

**CITY OF MANCHESTER, TENNESSEE
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2022**

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ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2022**

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INTRODUCTORY SECTION

**SCHEDULE OF ELECTED AND APPOINTED OFFICIALS
CITY OF MANCHESTER, TENNESSEE
JUNE 30, 2022**

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

AJ Fox, Director of Parks & Recreation

George Gannon, Director of Public Works

Brittany Fiske, 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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manchester, Tennessee, as of and for the year ended June 30, 2022, 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. We did not audit the discretely presented component unit, The Public Building Authority of the City of Manchester, which represents .16%, .01%, and 1.68% respectively, of the assets, net position, and revenues of the City of Manchester. Additionally, we did not audit the school activity fund of the City of Manchester City Schools, which represents .20%, .38%, and .07% respectively, of the assets, fund balance, and revenues of the governmental funds. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit and the internal school fund is based solely on the report of the other auditors.

Unmodified Opinions

In our opinion, based on our audit and the report of the other auditors the accompanying 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, each major fund, and the aggregate remaining fund information of the City of Manchester, Tennessee as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and capital projects fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Manchester and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

515 NW Atlantic Street, Tullahoma, Tennessee 37388

16053 Rankin Avenue, Dunlap, Tennessee 37327

Phone (931) 393-3307

Fax (931) 563-5585

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Manchester's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedule of changes in net pension and OPEB liability (asset) and related

ratios and employer contributions and investment returns be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manchester's basic financial statements. The combining nonmajor fund financial statements and the budgetary comparison schedules for each nonmajor fund as shown in the other supplementary information section, and the schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the budgetary comparison schedules for each nonmajor fund 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and other information sections, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2023 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, 2023

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, 2022. 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.
- Local Sales Tax increased over FY21 by almost 18% due to Covid shopping trends continuing while Room Occupancy Tax increased 35% due to increased travel and the Bonnaroo Music Festival.
- The City of Manchester received \$3.2 million in ARP Funds during the fiscal year. City leadership designated it to the Water and Sewer Department for infrastructure upgrades. During FY22, \$1.6 million of this grant were received.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,355,859.
- 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 \$133,164; Restricted \$2,739,974; Assigned \$11,681,321; and Unassigned \$10,801,400. 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 able 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.

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

Financial Analysis of the Financial Statements

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Manchester, assets exceeded liabilities by \$66,610,828 at the close of this fiscal year.

By far the largest portion of the City's assets (42.53%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Manchester's Net Position

	Governmental 2022	Activities 2021	Business type 2022	Activities 2021
Current and other assets	\$42,040,868	\$32,522,854	\$15,670,060	\$14,983,624
Capital Assets	35,009,884	31,523,735	32,842,722	33,684,226
Total Assets	77,050,752	64,046,589	48,512,782	48,667,850
Long-term liabilities outstanding	20,049,228	20,992,631	18,565,000	21,424,009
Other Liabilities	20,714,077	12,995,786	5,429,178	2,698,286
Total Liabilities	40,763,305	33,988,417	23,994,178	24,122,295
Net Position				
Net Investment in Capital Assets	17,836,079	14,664,794	11,989,354	10,843,089
Restricted	13,327,892	4,381,718	99,808	41,252
Unrestricted	10,777,756	14,607,544	12,579,939	13,754,648
Total net position	\$41,941,727	\$33,654,056	\$24,669,101	\$24,638,989

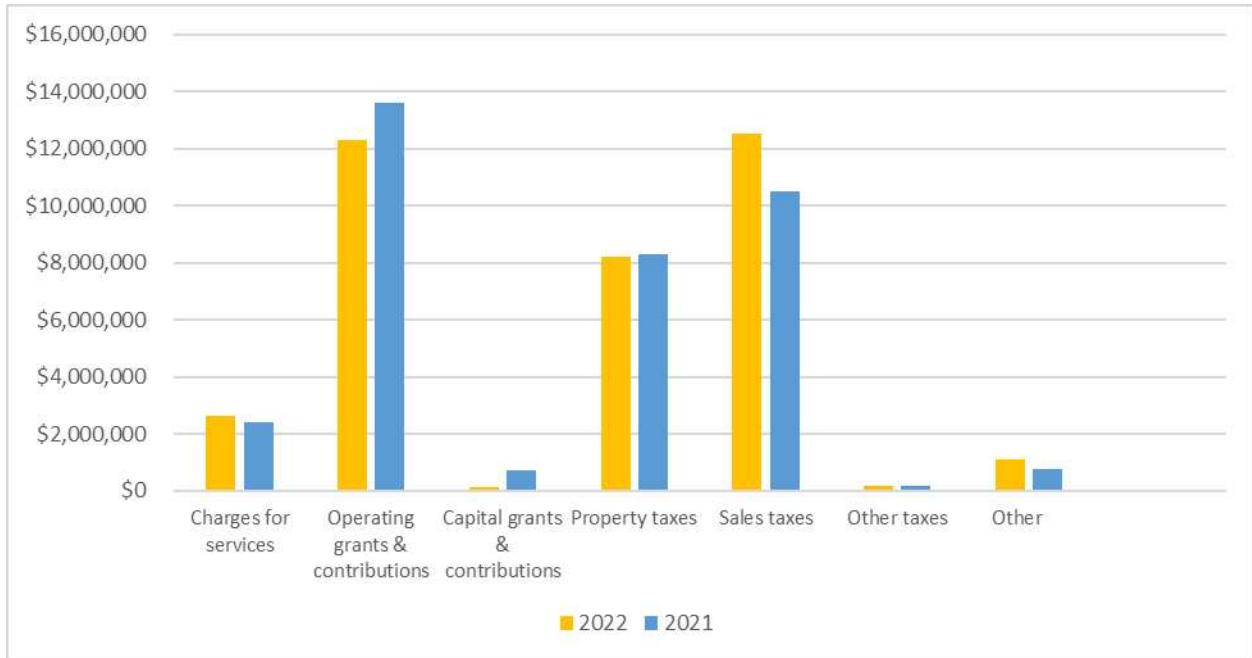
Changes in net position. Governmental activities increased the City's net position by \$8,287,671. Business-type activities net position increased by \$30,112.

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

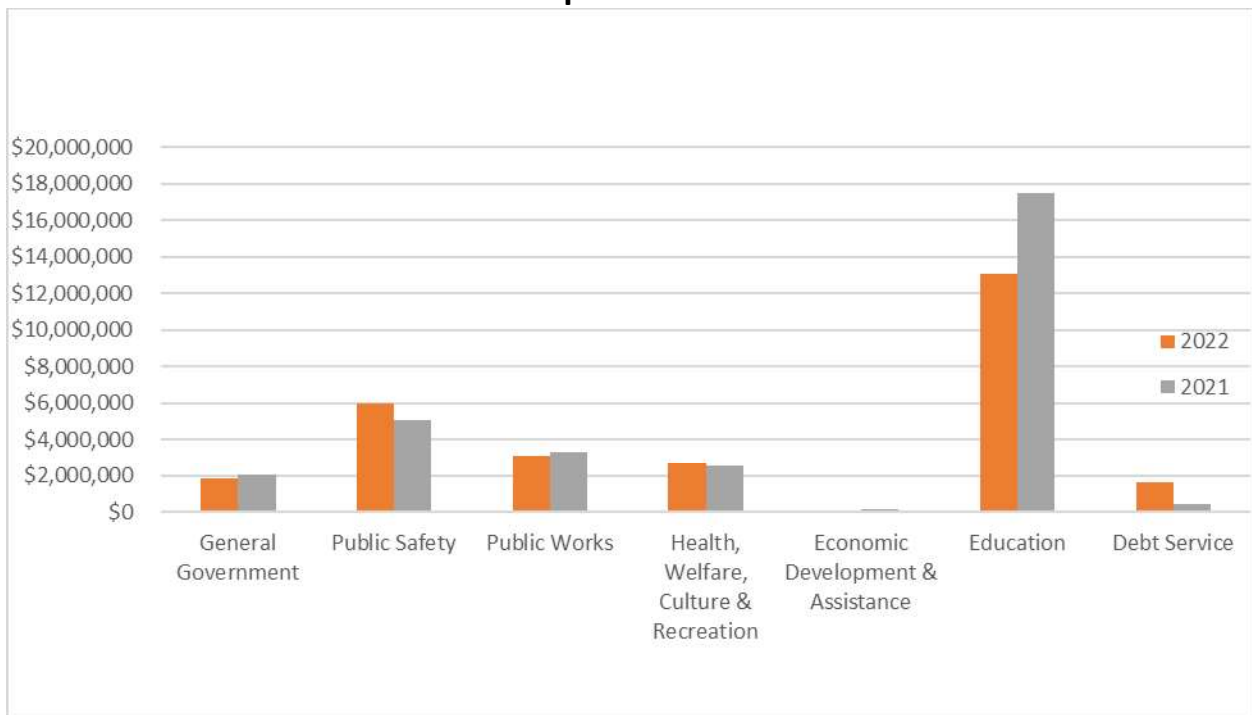
City of Manchester's Changes in Net Position

	Governmental Activities		Business-type Activities	
<u>Revenues</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<u>Program revenues</u>				
Charges for services	\$2,632,408	\$2,425,172	\$6,660,266	\$6,460,449
Operating grants and contributions	12,299,479	13,629,604	17,400	13,629,604
Capital grants and contributions	108,159	723,927		723,927
<u>General Revenues</u>				
Property taxes	8,230,365	8,330,625		
Sales taxes	12,539,630	10,502,271		
Other taxes	155,239	170,343		
Other	1,132,338	749,687	69,493	92,984
Total revenues	<u>\$37,097,618</u>	<u>\$36,531,629</u>	<u>\$6,747,159</u>	<u>\$7,248,808</u>
<u>Governmental Activities</u>				
General Government	\$1,812,752	\$2,024,440		
Public Safety	5,985,788	5,082,784		
Public Works	3,090,152	3,290,475		
Health, Welfare, Culture and Recreation	2,652,135	2,552,986		
Economic Development and Assistance	67,502	134,456		
Education	13,042,540	17,472,845		
Debt Service	1,623,513	453,467		
Water & Sewer Expenses			6,717,047	6,482,417
Total expenses	<u>\$28,274,382</u>	<u>\$31,011,453</u>	<u>\$6,717,047</u>	<u>\$6,482,417</u>
Change in Net Position	8,823,236	5,520,176	30,112	766,391
Net Position, as previously reported	33,654,056	27,959,668	24,638,989	23,434,157
Restatement from prior year		174,212		
Net Position, beginning, as restated	(535,565)	28,133,880		
Net Position, ending	<u>\$41,941,727</u>	<u>\$33,654,056</u>	<u>\$24,669,101</u>	<u>\$23,872,598</u>

Revenues by Source – Governmental Activities Revenues



Expenditures – Governmental Activities Expenditures



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

- The overall expenditures decreased by approximately \$2.5 million. The decrease in expenditures is due to a reduction in education.
- Education expenditures decreased by \$4.4 million due to net pension assets booked for city-wide financial and reporting purposes only.

Business-type Activities

Business-type activities accounted for revenue of \$6,747,159, 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 \$25,355,859, an increase of \$2,072,650 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, \$1,122,849 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 \$10,801,400. 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 66.51% of total general fund expenditures.

The City's general fund had a negative Net Change in Fund Balance of \$126,863.

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 \$12,579,939. This represents total Net Assets at June 30, 2022 of \$24,669,101.

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 \$1,390,287; General Purpose School Fund – increase of \$214,246; School Federal and State Programs – no change; changes to appropriations of General Fund – decrease of \$25,846; General Purpose School Fund – increase of \$2,731,711; School Federal and State Programs – no change.

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

	Budgeted Amounts	
	<u>Original</u>	<u>Final</u>
General Fund		
Revenues:		
Total Taxes Revenue	\$ 10,754,635	\$11,974,635
 General Purpose School Fund:		
Federal/state Grants	\$ 9,587,627	\$ 9,787,668

Capital Assets

The City of Manchester’s investment in capital assets from its governmental and business-type activities at June 30, 2022, amounts to \$67,852,607 (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 \$2,644,646 (a net increase of \$3,486,150 for governmental activities and a net decrease of \$841,504 for business-type activities).

	City of Manchester’s Capital Assets		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 4,522,077	\$ 210,937	\$ 4,733,014
Buildings/land improvement	28,159,842	398,600	28,558,442
Machinery and Equipment	8,738,332	1,632,664	10,370,996
Infrastructure	29,437,273	54,718,334	84,155,607
 Construction in progress	 7,363,355	 4,954,227	 12,317,582
	<u>78,220,879</u>	<u>61,914,762</u>	<u>140,135,641</u>
Less Accumulated Depreciation	43,210,994	29,072,040	72,283,034
Net Capital Assets	<u>\$35,009,885</u>	<u>\$32,842,722</u>	<u>\$67,852,607</u>

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

Long-term Debt

At the end of the current year, the City of Manchester had bonded debt outstanding of \$38,655,565. Of this amount, \$2,740,000 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	\$ 890,000	1,850,000	1,939,000

The City of Manchester's combined total bonded debt decreased in the amount of \$2,093,744 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 4.2%. This compares to the State's average unemployment rate of 3.5% and the National average rate of 3.6%. 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, 2022

	<u>Primary Government</u>			Component Unit
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	
	<u>Activities</u>	<u>Activities</u>		
ASSETS				
Investment in pooled cash	22,619,783	2,793,846	\$ 25,413,629	\$ -
Cash	515,322	4,617,841	5,133,163	52,238
Restricted assets- cash	189,030	142,290	331,320	-
Receivables				
Property taxes, net	5,231,299	-	5,231,299	-
Customers, net	-	426,107	426,107	-
Other	379,470	-	379,470	51,446
Less allowance for doubtful accounts	-	-	-	-
Due from other governments	2,268,595	-	2,268,595	-
Other assets	-	-	-	331
Unbilled water and sewer	-	230,039	230,039	-
Notes receivable - DRUC	-	7,110,000	7,110,000	-
Inventories	136,158	250,129	386,287	10,308
Capital assets, not being depreciated	11,885,431	5,165,163	17,050,594	-
Capital assets, being depreciated, net	23,124,453	27,677,559	50,802,012	42,668
TCRS Stabilization Reserve Trust	67,044	-	67,044	-
Net pension asset	10,634,167	99,808	10,733,975	37,661
Total assets	<u>77,050,752</u>	<u>48,512,782</u>	<u>125,563,534</u>	<u>194,652</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	4,558,728	76,155	4,634,883	12,622
Related to OPEB	1,631,117	74,342	1,705,459	-
Total deferred outflows of resources	<u>6,189,845</u>	<u>150,497</u>	<u>6,340,342</u>	<u>12,622</u>
LIABILITIES				
Accounts payable and accrued liabilities	398,606	160,826	559,432	62,046
Accrued payroll	447,531	22,449	469,980	-
Accrued interest payable	43,656	35,010	78,666	-
Other payables	182,130	212,264	394,394	100,000
Due to other funds	(115,663)	115,663	-	-
Due to other governments	2,255	21,723	23,978	-
Customer deposits	-	410,124	410,124	-
Unearned revenue	69,373	1,637,562	1,706,935	-
Compensated absences	2,172,224	353,860	2,526,084	-
Due within one year	890,000	1,850,000	2,740,000	5,969
Due in more than one year	17,350,565	18,565,000	35,915,565	-
Total OPEB liability	<u>3,234,228</u>	<u>-</u>	<u>3,234,228</u>	<u>-</u>
Total liabilities	<u>24,674,905</u>	<u>23,384,481</u>	<u>48,059,386</u>	<u>168,015</u>
DEFERRED INFLOWS OF RESOURCES				
Assessed & unlevied property taxes	4,987,997	-	4,987,997	-
Related to debt	1,602,325	512,710	2,115,035	-
Related to pensions	9,466,127	96,987	9,563,114	30,602
Related to OPEB	567,516	-	567,516	-
Total deferred inflows of resources	<u>16,623,965</u>	<u>609,697</u>	<u>17,233,662</u>	<u>30,602</u>
NET POSITION				
Net investment in capital assets	17,836,079	11,989,354	29,825,433	42,667
Restricted for:				
Net pension asset	10,634,167	99,808	10,733,975	37,661
TCRS Stabilization Reserve Trust	67,044	-	67,044	-
Drug control and investigation	433,235	-	433,235	-
Education	2,193,446	-	2,193,446	-
Unrestricted	10,777,756	12,579,939	23,357,695	(71,671)
Total net position	<u>\$ 41,941,727</u>	<u>\$ 24,669,101</u>	<u>\$ 66,610,828</u>	<u>\$ 8,657</u>

See notes to the financial statements.

City of Manchester, Tennessee
Statement of Activities
For the Year Ended June 30, 2022

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:								
General government	\$ 1,812,752	\$ 110,624	\$ -	\$ 57,600	\$ (1,644,528)	\$ -	\$ (1,644,528)	
Public safety	5,985,788	194,960	59,663	-	(5,731,165)	-	(5,731,165)	
Public works	3,090,152	1,259,477	528,424	47,159	(1,255,092)	-	(1,255,092)	
Health, welfare, and recreation	2,652,135	996,929	8,282	-	(1,646,924)	-	(1,646,924)	
Economic development and assistance	67,502	-	-	3,400	(64,102)	-	(64,102)	
Education	13,042,540	70,418	11,703,110	-	(1,269,012)	-	(1,269,012)	
Debt Service	1,623,513	-	-	-	(1,623,513)	-	(1,623,513)	
Total Governmental Activities	28,274,382	2,632,408	12,299,479	108,159	(13,234,336)	-	(13,234,336)	
Business-type Activities:								
Water and Sewer	6,717,047	6,660,266	17,400	-	-	(39,381)	(39,381)	
Total Primary Government	\$ 34,991,429	\$ 9,292,674	\$ 12,316,879	\$ 108,159	\$ -	(13,234,336)	(39,381)	(13,273,717)
Component Unit								
The Public Building Authority of Manchester, Tennessee	\$ 980,669	\$ 432,007	\$ -	\$ 22,000				\$ (526,662)
General revenues and Special items:								
Property taxes					7,978,780	-	7,978,780	-
Interest and penalty					53,126	-	53,126	-
In-lieu of tax					198,459	-	198,459	-
Licenses and Permits					218,666	-	218,666	-
Local option sales tax					8,617,759	-	8,617,759	-
Wholesale liquor and beer tax					924,949	-	924,949	-
Business, cable TV, and hotel occupancy taxes					1,604,376	-	1,604,376	-
Intergovernmental revenues:								
State sales tax					1,392,546	-	1,392,546	-
Other state revenue					155,239	-	155,239	-
Other revenue					763,339	56,942	820,281	491,848
Investment earnings and rental income					21,433	12,551	33,984	45
Gain on sale of capital assets					128,900	-	128,900	-
Total general revenues					22,057,572	69,493	22,127,065	491,893
Change in net position								
Net position - beginning					8,823,236	30,112	8,853,348	(34,769)
Restatement - due to accounting error					33,654,056	24,638,989	58,293,045	21,549
Net position - beginning, as restated					(535,565)	-	(535,565)	21,877
Net position - ending					33,118,491	24,638,989	57,757,480	43,426
					\$ 41,941,727	\$ 24,669,101	\$ 66,610,828	\$ 8,657

See notes to the financial statements

City of Manchester, Tennessee
Balance Sheet
Governmental Funds
June 30, 2022

	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Investment in pooled cash	8,720,212	6,975,791	2,889,756	4,034,024	22,619,783
Cash	-	-	-	515,322	515,322
Receivables					
Property taxes	5,066,610	-	-	164,689	5,231,299
Other	281,323	-	-	98,147	379,470
Due from other governments	1,728,671	505,615	-	34,309	2,268,595
Due from other funds	67,541	-	-	117,851	185,392
Inventory	101,478	-	-	34,680	136,158
TCRS Stabilization Reserve Trust	-	67,044	-	-	67,044
Restricted cash and cash equivalents	189,030	-	-	-	189,030
Total assets	16,154,865	7,548,450	2,889,756	4,999,022	31,592,093
LIABILITIES					
Accounts payable and accrued liabilities	21,771	42,292	-	334,543	398,606
Accrued payroll	154,038	224,113	-	69,380	447,531
Other payables	10,307	63,887	-	61,436	135,630
Judgements payable	-	-	-	46,500	46,500
Due to other funds	-	31,463	-	38,266	69,729
Due to other governments	2,255	-	-	-	2,255
Unearned revenues	-	-	-	69,373	69,373
Total liabilities	188,371	361,755	-	619,498	1,169,624
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	5,066,610	-	-	-	5,066,610
Total deferred inflows of resources	5,066,610	-	-	-	5,066,610
FUND BALANCES					
Nonspendable	98,484	-	-	34,680	133,164
Restricted					
General purpose school	-	1,122,849	-	-	1,122,849
Internal school fund	-	-	-	113,293	113,293
School federal projects	-	-	-	136,126	136,126
Central cafeteria	-	-	-	934,471	934,471
Drug control and investigation	-	-	-	433,235	433,235
Assigned					
General purpose school	-	6,063,846	-	-	6,063,846
Internal school fund	-	-	-	141,564	141,564
Debt service	-	-	2,889,756	-	2,889,756
Recreation	-	-	-	1,199,781	1,199,781
Tourism and community development	-	-	-	367,782	367,782
Sanitation	-	-	-	702,943	702,943
Capital equipment replacement	-	-	-	315,172	315,172
Education capital projects	-	-	-	477	477
Unassigned	10,801,400	-	-	-	10,801,400
Total fund balances	10,899,884	7,186,695	2,889,756	4,379,524	25,355,859
Total liabilities, deferred inflows of resources and fund balances	16,154,865	7,548,450	2,889,756	4,999,022	31,592,093

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, 2022

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

Total fund balances - balance sheet - governmental funds		\$ 25,355,859
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Capital assets, not being depreciated	\$ 11,885,431	
Capital assets, being depreciated, net	23,124,453	35,009,884
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Accrued Interest Payable	(43,656)	
Accrued Vacation and Sick Leave	(2,172,224)	
Due Within One Year	(890,000)	
Due in More Than One Year	<u>(17,350,565)</u>	(20,456,445)
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	1,631,117	
Deferred outflows of resources related to pensions	4,558,728	
Deferred inflows of resources related to OPEB	(567,516)	
Deferred inflows of resources related to pensions	(9,466,127)	
Deferred inflows of resources related to debt	<u>(1,602,325)</u>	(5,446,123)
Total OPEB liabilities of the city agent plan are not current financial uses and are therefore not reported in the governmental funds:	<u>(3,234,228)</u>	(3,234,228)
Net pension assets of the city agent plan are not current financial uses and are therefore not reported in the governmental funds:	<u>10,634,167</u>	10,634,167
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>78,613</u>	<u>78,613</u>
Net position of governmental activities		<u><u>\$ 41,941,727</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, 2022

	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Local taxes	\$ 13,050,697	-	\$ -	\$ 404,415	\$ 13,455,112
Licenses and permits	217,945	-	-	-	217,945
Charges for services	68,430	42,107	-	2,346,957	2,457,494
Fines and forfeitures	153,189	-	-	21,725	174,914
Other local revenues	30,473	61,438	-	253,797	345,708
Intergovernmental	2,182,348	5,630,995	-	-	7,813,343
Federal and state grants	384,877	9,742,756	-	5,246,176	15,373,809
Investment earning	89	240	17,367	677	18,373
Miscellaneous and contribution income	22,665	8,205	-	3,650	34,520
Total revenues	<u>16,110,713</u>	<u>15,485,741</u>	<u>17,367</u>	<u>8,277,397</u>	<u>39,891,218</u>
Expenditures					
General government	1,266,501	-	-	-	1,266,501
Public safety	5,164,275	-	-	743,294	5,907,569
Public works	2,057,178	-	-	1,544,111	3,601,289
Health, welfare, and recreation	425,533	-	-	2,194,226	2,619,759
Economic development and assistance	-	-	-	67,502	67,502
Education	-	16,578,286	-	5,012,853	21,591,139
Capital outlay	2,157,136	-	-	-	2,157,136
Debt service	-	-	1,623,513	-	1,623,513
Total expenditures	<u>11,070,623</u>	<u>16,578,286</u>	<u>1,623,513</u>	<u>9,561,986</u>	<u>38,834,408</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>5,040,090</u>	<u>(1,092,545)</u>	<u>(1,606,146)</u>	<u>(1,284,589)</u>	<u>1,056,810</u>
Other Financing Sources (Uses)					
Insurance recoveries	1,900	303	-	655,881	658,084
Sale of capital assets	-	-	-	128,900	128,900
Refunding bonds issued	9,510,000	-	-	-	9,510,000
Premium on refunding bonds issued	446,247	-	-	-	446,247
Payments to refunded escrow bond agent	(9,856,296)	-	-	-	(9,856,296)
Bond issuance costs	(99,951)	-	-	-	(99,951)
Transfers in (out)	(5,168,852)	1,728,437	1,733,543	1,706,872	-
Total other financing sources and uses	<u>(5,166,952)</u>	<u>1,728,740</u>	<u>1,733,543</u>	<u>2,491,653</u>	<u>786,984</u>
Net change in fund balances	<u>(126,862)</u>	<u>636,195</u>	<u>127,397</u>	<u>1,207,064</u>	<u>1,843,794</u>
Fund balances - beginning	11,026,747	6,550,500	2,762,359	3,173,460	23,513,066
Fund balances - ending	<u>\$ 10,899,885</u>	<u>\$ 7,186,695</u>	<u>\$ 2,889,756</u>	<u>\$ 4,380,524</u>	<u>\$ 25,356,860</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 Activity
For the Year Ended June 30, 2022

Net changes in fund balance - total governmental funds	1,843,794
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.	(3,580,584)
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.	2,132,510
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.	8,527,862
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.	(1,053,831)
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.	953,485
Change in net position of governmental activities	\$ 8,823,236

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, 2022

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final		Variance with Final
Revenues				
Local taxes	\$ 10,754,635	\$ 11,974,635	\$ 13,050,697	\$ 1,076,062
Licenses and permits	156,525	173,475	217,945	44,470
Charges for service	27,959	59,815	68,430	8,615
Fines and forfeitures	126,944	142,540	153,189	10,649
Other local revenues	500	500	30,473	29,973
Intergovernmental	1,943,700	2,043,835	2,182,348	138,513
Federal and state grants	413,265	418,765	384,877	(33,888)
Investment earnings	-	-	89	89
Miscellaneous and contribution income	131,000	131,250	22,665	(108,585)
Total revenues	13,554,528	14,944,815	16,110,713	1,165,898
Expenditures				
General Government				
City Court				
Contractual services	12,000	12,000	12,000	-
	12,000	12,000	12,000	-
Mayor and Aldermen				
Personnel expenditures	118,025	118,625	109,853	8,772
Contractual services	163,421	163,421	79,434	83,987
Supplies	6,000	6,000	1,289	4,711
Fixed charges	1,500	1,500	-	1,500
	288,946	289,546	190,576	98,970
Financial Administration				
Personnel expenditures	403,030	403,030	357,347	45,683
Contractual services	83,350	83,850	64,236	19,614
Supplies	10,600	10,100	6,743	3,357
Fixed charges	1,500	1,500	1,039	461
	498,480	498,480	429,365	69,115
Information Systems				
Personnel expenditures	91,333	91,633	91,143	490
Contractual services	38,600	38,600	33,561	5,039
Supplies	5,500	5,500	4,041	1,459
Fixed charges	50	50	-	50
Capital outlay	15,000	15,000	14,997	3
	150,483	150,783	143,742	7,041
Planning and Zoning				
Personnel expenditures	321,540	312,790	280,001	32,789
Contractual services	45,000	45,000	26,360	18,640
Supplies	9,600	9,750	8,239	1,511
Fixed charges	3,000	3,000	1,506	1,494
	379,140	370,540	316,106	54,434
General Government and Buildings				
Personnel expenditures	40,000	40,000	2,206	37,794
Contractual services	293,000	29,300	199,334	(170,034)
Supplies	6,500	6,500	2,820	3,680
Fixed charges	424,500	424,500	257,670	166,830
Capital outlay	2,142,136	2,172,136	1,812,765	359,371
	2,906,136	2,672,436	2,274,795	397,641

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, 2022

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final		Variance with Final
Economic Development Board				
Personnel expenditures	91,500	91,500	40,275	51,225
Contractual services	22,500	22,500	8,715	13,785
	<u>114,000</u>	<u>114,000</u>	<u>48,990</u>	<u>65,010</u>
Conference Center				
Personnel expenditures	8,064	8,064	8,063	1
	<u>-</u>	<u>8,064</u>	<u>8,063</u>	<u>1</u>
Total general government	<u>4,349,185</u>	<u>4,115,849</u>	<u>3,423,637</u>	<u>692,212</u>
Public Safety				
Police Department				
Personnel expenditures	2,721,606	2,721,606	2,688,566	33,040
Contractual services	76,400	76,400	88,260	(11,860)
Supplies	155,450	165,450	165,256	194
Fixed charges	1,800	1,800	212	1,588
Capital outlay	18,000	18,000	9,961	8,039
	<u>2,973,256</u>	<u>2,983,256</u>	<u>2,952,255</u>	<u>31,001</u>
Fire Department				
Personnel expenditures	2,100,100	2,108,850	2,015,687	93,163
Contractual services	72,806	72,856	75,889	(3,033)
Supplies	122,300	132,500	113,446	19,054
Fixed charges	14,000	14,000	6,998	7,002
	<u>2,309,206</u>	<u>2,328,206</u>	<u>2,212,020</u>	<u>116,186</u>
Total public safety	<u>5,282,462</u>	<u>5,311,462</u>	<u>5,164,275</u>	<u>147,187</u>
Public Works				
Public Works Department				
Personnel expenditures	1,183,690	1,202,690	1,125,871	76,819
Contractual services	374,300	374,300	288,938	85,362
Supplies	193,500	193,500	163,569	29,931
Building materials	80,000	86,675	37,504	49,171
Fixed charges	2,000	2,000	293	1,707
Capital outlay	932,206	932,206	441,003	491,203
	<u>2,765,696</u>	<u>2,791,371</u>	<u>2,057,178</u>	<u>734,193</u>
Total public works	<u>2,765,696</u>	<u>2,791,371</u>	<u>2,057,178</u>	<u>734,193</u>
Health, Welfare, and Recreation				
Contributions to other agencies	407,116	559,931	425,533	134,398
Total health, welfare, and recreation	<u>407,116</u>	<u>559,931</u>	<u>425,533</u>	<u>134,398</u>
Total expenditures	<u>12,804,459</u>	<u>12,778,613</u>	<u>11,070,623</u>	<u>1,707,990</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	750,069	2,166,202	5,040,090	2,873,888
Other Financing Sources (Uses)				
Insurance recoveries	1,900	1,900	1,900	-
Transfers in (out)	(4,873,882)	(5,173,882)	(5,168,852)	5,030
Total other financing sources and uses	<u>(4,871,982)</u>	<u>(5,171,982)</u>	<u>(5,166,952)</u>	<u>5,030</u>
Net change in fund balance	<u>\$ (4,121,913)</u>	<u>\$ (3,005,780)</u>	<u>(126,862)</u>	<u>\$ 2,878,918</u>
Fund Balance - beginning			<u>11,026,747</u>	
Fund Balance - ending			<u>\$ 10,899,885</u>	

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, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	Positive (Negative) Variance with
	Original	Final		Final
Revenues				
Charges for services	\$ 47,000	\$ 47,000	42,107	\$ (4,893)
Other local revenues	5,000	16,250	61,438	45,188
Intergovernmental	4,218,360	4,214,110	5,630,995	1,416,885
Federal and state grants	9,587,627	9,787,668	9,742,756	(44,912)
Investment Earnings	4,000	4,000	240	(3,760)
Miscellaneous and contribution income	25,000	32,205	8,205	(24,000)
Total revenues	13,886,987	14,101,233	15,485,741	1,384,508
Expenditures				
<u>Instruction</u>				
Regular instruction	7,987,480	8,398,878	7,789,316	609,562
Alternative instruction	63,716	63,716	36,342	27,374
Special education	1,513,867	1,590,267	1,482,889	107,378
Student body education	2,000	2,000	-	2,000
<u>Support Services</u>				
Attendance	132,118	133,320	218,052	(84,732)
Health services	276,173	276,173	257,067	19,106
Other student support	462,495	462,495	161,300	301,195
Regular instruction	373,463	373,463	323,997	49,466
Special education	286,165	286,165	295,162	(8,997)
Technology	630,628	631,462	515,970	115,492
Board of Education	296,308	296,308	254,489	41,819
Office of the superintendent	272,257	274,879	272,865	2,014
Office of the principal	748,708	750,022	714,715	35,307
Fiscal services	332,570	361,792	348,606	13,186
Operation of plant	965,055	965,055	884,963	80,092
Maintenance of plant	507,825	507,825	463,887	43,938
Transportation	49,604	49,604	38,577	11,027
<u>Operation of Non-instructional Services</u>				
Community services	1,088,266	1,095,856	672,055	423,801
Food service leaps	8,520	8,520	-	8,520
Early childhood education	294,901	299,086	291,028	8,058
Regular indirect cost	11,571	17,567	17,567	-
<u>Debit Service</u>				
Principal	-	47,424	47,424	-
Interest	-	2,976	2,976	-
<u>Capital Outlay</u>				
Total expenditures	16,303,690	19,035,403	16,578,286	2,457,117
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(2,416,703)	(4,934,170)	(1,092,545)	3,841,625
Other Financing Sources (Uses)				
Insurance recoveries	-	-	303	303
Transfers in (out)	1,858,467	1,858,467	1,728,437	(130,030)
Total other financing sources and uses	1,858,467	1,858,467	1,728,740	(129,727)
Net change in fund balance	\$ (558,236)	\$ (3,075,703)	636,195	\$ 3,711,898
Fund balance - beginning			6,550,500	
Fund balance - ending			7,186,695	

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, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
				<u>Variance with</u>
				<u>Final</u>
Revenues				
Other local revenues	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)
Investment earnings	23,500	23,500	17,367	(6,133)
Total revenues	<u>43,500</u>	<u>43,500</u>	<u>17,367</u>	<u>(26,133)</u>
Expenditures				
Debt service	1,750,700	1,976,700	1,623,513	353,187
Total expenditures	<u>1,750,700</u>	<u>1,976,700</u>	<u>1,623,513</u>	<u>353,187</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(1,707,200)	(1,933,200)	(1,606,146)	327,054
Other Financing Sources (Uses)				
Transfers In (out)	1,748,200	1,748,200	1,733,543	(14,657)
Total other financing sources and uses	<u>1,748,200</u>	<u>1,748,200</u>	<u>1,733,543</u>	<u>(14,657)</u>
Net change in fund balance	<u>\$ 41,000</u>	<u>\$ (185,000)</u>	127,397	<u>\$ 312,397</u>
Fund Balance - beginning			<u>2,762,359</u>	
Fund Balance - ending			<u>\$ 2,889,756</u>	

See notes to the financial statements

City of Manchester, Tennessee
Proprietary Fund
Statement of Net Position
June 30, 2022

	Water and Sewer Department
ASSETS	
Current Assets:	
Cash and cash equivalents	2,793,846
Investment in pooled cash	4,617,841
Accounts receivable, net	426,107
Unbilled revenues	230,039
Notes receivable-current portion	445,000
Inventories	250,129
Restricted cash and cash equivalents	142,290
Total current assets	8,905,252
Noncurrent assets:	
Notes receivable-long-term portion	6,665,000
Net pension assets	99,808
Capital assets, not being depreciated	5,165,163
Capital assets, being depreciated, net	27,677,559
Total noncurrent assets	39,607,530
Total assets	48,512,782
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	76,155
Related to debt	74,342
Total deferred outflows of resources	150,497
LIABILITIES	
Current liabilities:	
Accounts payable	160,826
Accrued payroll and payroll liabilities	22,449
Due to other funds	115,663
Accrued interest payable	35,010
Retainage payable	142,290
Deferred revenue	1,637,562
Other current liabilities	91,697
Revenue bonds payable, current	1,850,000
Total current liabilities	4,055,497
Noncurrent liabilities:	
Customer deposits	410,124
Compensated absences	353,860
Revenue bonds payable	18,565,000
Total noncurrent liabilities	19,328,984
Total liabilities	23,384,481
DEFERRED INFLOWS OF RESOURCES	
Related to pension	96,987
Related to debt	512,710
Total deferred inflows of resources	609,697
NET POSITION	
Net investment in capital assets	11,989,354
Restricted for pension	99,808
Unrestricted	12,579,939
Total net position	24,669,101

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, 2022

	<u>Water and Sewer Department</u>
Operating revenues:	
Charges for services:	
Water and sewer revenues	\$ 6,279,500
Forfeited discounts	102,098
Connection and other fees	278,668
Miscellaneous water revenues	56,942
Other operating revenue	-
Total operating revenues	<u>6,717,208</u>
 Operating Expenses:	
Transmission and distribution	1,435,383
Customer accounting and collection	349,691
Sewer treatment and disposal	819,025
Shop and maintenance	2,185,394
Depreciation	1,620,464
Total operating expenses	<u>6,409,957</u>
 Operating income	 307,251
 Nonoperating revenues (expenses):	
Interest	12,551
Industrial park contribution	17,400
Bond interest and fiscal charges	(207,140)
Bond insurance Cost	(99,950)
Total nonoperating revenues (expenses)	<u>(277,139)</u>
 Change in Net Position	 30,112
 Net position, beginning	 <u>24,638,989</u>
 Net position, ending	 <u><u>\$ 24,669,101</u></u>

See notes to the financial statements

City of Manchester, Tennessee
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash Flows from Operating Activities	
Cash received from customers	\$ 6,717,208
Cash paid to employees for services	(2,124,780)
Cash paid to suppliers of goods and services	(1,708,366)
Net cash provided by operating activities	<u>2,884,062</u>
Cash Flows from Noncapital Financing Activities	
Operating grants	<u>1,637,562</u>
Net cash used by noncapital financing activities	<u>1,637,562</u>
Cash Flows from Capital and Related Financing Activities	
Loan proceeds on capital debt	13,610,000
Acquisitions of capital assets	(781,541)
Bond insurance cost on capital debt	(99,950)
Interest paid on capital debt	(207,140)
Principal paid on capital debt	(15,972,403)
Net cash used by capital and related financing activities	<u>(3,451,034)</u>
Cash Flows from Investing Activities	
Interest received	12,480
Other nonoperating revenues	<u>17,400</u>
Net cash provided by investing activities	<u>29,880</u>
Net increase in cash	1,100,470
Cash, beginning	<u>6,311,217</u>
Cash, ending	<u>\$ 7,411,687</u>
Reconciliation of Operating Income to Net Cash Provided by Operations	
Operating Income	\$ 307,251
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,620,464
(Increase) decrease in accounts receivable	(492,797)
(Increase) decrease in inventory	(20,135)
(Increase) decrease in net pension asset	58,556
(Increase) decrease in deferred outflows related to debt	(74,342)
(Increase) decrease in deferred outflows related to pension	17,279
Increase (decrease) in accounts payable	22,277
Increase (decrease) in accrued payroll	196
Increase (decrease) in compensated absences	39,776
Increase (decrease) in due to other funds	31,555
Increase (decrease) in accrued interest	(23,706)
Increase (decrease) in retainage payable	71
Increase (decrease) in other current liabilities	26,904
Increase (decrease) in bond premiums	(317,524)
Increase (decrease) in revenues deferred inflows	1,637,562
Increase (decrease) in pension deferred inflows	75,935
Increase (decrease) in customer deposits	(25,260)
Net cash provided by operating activities	<u>\$ 2,884,062</u>

See notes to the financial statements

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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 year then ended June 30, 2022 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, 2022

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, 2022

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, School Federal Projects Fund, and the Internal School Funds.

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, 2022

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

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2022

are recorded at their acquisition value on the date contributed. 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.

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.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2022

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. The City's leases are also reported as a deferred outflow.

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 2022 fiscal year (2021 tax year) was \$0.99 per \$100 of assessed valuation.

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.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2022

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, 2022
Levy date	January 1, 2022
Tax bills mailed	October 1, 2022
Delinquency date	March 1, 2023

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 and accumulated sick pay with restrictions.

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."

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

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2022

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 the 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.

Leases – The City is a lessee for a noncancellable lease of cardio equipment for its Recreation Center. The City recognizes a lease payable and a deferred outflow of resources in the financial statements.

At the commencement of the lease, the City initially measures the lease payable at the present value of payments expected to be paid during the lease term. Subsequently, the lease payable is reduced by the principal portion of lease payments paid. The deferred outflow of resources is initially measured as the initial amount of lease payable, adjusted for lease payments paid at or before the lease commencement date. Subsequently, the deferred outflow of resources is recognized as expense over the life of the lease term.

Key estimates and judgements include how the City determines:: (1) the discount rate it uses to discount the expected lease payments to present value; (2) lease term; and (3) lease payments.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2022

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease payable is composed of fixed payments.

The City monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease payable and deferred outflow of resources if certain changes occur that are expected to significantly affect the amount of the lease payable.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

For the year ended June 30, 2022, the City expenditures did not exceed appropriations in the General Fund.

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 Finance 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

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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.

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.

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- *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.

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, 2022, Manchester City School System had the following investments held by the trust on its behalf.

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Investment	Weighted Average Maturity (Days)	Maturity	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	20,784
Developed Market International Equity	N/A	N/A	9,386
Emerging Market International Equity	N/A	N/A	2,682
U.S. Fixed Income	N/A	N/A	13,409
Real Estate	N/A	N/A	6,704
Short-term Securities	N/A	N/A	670
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	13,409
			\$ 67,044

Investments by Fair Value Level	Fair Value June 30, 2022	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	\$ 20,784	\$ 27,783	-	-	-
Developed Market International Equity	9,386	9,386	-	-	-
Emerging Market International Equity	2,682	2,682	-	-	-
U.S. Fixed Income	13,409	-	13,409	-	-
Real Estate	6,704	-	-	6,704	-
Short-term Securities	670	-	670	-	-
Private Equity and Strategic Lending	13,409	-	-	-	13,409
	\$ 67,044	\$ 39,851	\$ 14,079	\$ 6,704	\$ 13,409

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

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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 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, 2022, 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	3,991,663	3,878,750	(507,058)	7,363,355
Total not being depreciated	<u>8,513,740</u>	<u>3,878,750</u>	<u>(507,058)</u>	<u>11,885,432</u>
Capital assets being depreciated:				
Buildings	28,306,888	6,652	(557,366)	27,756,174
Other improvements	403,668	-	-	403,668
Infrastructure	28,449,834	987,439	-	29,437,273
Machinery & Equipment	7,818,768	995,253	(75,689)	8,738,332
Total capital assets being depreciated	<u>64,979,158</u>	<u>1,989,344</u>	<u>(633,055)</u>	<u>66,335,447</u>
Less: accumulated depreciation	<u>41,969,163</u>	<u>1,622,744</u>	<u>(380,913)</u>	<u>43,210,994</u>
Net capital assets being depreciated	<u>23,009,995</u>	<u>366,600</u>	<u>(252,142)</u>	<u>23,124,453</u>
Net capital assets	<u>\$ 31,523,735</u>	<u>\$ 4,245,350</u>	<u>\$ (759,200)</u>	<u>\$ 35,009,885</u>

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Depreciation expense was charged to the following functions/programs:

General government	\$	71,060
Public safety		120,284
Drug fund		123,779
Public works		488,429
Sanitation		14,973
Recreation		328,675
Schools		475,544
		1,622,744

<u>Business-type Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 210,937	\$ -	\$ -	\$ 210,937
Construction in Progress	4,199,495	757,311	(2,579)	4,954,227
Total capital assets not being depreciated	4,410,432	757,311	(2,579)	5,165,164
Capital assets being depreciated				
Buildings	398,600	-	-	398,600
Infrastructure	54,715,755	2,579	-	54,718,334
Machinery & Equipment	1,611,014	21,650	-	1,632,664
Total capital assets being depreciated	56,725,369	24,229	-	56,749,598
Less: accumulated depreciation	27,451,575	1,620,465	-	29,072,040
Net capital assets being depreciated	29,273,794	(1,596,236)	-	27,677,558
Net capital assets	\$ 33,684,226	\$ (838,925)	\$ (2,579)	\$ 32,842,722

During 2022, depreciation in the amount of \$1,620,465 was charged to operations.

NOTE 5 - INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2022, is as follows:

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	Interfund Receivable	Interfund Payable
Major Funds		
General Fund	\$ 67,541	\$ -
Debt Service Fund	-	-
General Purpose School Fund	-	31,463
	67,541	31,463
Nonmajor Funds		
Recreation Fund	-	38,266
Sanitation Fund	86,388	-
Central Cafeteria Fund	31,463	-
	117,851	38,266
Proprietary Funds		
Water and Sewer Fund	-	115,663
	-	115,663
	\$ 185,392	\$ 185,392

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, 2022, is as follows:

	From Fund	To Fund	Amount
	General	Sanitation	\$ 50,000
	General	Recreation	831,000
	General	Schools	1,858,467
	General	Debt Service	1,688,200
	General	Capital Projects	871,215
	Recreation	Debt Service	45,343
Total Transfers			\$ 5,344,225

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

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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, 2022, 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 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, 2022, will be retired from the Water and Sewer Fund.

Debt outstanding as of June 30, 2022 consisted of the following:

	Interest Rates	Maturity Date	Original Issue	Balance June 30, 2022
Governmental Activities:				
Capital Outlay Note:				
Energy Efficient For Schools	0.50%	2033	610,502	535,565
General Obligation Bonds:				
Refunding Bonds Series, 2020A	3.00%	2038	17,115,000	15,515,000
Refunding Bonds Series, 2020B	1.78%	2044	2,245,000	2,190,000
			<u>\$ 19,970,502</u>	<u>\$ 18,240,565</u>
Business-Type Activities:				
Bonds Payable:				
Refunding Bonds Series 20117	3.82%	2028	5,620,000	4,295,000
Refunding Bonds Series 2016B	2.00%	2037	5,640,000	-
Rural Development, Series 2011	3.00%	2050	1,348,000	-
Rural Development, Series 2014	3.25%	2028	443,658	-
Refunding Bonds Series 2021A	1.93%	2037	9,510,000	9,000,000
(a) Public Improv Bonds, Series 2016A (DRUC)	4.74%	2031	6,240,000	-
(a) Public Improv Bonds, Series 2016A (DRUC)	4.74%	2038	3,231,000	3,020,000
(a) Public Improv Bonds, Series 2016A (DRUC)	1.60%	2031	4,100,000	4,100,000
Other Loans:				
SRF Loan, Series 2011	2.16%	2031	7,500,000	-
			<u>\$ 43,632,658</u>	<u>\$ 20,415,000</u>
Total Governmental and Business			<u>\$ 63,603,160</u>	<u>\$ 38,655,565</u>
(a) See note on Duck River Utility Commission				

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

Yeas Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 937,856	\$ 510,094	\$ 1,850,000	\$ 420,125
2024	968,096	483,154	1,890,000	383,025
2025	993,336	455,314	1,825,000	345,125
2026	1,013,576	426,724	1,765,000	308,525
2027	1,033,816	397,534	1,780,000	273,175
2028-2032	5,482,788	1,538,412	6,435,000	916,000
2033-2037	5,936,097	760,682	4,470,000	379,300
2038-2042	1,675,000	85,250	400,000	12,000
2043-2044	200,000	6,000	-	-
	<u>\$ 18,240,565</u>	<u>\$ 4,663,164</u>	<u>\$ 20,415,000</u>	<u>\$ 3,037,275</u>

A summary of lease activity for the year ended June 30, 2022:

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2022
<u>LEASE PAYABLE</u>								
Recreation Cardio Equipment	\$ 100,080	0.0%	11/4/2021	11/4/2024	\$ -	\$ 60,156	\$ (20,052)	\$ 40,104
					<u>\$ -</u>	<u>\$ 60,156</u>	<u>\$ (20,052)</u>	<u>\$ 40,104</u>

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A summary of long-term liability activity, including debt, for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Amounts Due Within One Year
Governmental Activities					
Bonds	18,560,000	-	(855,000)	17,705,000	890,000
Lease	-	60,156	(20,052)	40,104	20,052
Capital Outlay Note	-	583,181	(47,616)	535,565	-
Premiums	1,801,880	-	(104,513)	1,697,367	-
Discounts	(100,821)	5,779	-	(95,042)	-
Compensated Absences	2,234,709	96,738	(159,223)	2,172,224	-
OPEB	3,257,631	30,000	(53,401)	3,234,230	-
	<u>\$25,753,399</u>	<u>\$ 775,854</u>	<u>\$ (1,239,805)</u>	<u>\$ 25,289,448</u>	<u>\$ 910,052</u>
Business-Type Activities					
Refunding bonds, all Series	9,790,000	9,510,000	(6,005,000)	13,295,000	1,405,000
Rural Development Bonds	1,388,342	-	(1,388,342)	-	-
Public Improvement Bonds	7,710,000	4,100,000	(4,690,000)	7,120,000	445,000
State Revolving Loan	4,073,795	-	(4,073,795)	-	-
Premiums	60,898	-	425,135	486,033	-
Discounts	-	39,787	-	39,787	-
Compensated Absences	365,389	-	(11,529)	353,860	-
OPEB	-	-	-	-	-
	<u>\$23,388,424</u>	<u>\$13,649,787</u>	<u>\$ (15,743,531)</u>	<u>\$ 21,294,680</u>	<u>\$1,850,000</u>

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

New Debt

Business Type Activities

The City issued \$9,510,000 in general obligation refunding bonds, series 2021A, 2% interest to advance refunding general obligation bonds and a state revolving loan detailed in the schedule below, which had interest rates ranging from 2.00% to 3.25%.

As a result, the series 2011, series 2014 and series 2016 are considered defeased and the liability for those bonds have been removed from the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price by \$632,403. This amount is reported as a deferred inflow of resources and amortized over the remaining life of the refunding debt, which has the same remaining life as the refunded debt.

The advance refundings reduced the City's total debt service payments by \$995,806 and resulted in a present value economic gain of \$700,912.

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	2011 State Revolving Fund Loan	2011 Rural Development Bonds	2014 Rural Development Bonds	2016B General Obligation Bonds	Summary
Defeasement					
Par amount of bonds	\$ 1,134,172	\$ 4,002,990	\$ 248,179	\$ 4,690,000	\$ 10,075,341
Interest	5,873	-	950	24,731	31,554
Total defeasement	\$ 1,140,045	\$ 4,002,990	\$ 249,129	\$ 4,714,731	\$ 10,106,895
Sources of Funds					
Par amount of bonds	\$ 3,615,000	\$ 1,100,000	\$ 240,000	\$ 4,555,000	\$ 9,510,000
Reoffering premium	193,827	50,849	12,033	229,325	486,034
Planned issuer equity contribution	250,599	-	-	-	250,599
Total Sources	\$ 4,059,426	\$ 1,150,849	\$ 252,033	\$ 4,784,325	\$ 10,246,633
Use of Funds					
Total Underwriter's discounts (0.418%)	\$ 15,124	\$ 4,602	\$ 1,004	\$ 19,057	\$ 39,787
Cost of issuance	41,310	6,204	1,900	50,537	99,951
Deposit to current refunding fund	4,002,990	1,140,045	249,129	4,714,731	10,106,895
Total Uses	\$ 4,059,424	\$ 1,150,851	\$ 252,033	\$ 4,784,325	\$ 10,246,633

Other Long-Term Debt - Duck River Utility Commission

The City issued \$4,100,000 in public building authority of Coffee County, TN-Utility revenue and tax bonds, series 2021B, with an interest rate of 1.6%, to be 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. The net proceeds were \$4,279,920 (including a \$179,920 premium and after payment of \$49,404 in underwriting fees and other issuance costs). As a result, the 2016 series bonds are considered defeased and the liability for those bonds have been removed from the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price by \$414,721. This amount is reported as a deferred inflow of resources and amortized over the remaining life of the refunding debt, which has the same remaining life as the refunded debt. The advance refunding reduced the City's total debt service payments by \$825,789 and resulted in a present value economic gain of \$200,762.

The City carries the long-term debt related to these bonds of \$4,100,000 and the existing series Z-1-B bonds in the amount of \$3,020,000, and a corresponding receivable from DRUC at June 30, 2022, of \$7,120,000.

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

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the

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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, 2022 to the Teacher Legacy Pension Plan were \$847,508 which is 9.27 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, 2022, Manchester City Schools reported an asset of \$8,923,706 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, 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, 2021 Manchester City Schools' proportion was 0.206891 percent. The proportion measured as of June 30, 2020 was 0.198593 percent.

Pension expense (negative pension expense). For the year ended June 30, 2022, Manchester City Schools recognized negative pension expense of (\$1,421,567).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, Manchester City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,989	\$ 744,266
Changes in assumptions	2,384,265	-
Net difference between projected and actual earnings on pension plan	-	7,116,456
Changes in proportion of Net Pension Liability (Asset)	3,977	49,501
LEA's contributions subsequent to the measurement date of June 30, 2021	847,508	<i>(not applicable)</i>
Total	<u>\$ 3,265,739</u>	<u>\$ 7,910,223</u>

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Manchester City Schools employer contributions of \$847,508, 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, 2023. 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:	
2023	(\$1,307,731)
2024	(1,244,400)
2025	(1,019,336)
2026	(1,920,526)
2027	-
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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 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	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.125 percent

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and 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, 2020 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

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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 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	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 6.75 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 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 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

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	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Manchester City Schools’ proportionate share of the net pension liability (asset)	(\$1,588,119)	(\$8,923,706)	(\$15,028,377)

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, 2022, Manchester City Schools reported \$46,102 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

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

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available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in the years when the maximum funded level, as established by TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Manchester City Schools for the year ended June 30, 2022 to the Teacher Retirement Plan were \$12,906 which is 1.47 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, 2022, Manchester City Schools reported an asset of \$66,317 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, 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, 2021 Manchester City Schools' proportion was 0.061223 percent. The proportion measured as of June 30, 2020 was 0.049381 percent.

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Pension expense. (negative pension expense). For the year ended June 30, 2022, Manchester City Schools recognized pension expense of \$7,829.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, Manchester City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,154	\$ 12,135
Changes in assumptions	23,920	-
Net difference between projected and actual earnings on pension plan investments	-	38,174
Changes in proportion of Net Pension Liability (Asset)	2,740	5,797
LEA's contributions subsequent to the measurement date of June 30, 2021	12,906	<i>(not applicable)</i>
Total	<u>\$ 40,720</u>	<u>\$ 56,106</u>

Manchester City Schools employer contributions of \$12,906, 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, 2023. 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:	
2023	(\$8,610)
2024	(\$8,401)
2025	(\$8,341)
2026	(\$9,302)
2027	\$880
Thereafter	\$5,481

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

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Actuarial assumptions. The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 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	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.125 percent

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

The actual assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and 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, 2020 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 2.25 percent. These best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

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The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 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 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Manchester City Schools’ proportionate share of the net pension liability (asset)	\$22,798	(\$66,317)	(\$132,043)

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, 2022, Manchester City Schools reported no payable for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

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

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

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

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

Employees covered by benefit terms. At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	90
Active employees	172
	269

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, 2022, the employer contributions for Manchester were \$324,555 based on a rate of 5.24 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.

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Net Pension Liability (Asset)

Manchester's net pension liability (asset) was measured as of June 30, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 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	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

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, 2020 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 2.25 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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Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<hr/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described previously.

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Manchester will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the Net Pension Liability (Asset)

Increase (Decrease)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at 6/30/20	\$7,554,925	\$ 8,418,609	\$ (863,684)
Changes for the year:			
Service cost	621,838	-	621,838
Interest	590,217	-	590,217
Differences between expected and actual experience	(121,937)	-	(121,937)
Change in Assumptions	1,016,233	-	1,016,233
Contributions- employer	-	380,888	(380,888)
Contributions- employees	-	364,137	(364,137)
Net investment income	-	2,256,651	(2,256,651)
Benefit payments, including refunds of employee contributions	(71,666)	(71,666)	-
Administrative expense	-	(15,057)	15,057
Other changes	-	-	-
Net changes	<u>2,034,685</u>	<u>2,914,953</u>	<u>(880,268)</u>
Balance at 6/30/21	<u>\$9,589,610</u>	<u>\$ 11,333,562</u>	<u>\$ (1,743,952)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Manchester calculated using the discount rate of 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Manchester's net pension liability (asset)	\$104,831	(\$1,743,952)	(\$3,224,030)

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

Pension expense. For the year ended June 30, 2022, Manchester recognized negative pension expense of (\$30,456).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, Manchester reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 62,592	\$ 485,922
Net difference between projects and actual earnings on pension plan investments	-	1,208,733
Change in Assumptions	941,277	-
Contributions subsequent to the measurement date of June 30, 2021	324,556	<i>(Not applicable)</i>
Total	\$ 1,328,425	\$ 1,694,655

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2021,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:	
2021	(\$224,512)
2022	(212,785)
2023	(210,186)
2024	(239,307)
2025	56,515
Thereafter	139,477

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, 2022, the City of Manchester reported a payable of \$46,102 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

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Manchester Public Employee Retirement System (MPERS)

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

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

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

Deferred Compensation Plan

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

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Benefits provided - The Manchester City Schools offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the preferred provider organization (PPO), standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees' premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the healthsavings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms - At July 1, 2021, the following employees of Manchester City Schools were covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefit	19
Inactive employees entitled to but not yet receiving	1
Active employees	<u>152</u> <u>172</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 \$193,974 to the TGOP for OPEB benefits as they came due.

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Total OPEB Liability

Actuarial assumptions - The collective total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	7.36% for pre-65 in 2021, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 7.32% for post-65 in 2021, 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, 2021, valuations were the same as those employed in the July 1, 2020 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, 2016 - June 30, 2020. 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 pre-retirement mortality rates employed in this valuation are taken from the PUB-2010 Headcount-weighted Employee mortality table for Teacher Employees projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-weighted Teacher Below Median Healthy Annuitant and adjusted with a 19% load for males and an 18% load for females, projected generationally from 2010 with MP-2020. 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, projected generationally from 2018 with MP-2020.

Discount rate - The discount rate used to measure the total OPEB liability was 2.16 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	\$ 4,475,226
Changes for the year:	
Service cost	219,725
Interest	100,837
Changes of benefit terms	-
Differences between expected and actual experience	246,480
Change in assumptions	(212,066)
Benefit payments	(265,877)
Net changes	89,099
Total OPEB liability-ending balance	\$ 4,564,325
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 1,330,095
Employer's proportionate share of the collective total OPEB liability	\$ 3,234,230
Employer's proportion of the collective total OPEB liability	70.86%

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 -2.60% from the prior measurement date. Manchester City Schools recognized \$129,432 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 2.21% as of the beginning of the measurement period to 2.16% as of June 30, 2021. This change in assumption increased 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 or 1-percentage-point higher than the current discount rate.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2022

	1% Decrease (1.16%)		Discount Rate (2.16%)		1% Increase (3.16%)
Proportionate share of collective total OPEB liability	\$ 3,465,271	\$	3,234,230	\$	3,012,355

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.

	Healthcare Cost Trend Rates		
	1% Decrease (6.36%/6.32% decreasing to 3.50%)	Rates (7.36%/7.32% decreasing to 4.50%)	1% Increase (8.36%/8.32% decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 2,888,005	\$	3,234,230
			\$ 3,639,706

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

OPEB expense - For the fiscal year ended June 30, 2022, Manchester City Schools recognized OPEB expense of \$495,033.

Deferred outflows of resources and deferred inflows of resources - For the fiscal year ended June 30, 2022, Manchester City Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	Deferred Outflows of resources	Deferred Inflows of resources
TGOP		
Differences between actual and expected experience	\$ 1,017,386	\$ 175,178
Changes of assumptions	268,621	321,986
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.	151,136	70,352
Employer payments subsequent to the measurement date	193,974	-
Total	\$ 1,631,117	\$ 567,516

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2022

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	\$ 138,454
2022	138,454
2023	138,454
2024	138,454
2025	140,665
Thereafter	175,146

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

Manchester City Schools Closed Tennessee Plan

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

Benefits provided - The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TN plan does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receive 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

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2022

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, 2021, 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	22		
Active employees	<table style="margin-left: auto; margin-right: 0; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">116</td> </tr> <tr> <td style="border-bottom: 3px double black; text-align: right;">175</td> </tr> </table>	116	175
116			
175			

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

Total OPEB Liability

Actuarial assumptions - The collective total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2022

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, 2016 - June 30, 2020. 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 headcount-weighted below median teachers PUB-2010 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2020. Post-retirement tables are adjusted with a 19% load for males and a 18% 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 with mortality improvement projected to all future years using Scale MP-2020.

Discount rate - The discount rate used to measure the total OPEB liability was 2.16 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

Changes in Collective Total OPEB Liability

TNP	Total OPEB Liability (a)
Total OPEB liability - beginning balance	<u>\$ 610,447</u>
Changes for the year:	
Service cost	12,008
Interest	13,515
Changes of benefit terms	-
Differences between expected and actual experience	(22,643)
Change in assumptions	(94,864)
Benefit payments	<u>(21,912)</u>
Net changes	<u>(113,896)</u>
Total OPEB liability - ending balance	<u>\$ 496,551</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 496,551
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	0.00%

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2022

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 \$20,321 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 2.21% as of the beginning of the measurement period to 2.16% as of June 30, 2021. 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, 2022, Manchester City schools recognized OPEB expense of \$20,321.

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.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2022

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 implemented this standard for the fiscal year ending June 30, 2022. The audit of the Internal School Funds for the year ended June 30, 2022 is available on the website of the Tennessee Comptroller of the Treasury.

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized based on the payment provisions of the contract.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

Correction of Error in Previously Issued Financial Statements

Prior financial reports incorrectly reported a general fund capital outlay note as grant revenue.

A restatement of the beginning net position on the statement of activities was made in relation to the accounting error as follows:

Government-Wide	Description of Restatement	Amount
Governmental Activities	Beginning Net Position, as previously reported	\$ 33,654,056
	Decrease in beginning net position to recognize remaining balance of general fund capital outlay note made on behalf of Manchester City Schools. The note was recorded as revenue in prior year	(535,565)
	Beginning Net Position, as restated	<u>\$ 33,118,491</u>

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2022

NOTE 14 – SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about the conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the City through March 17, 2023 (the date the financial statements were available to be issued) and concluded that no events should be disclosed as a subsequent event.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Manchester, Tennessee
Schedule of Changes in Proportionate Share of Collective OPEB Liability and Related Ratios
June 30, 2022

TGOP

	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	\$ 159,634	\$ 147,249	\$ 114,911	\$ 160,702	\$ 219,725
Interest	103,722	123,011	90,502	136,720	100,837
Changes of benefit terms	-	(664,516)	-	-	-
Differences between expected and actual experience	-	(404,188)	1,659,747	138,751	246,480
Changes of assumptions	(152,751)	69,314	(287,283)	439,351	(212,066)
Benefit payments	(191,072)	(198,836)	(190,558)	(267,197)	(265,877)
Net change in total OPEB liability	\$ (80,467)	\$ (927,966)	\$ 1,387,319	\$ 608,327	\$ 89,099
Total OPEB liability - beginning	3,488,013	3,407,546	2,479,580	3,866,899	4,475,226
Total OPEB liability - ending (a)	\$ 3,407,546	\$ 2,479,580	\$ 3,866,899	\$ 4,475,226	\$ 4,564,325

Nonemployer contributing entities proportionate share of the collective total OPEB Liability

\$ 1,167,361	\$ 754,779	\$ 1,056,738	\$ 1,187,595	\$ 1,330,095
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Employer's proportionate share of collective total OPEB liability

\$ 2,240,185	\$ 1,727,801	\$ 2,810,161	\$ 3,287,632	\$ 3,234,230
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Covered-employee payroll

\$ 6,454,473	\$ 6,781,547	\$ 6,581,248	\$ 7,542,138	\$ 9,141,344
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Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll

52.79%	36.56%	58.76%	59.34%	49.93%
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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, 2022

TNP

	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	\$ 8,545	\$ 6,934	\$ 6,503	\$ 8,006	\$ 12,008
Interest	15,362	17,195	15,801	18,378	13,515
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(45,114)	75,963	(25,056)	(22,643)
Changes of assumptions	(43,796)	(3,357)	9,698	104,993	(94,864)
Benefit payments	(21,450)	(21,700)	(21,983)	(22,746)	(21,912)
Net change in total OPEB liability	\$ (41,339)	\$ (46,042)	\$ 85,982	\$ 83,575	\$ (113,896)
Total OPEB liability - beginning	528	486,932	440,890	526,872	610,447
Total OPEB liability - ending (a)	\$ (40,811)	\$ 440,890	\$ 526,872	\$ 610,447	\$ 496,551
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 486,932	\$ 440,890	\$ 526,872	\$ 610,447	\$ 496,551
Employer's proportionate share of the collective total OPEB	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 461,909	\$ 471,147	\$ 529,725	\$ 615,248	\$ 883,578
Total OPEB liability as a percentage of covered-employee payroll	-8.84%	93.58%	99.46%	99.22%	56.20%

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	2020	2021
Total Pension Liability (Asset)								
Service Cost	\$ 392,551	\$ 409,021	\$ 428,731	\$ 465,708	\$ 541,855	\$ 595,405	\$ 637,796	\$ 621,838
Interest	202,268	241,631	286,230	345,901	407,433	471,675	534,081	590,217
Changes in Benefit Terms	-	-	-	-	-	-	-	-
Differences Between Actual and Expected Experience	(36,349)	(29,547)	86,361	63,102	(42,116)	(153,782)	(301,541)	(121,937)
Changes in Assumptions	-	-	-	117,168	-	-	-	1,016,233
Benefit Payments, Including Refunds of Employee Contributions	(20,597)	(79,607)	(12,722)	(72,644)	(47,907)	(101,349)	(88,490)	(71,666)
Net Change in Total Pension Liability (Asset)	537,873	541,498	788,600	919,235	859,265	811,949	781,846	2,034,685
Total Pension Liability (Asset), Beginning	2,314,659	2,852,532	3,394,030	3,394,030	5,101,865	5,961,130	6,773,079	7,554,925
Total Pension Liability (Asset), Ending (a)	\$ 2,852,532	\$ 3,394,030	\$ 4,182,630	\$ 4,313,265	\$ 5,961,130	\$ 6,773,079	\$ 7,554,925	\$ 9,589,610
Plan Fiduciary Net Position								
Contributions - Employer	\$ 236,299	\$ 248,031	\$ 265,914	\$ 299,259	\$ 332,328	\$ 357,292	\$ 370,020	\$ 380,888
Contributions - Employee	225,047	236,781	254,221	286,100	317,714	341,581	353,747	364,137
Net Investment Income	418,209	103,794	104,059	512,861	463,279	493,659	383,178	2,256,651
Benefit Payments, Including Refunds of Employee Contributions	(20,597)	(79,607)	(12,722)	(72,644)	(47,907)	(101,349)	(88,490)	(71,666)
Administrative Expense	(4,520)	(6,871)	(10,406)	(12,231)	(14,488)	(14,533)	(14,883)	(15,057)
Net Change in Plan Fiduciary Net Position	\$ 854,438	\$ 502,128	\$ 601,066	\$ 1,013,345	\$ 1,050,926	\$ 1,076,650	\$ 1,003,572	\$ 2,914,953
Plan Fiduciary Net Position, Beginning	2,316,484	3,170,922	3,673,050	3,673,050	5,287,461	6,338,387	7,415,037	8,418,609
Plan Fiduciary Net Position, Ending (b)	\$ 3,170,922	\$ 3,673,050	\$ 4,274,116	\$ 4,686,395	\$ 6,338,387	\$ 7,415,037	\$ 8,418,609	\$ 11,333,562
Net Pension Liability (Asset), Ending (a - b)	\$ (318,390)	\$ (279,020)	\$ (91,486)	\$ (373,130)	\$ (377,257)	\$ (641,958)	\$ (863,684)	\$ (1,743,952)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.16%	108.22%	102.19%	103.64%	106.33%	109.48%	111.43%	118.19%
Covered Employee Payroll	\$ 4,500,934	\$ 4,742,457	\$ 5,084,402	\$ 5,719,204	\$ 6,354,259	\$ 6,831,593	\$ 7,074,945	\$ 7,282,748
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	7.07%	5.88%	-1.80%	-3.25%	5.94%	-9.40%	-12.21%	-23.95%

Changes of assumptions. In 2021, amounts reported as changes of assumption resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. 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.

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 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution	\$ 236,299	\$ 248,031	\$ 265,914	\$ 258,508	\$ 304,369	\$ 327,233	\$ 335,353	\$ 345,203	\$ 324,554
Contributions in relation to the actuarially determined contribution	236,299	248,031	265,914	\$ 299,259	\$ 332,328	\$ 357,292	\$ 370,020	\$ 380,888	\$ 324,554
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (40,751)	\$ (27,959)	\$ (30,059)	\$ (34,667)	\$ (35,685)	\$ -
Covered Employee Payroll	\$ 4,500,934	\$ 4,742,457	\$ 5,084,402	\$ 5,719,204	\$ 6,354,259	\$ 6,831,593	\$ 7,074,945	\$ 7,282,748	\$ 6,197,813
Contributions as a Percentage of Covered Employee Payroll	5.25%	5.23%	5.23%	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.

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	2021
Manchester City Schools' proportion of the net pension liability (asset)	0.050259%	0.062277%	0.060186%	0.052857%	0.049303%	0.049381%	0.061223%
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)	\$ (66,317.00)
Manchester City Schools' covered payroll	\$ 104,427	\$ 247,023	\$ 446,187	\$ 461,909	\$ 521,716	\$ 623,156	\$ 883,578
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%	-7.51%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%	116.52%	121.53%

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

See independent auditor's report

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

	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	\$ 4,177	\$ 6,859	\$ 15,801	\$ 7,533	\$ 10,121	\$ 12,650	\$ 17,848	\$ 12,906
Contributions in Relation to the contractually required contribution	4,177	10,961	15,801	18,476	10,121	12,650	17,848	12,906
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	\$ 883,578	\$ 877,974
Contributions as a Percentage of Manchester City Schools' covered payroll	4.00%	4.00%	3.54%	4.00%	1.94%	2.03%	2.02%	1.47%

*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 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality 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

**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 30**

	2014	2015	2016	2017	2018	2019	2020	2021
Manchester City Schools' proportionate of the net pension liability (asset)	0.176430%	0.184713%	0.175901%	0.184037%	0.189869%	0.193951%	0.198593%	0.206891%
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)	\$ (8,923,706)
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	\$ 6,790,512
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%	-131.41%
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%	116.13%

*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	2022
Contractually Required	\$ 614,927	\$ 625,091	\$ 574,012	\$ 588,109	\$ 603,691	\$ 680,260	\$ 702,611	\$ 697,386	\$ 847,508
Contributions in Relation to the Contractually Required Contribution	614,927	625,091	574,012	588,109	603,691	680,260	702,611	697,386	847,508
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	\$ 6,790,512	\$ 9,141,344
Contributions as a Percentage of Manchester City Schools' covered payroll	8.88%	9.04%	9.04%	9.11%	9.08%	10.46%	10.63%	10.27%	9.27%

*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 2021, the following assumptions were change: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate 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.

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

Valuation Date: Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2020 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.

**OTHER SUPPLEMENTARY
INFORMATION**

City of Manchester, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds						Capital Projects		Total Nonmajor Governmental Funds	
	Recreation	Tourism and Community Development	School Federal Projects	Central Cafeteria	Sanitation	Drug Control	Internal School	Capital Equipment Replacement		Education Capital Projects
ASSETS										
Investment in pooled cash	1,057,183	349,458	177,125	909,535	695,357	444,260	-	400,629	477	4,034,024
Cash	260,465	-	-	-	-	-	254,857	-	-	515,322
Accounts receivable, net	77,019	21,128	-	-	-	-	-	-	-	98,147
Grants receivable	164,689	-	-	-	-	-	-	-	-	164,689
Due from other governments	-	-	26,226	-	-	8,083	-	-	-	34,309
Due from other funds	-	-	-	31,463	86,388	-	-	-	-	117,851
Inventories	-	-	-	34,680	-	-	-	-	-	34,680
Total assets	<u>1,559,356</u>	<u>370,586</u>	<u>203,351</u>	<u>975,678</u>	<u>781,745</u>	<u>452,343</u>	<u>254,857</u>	<u>400,629</u>	<u>477</u>	<u>4,999,022</u>
LIABILITIES										
Accounts payable and accrued liabilities	162,791	2,804	-	658	76,677	6,156	-	85,457	-	334,543
Accrued payroll	37,992	-	23,394	5,869	2,125	-	-	-	-	69,380
Other payables	4,653	-	43,831	-	-	12,952	-	-	-	61,436
Judgements payable	46,500	-	-	-	-	-	-	-	-	46,500
Due to other funds	38,266	-	-	-	-	-	-	-	-	38,266
Unearned revenue	69,373	-	-	-	-	-	-	-	-	69,373
Total liabilities	<u>359,575</u>	<u>2,804</u>	<u>67,225</u>	<u>6,527</u>	<u>78,802</u>	<u>19,108</u>	<u>-</u>	<u>85,457</u>	<u>-</u>	<u>619,498</u>
FUND BALANCES										
Nonspendable	-	-	-	34,680	-	-	-	-	-	34,680
Restricted	-	-	136,126	934,471	-	433,235	113,293	-	-	1,617,125
Assigned	1,199,781	367,782	-	-	702,943	-	141,564	315,172	477	2,727,719
Total fund balances	<u>1,199,781</u>	<u>367,782</u>	<u>136,126</u>	<u>969,151</u>	<u>702,943</u>	<u>433,235</u>	<u>254,857</u>	<u>315,172</u>	<u>477</u>	<u>4,379,524</u>
Total liabilities and fund balances	<u>1,559,356</u>	<u>370,586</u>	<u>203,351</u>	<u>975,678</u>	<u>781,745</u>	<u>452,343</u>	<u>254,857</u>	<u>400,629</u>	<u>477</u>	<u>4,999,022</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, 2022

	Special Revenue Funds							Capital Projects		Total Nonmajor Governmental Funds
	Recreation	Tourism and Community Development	School Federal Projects	Central Cafeteria	Sanitation	Drug Control	Internal School	Capital Equipment Replacement	Education Capital Projects	
Revenues										
Local taxes	\$ 269,610	\$ 134,805	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 404,415
Charges for services	996,929	-	-	28,311	1,321,717	-	-	-	-	2,346,957
Fines and forfeitures	-	-	-	-	-	21,725	-	-	-	21,725
Other local revenues	12,080	-	-	-	-	11,099	230,618	-	-	253,797
Federal and state grants	201,107	3,400	3,558,429	1,483,240	-	-	-	-	-	5,246,176
Investment earnings	-	-	-	677	-	-	-	-	-	677
Miscellaneous and contribution income	3,650	-	-	-	-	-	-	-	-	3,650
Total revenues	1,483,376	138,205	3,558,429	1,512,228	1,321,717	32,824	230,618	-	-	8,277,397
Expenditures										
Public safety	-	-	-	-	-	219,287	-	524,007	-	743,294
Public works	-	-	-	-	1,324,889	-	-	219,222	-	1,544,111
Health, welfare, and recreation	2,129,097	-	-	-	-	-	-	65,129	-	2,194,226
Economic development and assistance	-	67,502	-	-	-	-	-	-	-	67,502
Education	-	-	3,638,990	1,169,245	-	-	204,618	-	-	5,012,853
Debt Service	-	-	-	-	-	-	-	-	-	-
Total expenditures	2,129,097	67,502	3,638,990	1,169,245	1,324,889	219,287	204,618	808,358	-	9,561,986
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(645,721)	70,703	(80,561)	342,983	(3,172)	(186,463)	26,000	(808,358)	-	(1,284,589)
Other Financing Sources (Uses)										
Lease proceeds	-	-	-	-	-	-	-	-	-	-
Insurance Recoveries	645,114	-	-	-	-	10,767	-	-	-	655,881
Sale of Capital Assets	-	-	-	350	-	120,500	-	8,050	-	128,900
Transfers In (out)	785,657	-	-	-	50,000	-	-	871,215	-	1,706,872
Total other financing sources and uses	1,430,771	-	-	350	50,000	131,267	-	879,265	-	2,491,653
Net change in fund balances	785,050	70,703	(80,561)	343,333	46,828	(55,196)	26,000	70,907	-	1,207,064
Fund balances - beginning	414,731	297,079	216,687	625,818	656,115	488,431	228,857	244,265	477	3,172,460
Fund balances - ending	\$ 1,199,781	\$ 367,782	\$ 136,126	\$ 969,151	\$ 702,943	\$ 433,235	\$ 254,857	\$ 315,172	\$ 477	\$ 4,379,524

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, 2022

	Budgeted Amounts		Actual	Positive (Negative) Variance with
	Original	Final		Final
Revenues				
Local taxes	210,000	235,000	\$ 269,610	\$ 34,610
Charges for services	1,125,000	1,130,654	996,929	(133,725)
Federal and state grants	200,632	200,632	201,107	475
Miscellaneous and contribution income	10,000	25,700	15,730	(9,970)
Total revenues	1,545,632	1,591,986	1,483,376	(108,610)
Expenditures				
<u>Health, Welfare, and Recreation</u>				
<u>Recreation Administration</u>				
Personnel expenditures	226,210	230,316	229,851	465
Contractual services	9,000	9,000	5,574	3,426
Supplies	2,500	2,500	1,109	1,391
Total recreation administration	237,710	241,816	236,534	5,282
<u>Recreation Centers</u>				
Personnel expenditures	639,845	639,845	630,423	9,422
Contractual services	506,000	520,100	483,288	36,812
Supplies	262,212	321,312	280,638	40,674
Fixed charges	33,121	33,121	28,157	4,964
Total recreation centers	1,441,178	1,514,378	1,422,506	91,872
<u>Parks</u>				
Personnel expenditures	266,810	266,810	195,774	71,036
Contractual services	119,000	130,000	124,418	5,582
Supplies	70,000	79,849	63,799	16,050
Fixed charges	12,338	12,338	11,512	826
Capital outlay	70,000	78,500	74,554	3,946
Total park areas	538,148	567,497	470,057	97,440
Total expenditures	2,217,036	2,323,691	2,129,097	194,594
Excess (Deficiency) of Revenues Over (Under) Expenditures	(671,404)	(731,705)	(645,721)	85,984
Other Financing Sources (Uses)				
Insurance recoveries	-	3,977	645,114	641,137
Sale of capital assets	3,000	3,000	-	(3,000)
Transfers In (out)	471,000	771,000	785,657	14,657
Total other financing sources and uses	474,000	777,977	1,430,771	652,794
Net change in fund balance	\$ (197,404)	\$ 46,272	785,050	\$ 738,778
Fund Balance - beginning			414,731	
Fund Balance - ending			\$ 1,199,781	

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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, 2022

	Budgeted Amounts		Actual	Positive (Negative) Variance with
	Original	Final		Final
Revenues				
Local taxes	\$ 80,000	\$ 95,000	\$ 134,805	\$ 39,805
Federal and state grants	3,000	3,000	3,400	400
Total revenues	83,000	98,000	138,205	40,205
Expenditures				
<u>Economic Development and Assistance</u>				
<u>Tourism and Community Development</u>				
Personnel expenditures	4,000	4,000	700	3,300
Contractual services	95,000	95,000	64,386	30,614
Supplies	1,000	1,000	2,416	(1,416)
Total expenditures	100,000	100,000	67,502	32,498
Net change in fund balance	\$ (17,000)	(2,000)	70,703	\$ 72,703
Fund Balance -beginning			297,079	
Fund Balance - ending			\$ 367,782	

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, 2022

	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final		Variance with Final
Revenues				
Other local revenues			\$ -	\$ -
Federal and state grants			3,558,429	3,558,429
Total revenues	-	-	3,558,429	3,558,429
Expenditures				
<u>Instruction</u>				
Regular instruction			1,441,587	(1,441,587)
Special education			449,613	(449,613)
<u>Support Services</u>				
Other student support			326,489	(326,489)
Regular instruction			321,073	(321,073)
Special education			91,322	(91,322)
Office of the superintendent			1,129	(1,129)
Office of the Principal			4,970	(4,970)
Fiscal Services			2,258	(2,258)
Operation of Plant			7,522	(7,522)
Food Services			9,332	(9,332)
Transportation			4,886	(4,886)
Community Service			978,809	(978,809)
Total expenditures	-	-	3,638,990	(3,638,990)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(80,561)	<u>\$ (80,561)</u>
Fund Balance - beginning			<u>216,687</u>	
Fund Balance - ending			<u>\$ 136,126</u>	

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, 2022

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		Final
Revenues				
Charges for services	\$ 208,280	\$ 208,280	28,311	\$ (179,969)
Federal and state grants	822,114	855,979	1,483,240	627,261
Investment earnings	500	500	677	177
Miscellaneous and contribution income	800	800	-	(800)
Total revenues	1,031,694	1,065,559	1,512,228	446,669
Expenditures				
<u>Operation of Non-instructional Services</u>				
Food service	1,031,694	1,306,984	1,169,245	137,739
Total expenditures	1,031,694	1,306,984	1,169,245	137,739
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	-	(241,425)	342,983	308,930
Other Financing Sources (Uses)				
Sale of capital assets	-	-	350	350
Total other financing sources and uses	-	-	350	350
Net change in fund balance	\$ -	\$ (241,425)	343,333	\$ 309,280
Fund Balance - beginning			625,818	
Fund Balance- ending			\$ 969,151	

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City of Manchester, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Sanitation Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive</u> <u>(Negative)</u> <u>Variance with</u> <u>Final</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u>
Revenues				
Charges for services	\$ 1,107,000	\$ 1,113,000	\$ 1,321,717	\$ 208,717
Miscellaneous and contribution income	50,000	50,000	-	(50,000)
Total revenues	<u>1,157,000</u>	<u>1,163,000</u>	<u>1,321,717</u>	<u>158,717</u>
Expenditures				
<u>Public Works</u>				
Personnel expenditures	435,720	435,720	327,923	107,797
Contractual services	852,000	962,000	966,866	(4,866)
Supplies	40,000	40,000	27,257	12,743
Fixed charges	2,843	2,843	2,843	-
Total expenditures	<u>1,330,563</u>	<u>1,440,563</u>	<u>1,324,889</u>	<u>115,674</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(173,563)	(277,563)	(3,172)	274,391
Other Financing Sources (Uses)				
Transfers in (out)	-	-	50,000	(50,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>
Net change in fund balance	<u>\$ (173,563)</u>	<u>\$ (277,563)</u>	46,828	<u>\$ 224,391</u>
Fund Balance - beginning			<u>656,115</u>	
Fund Balance -ending			<u>\$ 702,943</u>	

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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, 2022

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		Final
Revenues				
Fines and forfeitures	\$ 50,000	\$ 50,000	\$ 21,725	\$ (28,275)
Other local revenues	65,000	65,000	11,099	(53,901)
Total revenues	115,000	115,000	32,824	(82,176)
Expenditures				
<u>Public Safety</u>				
Personnel expenditures			4,241	(4,241)
Contractual services			11,641	(11,641)
Supplies			25,102	(25,102)
Capital outlay			178,303	(178,303)
Total expenditures	-	-	219,287	(219,287)
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	115,000	115,000	(186,463)	(301,463)
Other Financing Sources (Uses)				
Insurance recoveries	5,000	10,766	10,767	1
Sale of capital assets	50,000	147,000	120,500	(26,500)
Total other financing sources and uses	55,000	157,766	131,267	(26,499)
Net change in fund balance	\$ 170,000	\$ 272,766	(55,196)	\$ (327,962)
Fund balance -beginning			488,431	
Fund balance - ending			\$ 433,235	

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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, 2022

	Budgeted Amounts		Actual	Positive (Negative) Variance with
	Original	Final		Final
Revenues				
Total Revenues	-	-	-	-
Expenditures				
<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	311,200	370,238	311,200	(59,038)
Fire - capital outlay	212,807	212,807	212,807	-
<u>Public Works</u>				
Public Works - capital outlay	236,398	314,419	219,222	95,197
Sanitation - capital outlay	-	30,685	-	(30,685)
<u>Recreation</u>				
Recreation Center - capital outlay	147,205	171,730	52,099	119,631
Park areas - capital outlay	-	27,253	13,030	(14,223)
Total expenditures	907,610	1,162,107	808,358	145,857
Excess (Deficiency) of Revenues Over (Under) Expenditures	(907,610)	(1,162,107)	(808,358)	(145,857)
Other Financing Sources (Uses)				
Transfers in (out)	871,215	871,215	871,215	
Sale of capital assets	2,700	8,049	8,050	(1)
Total other financing sources and uses	873,915	879,264	879,265	(1)
Net change in fund balance	<u>\$ (33,695)</u>	<u>\$ (282,843)</u>	70,907	<u>\$ (145,858)</u>
Fund balance -beginning			<u>244,265</u>	
Fund balance - ending			<u>\$ 315,172</u>	

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OTHER INFORMATION SECTION

City of Manchester, Tennessee
Schedule of Utility Rate Structure and Number of Customers
June 30, 2022

	<u>2021-2022</u>		<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	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	\$8.86	\$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	\$4.43	\$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	\$3.52	\$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		\$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	8,069	5,517	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

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City of Manchester, Tennessee
Schedule of Principal and Interest Requirements
Governmental Activities
June 30, 2022

Fiscal Year Ending	General Obligation Refunding Bond, Series 2020A		General Obligation Bond Series 2020B		Energy Efficient Schools Initiative Capital Outlay Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	800,000	465,450	90,000	42,100	47,856	2,544	937,856	510,094
2024	820,000	441,450	100,000	39,400	48,096	2,304	968,096	483,154
2025	845,000	416,850	100,000	36,400	48,336	2,064	993,336	455,314
2026	865,000	391,500	100,000	33,400	48,576	1,824	1,013,576	426,724
2027	885,000	365,550	100,000	30,400	48,816	1,584	1,033,816	397,534
2028	910,000	339,000	100,000	27,400	49,068	1,332	1,059,068	367,732
2029	935,000	311,700	100,000	24,400	49,308	1,092	1,084,308	337,192
2030	960,000	283,650	100,000	23,400	49,560	840	1,109,560	307,890
2031	955,000	254,850	100,000	22,400	49,800	600	1,104,800	277,850
2032	975,000	226,200	100,000	21,200	50,052	348	1,125,052	247,748
2033	1,000,000	196,950	100,000	20,000	46,097	82	1,146,097	217,032
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
	<u>\$ 15,515,000</u>	<u>\$ 4,204,050</u>	<u>\$ 2,190,000</u>	<u>\$ 444,500</u>	<u>\$ 535,565</u>	<u>\$ 14,614</u>	<u>\$ 18,240,565</u>	<u>\$ 4,663,164</u>

See independent auditor's report

City of Manchester, Tennessee
Schedule of Principal and Interest Requirements
Business-type Activities
June 30, 2022

Fiscal Year	General Obligation Refunding Bonds, Series 2017		General Obligation Refunding Bonds, Series 2021A		Local Government Public Improvement Bonds Series 2017 Z-1-DRUC		Water & Sewer Revenue & Tax Revenue & Tax Refunding GO Bonds Series 2021B -DRUC		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2023	670,000	87,800	735,000	175,013	25,000	89,163	420,000	68,150	1,850,000
2024	705,000	74,400	730,000	160,313	25,000	88,662	430,000	59,650	1,890,000	383,025
2025	705,000	60,300	655,000	145,713	25,000	88,163	440,000	50,950	1,825,000	345,126
2026	715,000	46,200	575,000	132,613	25,000	87,663	450,000	42,050	1,765,000	308,526
2027	740,000	31,900	560,000	121,113	25,000	87,163	455,000	33,000	1,780,000	273,176
2028	760,000	17,100	515,000	109,913	25,000	86,661	465,000	23,800	1,765,000	237,474
2029	-	-	700,000	99,613	25,000	86,100	475,000	14,400	1,200,000	200,113
2030	-	-	700,000	85,613	25,000	85,350	480,000	7,250	1,205,000	178,213
2031	-	-	695,000	71,613	25,000	84,600	485,000	2,425	1,205,000	158,638
2032	-	-	665,000	57,713	395,000	83,850	-	-	1,060,000	141,563
2033	-	-	660,000	49,400	400,000	72,000	-	-	1,060,000	121,400
2034	-	-	460,000	36,200	400,000	60,000	-	-	860,000	96,200
2035	-	-	460,000	27,000	400,000	48,000	-	-	860,000	75,000
2036	-	-	445,000	17,800	400,000	36,000	-	-	845,000	53,800
2037	-	-	445,000	8,900	400,000	24,000	-	-	845,000	32,900
2038	-	-	-	-	400,000	12,000	-	-	400,000	12,000
	\$ 4,295,000	\$ 317,700	\$ 9,000,000	\$ 1,298,525	\$ 3,020,000	\$ 1,119,375	\$ 4,100,000	\$ 301,675	\$ 20,415,000	\$ 3,037,275

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, 2022

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2022
Governmental Activities								
<u>Capitalized Leases</u>								
Recreation Cardio Equipment Lease	\$ 60,156	0.00%	2021	2024	\$ -	\$ 60,156	\$ (20,052)	\$ 40,104
Total Capitalized Leases					<u>-</u>	<u>60,156</u>	<u>(20,052)</u>	<u>40,104</u>
<u>Capital Outlay Note</u>								
Energy Efficient For Schools (restated)	\$ 610,502	0.50%	2020	2033	583,181	-	(47,616)	535,565
Total Capital Outlay					<u>\$ 583,181</u>	<u>\$ -</u>	<u>\$ (47,616)</u>	<u>\$ 535,565</u>
<u>Bonds Payable</u>								
General Obligation Refunding Bonds Series 2020A	\$ 17,115,000	3.00%	2020	2038	17,115,000	-	(800,000)	16,315,000
General Obligation Bonds Series 2020B	\$ 2,245,000	1.78%	2020	2044	2,245,000	-	(55,000)	2,190,000
Total Bonds Payable					<u>19,360,000</u>	<u>-</u>	<u>(855,000)</u>	<u>18,505,000</u>
Total Governmental Activities					<u>19,943,181</u>	<u>60,156</u>	<u>(922,668)</u>	<u>19,080,669</u>
Business-type Activities								
<u>Bonds Payable</u>								
GO Refunding Bonds, Series 2017	\$ 8,870,000	2.32%	2017	2038	4,960,000	-	(665,000)	4,295,000
RDA Bonds, Series 2011	\$ 1,348,000	3.00%	2011	2050	1,134,397	-	(1,134,397)	-
RDA Bonds, Series 2014	\$ 443,658	3.25%	2014	2028	252,099	-	(252,099)	-
General Obligation Refunding Bond, Series 2016B	\$ 5,640,000	2.00%	2016	2037	4,690,000	-	(4,690,000)	-
General Obligation Refunding Bond, Series 2021A	\$ 9,510,000	2.00%	2022	2037	-	9,510,000	(510,000)	9,000,000
Total Bonds Payable					<u>11,036,496</u>	<u>9,510,000</u>	<u>(7,251,496)</u>	<u>13,295,000</u>
<u>Other Loans Payable</u>								
SRF Loan, Series 2011	\$ 7,500,000	2.16%	2011	2031	4,065,907	-	(4,065,907)	-
Public Building Authority of Coffee County, TN Series 2016A DRUC	\$ 9,180,000	4.74%	2016	2038	7,675,000	-	(4,655,000)	3,020,000
Public Building Authority of Coffee County, TN Series 2021B DRUC	\$ 4,100,000	2.00%	2022	2031	-	4,100,000	-	4,100,000
Total Other Loans Payable					<u>11,740,907</u>	<u>4,100,000</u>	<u>(8,720,907)</u>	<u>7,120,000</u>
Total Business-type Activities					<u>\$ 22,777,403</u>	<u>\$ 13,610,000</u>	<u>\$ (15,972,403)</u>	<u>\$ 20,415,000</u>

See independent auditor's report

City of Manchester, Tennessee
Schedule of Assessed Property Tax Values,
Property Tax Rates and Changes in Property Taxes Receivable
For the Year Ended June 30, 2022

Tax Year	Tax Rate	Assessed Value	Original Levy	Balance July 1, 2021	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Gross Receivable Balance June 30, 2022
2022	1.5221	339,392,812	4,987,997	\$ -	\$ -	\$ 4,987,997	\$ -	\$ -	\$ 4,987,997
2021	1.9316	257,969,197	4,982,933	-	5,071,705	-	(291,888)	(4,724,488)	55,329
2020	1.9316	237,401,977	4,696,366	171,977	-	-	-	(157,346)	14,631
2019	2.2999	237,401,977	4,933,336	53,419	-	-	-	(42,068)	11,351
2018	2.2999	238,463,091	4,845,752	13,130	-	-	-	(11,524)	1,606
2017	2.2999	210,695,655	4,725,424	5,040	-	-	-	(242)	4,798
2016	2.2999	205,498,253	4,648,498	6,313	-	-	-	-	6,313
2015	2.2999	202,117,409	4,607,596	574	-	-	-	(574)	-
2014	2.2999	200,337,660	4,582,317	5,051	-	-	-	(162)	4,889
2013 and Before				12,644	-	-	-	(1,169)	11,475
Totals				\$ 268,148	\$ 5,071,705	\$ 4,987,997	\$ (291,888)	\$ (4,937,573)	\$ 5,098,389

	31,779
Less: allowance for doubtful accounts	
Net Property Taxes Receivable	<u>\$ 5,066,610</u>

NOTES: All uncollected taxes for years prior to 2019 were turned over to the Clerk and Master for collection.

See independent auditor's report

City of Manchester, Tennessee
Schedule of Changes in Lease Obligations
For the Year Ended June 30, 2022

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2022
<u>LEASE PAYABLE</u>								
Recreation Cardio Equipment	\$ 60,156	0.0%	11/4/2021	11/4/2024	\$ -	\$ 60,156	\$ (20,052)	\$ 40,104
					<u>\$ -</u>	<u>\$ 60,156</u>	<u>\$ (20,052)</u>	<u>\$ 40,104</u>

See independent auditor's report

**GOVERNMENT AUDITING
STANDARDS SECTION**

City of Manchester, Tennessee
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Contract Number	Expenditures
U.S. Department of Agriculture			
Passed Through Tennessee Department of Education			
Child Nutrition Cluster:			
National School Breakfast Program	10.553		140,382
National School Lunch Program	10.555		497,660
Summer Food Service Program - Lunch	10.559		7,408
Passed Through Tennessee Department of Agriculture			
Commodity Supplemental Food Program	10.565		58,076
Total U.S. Department of Agriculture			703,526
U.S. Department of Justice			
Bulletproof Vest Partnership	16.607		1,316
Public Safety Partnership and Community Policing	16.710		54,840
U. S. Department of Housing and Urban Development			
Home Investment Partnership Program	14.239	HM-14-13	5,000
U.S. Department of Transportation			
Passed through Tennessee Department of Transportation			
Highway Planning & Construction Cluster:			
Highway Planning and Construction - Signal Maintenance	20.205	16001-3177-44	104
Highway Planning and Construction - Safe Routes to School	20.205	16LPLM-F3-030	2,174
Highway Planning and Construction - Transportation Master Plan	20.205	16LPLM-F0-026	8,927
			11,205
Alcohol Open Container Requirements	20.607	Z17THS226	1,879
Alcohol Open Container Requirements	20.607	Z18THS190	13,147
Total U. S. Department of Transportation			26,231
Appalachian Regional Commission:			
Pass-through Tennessee Department of Economic and Community Development:			
Appalachian Area Development Supplemental and Direct Grants	23.002	33004-39116	57,663
U.S. Department of Education:			
Passed-through Tennessee Department of Education:			
Special Education Cluster:			
Special Education Grants to States	84.027	H027A170052	482,848
Special Education - Preschool Grants	84.173	H173A170095	65,869
			548,717
Title I, Part A	84.010	S010A170042	414,712
Rural Education Achievement Program	84.358	S358B170042	25,741
English Language Acquisition Grants	84.365	S365A170042	19,535
Title II, Part A	84.367	S367A170040	36,919
Student Support and Academic Enrichment Program	84.424	S424A170044	11,411
Passed-through National Institute for Excellence in Teaching:			
Teacher Incentive Fund	84.374	N/A	457,865
Elementary and Secondary School Emergency Relief	84.425		5,535
Elementary and Secondary School Emergency Relief 2.0	84.425		41,683
Elementary and Secondary School Emergency Relief 3.0	84.425		1,794,263
Elementary and Secondary School Emergency Relief Planning Grant	84.425		123,750
			1,965,231
Total U.S. Department of Education			3,480,131
TOTAL EXPENDITURES OF FEDERAL AWARDS			4,328,707
STATE AWARDS			
Tennessee Department of Health			
Project Diabetes Initiative Services	N/A	GG-17-50171-00	17,547
Tennessee Department of Education			
Coordinated School Health Initiative	N/A	N/A	81,000
Family Resource Center Grant	N/A	N/A	59,223
Safe Schools Act 2003	N/A	N/A	7,530
Voluntary Pre-K	N/A	N/A	287,882
Total Tennessee Department of Education			435,635
Tennessee Department of Economic and Community Development			
LEAP Grant	N/A	N/A	107,377
Rural Economic Opportunity - Site Development	N/A	N/A	104,517
Tennessee Downtown Revitalization	N/A	N/A	23,363
Tourism Enhancement Grant	N/A	N/A	57,607
Total Tennessee Department of Economic and Community Development			292,864
Tennessee Department of Tourist Development			
Local Park and Recreation	N/A	N/A	105,000
Tourism and Community Development	N/A	N/A	13,067
Total Tennessee Department of Tourism Development			118,067
TOTAL EXPENDITURES OF STATE AWARDS			864,113
TOTAL EXPENDITURE OF FEDERAL AND STATE AWARDS			5,192,820

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

CITY OF MANCHESTER, TENNESSEE

NOTES TO THE SCHEDULE OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2022

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, 2022. 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 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 Alderman
City of Manchester, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manchester, Tennessee, as of and for the year ended June 30, 2022, 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, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 that we consider significant deficiencies.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as 2022-001 and 2022-002.

City of Manchester, Tennessee's Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Manchester, Tennessee's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Manchester, Tennessee's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, 2023

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

Opinion on Each Major Federal Program

We have audited the City of Manchester, Tennessee's (the "City") compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, the City of Manchester, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Manchester, Tennessee, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Manchester, Tennessee's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Manchester, Tennessee, federal programs.

515 NW Atlantic Street, Tullahoma, Tennessee 37388
16053 Rankin Avenue, Dunlap, Tennessee 37327
Phone (931) 393-3307 Fax (931) 563-5585

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the City of Manchester, Tennessee's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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

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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.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2023

**City of Manchester, Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

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?	NO
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 & 84.425	Special Education Cluster: Special Education Grants to States and Special Education - Preschool Grants, Elementary and Secondary School Emergency Relief
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
Year Ended June 30, 2022

SECTION II. FINANCIAL STATEMENT FINDINGS

2022-001: Inadequate Controls over Valuing Water Department Inventory (Noncompliance)

Condition and Criteria: City of Manchester, Water Department, does not have an adequate system for valuing the inventory maintained at the lower of cost or market.

Cause: The Water Department did not maintain control over how to value the inventory it maintains. Twenty percent of the value stated was tested and of that twenty percent, only 73% could be verified. No adjustment was made to the financial statements.

Effect: The value of the inventory reflected on the balance sheet cannot be considered accurate.

Recommendation: Management at the Water Department should establish a procedure to maintain accurate valuation of the items maintained in its inventory.

Management Response: We concur. See Corrective Action Plan.

2022-02: Debt for Schools Was Not Properly Recorded (Noncompliance)

Condition: City of Manchester entered into a capital outlay note June 1, 2022 for an energy efficiency loan for the schools but it was reported as grant revenue.

Criteria: The State of Tennessee Audit Manual Appendix B states that “individual fund revenues should be classified by individual source...” and “primary governments should present in the Notes to the Financial Statements, all related debt disclosures...”

Cause: The capital outlay note for an energy efficiency loan for the schools was incorrectly reported as a grant.

Effect: Misrepresentations of revenue sources is not compliant with the State of Tennessee Audit Manual and misrepresents the true financial standing of the City.

Recommendation: Ensure that all revenue sources are correctly reported.

Management’s Response: We concur. 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, 2022

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, 2021.

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)	Corrected

Prior-year Federal Award Findings

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

**Management's Corrective Action Plan
For the Fiscal Year Ended June 30, 2022**

FINDINGS RELATING TO THE FINANCIAL STATEMENTS

2022-001: Inadequate Controls over Valuing Water Department Inventory (Noncompliance)

Condition and Criteria: City of Manchester, Water Department, does not have an adequate system for valuing the inventory maintained at the lower of cost or market.

Recommendation: Management at the Water Department should establish a procedure to maintain accurate valuation of the items maintained in its inventory.

Action Taken: The City understands that the law requires that municipalities maintain adequate procedures for maintaining correct inventory. We will review our internal controls and procedures to develop adequate tracking of inventory to adequately state on financial statements.

Name of Contact Person: Lisa Myers, Finance Director

Anticipated Completion Date: June 30, 2023

2022-002: Debt for Schools Was Not Properly Recorded (Noncompliance)

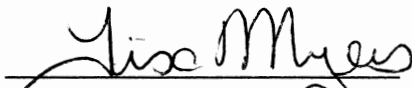
Condition: City of Manchester entered into a capital outlay note June 1, 2022 for an energy efficiency loan for the schools but it was reported as grant revenue.

Recommendation: Ensure that all revenue sources are correctly reported.

Action Taken: The City understands that the law requires that municipalities correctly report correct revenue and debt levels on financial statements. We will review the law regarding capital outlay notes to accurately report received funding.

Name of Contact Person: Lisa Myers, Finance Director

Anticipated Completion Date: June 30, 2023



Lisa Myers, Finance Director
City of Manchester