3,374
Fines and forfeitures	202,560	154,245	200,012	45,767
Other local revenues	500	500	45,880	45,380
Intergovernmental	1,688,800	1,862,658	1,847,821	(14,837)
Federal and state grants	503,272	503,272	545,583	42,311
Investment earnings	-	-	14	14
Miscellaneous and contribution income	129,307	65,760	20,720	(45,040)
Total revenues	12,244,159	13,635,870	14,769,797	1,133,927
<b>Expenditures</b>				
<b>General Government</b>				
City Court				
Contractual services	12,000	12,000	12,000	-
	12,000	12,000	12,000	-
Mayor and Aldermen				
Personnel expenditures	113,450	113,450	92,017	21,433
Contractual services	158,221	158,221	130,250	27,971
Supplies	10,000	10,000	24,269	(14,269)
Fixed charges	1,500	1,500	144	1,356
	283,171	283,171	246,680	36,491
Financial Administration				
Personnel expenditures	338,650	338,650	318,539	20,111
Contractual services	79,350	80,061	65,621	14,440
Supplies	13,000	12,289	8,630	3,659
Fixed charges	1,500	1,500	940	560
	432,500	432,500	393,730	38,770
Information Systems				
Personnel expenditures	88,205	88,205	83,903	4,302
Contractual services	38,900	38,900	27,397	11,503
Supplies	5,550	5,550	1,591	3,959
Capital outlay	15,000	15,000	1,819	13,181
	147,655	147,655	114,710	32,945
Planning and Zoning				
Personnel expenditures	291,910	294,510	289,566	4,944
Contractual services	45,200	45,200	25,366	19,834
Supplies	8,900	8,900	5,629	3,271
Fixed charges	3,000	3,000	1,611	1,389
	349,010	351,610	322,172	29,438
General Government and Buildings				
Personnel expenditures	45,000	40,256	2,245	38,011
Contractual services	263,000	263,138	186,179	76,959
Supplies	6,500	6,500	1,726	4,774
Fixed charges	423,505	423,505	262,243	161,262
Capital outlay	4,239,518	4,545,330	2,606,011	1,939,319
	4,977,523	5,278,729	3,058,404	2,220,325

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, 2021**

	Budgeted Amounts		Actual	Positive (Negative) Variance with
	Original	Final		Final
Conference Center				
Personnel expenditures	-	113,160	98,587	14,573
	-	113,160	98,587	14,573
Total general government	6,201,859	6,618,825	4,246,283	2,372,542
<b>Public Safety</b>				
Police Department				
Personnel expenditures	2,616,100	2,616,100	2,450,589	165,511
Contractual services	68,800	81,527	64,730	16,797
Supplies	157,350	147,898	128,277	19,621
Fixed charges	1,800	1,800	1,922	(122)
Capital outlay	53,460	53,460	42,167	11,293
	2,897,510	2,900,785	2,687,685	213,100
Fire Department				
Personnel expenditures	2,002,300	1,995,300	1,897,014	98,286
Contractual services	64,690	92,977	71,483	21,494
Supplies	132,800	139,800	82,302	57,498
Fixed charges	14,000	14,000	13,166	834
	2,213,790	2,242,077	2,063,965	178,112
Total public safety	5,111,300	5,142,862	4,751,650	391,212
<b>Public Works</b>				
Public Works Department				
Personnel expenditures	1,127,240	1,127,240	1,085,845	41,395
Contractual services	374,450	374,450	301,070	73,380
Supplies	195,500	195,500	146,391	49,109
Building materials	80,000	80,000	55,421	24,579
Fixed charges	2,000	2,000	82	1,918
Capital outlay	566,441	566,441	266,418	300,023
	2,345,631	2,345,631	1,855,227	490,404
Total public works	2,345,631	2,345,631	1,855,227	490,404
<b>Health, Welfare, and Recreation</b>				
Contributions to other agencies	-	274,116	277,790	(3,674)
Total health, welfare, and recreation	-	274,116	277,790	(3,674)
<b>Debt Services</b>				
Principal	-	-	18,642,565	(18,642,565)
Issurance cost	-	-	184,418	(184,418)
Total debit service	-	-	18,826,983	(18,826,983)
Total expenditures	13,658,790	14,381,434	29,957,933	(15,576,499)
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(1,414,631)	(745,564)	(15,188,136)	(14,442,572)
<b>Other Financing Sources (Uses)</b>				
Bond premiums	-	-	1,854,137	1,854,137
Bond discounts	-	-	(103,710)	103,710
Debt proceeds	2,300,000	2,283,443	19,360,000	17,076,557
Insurance recoveries	-	30,255	31,255	1,000
Transfers in (out)	(2,542,061)	(3,176,896)	(3,177,021)	(125)
Total other financing sources and uses	(242,061)	(863,198)	17,964,661	19,035,279
<b>Net change in fund balance</b>	\$ (1,656,692)	\$ (1,608,762)	2,776,525	\$ 4,385,287
<b>Fund Balance - beginning</b>			8,250,222	
<b>Fund Balance - ending</b>			\$ 11,026,747	

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, 2021**

	<u>Budgeted Amounts</u>		<b>Actual (Budgetary Basis)</b>	<b>Positive (Negative) Variance with Final</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 139,441	\$ 139,441	\$ 32,547	\$ (106,894)
Other local revenues	20,000	194,811	181,276	(13,535)
Intergovernmental	4,217,360	4,217,360	5,228,134	1,010,774
Federal and state grants	8,873,579	9,553,081	9,494,368	(58,713)
Investment Earnings	4,000	4,000	13,468	9,468
Miscellaneous and contribution income	5,500	5,500	9,450	3,950
Total revenues	<u>13,259,880</u>	<u>14,114,193</u>	<u>14,959,243</u>	<u>845,050</u>
<b>Expenditures</b>				
<u>Instruction</u>				
Regular instruction	7,978,392	7,759,917	7,597,217	162,700
Alternative instruction	37,902	37,902	26,134	11,768
Special education	1,510,280	1,538,524	1,490,438	48,086
Student body education	2,000	2,000	-	2,000
<u>Support Services</u>				
Attendance	129,978	131,158	213,698	(82,540)
Health services	266,731	271,311	261,984	9,327
Other student support	457,195	461,914	319,024	142,890
Regular instruction	356,622	360,161	317,155	43,006
Special education	281,724	291,637	285,562	6,075
Technology	624,147	629,893	531,540	98,353
Board of Education	289,208	289,208	236,485	52,723
Office of the superintendent	266,079	273,533	262,235	11,298
Office of the principal	682,171	720,494	699,883	20,611
Fiscal services	291,061	300,501	298,521	1,980
Operation of plant	933,623	943,942	917,093	26,849
Maintenance of plant	500,012	504,729	421,779	82,950
Transportation	57,015	57,015	26,832	30,183
<u>Operation of Non-instructional Services</u>				
Community services	936,798	974,863	625,310	349,553
Early childhood education	282,005	293,544	290,415	3,129
<u>Debt Service</u>				
Principal	31,616	31,616	27,664	3,952
Interest	1,984	1,984	1,736	248
Capital Outlay	1,000,000	3,176,902	148,326	3,028,576
Total expenditures	<u>16,916,543</u>	<u>19,052,748</u>	<u>14,999,031</u>	<u>4,053,717</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	(3,656,663)	(4,938,555)	(39,788)	4,898,767
<b>Other Financing Sources (Uses)</b>				
Insurance recoveries	-	-	1,668	1,668
Transfers In (out)	1,858,467	1,858,467	133,262	(1,725,205)
Total other financing sources and uses	<u>1,858,467</u>	<u>1,858,467</u>	<u>134,930</u>	<u>(1,723,537)</u>
<b>Net change in fund balance</b>	<u>\$ (1,798,196)</u>	<u>\$ (3,080,088)</u>	95,142	<u>\$ 3,175,230</u>
<b>Fund balance - beginning</b>			6,431,146	
<b>Restatement- change in accounting estimate</b>			<u>24,212</u>	
<b>Fund balance - ending</b>			<u>\$ 6,550,500</u>	

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, 2021**

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		
<b>Revenues</b>				
Other local revenues	\$ 27,875	\$ 27,875	\$ 23,932	\$ (3,943)
Investment earnings	20,000	20,000	16,138	(3,862)
Total revenues	47,875	47,875	40,070	(7,805)
<b>Expenditures</b>				
Debt service	1,499,784	1,681,784	1,579,370	102,414
Total expenditures	1,499,784	1,681,784	1,579,370	102,414
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	(1,451,909)	(1,633,909)	(1,539,300)	94,609
<b>Other Financing Sources (Uses)</b>				
Transfers In (out)	1,497,284	1,679,284	1,670,944	(8,340)
Total other financing sources and uses	1,497,284	1,679,284	1,670,944	(8,340)
<b>Net change in fund balance</b>	\$ 45,375	\$ 45,375	131,644	\$ 86,269
<b>Fund Balance - beginning</b>			2,630,715	
<b>Fund Balance - ending</b>			\$ 2,762,359	

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Proprietary Fund**  
**Statement of Net Position**  
**June 30, 2021**

	<u>Water and Sewer Department</u>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 1,180,729
Investment in pooled cash	5,130,488
Accounts receivable, net	382,356
Unbilled revenues	201,587
Notes receivable-current portion	450,000
Inventories	229,993
Restricted cash and cash equivalents	142,219
Total current assets	7,717,372
<b>Noncurrent assets:</b>	
Notes receivable-long-term portion	7,225,000
Net pension assets	41,252
Capital assets, not being depreciated	4,410,432
Capital assets, being depreciated, net	29,273,794
Total noncurrent assets	40,950,478
Total assets	48,667,850
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pension	93,434
Total deferred outflows of resources	93,434
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	138,549
Accrued payroll and payroll liabilities	22,253
Due to other funds	84,108
Accrued interest payable	58,716
Retainage payable	142,219
Other current liabilities	64,793
Revenue bonds payable, current	1,354,025
Total current liabilities	1,864,663
<b>Noncurrent liabilities:</b>	
Customer deposits	435,384
Compensated absences	314,084
Revenue bonds payable	21,424,009
Total noncurrent liabilities	22,173,477
Total liabilities	24,038,140
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pension	21,052
Related to debt	63,103
Total deferred inflows of resources	84,155
<b>NET POSITION</b>	
Net investment in capital assets	10,843,089
Restricted for pension	41,252
Unrestricted	13,754,648
Total net position	\$ 24,638,989

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, 2021**

	<u>Water and Sewer Department</u>
Operating revenues:	
Charges for services:	
Water and sewer revenues	\$ 6,059,592
Forfeited discounts	114,731
Connection and other fees	286,126
Miscellaneous water revenues	63,531
Other operating revenue	-
Total operating revenues	<u>6,523,980</u>
 Operating Expenses:	
Transmission and distribution	1,194,959
Customer accounting and collection	324,410
Sewer treatment and disposal	793,530
Shop and maintenance	1,958,221
Depreciation	1,653,474
Total operating expenses	<u>5,924,594</u>
 Operating income	 599,386
 Nonoperating revenues (expenses):	
Interest	13,481
Leases	15,972
Industrial park contribution	17,400
Bond interest and fiscal charges	(557,823)
Federal and state grants	45,775
Total nonoperating revenues (expenses)	<u>(465,195)</u>
 Income (loss) Before Capital Contributions	 <u>134,191</u>
 Capital Contributions	 <u>632,200</u>
 Change in Net Position	 766,391
 Net position, beginning	 <u>23,872,598</u>
 Net position, ending	 <u><u>\$ 24,638,989</u></u>

See notes to the financial statements.

**City of Manchester, Tennessee**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2021**

<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 6,523,980
Cash paid to employees for services	(1,985,060)
Cash paid to suppliers of goods and services	(2,324,051)
Net cash provided by operating activities	2,214,869
 <b>Cash Flows from Capital and Related Financing Activities</b>	
Capital contributions	632,200
Acquisitions of capital assets	(918,864)
Interest paid on capital debt	(557,823)
Principal paid on capital debt	(1,764,066)
Net cash used by capital and related financing activities	(2,608,553)
 <b>Cash Flows from Investing Activities</b>	
Interest received	13,481
Other nonoperating revenues	33,372
Net cash provided by investing activities	46,853
Net decrease in cash	(346,831)
Cash, beginning	6,658,048
Cash, ending	\$ 6,311,217
 <b>Reconciliation of Operating Income to Net Cash Provided by Operations</b>	
Operating Income	\$ 599,386
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,653,474
(Increase) decrease in accounts receivable	206,788
(Increase) decrease in inventory	(23,372)
(Increase) decrease in net pension asset	(66,236)
(Increase) decrease in deferred outflows related to pension	(14,782)
Increase (decrease) in accounts payable	(77,478)
Increase (decrease) in accrued payroll	(744)
Increase (decrease) in compensated absences	(41,305)
Increase (decrease) in due to other funds	15,045
Increase (decrease) in accrued interest	11,506
Increase (decrease) in retainage payable	121
Increase (decrease) in other current liabilities	(36,784)
Increase (decrease) in bond premiums	2,155
Increase (decrease) in pension deferred inflows	(25,455)
Increase (decrease) in customer deposits	12,550
Net cash provided by operating activities	\$ 2,214,869

See notes to the financial statements.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

The financial statements of the City of Manchester, Tennessee have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

**Reporting Entity**

The City of Manchester, Tennessee (the City) operates under a Mayor-Aldermen form of government within the following departments: general government, public safety, public works, public school system, welfare, culture, and recreation, and provides water and sewer services.

In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may be financially accountable and, as such, should be included within the City's financial statements. The component unit discussed below is included in the City's reporting entity due to the significance of its operational or financial relationship with the City. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation. Component units that do not meet the criteria for blending are reported discretely. A discretely presented component unit is reported in a separate column in the basic financial statements to emphasize that it is legally separated from the City.

The financial statements of *The Public Building Authority of the City of Manchester, Tennessee* (the Authority) was incorporated January 01, 2021 and its financial statements for the six months ended June 30, 2021 have been discretely presented. The Authority was established to finance, develop and operate the Manchester Conference Center. It is managed by a seven-member board that is appointed by the governing body. The Authority is a legal entity that meets the definition of a component unit of the City in that a financial burden/benefit relationship exists between the two entities. A complete copy of the component unit's audited reports may be obtained from the City's Finance Director.

**Government-Wide and Fund Financial Statements**

Government-wide Statements

The statement of net position and the statement of activities display information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents information on all the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the differences presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2021**

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include; (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements**

The fund financial statements provide information about the City's funds. 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. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues result from non-exchange transactions.

The City reports the following major governmental funds:

**General Fund** - The General Fund accounts for all financial resources applicable to the general operations of City government that are not properly accounted for in another fund. Revenues are derived primarily from taxes and intergovernmental revenues.

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

**Debt Service Fund** – 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 enterprise fund:

Enterprise Funds – These funds are used to account for business-like activities provided to the general public. The activities are financed primarily by user charges and the measurement of the financial activity focuses on net income measurement similar to private sector businesses.

**Water & Sewer Fund**- Accounts for operations of the City's water and sewer services. The fund's revenues are derived primarily from user fees. The proceeds of several bond issues and loans have been used specifically for the construction or acquisition of water and sewer systems and facilities. Since it is the intention of

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2021**

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the City to repay these bonds and loans through water and sewer fund operations, these obligations are reported in this fund.

Additionally, the City reports the following nonmajor governmental funds:

**Special Revenue Funds** - Used to account for the proceeds of specific revenue sources (other than major capital projects) or committed sources requiring separate accounting because of legal or regulatory provisions or administrative action. The special revenue funds include the Sanitation Fund, Drug Control Fund, and School Federal Projects Fund.

Generally, the effect of interfund activity has been removed from the government-wide financial statements, with the exception of interfund services provided and used which are not eliminated in the process of consolidation. Net interfund activities and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

**Measurement Focus, Basis of Accounting, and Basis of 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 recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include; (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 City considers revenues to be available if they are collected within sixty days of the end of the 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 and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for services. Operating expenses include costs of services as

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2021**

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well as materials, contracts, personnel and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**Budget Policy and Budgetary Data**

Formal budgets are adopted for all funds. These formal budgets are adopted on a departmental basis and the line item estimates are from the appropriations ledger and not from a formal budget ordinance. The legal level of budgetary control is the fund level. Transfers of appropriations between funds require the approval of the governing body.

The budgets are prepared on a basis consistent with generally accepted accounting principles. Encumbrance accounting is not utilized by the City and all unencumbered and unexpended appropriations lapse at the end of the fiscal year.

Expenditures may not legally exceed appropriations at or above the fund level. All budgeted amounts shown in the financial statements and the accompanying supplementary information reflect the original budget and the amended budget (which may have been adjusted for legally authorized revisions to the annual budgets during the year).

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

**Cash and Cash Equivalents** - For purposes of reporting cash flows, cash includes amounts in demand deposits and cash equivalents. The City considers all highly liquid investments with an initial maturity period of three months or less to be cash equivalents. These are classified on the balance sheet as "cash", "investment in pooled cash", "restricted assets", and "investments".

**Investments** - Investments are stated at fair value, except for interest-earning investment contracts that have a remaining maturity of one year or less at the time of purchase. Any change in the value of investments recorded at fair value is included in investment income. Fair value is based on quoted market prices. Investments of the City of Manchester consist of deposits in the TCRS Stabilization Reserve Trust and certificates of deposit in financial institutions and are classified on the balance sheet as "investments" and "restricted assets".

**Inventories and Prepaid Items** - Inventories, principally materials, supplies, and replacement parts, are valued at cost, using the first-in, first-out (FIFO) method. The cost of an inventory item is recorded as an expense at the time of purchase. Inventories on hand at year-end are physically counted and recorded as assets, reducing the appropriate expense account.

**Restricted Assets** - Proceeds of bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Also, amounts due from other governments may be included as restricted assets because their use is limited by grant agreements.

**Capital Assets** - Capital assets are defined by the City as assets with an initial, individual cost greater than \$5,000. Purchased or constructed capital assets (including infrastructure) are recorded at cost or estimated historical cost. Contributed capital assets are recorded at their acquisition value on the date contributed.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2021**

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Additions, improvements and other capital outlays that significantly extend the useful life of an asset in excess of one year are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Land and certain land improvements are inexhaustible capital assets and are not depreciated. Depreciation on depreciable capital assets is calculated on the straight-line basis over the following estimated useful lives:

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

**Bond Discounts and Premiums** - In the governmental funds, bond discounts and premiums are treated as period costs in the year of issue. In proprietary funds, bond discounts and premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an increase of the face amount of bonds payable. At the government-wide level any bond discounts and premiums in the governmental funds are adjusted and reported in the same manner as in proprietary funds.

**Fund Balance**

In the governmental fund financial statements, fund balances may be classified as follows:

**Non-spendable** – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for specific purposes because of limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions.

**Committed** – amounts that can be used only for specific purposes determined by a formal action of the Board of Aldermen by ordinance; reversed and amended by same action.

**Assigned** – amounts that are designated by the Board for a particular purpose but are not spendable until there is a majority vote approval by the Board.

**Unassigned** – all amounts in the general fund not included in other spendable classifications.

**Net Position**

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2021**

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**Net Investment in Capital Assets** - is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt.

**Restricted** - represents a net position that has third party (statutory, bond covenant or granting agency) limitations on its use. The City's policy is generally to use restricted net position first, as appropriate opportunities arise.

**Unrestricted** - While management may have categorized and segmented portions for various purposes, the City has the unrestricted authority to alter these managerial decisions.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use the committed amounts first, followed by the assigned and then unassigned amounts.

**Deferred Outflows/Inflows of Resources**

In addition to liabilities, the statement of financial 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 future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has unearned and unavailable revenue related to property taxes that qualifies for reporting in this category. The City also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. The City has deferred inflows and outflows related to OPEB. The deferred inflows and outflows are recognized as the following: unamortized portion of (1) under recognized in current expense. New layer with own amortization yearly; Unamortized portion of (2) under recognized in current expense. New layer with own amortization yearly; costs incurred subsequent to the measurement date related to the administration of OPEB; 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 should be reported as deferred outflows.

**Revenues, Expenditures and Expenses**

Substantially all governmental fund revenues are accrued. Expenditures are recognized when the related fund liability is incurred, except for the following instances permitted by generally accepted accounting principles:

- General obligation long-term debt principal and interest are reported only when due.
- Inventory costs are reported in the period when inventory items are consumed, rather than in the period purchased.

**Property Taxes** - Property taxes levied by the City are assessed by Coffee County and collected by the City. The tax rate for the 2021 fiscal year (2020 tax year) was \$0.99 per \$100 of assessed valuation.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2021**

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The property tax calendar adopted by the City has the lien and levy date as the first day of the calendar year that ends during the fiscal year. The tax bills are mailed on the first day of the fourth month of the fiscal year.

The payment dates are the first day of the fourth month through the last day of the eighth month of the fiscal year. The delinquency date is the first day of the ninth month of the fiscal year.

The property tax calendar year applicable to the current fiscal year is as follows:

Lien date	January 1, 2021
Levy date	January 1, 2021
Tax bills mailed	October 1, 2021
Delinquency date	March 1, 2022

**Grant Revenue** - The City, a recipient of grant revenues, recognizes revenues when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the City before the eligibility requirements are met are deferred. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes-to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the City.

**Compensated Absences** - The liability for compensated absences is recorded when future payments for such absences have been earned by the employees. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave; however, accumulated sick pay is not paid.

**Interfund Transactions** - During the course of normal operations, the City has numerous transactions between funds to provide services, construct assets and service debt. These transactions are generally reflected as transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. Such transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund. Transactions that would be treated as revenues or expenditures if the involved organizations were external to the City are treated as revenues in the receiving fund and expenditures in the disbursing fund. Transfers within governmental activities and within business-type activities are eliminated upon consolidation.

Amounts owed to one fund by another are reported as due to/due from other funds. The interfund 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. Amounts reported in the fund financial statements as due to/due from other funds are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2021**

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

**Pensions** - 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 City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City'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 the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**OPEB Liability and Expenses/Expenditures** - For economic resources accounting, a liability should be recognized for the total OPEB liability. For current resources accounting liability should be recognized to extent that the liability will be paid with expendable available financial resources. This usually means to the extent that benefit payments have matured (are due and payable). OPEB expenditures should be recognized equal to the total of amounts paid by the employer as benefits came due and the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources (to the extent benefits are due and payable). Changes in the total OPEB liability should be recognized in OPEB expense in the current period except as noted below:

- One-year portion of difference between actual and expected experience with regard to economic or demographic factors in the net OPEB liability amortized over closed period equal to average remaining useful life of all OPEB eligible as of start of measurement period.
- One-year portion of amounts related to changes of assumptions about future economic or demographic factors or of other inputs amortized over closed period equal to average remaining useful life of all OPEB eligible as of start of measurement period.
- Costs incurred by the employer related to the administration of OPEB using same measurement period as other changes to total OPEB liability.

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

**Excess of Expenditures over Appropriations in Individual Funds**

For the year ended June 30, 2021, the City had excess of expenditures over appropriations by \$3,674 in the General Fund.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2021**

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**NOTE 3 - DEPOSITS AND INVESTMENTS**

**Deposits**

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.

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.

**Investments**

**TCRS Stabilization Reserve Trust**

**Legal Provisions**

Manchester City Schools are a member of the TCRS Stabilization Reserve Trust. The Schools have placed funds into the irrevocable trust as authorized by 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 trust. Funds of the trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of Manchester City Schools.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The Schools may not impose any restrictions on investments placed by the trust on their behalf.

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**Investment Balances**

Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS has not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2021, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- *Level 1:* Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.
- *Level 2:* Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.
- *Level 3:* Valuations derived from valuation techniques with significant unobservable inputs.

Investments where fair value is measured using the net asset value (NAV) per share have no readily determinable fair value and have been determined to be calculated consist with FASB principles for investment companies.

Where inputs used in the measurement of fair value fall into different levels of hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan's custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes to be represented in the table below.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
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Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

U.S. Treasury Bills, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales price quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser with the professional designation of member of the Appraisal Institute (MAI), or its equivalent, every three years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investment in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

At June 30, 2021, Manchester City School System had the following investments held by the trust on its behalf.

Investment	Weighted Average Maturity (days)	Maturity	Fair Value
Investments at Fair Value:			
U.S Equity	N/A	N/A	\$ 15,356
Developed Market International Equity	N/A	N/A	6,935
Emerging Market International Equity	N/A	N/A	1,981
U.S. Fixed Income	N/A	N/A	9,907
Real Estate	N/A	N/A	4,954
Short-term Securities	N/A	N/A	495
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	<u>9,907</u>
Total			<u>\$ 49,537</u>

**CITY OF MANCHESTER, TENNESSEE**  
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Investment by Fair Value Level	Fair Value June 30, 2021	Fair Value Measurements Using			Amortized Cost
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
U.S Equity	\$ 15,356	\$ 15,356	\$ -	\$ -	\$ -
Developed Market International Equity	6,935	6,935	-	-	-
Emerging Market International Equity	1,981	1,981	-	-	-
U.S. Fixed Income	9,907	-	9,907	-	-
Real Estate	4,954	-	-	4,954	-
Short-term Securities	495	-	495	-	-
Private Equity and Strategic Lending	9,907	-	-	-	9,907
<b>Total</b>	<b>\$ 49,537</b>	<b>\$ 24,272</b>	<b>\$ 10,402</b>	<b>\$ 4,954</b>	<b>\$ 9,907</b>

**Investment Policies**

*Risks and Uncertainties.* The trust's investments include various types of investment funds, which in turn invest in any combination of stocks, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Manchester City School System does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Manchester City School System does not have the ability to limit the credit ratings of individual investments made by the trust.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the trust's investment in a single issuer. Manchester City School System places no limit on the amount the trust may invest in one issuer.

*Custodial Credit Risk.* Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the trust will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Pursuant to the

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trust agreement, investments are held in the name of the trust for the benefit of the Schools to pay retirement benefits of School employees.

For further information concerning Manchester City Schools' investments with the TCRS Stabilization Reserve Trust, audited financial statements of the TCRS may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag19091.pdf>.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021, 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	1,663,409	3,174,657	(846,403)	3,991,663
Total not being depreciated	<u>6,185,486</u>	<u>3,174,657</u>	<u>(846,403)</u>	<u>8,513,740</u>
Capital assets being depreciated:				
Buildings	27,520,143	786,745		28,306,888
Other improvements	403,668	-	-	403,668
Infrastructure	27,998,025	451,809	-	28,449,834
Machinery & Equipment	7,742,698	145,435	(69,365)	7,818,768
Total capital assets being depreciated	<u>63,664,534</u>	<u>1,383,989</u>	<u>(69,365)</u>	<u>64,979,158</u>
Less: accumulated depreciation	<u>40,436,847</u>	<u>1,601,681</u>	<u>(69,365)</u>	<u>41,969,163</u>
Net capital assets being depreciated	<u>23,227,687</u>	<u>(217,692)</u>	<u>-</u>	<u>23,009,995</u>
Net capital assets	<u>\$ 29,413,173</u>	<u>\$ 2,956,965</u>	<u>\$ (846,403)</u>	<u>\$ 31,523,735</u>

Depreciation expense was charged to the following functions/programs:

General government	\$ 76,007
Public safety	128,340
Drug fund	115,352
Public works	477,726
Sanitation	7,194
Recreation	322,124
Schools	<u>474,938</u>
	1,601,681

**CITY OF MANCHESTER, TENNESSEE**  
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<b>Business-type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 210,937	\$ -	\$ -	\$ 210,937
Construction in Progress	3,506,998	878,141	(185,644)	4,199,495
Total capital assets not being depreciated	<u>3,717,935</u>	<u>878,141</u>	<u>(185,644)</u>	<u>4,410,432</u>
Capital assets being depreciated				
Buildings	398,600	-	-	398,600
Infrastructure	53,897,913	817,842	-	54,715,755
Machinery & Equipment	1,570,014	41,000	-	1,611,014
Total capital assets being depreciated	<u>55,866,527</u>	<u>858,842</u>	<u>-</u>	<u>56,725,369</u>
Less: accumulated depreciation	<u>25,798,102</u>	<u>1,653,473</u>	<u>-</u>	<u>27,451,575</u>
Net capital assets being depreciated	<u>30,068,425</u>	<u>(794,631)</u>	<u>-</u>	<u>29,273,794</u>
Net capital assets	<u>\$ 33,786,360</u>	<u>\$ 83,510</u>	<u>\$ (185,644)</u>	<u>\$ 33,684,226</u>

During 2021, depreciation in the amount of \$1,653,473 was charged to operations.

**NOTE 5 - INTERFUND TRANSACTIONS**

The composition of interfund balances as of June 30, 2021, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds		
General Fund	\$ 53,311	\$ -
Debt Service Fund	-	-
General Purpose School Fund	-	31,463
	<u>53,311</u>	<u>31,463</u>
Nonmajor Funds		
Recreation Fund	-	38,266
Sanitation Fund	69,063	-
Central Cafeteria Fund	31,463	-
	<u>100,526</u>	<u>38,266</u>
Proprietary Funds		
Water and Sewer Fund	-	84,108
	<u>-</u>	<u>84,108</u>
	<u>\$ 153,837</u>	<u>\$ 153,837</u>

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All 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, 2021, is as follows:

From Fund	To Fund	Amount
General	Sanitation	\$ 250,000
General	Recreation	1,234,835
General	Schools	1,858,467
General	Debt Service	1,558,924
Recreation	Debt Service	112,020
Schools	General	125,205
Total Transfers		<u>\$ 5,139,451</u>

**NOTE 6 - LONG-TERM OBLIGATIONS**

**Governmental Activities**

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

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 30 years for bonds and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2020, will be retired from the Debt Service Fund.

**Business-type Activities**

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

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

General obligation, revenue bonds, and other loans are issued pledging the revenue of the Manchester Water and Sewer system and the full faith and credit of the government. These bonds and other loans outstanding were issued for original terms of up to 50 years for bonds and up to 30 years for other loans. Repayment terms are generally structured with increasing

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2021**

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, 2021, will be retired from the Water and Sewer Fund.

**Debt outstanding as of June 30, 2021 consisted of the following:**

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>June, 30 2021</u>
<b>Governmental Activities:</b>				
General Obligation Bonds:				
Refunding bonds, Series 2017	4.70%	2038	10,620,000	-
Refunding bonds, Series 2013	2.91%	2030	9,690,000	-
Refunding bonds, Series 2016B	2.00%	2037	880,000	-
Refunding bonds, Series 2020A	3.00%	2038	17,115,000	16,315,000
Series 2020B	1.78%	2044	2,245,000	2,245,000
			<u>\$ 40,550,000</u>	<u>\$ 18,560,000</u>
<b>Business-Type Activities:</b>				
Bonds Payable:				
Refunding bonds, Series 20117	3.82%	2028	5,620,000	4,960,000
Refunding bonds, Series 2016B	2.00%	2037	5,640,000	4,690,000
Rural Development, Series 2011	3.00%	2050	1,348,000	1,134,397
Rural Development, Series 2014	3.25%	2028	443,658	252,099
(a) Public Improv Bonds, Series 2016A (DRUC)	4.74%	2031	6,240,000	4,630,000
(a) Public Improv Bonds, Series 2017 (DRUC)	4.74%	2038	3,231,000	3,045,000
Other Loans:				
SRF Loan, Series 2011	2.16%	2031	7,500,000	4,065,907
			<u>\$ 30,022,658</u>	<u>\$ 22,777,403</u>
<b>Total Governmental and Business</b>			<u>\$ 70,572,658</u>	<u>\$ 41,337,403</u>
(a) See note on Duck River Utility Commission				

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

Years Ending June 30	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 855,000	\$ 533,200	\$ 1,804,025	\$ 509,508
2023	890,000	507,550	1,834,225	467,066
2024	920,000	480,850	1,894,665	429,037
2025	945,000	453,250	1,920,355	389,058
2026	965,000	424,900	1,956,298	349,134
2027-2031	5,145,000	1,682,750	7,829,875	1,161,472
2032-2036	5,705,000	922,750	3,785,045	556,969
2037-2041	2,835,000	164,500	1,314,951	125,658
2042-2044	300,000	12,000	249,692	47,778
2045-2049	-	-	188,272	9,807
	<u>\$ 18,560,000</u>	<u>\$ 5,181,750</u>	<u>\$ 22,777,403</u>	<u>\$ 4,045,487</u>

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A summary of long-term liability activity, including debt, for the year ended June 30, 2021 is as follows:

	Balance June, 30 2020	Increases	Decreases	Balance June, 30 2021	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds	18,750,000	19,360,000	(19,550,000)	18,560,000	85,500
Lease	25,020	-	(25,020)	-	-
Premiums	14,971	1,854,137	(67,228)	1,801,880	-
Discounts	-	(103,711)	2,890	(100,821)	-
Compensated Absences	2,104,136	240,147	(109,574)	2,234,709	-
OPEB	2,810,161	447,470	-	3,257,631	-
	<u>\$ 23,704,288</u>	<u>\$ 21,798,043</u>	<u>\$ (19,748,932)</u>	<u>\$ 25,753,399</u>	<u>\$ 85,500</u>
<b>Business-Type Activities</b>					
Refunding Bonds, all Series	\$ 10,545,000	\$ -	\$ (755,000)	\$ 9,790,000	\$ 840,000
Rural Development Bonds	1,446,116	-	(57,774)	1,388,342	59,619
Public Improvement Bonds	8,115,000	-	(405,000)	7,710,000	415,000
State Revolving Loan	4,435,353	-	(361,558)	4,073,795	369,445
Premiums	67,014	-	(6,116)	60,898	-
Discounts	-	-	-	-	-
Compensated Absences	347,181	18,208	-	365,389	-
OPEB	27,018	-	(27,018)	-	-
	<u>\$ 24,982,682</u>	<u>\$ 18,208</u>	<u>\$ (1,612,466)</u>	<u>\$ 23,388,424</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, 2021, of \$7,710,000. These loans will be retired by the Duck River Utility Commission.

**NOTE 7 - 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

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TCRS issues a publicly 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 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Manchester City Schools for the year ended June 30, 2021 to the Teacher Legacy Pension Plan were \$794,245 which is 10.45 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.

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*Pension liabilities (assets).* At June 30, 2021, Manchester City Schools reported an asset of \$1,514,420 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, 2020 Manchester City Schools' proportion was 0.198593 percent. The proportion measured as of June 30, 2019 was 0.193951 percent.

*Pension expense (negative pension expense).* For the year ended June 30, 2021, Manchester City Schools recognized pension expense of \$9,521.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2021, Manchester City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 57,572	\$ 728,106
Changes in assumptions	137,578	-
Net difference between projected and actual earnings	338,230	-
Changes in proportion of Net Pension Liability (Asset)	18,652	25,586
LEA's contributions subsequent to the measurement date of June 30, 2020	794,245	<i>(not applicable)</i>
<b>Total</b>	<b>\$ 1,346,277</b>	<b>\$ 753,692</b>

Manchester City Schools employer contributions of \$794,245, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease of net pension liability (asset) in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year Ended June 30:	
2022	(\$380,788)
2023	(52,778)
2024	7,853
2025	224,053
2026	-
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, 2020 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, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

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

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Manchester City Schools' proportionate share of the net pension liability (asset)	\$4,709,812	(\$1,514,420)	(\$6,675,770)

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*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, 2021, Manchester City Schools reported no payable for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2021.

**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 publicly 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.

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

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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, 2021 to the Teacher Retirement Plan were \$12,095 which is 1.95 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, 2021, Manchester City Schools reported an asset of \$28,080 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020, 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 measurement date of June 30, 2020 Manchester City Schools' proportion was 0.049381 percent. The proportion measured as of June 30, 2019 was 0.049303 percent.

*Pension expense. (negative pension expense).* For the year ended June 30, 2021, Manchester City Schools recognized pension expense of \$11,607.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2021, Manchester City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,043	\$ 7,037
Changes in assumptions	2,288	-
Net difference between projected and actual earnings on pension plan investments	880	-
Changes in proportion of Net Pension Liability (Asset)	3,031	279
LEA's contributions subsequent to the measurement date of June 30, 2018	12,095	<i>(not applicable)</i>
Total	\$ 19,337	\$ 7,316

Manchester City Schools employer contributions of \$12,095, 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, 2022. 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:**

2022	\$23
2023	\$353
2024	\$522
2025	\$570
2026	(\$205)
Thereafter	(\$1,337)

*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, 2020 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

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

The actual assumptions used in the June 30, 2020 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:

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

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

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Manchester City Schools' proportionate share of the net pension liability (asset)	\$21,842	(\$28,080)	(\$64,879)

*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, 2021, Manchester City Schools reported no payable for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2021.

**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

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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, 2020, 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	85
Active employees	166
	240

*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, 2021, the employer contributions for Manchester were \$306,364 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, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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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, 2020 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 by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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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.

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

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
<b>Balance at 6/30/19</b>	\$6,773,079	\$ 7,415,037	\$ (641,958)
<b>Changes for the year:</b>			
Service cost	637,796	-	637,796
Interest	534,081	-	534,081
Differences between expected and actual experience	(301,541)	-	(301,541)
Change in Assumptions	-	-	-
Contributions- employer	-	370,020	(370,020)
Contributions- employees	-	353,747	(353,747)
Net investment income	-	383,178	(383,178)
Benefit payments, including refunds of employee	(88,490)	(88,490)	-
Administrative expense	-	(14,883)	14,883
Other changes	-	-	-
<b>Net changes</b>	<b>781,846</b>	<b>1,003,572</b>	<b>(221,726)</b>
<b>Balance at 6/30/20</b>	<b>\$7,554,925</b>	<b>\$ 8,418,609</b>	<b>\$ (863,684)</b>

*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:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Manchester's net pension liability (asset)	\$480,910	(\$863,684)	(\$1,939,714)

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

*Pension expense.* For the year ended June 30, 2021, Manchester recognized pension expense of \$264,426.

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*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2021, Manchester reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 78,239	\$ 440,758
Net difference between projects and actual earnings on pension plan investments	75,565	-
Change in Assumptions	65,092	-
Contributions subsequent to the measurement date of June 30, 2019	306,364	<i>(Not applicable)</i>
<b>Total</b>	<b>\$ 525,260</b>	<b>\$ 440,758</b>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2020,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<b>Year Ended June 30:</b>	
2021	(\$46,518)
2022	(11,811)
2023	(84)
2024	2,515
2025	(26,606)
Thereafter	(139,369)

*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, 2021, the City of Manchester reported a payable of \$46,437 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2021.

**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,

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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, 2021 is limited to employee payroll withholdings for the week not yet remitted to the administrator.

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**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

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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, 2020, 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	1
Active employees	<u>158</u> <u>179</u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Manchester City Schools paid \$192,565 to the TGOP for OPEB benefits as they came due.

**Total OPEB Liability**

**Actuarial assumptions** - The collective total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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Inflation	2.10%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	9.02% for pre-65 in 2020, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 7.56% for post-65 in 2020, 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, 2020, valuations were the same as those employed in the July 1, 2019 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 2.21 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.

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

TGOP	Total OPEB Liability (a)
Total OPEB liability-beginning balance	<u>\$ 3,866,899</u>
Changes for the year:	
Service cost	160,702
Interest	136,720
Changes of benefit terms	-
Differences between expected and actual experience	138,751
Change in assumptions	439,351
Benefit payments	<u>(267,197)</u>
Net changes	<u>608,327</u>
Total OPEB liability-ending balance	<u>\$ 4,475,226</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 1,187,595
Employer's proportionate share of the collective total OPEB liability	\$ 3,287,631
Employer's proportion of the collective total OPEB liability	73.46%

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 .79% from the prior measurement date. Manchester City Schools recognized \$99,947 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 3.51% as of the beginning of the measurement period to 2.21% as of June 30, 2020. This change in assumption decreased the total OPEB liability.

***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 (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2021**

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	1% Decrease (1.21%)		Discount Rate (2.21%)		1% Increase (3.21%)
Proportionate share of collective total OPEB liability	\$ 3,531,404	\$	3,287,631	\$	\$ 3,053,657

***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 (8.02% /6.56% decreasing to 3.50%)		Healthcare Cost Trend Rates (9.02% /7.56% decreasing to 4.50%)		1% Increase (10.02% /8.56% decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 2,920,267	\$	3,287,631	\$	3,721,821

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

***OPEB expense*** - For the fiscal year ended June 30, 2021, Manchester City Schools recognized OPEB expense of \$467,844.

***Deferred outflows of resources and deferred inflows of resources*** - For the fiscal year ended June 30, 2021, 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, 2021**

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TGOP	Deferred Outflows of resources	Deferred Inflows of resources
	<u>                    </u>	<u>                    </u>
Differences between actual and expected experience	\$ 1,041,049	\$ 210,444
Changes of assumptions	321,142	231,024
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.	175,341	-
Employer payments subsequent to the measurement date	192,565	-
Total	<u>\$ 1,730,097</u>	<u>\$ 441,468</u>

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	\$ 149,403
2022	149,403
2023	149,403
2024	149,403
2025	149,403
Thereafter	349,049

*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

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2021**

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entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

**Benefits provided** - The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TN plan does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. 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, 2020, the following employees of Manchester City Schools were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefit	37
Inactive employees entitled to but not yet receiving	23
Active employees	120
	180
	180

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.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2021**

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***Total OPEB Liability***

***Actuarial assumptions*** - The collective total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10%
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. (ALTERNATE LANGUAGE FOR CERTAIN EMPLOYERS: 7.56% for 2020 and then decreasing annually over a 9 year period to an ultimate rate of 4.50%.)

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2019 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 2.21 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, 2021**

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

TNP	Total OPEB Liability (a)
Total OPEB liability - beginning balance	<u>\$ 526,872</u>
Changes for the year:	
Service cost	8,006
Interest	18,378
Changes of benefit terms	-
Differences between expected and actual experience	(25,056)
Change in assumptions	104,993
Benefit payments	<u>(22,746)</u>
Net changes	<u>83,575</u>
Total OPEB liability - ending balance	<u><u>\$ 610,447</u></u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 610,447
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 \$35,779 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 3.51% as of the beginning of the measurement period to 2.21% as of June 30, 2020. This change in assumption increased 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, 2021, Manchester City schools recognized OPEB expense of \$35,779.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2021**

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**NOTE 9 - RISK MANAGEMENT**

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

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

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

**NOTE 10 - 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 11 - 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 12– NEW ACCOUNTING PRONOUNCEMENTS**

Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities requires the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The adoption of this standard would require the inclusion of Manchester City Schools- Internal School Funds as a special revenue fund. The City has elected not to implement this standard until the fiscal year ending June 30, 2022. The audit of the Internal School Funds for the year ended June 30, 2021 is available on the website of the Tennessee Comptroller of the Treasury.

**NOTE 13 – PRIOR PERIOD ADJUSTMENTS**

**Correction of Errors in Previously Issued Financial Statements**

Prior financial reports did not reflect the City of Manchester's participation in the TCRS Stabilization Reserve Trust on behalf of its teacher retirement plan.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2021**

**Changes in Estimates in Previously Issued Financial Statements**

Prior financial reports underreported estimated amounts shown as construction in process in the Government-Wide financial statements.

Prior period adjustments were made to both beginning net position and beginning fund balance in relation to correction of the accounting error and change in accounting estimates noted above as follows:

<u>Government-Wide</u>	<u>Description of Restatement</u>	<u>Amount</u>
<b>Governmental Activities</b>	Beginning Net Position, as previously reported	\$27,959,668
	Increase in beginning net position to recognize change in accounting estimates in construction in progress account	150,000
	Increase assets entitled "TCRS Stabilization Reserve Trust" to recognize fair value of prior contributions and investment income made on behalf of Manchester City Schools	<u>24,212</u>
	Beginning Net Position, as restated	<u><u>\$28,133,880</u></u>
 <b><u>Fund Statements</u></b>  		
<b>General Purpose School</b>	Beginning Fund Balance, as previously reported	\$ 6,431,146
	Increase assets entitled "TCRS Stabilization Reserve Trust" to recognize fair value of prior contributions and investment income made on behalf of Manchester City Schools	<u>24,212</u>
	Beginning Fund Balance, as restated	<u><u>\$ 6,455,358</u></u>

**NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 18, 2022, 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 March 18, 2022. 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 2022.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**City of Manchester, Tennessee**  
**Schedule of Changes in Proportionate Share of Collective OPEB Liability and Related Ratios**  
**June 30, 2021**

**TGOP**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Total OPEB liability</b>				
Service cost	\$ 159,634	\$ 147,249	\$ 114,911	\$ 160,702
Interest	103,722	123,011	90,502	136,720
Changes of benefit terms	-	(664,516)	-	-
Differences between expected and actual experience	-	(404,188)	1,659,747	138,751
Changes of assumptions	(152,751)	69,314	(287,283)	439,351
Benefit payments	(191,072)	(198,836)	(190,558)	(267,197)
<b>Net change in total OPEB liability</b>	<b>\$ (80,467)</b>	<b>\$ (927,966)</b>	<b>\$ 1,387,319</b>	<b>\$ 608,327</b>
<b>Total OPEB liability - beginning</b>	<b>3,488,013</b>	<b>3,407,546</b>	<b>2,479,580</b>	<b>3,866,899</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 3,407,546</b>	<b>\$ 2,479,580</b>	<b>\$ 3,866,899</b>	<b>\$ 4,475,226</b>

<b>Nonemployer contributing entities proportionate share of the collective total OPEB Liability</b>	\$ 1,167,361	\$ 754,779	\$ 1,056,738	\$ 1,187,595
<b>Employer's proportionate share of collective total OPEB liability</b>	\$ 2,240,185	\$ 1,727,801	\$ 2,810,161	\$ 3,287,632
<b>Covered-employee payroll</b>	\$ 6,454,473	\$ 6,781,547	\$ 6,581,248	\$ 7,542,138
<b>Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll</b>	52.79%	36.56%	58.76%	59.34%

**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, 2021**

**TNP**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Total OPEB liability</b>				
Service cost	\$ 8,545	\$ 6,934	\$ 6,503	\$ 8,006
Interest	15,362	17,195	15,801	18,378
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(45,114)	75,963	(25,056)
Changes of assumptions	(43,796)	(3,357)	9,698	104,993
Benefit payments	(21,450)	(21,700)	(21,983)	(22,746)
<b>Net change in total OPEB liability</b>	<b>\$ (41,339)</b>	<b>\$ (46,042)</b>	<b>\$ 85,982</b>	<b>\$ 83,575</b>
<b>Total OPEB liability - beginning</b>	<b>528</b>	<b>486,932</b>	<b>440,890</b>	<b>526,872</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ (40,811)</b>	<b>\$ 440,890</b>	<b>\$ 526,872</b>	<b>\$ 610,447</b>
<b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>	<b>\$ 486,932</b>	<b>\$ 440,890</b>	<b>\$ 526,872</b>	<b>\$ 610,447</b>
<b>Employer's proportionate share of the collective total OPEB</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered-employee payroll</b>	<b>\$ 461,909</b>	<b>\$ 471,147</b>	<b>\$ 529,725</b>	<b>\$ 615,248</b>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>-8.84%</b>	<b>93.58%</b>	<b>99.46%</b>	<b>99.22%</b>

**Notes to Schedule**

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

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

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

See independent auditor's report.

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

	2014	2015	2016	2017	2018	2019
<b>Total Pension Liability (Asset)</b>						
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
<b>Plan Fiduciary Net Position</b>						
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	\$ 335,353
Contributions in relation to the actuarially determined contribution	236,299	248,031	265,914	\$ 299,259	\$ 332,328	\$ 357,292	\$ 370,020
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (40,751)	\$ (27,959)	\$ (30,059)	\$ (34,667)
Covered Employee Payroll	\$ 4,500,934	\$ 4,742,457	\$ 5,084,402	\$ 5,719,204	\$ 6,354,259	\$ 6,831,593	\$ 7,074,945
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	2020
Manchestger City Schools' proportion of the net pension liability (asset)	0.050259%	0.062277%	0.060186%	0.052857%	0.049303%	0.049381%
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)	\$ (28,080.00)
Manchester City Schools' covered payroll	\$ 104,427	\$ 247,023	\$ 446,187	\$ 461,909	\$ 521,716	\$ 623,156
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%	-4.51%
Plan fiduciary net postion as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%	116.52%

\*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 neede

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	2021
Contractually required contribution	\$ 4,177	\$ 6,859	\$ 15,801	\$ 7,533	\$ 10,121	\$ 12,650	\$ 12,095
Contributions in Relation to the contractually required contribution	4,177	10,961	15,801	18,476	10,121	12,650	12,095
Contribution Deficiency (Excess)	\$ -	\$ (4,102)	\$ -	\$ (10,943)	\$ -	\$ -	\$ -
Manchester City School's covered payroll	\$ 104,427	\$ 247,023	\$ 446,187	\$ 461,909	\$ 521,716	\$ 623,156	\$ 620,261
Contributions as a Percentage of Manchester City Schools' covered payroll	4.00%	4.00%	3.54%	4.00%	1.94%	2.03%	1.95%

\*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	2020
Manchester City Schools' proportion of the net pension liability (asset)	0.176430%	0.184713%	0.175901%	0.184037%	0.189869%	0.193951%	0.198593%
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)	\$ (1,514,420)
Manchester City Schools' covered payroll	\$ 6,924,855	\$ 6,914,728	\$ 6,349,698	\$ 6,454,473	\$ 6,648,576	\$ 6,503,432	\$ 6,609,690
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%	-22.91%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%	104.28%	103.09%

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

See independent auditor's report.

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

	2014	2015	2016	2017	2018	2019	2020	2021
Contractually Required	\$ 614,927	\$ 625,091	\$ 574,012	\$ 588,109	\$ 603,691	\$ 680,260	\$ 702,611	\$ 794,245
Contributions in Relation to the contractually required contribution	614,927	625,091	574,012	588,109	603,691	680,260	702,611	794,245
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	\$ 6,609,690	\$ 7,600,433
Contributions as a Percentage of Manchester City Schools' covered payroll	8.88%	9.04%	9.04%	9.11%	9.08%	10.46%	10.63%	10.45%

\*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, 2021**

*Valuation Date:* Actuarially determined contribution rates for fiscal year 2021 were calculated based on the June 30, 2019 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, 2021

	Special Revenue Funds						Capital Projects		Total Nonmajor Governmental Funds
	Recreation	Tourism and Community Development	School Federal Projects	Central Cafeteria	Sanitation	Drug Control	Capital Equipment Replacement	Education Capital Projects	
<b>ASSETS</b>									
Investment in pooled cash	\$ 505,358	\$ 290,889	\$ 158,621	552,310	\$ 665,812	\$ 500,576	\$ 244,266	\$ 477	\$ 2,918,309
Cash	176,209	-	-	-	-	-	-	-	176,209
Accounts receivable, net	50,576	14,165	-	29,348	-	-	-	-	94,089
Due from other governments	-	-	75,783	-	-	8,083	-	-	83,866
Due from other funds	-	-	-	31,463	69,063	-	-	-	100,526
Inventories	-	-	-	34,280	-	-	-	-	34,280
Total assets	<u>\$ 732,143</u>	<u>\$ 305,054</u>	<u>\$ 234,404</u>	<u>647,401</u>	<u>\$ 734,875</u>	<u>\$ 508,659</u>	<u>\$ 244,266</u>	<u>\$ 477</u>	<u>\$ 3,407,279</u>
<b>LIABILITIES</b>									
Accounts payable and accrued liabilities	\$ 120,178	\$ 7,975	\$ 1,473	15,499	\$ 76,635	\$ 1,748	\$ -	\$ -	\$ 223,508
Accrued payroll	34,290	-	16,244	6,084	2,125	-	-	-	58,743
Other payables	5,841	-	-	-	-	18,481	-	-	24,322
Judgements payable	46,500	-	-	-	-	-	-	-	46,500
Due to other funds	38,266	-	-	-	-	-	-	-	38,266
Unearned revenue	72,337	-	-	-	-	-	-	-	72,337
Total liabilities	<u>317,412</u>	<u>7,975</u>	<u>17,717</u>	<u>21,583</u>	<u>78,760</u>	<u>20,229</u>	<u>-</u>	<u>-</u>	<u>463,676</u>
<b>FUND BALANCES</b>									
Nonspendable	-	-	-	34,280	-	-	-	-	34,280
Restricted	-	-	216,687	591,538	-	488,430	-	-	1,296,655
Assigned	414,731	297,079	-	-	656,115	-	244,266	477	1,612,668
Total fund balances	<u>414,731</u>	<u>297,079</u>	<u>216,687</u>	<u>625,818</u>	<u>656,115</u>	<u>488,430</u>	<u>244,266</u>	<u>477</u>	<u>2,943,603</u>
Total liabilities and fund balances	<u>\$ 732,143</u>	<u>\$ 305,054</u>	<u>\$ 234,404</u>	<u>\$ 647,401</u>	<u>\$ 734,875</u>	<u>\$ 508,659</u>	<u>\$ 244,266</u>	<u>\$ 477</u>	<u>\$ 3,407,279</u>

See independent auditor's report.

**City of Manchester, Tennessee**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	Special Revenue Funds						Capital Projects		Total Nonmajor Governmental Funds
	Recreation	Tourism and Community Development	School Federal Projects	Central Cafeteria	Sanitation	Drug Control	Capital Equipment Replacement	Education Capital Projects	
<b>Revenues</b>									
Local taxes	\$ 199,545	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	199,545
Charges for services	901,634	-	-	27,522	1,204,628	-	-	-	2,133,784
Fines and forfeitures	-	-	-	-	-	23,250	-	-	23,250
Other local revenues	-	-	-	913	131	36,787	-	-	37,831
Federal and state grants	530,907	139,481	2,189,421	1,038,825	-	-	-	-	3,898,634
Investment earnings	-	-	-	556	-	-	-	-	556
Miscellaneous and contribution income	4,125	-	145,220	-	-	15,065	-	-	164,410
Total revenues	1,636,211	139,481	2,334,641	1,067,816	1,204,759	75,102	-	-	6,458,010
<b>Expenditures</b>									
Public safety	-	-	-	-	-	159,354	12,200	-	171,554
Public works	-	-	-	-	1,190,183	-	6,934	-	1,197,117
Health, welfare, and recreation	2,109,460	-	-	-	-	-	19,645	-	2,129,105
Economic development and assistance	-	134,456	-	-	-	-	-	-	134,456
Education	-	-	2,291,443	1,049,625	-	-	-	-	3,341,068
Total expenditures	2,109,460	134,456	2,291,443	1,049,625	1,190,183	159,354	38,779	-	6,973,300
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	(473,249)	5,025	43,198	18,191	14,576	(84,252)	(38,779)	-	(515,290)
<b>Other Financing Sources (Uses)</b>									
Insurance Recoveries	-	-	-	-	-	-	202	-	202
Sale of Capital Assets	-	-	-	-	-	34,564	-	-	34,564
Transfers In (out)	1,122,815	-	-	-	250,000	-	-	-	1,372,815
Total other financing sources and uses	1,122,815	-	-	-	250,000	34,564	202	-	1,407,581
<b>Net change in fund balances</b>	649,566	5,025	43,198	18,191	264,576	(49,688)	(38,577)	-	892,291
<b>Fund balances - beginning</b>	(234,835)	292,054	173,489	607,627	391,539	538,118	282,843	477	2,051,312
<b>Fund balances - ending</b>	\$ 414,731	\$ 297,079	\$ 216,687	\$ 625,818	\$ 656,115	\$ 488,430	\$ 244,266	\$ 477	\$ 2,943,603

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, 2021**

	Budgeted Amounts		Actual	Positive (Negative) Variance with
	Original	Final		Final
<b>Revenues</b>				
Local taxes	192,000	172,000	\$ 199,545	\$ 27,545
Charges for services	1,191,100	888,125	901,634	13,509
Federal and state grants	544,608	537,512	530,907	(6,605)
Miscellaneous and contribution income	14,000	5,000	4,125	(875)
Total revenues	1,941,708	1,602,637	1,636,211	33,574
<b>Expenditures</b>				
<u>Health, Welfare, and Recreation</u>				
<u>Recreation Administration</u>				
Personnel expenditures	211,475	219,600	201,297	18,303
Contractual services	10,000	8,000	2,067	5,933
Supplies	2,500	2,500	913	1,587
Fixed charges	4,500	2,500	1,049	1,451
Capital outlay	5,500	-	-	-
Total recreation administration	233,975	232,600	205,326	27,274
<u>Recreation Centers</u>				
Personnel expenditures	632,745	631,245	563,359	67,886
Contractual services	479,000	482,800	452,478	30,322
Supplies	280,000	273,261	288,341	(15,080)
Fixed charges	51,800	52,300	25,603	26,697
Capital outlay	38,360	121,160	28,660	92,500
Total recreation centers	1,481,905	1,560,766	1,358,441	202,325
<u>Parks</u>				
Personnel expenditures	260,260	253,260	212,141	41,119
Contractual services	121,000	140,550	132,700	7,850
Supplies	69,755	70,000	77,089	(7,089)
Fixed charges	9,933	12,483	12,699	(216)
Capital outlay	394,485	124,486	111,064	13,422
Total park areas	855,433	600,779	545,693	55,086
Total expenditures	2,571,313	2,394,145	2,109,460	284,685
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(629,605)	(791,508)	(473,249)	318,259
<b>Other Financing Sources (Uses)</b>				
Transfers In (out)	700,000	1,234,835	1,122,815	(112,020)
Total other financing sources and uses	700,000	1,234,835	1,122,815	(112,020)
<b>Net change in fund balance</b>	\$ 70,395	\$ 443,327	649,566	\$ 206,239
<b>Fund Balance - beginning</b>			(234,835)	
<b>Fund Balance - ending</b>			\$ 414,731	

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, 2020**

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		
<b>Revenues</b>				
Local taxes	\$ 80,750	\$ 80,750	\$ -	\$ (80,750)
Federal and state grants	3,000	39,728	139,481	99,753
Total revenues	83,750	120,478	139,481	19,003
<b>Expenditures</b>				
<u>Economic Development and Assistance</u>				
<u>Tourism and Community Development</u>				
Personnel expenditures	4,000	4,000	30	3,970
Contractual services	95,000	105,000	96,837	8,163
Supplies	10,100	38,382	37,589	793
Total expenditures	109,100	147,382	134,456	12,926
<b>Net change in fund balance</b>	\$ (25,350)	(26,904)	5,025	\$ 31,929
<b>Fund Balance -beginning</b>			292,054	
<b>Fund Balance - ending</b>			\$ 297,079	

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, 2021**

	Budgeted Amounts		Actual	Positive (Negative) Variance with
	Original	Final		Final
<b>Revenues</b>				
Other local revenues	\$ 145,220	\$ 145,220	\$ 145,220	\$ -
Federal and state grants	2,170,500	2,170,500	2,189,421	18,921
Total revenues	2,315,720	2,315,720	2,334,641	18,921
<b>Expenditures</b>				
<u>Instruction</u>				
Regular instruction	843,089	843,089	811,007	32,082
Special education	467,181	467,181	468,563	(1,382)
<u>Support Services</u>				
Other student support	15,852	15,852	15,825	27
Regular instruction	340,065	340,065	229,907	110,158
Special education	117,797	117,797	120,316	(2,519)
Transportation	8,900	8,900	6,780	2,120
Community Service	676,463	676,463	639,045	37,418
Total expenditures	2,469,347	2,469,347	2,291,443	177,904
<b>Net change in fund balance</b>	\$ (153,627)	\$ (153,627)	43,198	\$ 196,825
<b>Fund Balance - beginning</b>			173,489	
<b>Fund Balance - ending</b>			\$ 216,687	

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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Positive (Negative) Variance with</b>
	<u>Original</u>	<u>Final</u>		<u>Final</u>
<b>Revenues</b>				
Charges for services	\$ 208,280	\$ 208,280	\$ 27,522	\$ (180,758)
Federal and state grants	848,969	963,260	1,038,825	75,565
Investment earnings	500	500	556	56
Miscellaneous and contribution income	800	800	913	113
Total revenues	<u>1,058,549</u>	<u>1,172,840</u>	<u>1,067,816</u>	<u>(105,024)</u>
<b>Expenditures</b>				
<u>Operation of Non-instructional Services</u>				
Food service	<u>1,058,549</u>	<u>1,372,840</u>	<u>1,049,625</u>	<u>323,215</u>
Total expenditures	<u>1,058,549</u>	<u>1,372,840</u>	<u>1,049,625</u>	<u>323,215</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>18,191</u>	<u>\$ (428,239)</u>
<b>Fund Balance - beginning</b>			<u>607,627</u>	
<b>Fund Balance- ending</b>			<u>\$ 625,818</u>	

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Sanitation Fund**  
**For the Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance with Final</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 1,053,000	\$ 1,053,000	\$ 1,204,628	\$ 151,628
Miscellaneous and contribution income	3,000	3,000	131	(2,869)
Total revenues	<u>1,056,000</u>	<u>1,056,000</u>	<u>1,204,759</u>	<u>148,759</u>
<b>Expenditures</b>				
<u>Public Works</u>				
Personnel expenditures	428,770	428,770	302,711	126,059
Contractual services	857,000	922,000	864,975	57,025
Supplies	40,000	40,000	19,787	20,213
Fixed charges	2,710	2,710	2,710	-
Total expenditures	<u>1,328,480</u>	<u>1,393,480</u>	<u>1,190,183</u>	<u>203,297</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(272,480)	(337,480)	14,576	352,056
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	250,000	250,000	250,000	-
Total other financing sources and uses	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ (22,480)</u>	<u>\$ (87,480)</u>	264,576	<u>\$ 352,056</u>
<b>Fund Balance - beginning</b>			<u>391,539</u>	
<b>Fund Balance -ending</b>			<u>\$ 656,115</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, 2021**

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		Final
<b>Revenues</b>				
Fines and forfeitures	\$ 70,000	\$ 25,000	\$ 23,250	\$ (1,750)
Other local revenues	95,000	95,000	36,787	(58,213)
Miscellaneous and contribution income	25,000	30,000	15,065	(14,935)
Total revenues	190,000	150,000	75,102	(74,898)
<b>Expenditures</b>				
<u>Public Safety</u>				
Personnel expenditures	34,050	15,000	19,970	(4,970)
Contractual services	30,450	30,595	21,975	8,620
Supplies	103,500	103,500	30,116	73,384
Capital outlay	91,675	92,293	87,293	5,000
Total expenditures	259,675	241,388	159,354	82,034
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	(69,675)	(91,388)	(84,252)	7,136
<b>Other Financing Sources (Uses)</b>				
Insurance recoveries	5,000	5,000	-	(5,000)
Sale of capital assets	38,000	45,900	34,564	(11,336)
Total other financing sources and uses	43,000	50,900	34,564	(16,336)
<b>Net change in fund balance</b>	\$ (26,675)	\$ (40,488)	(49,688)	\$ (9,200)
<b>Fund balance -beginning</b>			538,118	
<b>Fund balance - ending</b>			\$ 488,430	

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, 2021**

	Budgeted Amounts		Actual	Positive (Negative) Variance with
	Original	Final		Final
<b>Revenues</b>				
Miscellaneous and contribution income	\$ -	\$ 202	\$ -	\$ (202)
<b>Total Revenues</b>	<b>-</b>	<b>202</b>	<b>-</b>	<b>(202)</b>
<b>Expenditures</b>				
<u>General Government</u>				
Planning & zoning - capital outlay	-	4,975	-	4,975
General building - capital outlay	-	30,000	-	30,000
<u>Public Safety</u>				
Police - capital outlay	-	2,238	-	(2,238)
Fire - capital outlay	-	109,488	12,200	97,288
<u>Public Works</u>				
Public Works - capital outlay	4,150	72,362	6,934	65,428
Sanitation - capital outlay	-	14,767	-	(14,767)
<u>Recreation</u>				
Recreation Center - capital outlay	9,925	26,094	19,645	6,449
Park areas - capital outlay	-	3,048	-	(3,048)
<b>Total expenditures</b>	<b>14,075</b>	<b>262,972</b>	<b>38,779</b>	<b>184,087</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(14,075)</b>	<b>(262,770)</b>	<b>(38,779)</b>	<b>(184,289)</b>
<b>Other Financing Sources (Uses)</b>				
Insurance recoveries	-	-	202	(202)
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>202</b>	<b>(202)</b>
<b>Net change in fund balance</b>	<b>\$ (14,075)</b>	<b>\$ (262,770)</b>	<b>(38,577)</b>	<b>\$ (184,491)</b>
<b>Fund balance -beginning</b>			<u>282,843</u>	
<b>Fund balance - ending</b>			<u>\$ 244,266</u>	

See independent auditor's report.

# **OTHER INFORMATION SECTION**

City of Manchester, Tennessee  
 Schedule of Utility Rate Structure and Number of Customers  
 June 30, 2021

	<u>2020-2021</u>		<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	Water	Sewer
<u>Within Corporate Limits</u>														
Up to and including 2,000 gallons	\$8.86	\$11.14	\$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	\$4.43	\$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	\$3.52	\$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		\$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>														
Total	7,893	5,380	7,278	5,092	7,478	5,091	6,922	4,783	7,070	4,836	7,070	4,836	6,985	4,778

**City of Manchester, Tennessee**  
**Schedule of Principal and Interest Requirements**  
**Governmental Activities**  
**June 30, 2021**

Fiscal Year Ending	General Obligation Refunding Bond, Series 2020A		General Obligation Bond Series 2020B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	800,000	489,450	55,000	43,750	855,000	533,200
2023	800,000	465,450	90,000	42,100	890,000	507,550
2024	820,000	441,450	100,000	39,400	920,000	480,850
2025	845,000	416,850	100,000	36,400	945,000	453,250
2026	865,000	391,500	100,000	33,400	965,000	424,900
2027	885,000	365,550	100,000	30,400	985,000	395,950
2028	910,000	339,000	100,000	27,400	1,010,000	366,400
2029	935,000	311,700	100,000	24,400	1,035,000	336,100
2030	960,000	283,650	100,000	23,400	1,060,000	307,050
2031	955,000	254,850	100,000	22,400	1,055,000	277,250
2032	975,000	226,200	100,000	21,200	1,075,000	247,400
2033	1,000,000	196,950	100,000	20,000	1,100,000	216,950
2034	1,045,000	166,950	100,000	18,800	1,145,000	185,750
2035	1,085,000	135,600	100,000	17,600	1,185,000	153,200
2036	1,100,000	103,050	100,000	16,400	1,200,000	119,450
2037	1,160,000	70,050	100,000	15,200	1,260,000	85,250
2038	1,175,000	35,250	100,000	14,000	1,275,000	49,250
2039	-	-	100,000	12,000	100,000	12,000
2040	-	-	100,000	10,000	100,000	10,000
2041	-	-	100,000	8,000	100,000	8,000
2042	-	-	100,000	6,000	100,000	6,000
2043	-	-	100,000	4,000	100,000	4,000
2044	-	-	100,000	2,000	100,000	2,000
	<b>\$ 16,315,000</b>	<b>\$ 4,693,500</b>	<b>\$ 2,245,000</b>	<b>\$ 488,250</b>	<b>\$ 18,560,000</b>	<b>\$ 5,181,750</b>

See independent auditor's report

**City of Manchester, Tennessee**  
**Schedule of Principal and Interest Requirements**  
**Business-type Activities**  
**June 30, 2021**

Fiscal Year	General Obligation Refunding Bonds, Series 2017		General Obligation Refunding Bonds, Series 2016B		Local Government Public Improvement Bonds Series 2017 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
2022	665,000.00	101,100.00	250,000	103,525	25,000	90,663	425,000	88,350	377,504	84,627	25,809	33,686	35,712	7,563	1,804,025	509,514
2023	670,000.00	87,800.00	260,000	93,525	25,000	90,163	430,000	79,800	385,740	76,391	26,594	32,901	36,891	6,492	1,834,225	467,072
2024	705,000.00	74,400.00	265,000	88,325	25,000	89,663	440,000	71,100	394,154	67,976	27,403	32,180	38,108	5,400	1,894,665	429,044
2025	705,000.00	60,300.00	270,000	83,025	25,000	88,662	450,000	62,200	402,754	59,377	28,236	31,259	39,365	4,242	1,920,355	389,065
2026	715,000.00	46,200.00	275,000	77,625	25,000	88,163	460,000	53,100	411,540	50,591	29,095	30,400	40,663	3,061	1,956,298	349,140
2027	740,000.00	31,900.00	280,000	72,125	25,000	87,663	465,000	43,850	420,517	41,613	29,980	29,515	42,005	1,840	2,002,502	308,506
2028	760,000.00	17,100.00	285,000	66,525	25,000	87,162	475,000	34,450	429,691	32,439	30,892	28,681	19,355	582	2,024,938	266,939
2029	-	-	295,000	60,825	25,000	86,100	485,000	24,850	439,064	23,065	31,831	27,664	-	-	1,275,895	222,504
2030	-	-	300,000	54,925	25,000	85,350	495,000	15,050	448,643	13,486	32,800	26,696	-	-	1,301,443	195,507
2031	-	-	305,000	48,925	25,000	84,600	505,000	5,050	356,300	3,778	33,797	25,698	-	-	1,225,097	168,051
2032	-	-	315,000	42,825	395,000	83,850	-	-	-	-	34,825	24,737	-	-	744,825	151,412
2033	-	-	325,000	36,525	400,000	72,000	-	-	-	-	35,884	23,611	-	-	760,884	132,136
2034	-	-	330,000	29,213	400,000	60,000	-	-	-	-	36,976	22,520	-	-	766,976	111,733
2035	-	-	335,000	21,788	400,000	48,000	-	-	-	-	38,101	21,395	-	-	773,101	91,183
2036	-	-	300,000	14,250	400,000	36,000	-	-	-	-	39,259	20,291	-	-	739,259	70,541
2037	-	-	300,000	7,125	400,000	24,000	-	-	-	-	40,453	19,042	-	-	740,453	50,167
2038	-	-	-	-	400,000	12,000	-	-	-	-	41,684	17,812	-	-	441,684	29,812
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	121	-	-	19,483	121
	\$ 4,960,000	\$ 418,800	\$ 4,690,000	\$ 901,075	\$ 3,045,000	\$ 1,214,039	\$ 4,630,000	\$ 477,800	\$ 4,065,907	\$ 453,343	\$ 1,134,397	\$ 551,433	\$ 252,099	\$ 29,180	\$ 22,777,403	\$ 4,045,670

See independent auditor's report.

**City of Manchester, Tennessee**  
**Schedule of Changes in Long-term Debt by Individual Issue**  
**For the Year Ended June 30, 2021**

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 07/01/20	Issued During Period	Paid and/or Matured During Period	Outstanding 06/30/21
<b>Governmental Activities</b>								
<u>Capitalized Leases</u>								
Recreation Cardio Equipment Lease	\$ 100,080	0.00%	2018	2021	\$ 25,020	\$ -	\$ (25,020)	\$ -
Total Capitalized Leases					<u>25,020</u>	<u>-</u>	<u>(25,020)</u>	<u>-</u>
<u>Bonds Payable</u>								
General Obligation Refunding Bonds, Series 2017	\$ 10,620,000	4.70%	2017	2038	10,540,000	-	(10,540,000)	-
General Obligation Refunding Bonds, Series 2013	\$ 9,690,000	2.91%	2013	2030	8,010,000	-	(8,010,000)	-
General Obligation Refunding Bonds Series 2016B	\$ 880,000	2.00%	2016	2037	200,000	-	(200,000)	-
General Obligation Refunding Bonds Series 2020A	\$ 17,115,000	3.00%	2020	2038	-	17,115,000	-	17,115,000
General Obligation Bonds Series 2020B	\$ 2,245,000	1.78%	2020	2044	-	2,245,000	-	2,245,000
Total Bonds Payable					<u>18,750,000</u>	<u>19,360,000</u>	<u>(18,750,000)</u>	<u>19,360,000</u>
Total Governmental Activities					<u>18,775,020</u>	<u>19,360,000</u>	<u>(18,775,020)</u>	<u>19,360,000</u>
<b>Business-type Activities</b>								
<u>Bonds Payable</u>								
GO Refunding Bonds, Series 2017	\$ 8,870,000	2.32%	2017	2038	5,610,000	-	(650,000)	4,960,000
RDA Bonds, Series 2011	\$ 1,348,000	3.00%	2011	2050	1,159,444	-	(25,047)	1,134,397
RDA Bonds, Series 2014	\$ 443,658	3.25%	2014	2028	286,672	-	(34,573)	252,099
General Obligation Refunding Bond, Series 2016B	\$ 5,640,000	2.00%	2016	2037	4,935,000	-	(245,000)	4,690,000
Total Bonds Payable					<u>11,991,116</u>	<u>-</u>	<u>(954,620)</u>	<u>11,036,496</u>
<u>Other Loans Payable</u>								
SRF Loan, Series 2011	\$ 7,500,000	2.16%	2011	2031	4,435,353	-	(369,446)	4,065,907
Public Building Authority of Coffee County, TN Series 2016A DRUC	\$ 9,180,000	4.74%	2016	2038	8,115,000	-	(440,000)	7,675,000
Total Other Loans Payable					<u>12,550,353</u>	<u>-</u>	<u>(809,446)</u>	<u>11,740,907</u>
Total Business-type Activities					<u>\$ 24,541,469</u>	<u>\$ -</u>	<u>\$ (1,764,066)</u>	<u>\$ 22,777,403</u>

**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, 2021**

<b>Tax Year</b>	<b>Tax Rate</b>	<b>Assessed Value</b>	<b>Original Levy</b>	<b>Balance July 1, 2020</b>	<b>Property Tax Levied</b>	<b>Anticipated Current Year Levy</b>	<b>Abatements and Adjustments</b>	<b>Collections</b>	<b>Allowance for Uncollectible</b>	<b>Net Receivable Balance June 30, 2021</b>
2021	1.9316					\$ 5,071,705				\$ 5,071,705
2020	1.9316	257,969,197	4,982,933		4,982,933		(208,721)	(4,602,235)	-	171,977
2019	1.9316	237,401,977	4,696,366	282,543			(6,981)	(222,143)	-	53,419
2018	2.2999	237,401,977	4,933,336	89,491			(7,282)	(69,079)	(1,706)	11,424
2017	2.2999	238,463,091	4,845,752	36,462			(10,441)	(20,981)	(5,040)	-
2016	2.2999	210,695,655	4,725,424	55,878				(49,565)	(6,313)	-
2015	2.2999	205,498,253	4,648,498	5,503				(4,929)	(574)	-
2014	2.2999	202,117,409	4,607,596	7,653				(2,152)	(5,501)	-
2013	2.2999	200,337,660	4,582,317	8,351					(8,351)	-
2012 and Before				4,293					(4,293)	-
<b>Totals</b>				<b>\$ 490,174</b>	<b>\$ 4,982,933</b>	<b>\$ 5,071,705</b>	<b>\$ (233,425)</b>	<b>\$ (4,971,084)</b>	<b>\$ (31,778)</b>	<b>\$ 5,308,525</b>

NOTES: All uncollected taxes for years prior to 2018 were turned over to the Clerk and Master for collection.

City of Manchester  
AWWA Reporting Worksheet-Unaudited  
June 30, 2021

AWWA Free Water Audit Software: Reporting Worksheet										WAS v5.0 American Water Works Association, Copyright © 2014, All Rights Reserved.	
? <a href="#">Click to access definition</a>		<b>Water Audit Report for:</b> City of Manchester Water & Sewer Department (0000429)									
+ <a href="#">Click to add a comment</a>		<b>Reporting Year:</b> 2020		7/2020 - 6/2021							
Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades											
<b>All volumes to be entered as: MILLION GALLONS (US) PER YEAR</b>											
To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.										Master Meter and Supply Error Adjustments	
<b>WATER SUPPLIED</b>		----- Enter grading in column 'E' and 'J' ----->						Pcmt:		Value:	
Volume from own sources:		+ ?				MG/Yr	+ ?			MG/Yr	
Water imported:		+ ?	10		973.735	MG/Yr	+ ?	10	3.00%	MG/Yr	
Water exported:		+ ?	10		218.501	MG/Yr	+ ?	9	3.00%	MG/Yr	
<b>WATER SUPPLIED:</b>					<b>733.237</b>	MG/Yr			Enter negative % or value for under-registration Enter positive % or value for over-registration		
<b>AUTHORIZED CONSUMPTION</b>										Click here: ? for help using option buttons below	
Billed metered:		+ ?	10		677.735	MG/Yr					
Billed unmetered:		+ ?	10			MG/Yr					
Unbilled metered:		+ ?	10		2.764	MG/Yr	Pcmt:		Value:		
Unbilled unmetered:		+ ?	10		2.500	MG/Yr	1.25%		2.500 MG/Yr		
<b>AUTHORIZED CONSUMPTION:</b>		?			<b>682.999</b>	MG/Yr			Use buttons to select percentage of water supplied OR value		
<b>WATER LOSSES (Water Supplied - Authorized Consumption)</b>					<b>50.238</b>	MG/Yr					
<b>Apparent Losses</b>										Pcmt: Value:	
Unauthorized consumption:		+ ?	9		1.800	MG/Yr	0.25%		1.800 MG/Yr		
Customer metering inaccuracies:		+ ?	9		1.706	MG/Yr	0.25%		1.388 MG/Yr		
Systematic data handling errors:		+ ?	9		1.700	MG/Yr	0.25%		1.700 MG/Yr		
<b>Apparent Losses:</b>		?			<b>5.206</b>	MG/Yr					
<b>Real Losses (Current Annual Real Losses or CARL)</b>											
Real Losses = Water Losses - Apparent Losses:		?			<b>45.032</b>	MG/Yr					
<b>WATER LOSSES:</b>					<b>50.238</b>	MG/Yr					
<b>NON-REVENUE WATER</b>											
<b>NON-REVENUE WATER:</b>		?			<b>55.502</b>	MG/Yr					
= Water Losses + Unbilled Metered + Unbilled Unmetered											
<b>SYSTEM DATA</b>											
Length of mains:		+ ?	10		235.0	miles					
Number of active AND inactive service connections:		+ ?	10		8,861						
Service connection density:		?			38	conn./mile main					
Are customer meters typically located at the curbside or property line?										Yes (length of service line beyond the property boundary, that is the responsibility of the utility)	
Average length of customer service line:		+ ?	10		0.0	ft					
<b>Average length of customer service line has been set to zero and a data grading score of 10 has been applied</b>											
Average operating pressure:		+ ?	9		60.0	psi					
<b>COST DATA</b>											
Total annual cost of operating water system:		+ ?	10		\$3,090,534	\$/Year					
Customer retail unit cost (applied to Apparent Losses):		+ ?	9		\$4.43	\$/1000 gallons (US)					
Variable production cost (applied to Real Losses):		+ ?	10		\$1,250.00	\$/Million gallons			Use Customer Retail Unit Cost to value real losses		
<b>WATER AUDIT DATA VALIDITY SCORE:</b>											
<b>*** YOUR SCORE IS: 97 out of 100 ***</b>											
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score											
<b>PRIORITY AREAS FOR ATTENTION:</b>											
Based on the information provided, audit accuracy can be improved by addressing the following components:											
<b>1: Customer metering inaccuracies</b>											
<b>2: Customer retail unit cost (applied to Apparent Losses)</b>											
<b>3: Unauthorized consumption</b>											



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

Water Audit Report for:   
 Reporting Year:

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 97 out of 100 \*\*\*

**System Attributes:**

	Apparent Losses:	5.206	MG/Yr
	+ Real Losses:	45.032	MG/Yr
	= <b>Water Losses:</b>	<b>50.238</b>	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:	7.6%	Real Losses valued at Variable Production Cost
		Non-revenue water as percent by cost of operating system:	2.8%	

Operational Efficiency:	{	Apparent Losses per service connection per day:	1.61	gallons/connection/day
		Real Losses per service connection per day:	13.92	gallons/connection/day
		Real Losses per length of main per day*:	N/A	
		Real Losses per service connection per day per psi pressure:	0.23	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

**GOVERNMENT AUDITING  
STANDARDS SECTION**

**City of Manchester, Tennessee**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2021**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Contract Number	Expenditures
<b>U.S. Department of Agriculture</b>			
Passed Through Tennessee Department of Education			
<b>Child Nutrition Cluster:</b>			
National School Breakfast Program	10.553		257,364
National School Lunch Program	10.555		578,912
USDA - Other	10.559		125,411
Passed Through Tennessee Department of Agriculture			
Commodity Supplemental Food Program	10.565		68,868
Total U.S. Department of Agriculture			<u>1,030,555</u>
<b>U.S. Department of Justice</b>			
Bulletproof Vest Partnership	16.607		1,316
<b>U. S. Department of the Treasury</b>			
Passed through Tennessee Department of Finance and Administration			
COVID-19 Relief Fund	20.019		342,213
<b>U.S. Department of Transportation</b>			
Passed through Tennessee Department of Transportation			
<b>Highway Planning &amp; Construction Cluster:</b>			
Highway Planning and Construction - Signal Maintenance	20.205	16001-3177-44	831
Highway Planning and Construction - Transportation Master Plan	20.205	16LPLM-F0-026	174,259
			<u>175,090</u>
Alcohol Open Container Requirements	20.607	Z20THS151	3,736
Alcohol Open Container Requirements	20.607	Z21THS177	4,761
Total U. S. Department of Transportation			<u>183,587</u>
<b>U.S. Department of Education:</b>			
Passed-through Tennessee Department of Education:			
<b>Special Education Cluster:</b>			
Special Education Grants to States	84.027	H027A170052	437,313
Special Education - Preschool Grants	84.173	H173A170095	17,028
			<u>454,341</u>
Title I, Part A	84.010	5010A170042	403,550
Rural Education Achievement Program	84.358	S358B170042	31,467
English Language Acquisition Grants	84.365	S365A170042	21,536
Title II, Part A	84.367	S367A170040	39,112
Student Support and Academic Enrichment Program	84.424	S424A170044	32,513
Perkins Grant	84.048	N/A	6,385
Total U.S. Department of Education			<u>988,904</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>2,546,575</u>
<b>STATE AWARDS</b>			
Tennessee Department of Health			
Project Diabetes Initiative Services	N/A	GG-17-50171-00	326,081
Tennessee Department of Education			
Coordinated School Health Initiative	N/A	N/A	80,964
Family Resource Center Grant	N/A	N/A	60,223
Safe Schools Act 2003	N/A	N/A	30,048
21st Century Community Learning	N/A	N/A	50,457
ESSER Grant	N/A	N/A	795,652
Voluntary Pre-K	N/A	N/A	276,683
Total Tennessee Department of Education			<u>1,294,027</u>
Tennessee Department of Finance and Administration			
Direct Appropriation Grant	N/A	N/A	246,900
Tennessee Department of Economic and Community Development			
LEAP Grant	N/A	N/A	431,532
Total Tennessee Department of Economic and Community Development			<u>431,532</u>
Tennessee Department of Tourist Development			
Local Park and Recreation	N/A	N/A	111,264
Tourism and Community Development	N/A	N/A	2,980
Total Tennessee Department of Tourism Development			<u>114,244</u>
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			<u>2,165,884</u>
<b>TOTAL EXPENDITURE OF FEDERAL AND STATE AWARDS</b>			<u>4,712,459</u>

See 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, 2021**

**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, 2021. 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manchester, Tennessee as of and for the year ended June 30, 2021, 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 March 18, 2022. Our report includes a reference to other auditors who audited the financial statements of the Public Building Authority of the City of Manchester, Tennessee, as described in our report on the City of Manchester, Tennessee's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance or other matters that are reported on separately by those auditors.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

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

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

**Phone (931) 393-3307**

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## **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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-001.

### **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  
March 18, 2022

# *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, 2021. 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, 2021.

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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  
March 18, 2022

**City of Manchester, Tennessee  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021**

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

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	None reported
Significant deficiency identified not considered to be material weaknesses?	YES
Noncompliance material to financial statements:	YES

**Federal Awards**

Internal control over major programs: Material weakness(es) identified?	None reported
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 of the Uniform Guidance?	None reported

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

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

**City of Manchester, Tennessee**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

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

**2021-001:** BUDGETED EXPENDITURES IN EXCESS OF APPROPRIATIONS (Significant Deficiency/Noncompliance under *Government Auditing Standards*)

**Condition:** The General Fund exceeded appropriations at the level of control for Health, Welfare, and Recreation by \$3,674.

**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.

**SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**City of Manchester, Tennessee**  
**Summary Schedule of Prior Year Findings**  
**June 30, 2021**

*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 of the City of Manchester for year ended June 30, 2020.

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

Prior Year Finding Number	Title of Finding	Status/Current Year Finding Number
2020-001	BUDGETED EXPENDITURES IN EXCESS OF APPROPRIATIONS (original finding # 2015-003)	Repeated 2021-001
2020-002	DEPOSITS WITH FINANCIAL INSTITUTION IN EXCESS OF REQUIRED COLLATERAL PLEDGES	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



**Management's Corrective Action Plan  
For the Fiscal Year Ended June 30, 2021**

**FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

**FINDING 2021-001: BUDGETED EXPENDITURES IN EXCESS OF APPROPRIATIONS**  
(Significant Deficiency/Non Compliance under *Government Auditing Standards*)

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

**Action Taken:** 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, 2022

Bridget Anderson, Finance Director  
City of Manchester