

**CITY OF MANCHESTER, TENNESSEE  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017**

**CITY OF MANCHESTER, TENNESSEE**  
**FINANCIAL REPORT**  
**For the Year Ended June 30, 2017**

**Table of Contents**

	<b>Page</b>
<b>INTRODUCTORY SECTION</b>	
Listing of Principal Officials (Unaudited)	i
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-13
Basic Financial Statements	
Government-Wide Statements:	
Statement of Net Position	14-15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17-18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position – Proprietary Fund	22-23
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	24
Statement of Cash Flows – Proprietary Fund	25
Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	26-27
General Purpose School Fund	28
Debt Service Fund	29
Notes to Financial Statements	30-74
Required Supplementary Information:	
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	75
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS - General Government Employees	76
Schedule of Manchester City Schools' Proportionate Share of the Net Pension Liability (Asset) - Teacher Retirement Plan of TCRS	77
Schedule of Contributions Based on Participation in the Teacher Retirement Plan of TCRS	78
Schedule of Manchester City Schools' Proportionate Share of the Net Pension Liability (Asset) - Teacher Legacy Pension Plan of TCRS	79

**CITY OF MANCHESTER, TENNESSEE  
FINANCIAL REPORT  
For the Year Ended June 30, 2017**

**Table of Contents**

	Page
Schedule of Contributions Based on Participation in the Teacher Legacy Pension Plan of TCRS	80
Schedule of Funding Progress – Other Postemployment Benefit Plan	81
Notes to the Required Supplementary Information	82
 <b>SUPPLEMENTAL AND OTHER INFORMATION SECTION:</b>	
Non-major Governmental Funds:	
Combining Balance Sheet	83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	84-85
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Recreation Fund	86
Tourism and Community Development Fund	87
School Federal Projects Fund	88
Central Cafeteria Fund	89
Sanitation Fund	90
Drug Control Fund	91
Schedule of Expenditures of Federal Awards and State Financial Assistance	92
Schedule of Changes in Long-term Debt	93-94
Schedule of Long-term Debt Requirements by Year	95-97
Schedule of Transfers	98
Schedule of Assessed Property Tax Values, Property Tax Rates and Changes in Property Taxes Receivable	99
Schedule of Utility Rate Structure and Number of Customers	100
AWWA Reporting Work Sheets (Unaudited)	101-102
 <b>INTERNAL CONTROL AND COMPLIANCE SECTION</b>	
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 <i>Government Auditing Standards</i>	103-104
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	105-106
Schedule of Prior Year Findings & Questioned Costs	107-108
Schedule of Audit Findings and Questioned Costs	109-113
Management's Corrective Action Plan (Unaudited)	114-115

**CITY OF MANCHESTER, TENNESSEE  
LISTING OF PRINCIPAL OFFICIALS (UNAUDITED)  
JUNE 30, 2017**

**OFFICIALS**

**Board of Mayor and Aldermen**

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

**Manchester City School Board**

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

**Appointed Officials**

Bridget Anderson, CMFO, Finance Director

Mark Yother, Chief of Police

George Chambers, Fire Chief

Bryan Pennington, Director of Water and Sewer

Bonnie Gamble, Director of Parks & Recreation

Brent Carter, Director of Public Works

Jamie Sain, Director of Building and Codes

Lee Wilkerson, Director of Schools

# **FINANCIAL SECTION**



# Allen, McGee & Associates

## Certified Public Accountants and Consultants

### INDEPENDENT AUDITOR'S REPORT

Board of Mayor and Alderman  
City of Manchester, Tennessee

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manchester, Tennessee (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manchester, Tennessee as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13 and the schedules as listed in the table of contents under required supplementary information on pages 75-82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information presented in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and supplemental information on pages 54-62 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the supplemental and other information section on pages 92-100 including the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual non-major fund financial statements and the supplemental and

other information on pages 92-100 including the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, the AWWA reports on pages 101-102, and management's corrective action plan on pages 114-115 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2018, on our consideration of the City'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 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 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's internal control over financial reporting and compliance.

*Allen, McGee and Associates*  
*Certified Public Accountants*

Tullahoma, Tennessee  
April 24, 2018

## 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, 2017. 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 \$44,031,438. Of this amount, \$19,491,774 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Recreation Center received a Community Foundation Grant in the amount of \$5,500 to implement a garden to table food program for school age children.
- The Recreation Center received a Diabetes Grant in the amount of \$30,000 to start a Bike Club and implement healthier food choices at the concession stands.
- The City of Manchester received a grant from the State of Tennessee Department of Economic and Community Development in the amount of \$15,000 for the improvement of facades in the downtown district of Manchester.
- The City of Manchester received a grant from Coffee County Emergency Food and Shelter Board in the amount of \$1,500 for an emergency hotel assistance program.
- The Recreation Center received a Local Park and Recreation Fund grant for 2016 in the amount of \$105,000 for Phase 2 of the Soccer Complex.
- The City of Manchester Police Department received a JAG Equipment Grant in the amount of \$14,109.
- The City of Manchester Police Department also received a grant from the Governor's Highway Safety in the amount of \$16,882.50 for Impaired Driver Enforcement.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,737,208.
- The Government Accounting Standards Board issued Statement 54: Fund Balance Reporting and Governmental Fund Type Definitions. The implementation date for this standard is for periods beginning after June 15, 2010, which means FYE June 30, 2011. Governmental accounting standards now require the reporting of five classifications of fund balance: Non-Spendable, Restricted, Committed, Assigned and Unassigned. The City's audited financial statement addresses four categories: Non-spendable \$110,132; Restricted \$1,201,318; Committed \$588,136; Assigned \$3,229,377; and Unassigned \$9,608,245. 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.

The government-wide financial statements can be found on pages 14-16 of this report.

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

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

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

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and General Purpose School Fund which are considered to be major funds. Data for the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements later in this report beginning on page 83.

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.

The basic governmental fund financial statements can be found on pages 19-21 and 26-29 of this report.

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 governmental-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.

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-74 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to financial statements. Combining and individual fund statements and schedules can be found beginning on page 83 of this report.

## Financial Analysis of the Financial Statements

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Manchester, assets exceeded liabilities by \$44,031,438 at the close of this fiscal year.

By far the largest portion of the City's assets (52.34%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Manchester's Net Position

	<b>Governmental 2017</b>	<b>Activities 2016</b>	<b>Business type 2017</b>	<b>Activities 2016</b>
Current and other assets	\$21,815,440	\$19,054,000	\$18,869,490	\$13,889,653
Capital Assets	29,323,333	29,632,339	34,384,697	33,143,206
<b>Total Assets</b>	<b>51,138,773</b>	<b>48,686,339</b>	<b>53,254,187</b>	<b>47,042,859</b>
Long-term liabilities outstanding	21,119,592	23,296,415	27,325,674	24,135,279
Other Liabilities	12,115,450	10,579,261	2,653,477	1,990,342
<b>Total Liabilities</b>	<b>33,235,042</b>	<b>33,875,676</b>	<b>29,979,151</b>	<b>26,125,621</b>
<b>Net Position</b>				
Net Investment in Capital Assets	8,397,857	7,949,743	14,649,743	17,600,518
Restricted	1,311,450	1,327,047	180,614	212,226
Unrestricted	10,981,532	8,373,587	8,510,242	3,146,020
<b>Total net position</b>	<b>\$20,690,839</b>	<b>\$17,650,377</b>	<b>\$23,340,599</b>	<b>\$20,958,764</b>

Changes in net position. Governmental activities increased the City's net position by \$3,010,462. Business-type activities net position increased by \$2,381,835.

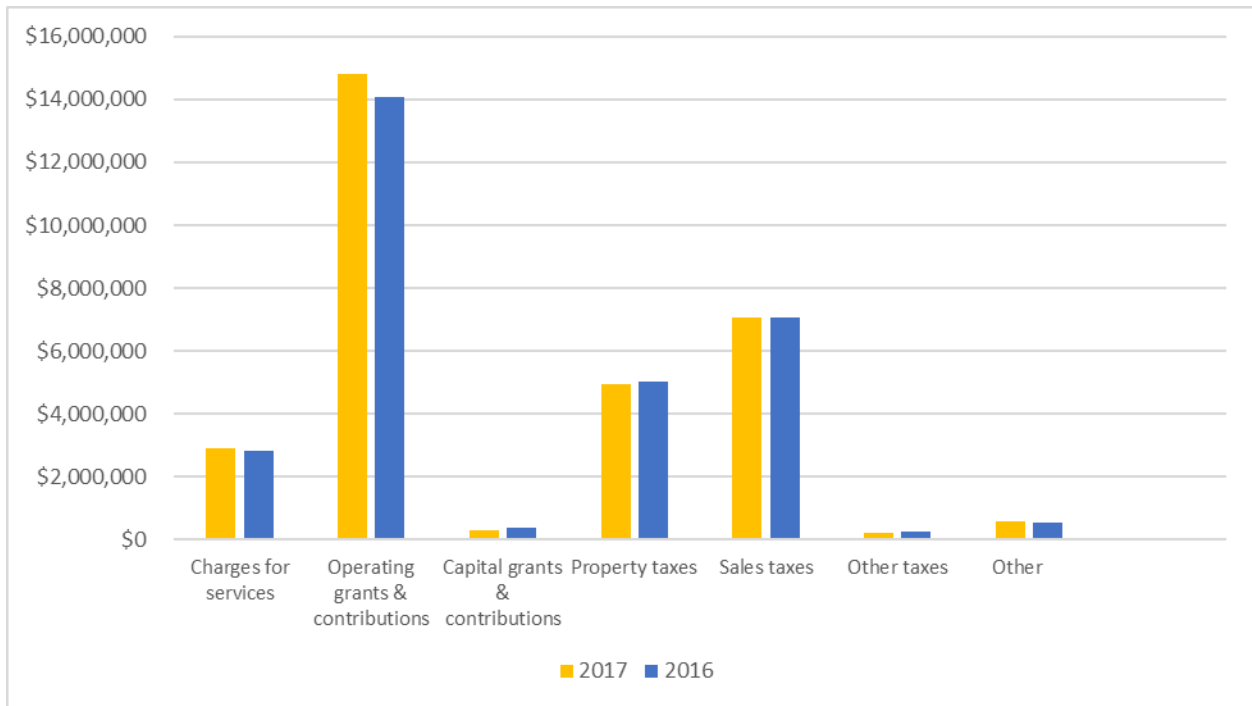
The table below provides a summary of the City's net assets broken down by governmental and business-type activities.

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

	Governmental Activities		Business-type Activities	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>				
<u>Program revenues</u>				
Charges for services	\$2,894,762	\$2,833,278	\$6,119,358	\$6,035,123
Operating grants and contributions	14,802,386	14,068,251	17,400	17,400
Capital grants and contributions	269,276	381,537		
<u>General Revenues</u>				
Property taxes	4,939,714	5,035,188		
Sales taxes	7,066,889	7,052,348		
Other taxes	211,308	256,910		
Other	576,355	523,708	1,676,213	277,983
Total revenues	<u>\$30,760,690</u>	<u>\$30,151,220</u>	<u>\$7,812,971</u>	<u>\$6,330,506</u>
<u>Governmental Activities</u>				
General Government	\$1,296,340	\$1,809,730		
Public Safety	4,606,756	4,412,994		
Public Works	2,970,253	2,719,980		
Health, Welfare, Culture and Recreation	2,335,143	2,157,226		
Economic Development and Assistance	91,858	157,674		
Education	15,632,688	13,800,758		
Debt Service	787,190	851,082		
Water & Sewer			6,202,644	5,765,330
Total expenses	<u>\$27,720,228</u>	<u>\$25,909,444</u>	<u>\$6,202,644</u>	<u>\$5,765,330</u>
Change in Net Position	3,040,462	4,241,776	1,610,327	565,176
Net Position, as previously reported	17,650,377	13,408,601	20,958,764	20,206,140
Restatement from prior year			771,508	187,448
Net Position, beg. Of year as restated				
Net Position, end of year	<u>\$20,690,839</u>	<u>\$17,650,377</u>	<u>\$23,340,599</u>	<u>\$20,958,764</u>

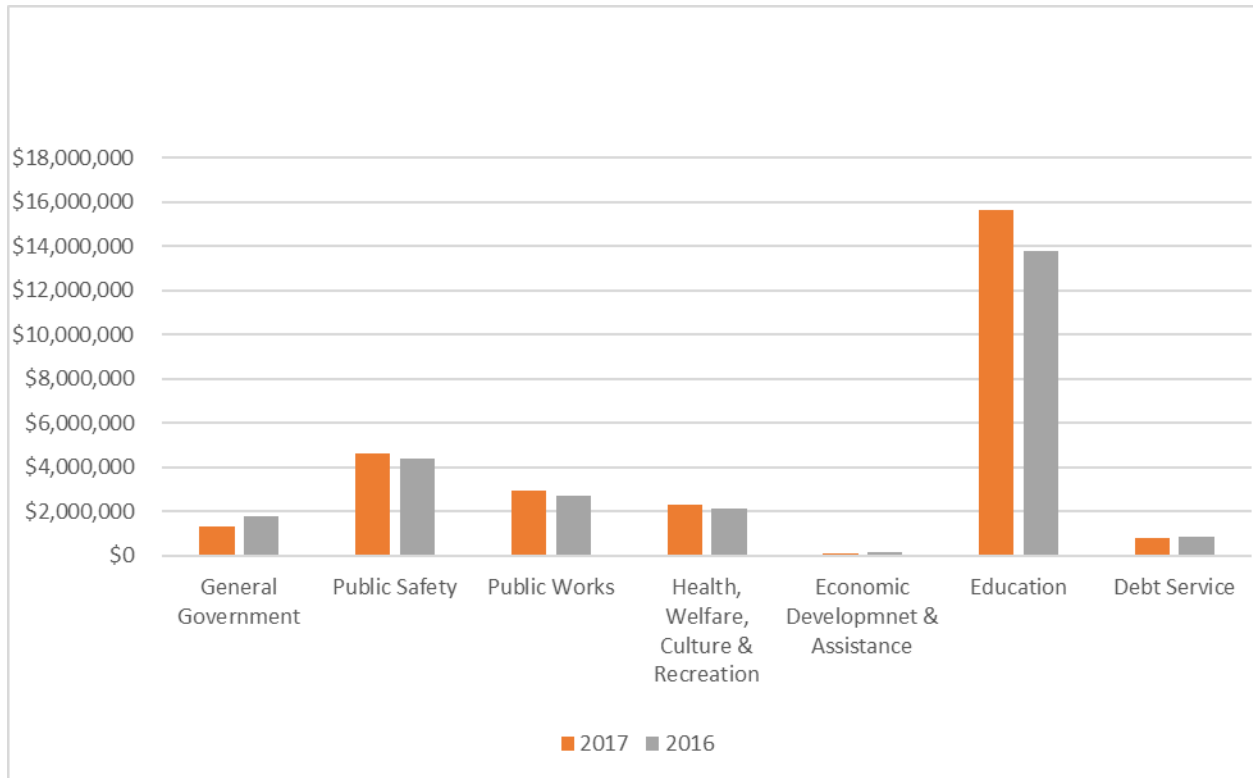
## Revenues by Source – Governmental Activities

### Revenues



## Expenditures – Governmental Activities

### Expenditures



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

- The overall expenditures increased by approximately \$1,810,784. The increase is due to equipment purchases and education expenditures.
- Education expenditures increased by \$1,831,930 due to grants and contributions.

## **Business-type Activities**

Business-type activities accounted for revenue of \$6,262,766 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 \$14,737,208, an increase of \$2,533,396 in comparison with the prior year. Within the governmental funds, \$92,871 is restricted for Inventory and Prepaid Costs in the General Fund. In the General Purpose School Fund, \$0 is committed for Non-Instructional Services.

The general fund is the chief operation fund of the City of Manchester, Tennessee. Due to the compliance of GASB 54, the general fund recognizes "unassigned" fund balance instead of "unreserved" fund balance. At the end of this fiscal year, this amount is \$6,177,456. 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 77.95% of total general fund expenditures.

The City's general fund had a positive Net Change in Fund Balance of \$570,254.

## **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 \$8,510,242. This represents total Net Assets at June 30, 2017 of \$23,340,599.

## **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 \$228,035; General Purpose School Fund – increase of \$30,348; School Federal and State Programs – decrease of \$2,320; changes to appropriations of

General Fund increase of \$210,905; General Purpose School Fund – increase of \$182,275; School Federal and State Programs – decrease of \$2,320.

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

General Fund	Budgeted Amounts	
	Original	Final
<b>Revenues:</b>		
Total Taxes Revenue	\$ 9,904,109	\$10,019,109
<b>General Purpose School Fund:</b>		
Revenues	\$ 11,845,345	\$11,875,693
Operating Transfer-General Fund	\$ 1,678,467	\$1,678,467

### Capital Assets

The City of Manchester’s investment in capital assets from its governmental and business-type activities at June 30, 2017, amounts to \$63,708,032 (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 \$932,487 (a net decrease of \$309,005 for governmental activities and a net increase of \$1,241,492 for business-type activities).

### City of Manchester’s Capital Assets

	Governmental Activities	Business-type Activities	Total
Land	\$ 4,710,362	\$ 210,937	\$ 4,921,299
Buildings/land improvement and utility plant	27,694,694	53,478,741	81,173,435
Equipment and furniture	2,900,175	1,356,919	4,257,094
Infrastructure	26,600,719		26,600,719
Vehicles	4,138,165		4,138,165
Construction in progress	79,144	361,320	440,464
	66,123,259	55,407,917	121,531,176
Less Accumulated Depreciation	36,799,925	21,023,219	57,823,144
Net Capital Assets	\$29,323,334	\$34,384,698	\$63,708,032

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 \$49,620,413. Of this amount, \$1,809,113 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	\$ 703,570	1,105,543	<u>1,809,113</u>

The City of Manchester's combined total bonded debt increased in the amount of \$3,084,914 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 4.3%. This compares to the State's average unemployment rate of 3.6% and the national average rate of 4.3%. Due to the economic situation, the City used the conservative approach in the preparation of next year's budget. Property tax collection and local option sales tax were increased slightly.

## 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, 2017**

	<u>Primary Government</u>		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash	\$ 542,868	\$ 5,753,332	\$ 6,296,200
Investment in Pooled Cash	13,359,309	3,269,293	16,628,602
Accounts Receivable	587,917	421,984	1,009,901
Allowance for Uncollectible	(82,952)	(39,073)	(122,025)
Prepaid Items	78,220	-	78,220
Unbilled Water and Sewer	-	123,340	123,340
Due from Other Governments	1,582,479	-	1,582,479
Internal Balances	63,323	-	63,323
Property Taxes Receivable	5,701,469	-	5,701,469
Allowance for Uncollectible Property Taxes	(127,325)	-	(127,325)
Inventories	110,132	178,442	288,574
Current Portion of Notes Receivable from DRUC	-	325,000	325,000
Net Pension Asset	-	2,172	2,172
Capital Assets:			
Assets Not Being Depreciated:			
Land	4,710,362	210,937	4,921,299
Construction in Progress	79,144	361,320	440,464
Assets Net of Accumulated Depreciation:			
Land Improvements	219,902	-	219,902
Buildings	13,741,188	127,764	13,868,952
Vehicles	1,340,845	-	1,340,845
Heavy Equipment	245,127	-	245,127
Other Equipment	950,169	269,971	1,220,140
Water Plant	-	8,957,621	8,957,621
Sewer Plant	-	24,457,084	24,457,084
Infrastructure	8,036,596	-	8,036,596
Long-term Portion of Note Receivable DRUC	-	8,835,000	8,835,000
<b>Total Assets</b>	<b>\$ 51,138,773</b>	<b>\$ 53,254,187</b>	<b>\$ 104,392,960</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	\$ 2,787,108	\$ 65,563	\$ 2,852,671
<b>Total Deferred Outflows of Resources</b>	<b>\$ 2,787,108</b>	<b>\$ 65,563</b>	<b>\$ 2,852,671</b>

The accompanying notes are an integral part of this statement.

**City of Manchester, Tennessee**  
**Statement of Net Position - Continued**  
**June 30, 2017**

	<u>Primary Government</u>		Total
	Governmental Activities	Business-type Activities	
<b>LIABILITIES</b>			
Accounts Payable	\$ 601,277	\$ 223,904	\$ 825,181
Accrued Payroll	692,573	25,704	718,277
Payroll Deductions Payable	2,529	7,750	10,279
Accrued Interest Payable	66,313	43,327	109,640
Judgements Payable	46,500	-	46,500
Other Payables	68,961	2,003	70,964
Internal Balances	-	63,323	63,323
Due to State of Tennessee	4,893	21,049	25,942
Duck River Utility Commission Surcharge	-	2,499	2,499
Net Pension Liability	1,003,490	-	1,003,490
Customer Deposits	-	388,371	388,371
Surcharge Fee Payable	-	164	164
Unearned Revenues	134,986	-	134,986
Noncurrent Liabilities:			
Accrued Vacation and Sick Leave	1,804,225	299,219	2,103,444
Due Within One Year	703,570	1,495,543	2,199,113
Due in More Than One Year	21,119,592	27,325,674	48,445,266
Total Liabilities	<u>\$ 26,248,909</u>	<u>\$ 29,898,530</u>	<u>\$ 56,147,439</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Assessed & Unlevied Property Taxes	\$ 5,526,513	\$ -	\$ 5,526,513
Deferred Inflows Related to Debt	17,613	73,738	91,351
Deferred Inflows Related to Pensions	1,442,007	6,883	1,448,890
Total Deferred Inflows of Resources	<u>\$ 6,986,133</u>	<u>\$ 80,621</u>	<u>\$ 7,066,754</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 8,397,857	\$ 14,649,743	\$ 23,047,600
Restricted for:			
Inventories of Materials and Supplies	110,132	-	110,132
Drug Control and Investigation	524,178	-	524,178
Education	318,799	-	318,799
Operation of Non-instructional Services	358,341	-	358,341
Unrestricted	10,981,532	8,690,856	19,672,388
Total Net Position	<u>\$ 20,690,839</u>	<u>\$ 23,340,599</u>	<u>\$ 44,031,438</u>

The accompanying notes are an integral part of this statement.

**City of Manchester, Tennessee**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 1,296,340	\$ 99,554	\$ -	\$ 155,040	\$ (1,041,746)	\$ -	\$ (1,041,746)
Public Safety	4,606,756	329,907	108,474	-	(4,168,375)	-	(4,168,375)
Public Works	2,970,253	978,130	300,011	108,736	(1,583,376)	-	(1,583,376)
Health, Welfare, Culture and Recreation	2,335,143	1,154,426	15,000	5,500	(1,160,217)	-	(1,160,217)
Economic Development and Assistance	91,858	-	-	-	(91,858)	-	(91,858)
Education	15,632,688	332,745	14,378,901	-	(921,042)	-	(921,042)
Debt Service	787,190	-	-	-	(787,190)	-	(787,190)
<b>Total Governmental Activities</b>	<b>\$ 27,720,228</b>	<b>\$ 2,894,762</b>	<b>\$ 14,802,386</b>	<b>\$ 269,276</b>	<b>\$ (9,753,804)</b>	<b>\$ -</b>	<b>\$ (9,753,804)</b>
<b>Business-type Activities</b>							
Water and Sewer	6,202,644	6,119,358	17,400	-	-	(65,886)	(65,886)
<b>Total Primary Government</b>	<b>\$ 33,922,872</b>	<b>\$ 9,014,120</b>	<b>\$ 14,819,786</b>	<b>\$ 269,276</b>	<b>\$ (9,753,804)</b>	<b>\$ (65,886)</b>	<b>\$ (9,819,690)</b>
<b>General Revenues</b>							
Property Taxes					\$ 4,802,749	\$ -	\$ 4,802,749
Interest and Penalty on Taxes					14,004	-	14,004
In-Lieu of Taxes					122,961	-	122,961
Local Sales Tax					4,202,204	-	4,202,204
Wholesale Beer Tax					466,108	-	466,108
Wholesale Liquor Tax					257,084	-	257,084
Business Taxes					361,457	-	361,457
Cable TV Franchise Tax					143,124	-	143,124
Room Occupancy Tax					798,923	-	798,923
State Sales Tax					837,989	-	837,989
Other State Taxes - Unrestricted					211,308	-	211,308
Licenses and Permits					137,090	-	137,090
Other Local Revenues - Unrestricted					412,172	-	412,172
Unrestricted Investment Earnings and Rental Income					18,387	126,008	144,395
Donated Infrastructure					-	1,533,591	1,533,591
Gain on Sale of Capital Assets					8,706	16,614	25,320
<b>Total General Revenues</b>					<b>12,794,266</b>	<b>1,676,213</b>	<b>14,470,479</b>
Change in Net Position					3,040,462	1,610,327	4,650,789
<b>Net Position Beginning As Restated</b>					<b>17,650,377</b>	<b>20,958,764</b>	<b>38,609,141</b>
<b>Restatement (Note 15)</b>					<b>-</b>	<b>771,508</b>	<b>771,508</b>
<b>Net Position - Ending</b>					<b>\$ 20,690,839</b>	<b>\$ 23,340,599</b>	<b>\$ 44,031,438</b>

**City of Manchester, Tennessee**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	General Purpose School	Debt Service	Other Governmental Funds	
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ 542,868	\$ 542,868
Investment in Pooled Cash	5,523,388	4,043,525	2,531,406	1,260,990	13,359,309
Accounts Receivable	258,598	181,725	-	147,594	587,917
Allowance for Uncollectible	(11,156)	-	-	(71,796)	(82,952)
Prepaid Expenses	-	-	78,220	-	78,220
Due from Other Governments	887,191	670,378	-	24,910	1,582,479
Due from Other Funds	917	12,806	-	78,976	92,699
Property Taxes Receivable	5,701,469	-	-	-	5,701,469
Allowance for Uncollectible Property Taxes	(127,325)	-	-	-	(127,325)
Inventories	92,871	-	-	17,261	110,132
Total Assets	\$ 12,325,953	\$ 4,908,434	\$ 2,609,626	\$ 2,000,803	\$ 21,844,816
<b>LIABILITIES</b>					
Accounts Payable	\$ 403,968	\$ 11,161	\$ -	\$ 186,148	\$ 601,277
Accrued Payroll	112,700	536,504	-	43,369	692,573
Payroll Deductions Payable	-	-	-	2,529	2,529
Other Payables	-	14,027	-	54,934	68,961
Judgements Payable	-	-	-	46,500	46,500
Due to Other Funds	7,552	9,018	-	12,806	29,376
Due to State of Tennessee	4,893	-	-	-	4,893
Unearned Revenues	-	-	-	134,986	134,986
Total Liabilities	\$ 529,113	\$ 570,710	\$ -	\$ 481,272	\$ 1,581,095

The notes to the financial statements are an integral part of this statement.

**City of Manchester, Tennessee**  
**Balance Sheet - Continued**  
**Governmental Funds**  
**June 30, 2017**

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	General Purpose School	Debt Service	Other Governmental Funds	
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Assessed & Unlevied Property Taxes	\$ 5,526,513	\$ -	\$ -	\$ -	\$ 5,526,513
Other Deferred/Unavailable Revenue			-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 5,526,513</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,526,513</b>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventory	\$ 92,871	\$ -	\$ -	\$ 17,261	\$ 110,132
Restricted:					
Restricted for Drug Control and Investigation	-	-	-	524,178	524,178
Restricted for Education	-	318,799	-	-	318,799
Restricted for Operation of Non-instructional Services	-	-	-	358,341	358,341
Committed:					
Committed for Education	-	108,754	-	-	108,754
Committed for Debt Service	-	479,382	-	-	479,382
Assigned	-	-	2,609,626	619,751	3,229,377
Unassigned	6,177,456	3,430,789	-	-	9,608,245
<b>Total Fund Balances</b>	<b>\$ 6,270,327</b>	<b>\$ 4,337,724</b>	<b>\$ 2,609,626</b>	<b>\$ 1,519,531</b>	<b>\$ 14,737,208</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 12,325,953</b>	<b>\$ 4,908,434</b>	<b>\$ 2,609,626</b>	<b>\$ 2,000,803</b>	<b>\$ 21,844,816</b>

**City of Manchester, Tennessee**  
**Reconciliation of the Balance Sheet of Governmental Funds to**  
**the Statement of Net Position**  
**June 30, 2017**

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

Total fund balances - balance sheet - governmental funds		\$ 14,737,208
<p>(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:</p>		
Land	\$ 4,710,362	
Construction in Progress	79,144	
Land Improvements	219,902	
Buildings	13,741,188	
Vehicles	1,340,845	
Heavy Equipment	245,127	
Other Equipment	950,169	
Infrastructure	8,036,596	29,323,333
<p>(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Accrued Interest Payable	(66,313)	
Due Within One Year	(703,570)	
Due in More Than One Year	(22,923,817)	(23,693,700)
<p>(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.</p>		
Deferred outflows of resources related to pensions	2,787,108	
Deferred inflows of resources related to pensions	(1,442,007)	
Deferred inflows of resources related to debt	(17,613)	1,327,488
<p>(4) Net pension liability of the city agent plan are not current financial uses and are therefore not reported in the governmental funds</p>		
		(1,003,490)
Net position of governmental activities		\$ 20,690,839

The notes to the financial statements are an integral part of this statement.

**City of Manchester, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	General Purpose School	Debt Service	Other Governmental Funds	
<b>Revenues</b>					
Local Taxes	\$ 10,667,293	\$ -	\$ -	\$ 378,360	\$ 11,045,653
Licenses and Permits	137,090	-	-	-	137,090
Charges for Current Services	37,869	145,104	-	2,397,412	2,580,385
Fines, Forfeitures and Penalties	263,142	-	-	62,739	325,881
Other Local Revenue	216,945	37,558	13,508	107,950	375,961
Intergovernmental	1,830,199	13,192,754	-	1,611,342	16,634,295
<b>Total Revenues</b>	<b>13,152,538</b>	<b>13,375,416</b>	<b>13,508</b>	<b>4,557,803</b>	<b>31,099,265</b>
<b>Expenditures</b>					
General Government	1,750,939	-	-	-	1,750,939
Public Safety	4,295,770	-	-	126,953	4,422,723
Public Works	1,804,168	-	-	1,048,479	2,852,647
Health, Welfare, Culture and Recreation	255,615	-	-	2,414,827	2,670,442
Economic Development and Assistance	-	-	-	91,858	91,858
Education	-	13,565,447	-	1,649,412	15,214,859
Debt Service	-	-	1,561,922	-	1,561,922
<b>Total Expenditures</b>	<b>8,106,492</b>	<b>13,565,447</b>	<b>1,561,922</b>	<b>5,331,529</b>	<b>28,565,390</b>
Excess (Deficiency) of Revenues over (under) Expenditures	5,046,046	(190,031)	(1,548,414)	(773,726)	2,533,875
<b>Other Financing Sources (Uses)</b>					
Transfers In	52,451	1,678,467	1,906,735	1,115,911	4,753,564
Transfers Out	(4,528,243)	-	-	(225,321)	(4,753,564)
Capitalized Lease Proceeds	-	-	-	-	-
<b>Total other Financing Sources (Uses)</b>	<b>(4,475,792)</b>	<b>1,678,467</b>	<b>1,906,735</b>	<b>890,590</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>570,254</b>	<b>1,488,436</b>	<b>358,321</b>	<b>116,864</b>	<b>2,533,875</b>
<b>Fund Balance- Beginning</b>	<b>5,700,073</b>	<b>2,849,288</b>	<b>2,251,305</b>	<b>1,402,669</b>	<b>12,203,335</b>
<b>Fund Balance - Ending</b>	<b>\$ 6,270,327</b>	<b>\$ 4,337,724</b>	<b>\$ 2,609,626</b>	<b>\$ 1,519,533</b>	<b>\$ 14,737,210</b>

The notes to the financial statements are an integral part of this statement.

**City of Manchester, Tennessee**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**June 30, 2017**

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

Net change in fund balances - total governmental funds	\$	2,533,875
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Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expenses. The difference between capital outlays and depreciation is itemized as follows:

Add: capital assets purchased in the current period	\$	1,192,945	
Less: current-year depreciation expense		(1,520,545)	(327,600)

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.

Less: book value of capital assets disposed	\$	(22,901)	
Add: donations of capital assets		25,474	
Add: confiscations of capital assets placed in service			2,573

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Less: other deferred/unavailable revenue June 30, 2016	(322,553)		
Add: other deferred/unavailable revenue June 30, 2017	-		(322,553)

The issuance of long-term debt (e.g. bonds, notes, capitalized leases and other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar item when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.

Add: principal payment on long-term debt	\$	1,654,732	
Less: capitalized lease proceeds		(880,000)	774,732

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in accrued interest payable	\$	10,298	
Change in compensated absences payable		(53,277)	
Change in net pension asset		(1,176,639)	
Change in deferred outflows of resources related to pensions		(52,606)	
Change in deferred inflows of resources related to pensions		1,776,945	
Change in deferred inflows of resources related to debt		(17,163)	
Change in other postemployment benefits liability		(108,123)	379,435

Change in net position of governmental activities	\$	<u>3,040,462</u>	
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The notes to the financial statements are an integral part of this statement.

**City of Manchester, Tennessee**  
**Proprietary Fund**  
**Statement of Net Position**  
**June 30, 2017**

	<u>Water and Sewer Department</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 5,753,332
Investment in pooled cash	3,269,293
Accounts receivable	382,911
Unbilled revenues	123,340
Notes Receivable-current portion	325,000
Net pension assets	2,172
Inventories	178,441
Total current assets	<u>10,034,489</u>
Noncurrent assets:	
Notes receivable-long-term portion	8,835,000
Capital assets:	
Land	210,937
Buildings and plant	53,478,742
Machinery, equipment and vehicles	1,356,919
Construction-in-progress	361,320
Less accumulated depreciation	<u>(21,023,220)</u>
Total noncurrent assets	<u>43,219,698</u>
Total Assets	<u>53,254,187</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow related to pension	65,563
Total deferred outflows of resources	<u>65,563</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	223,904
Accrued payroll and payroll liabilities	33,454
Due to other funds	63,323
Accrued interest payable	43,327
Other current liabilities	25,715
Total current liabilities	<u>389,723</u>
Noncurrent liabilities:	
Notes, capital leases and other obligations	
Customer deposits	388,371
Compensated absences	299,219
Revenue bonds payable	28,821,217
Total noncurrent liabilities	<u>29,508,807</u>
Total liabilities	<u>29,898,530</u>

The notes to the financial statements are an integral part of this statement.

**City of Manchester, Tennessee**  
**Proprietary Fund**  
**Statement of Net Position (Continued)**  
**June 30, 2017**

	<u>Water and Sewer Department</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows Related to Pension	6,883
Deferred Inflows Related to debt	<u>73,738</u>
Total Deferred Inflows of Resources	<u>80,621</u>
 <b>NET POSITION</b>	
Net investment in capital assets	14,649,743
Unrestricted	<u>8,690,856</u>
Total net position	<u><u>\$ 23,340,599</u></u>

The notes to the financial statements are an integral part of this statement.

**City of Manchester, Tennessee**  
**Proprietary Fund**  
**Statement of Revenue, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2017**

	<u>Water and Sewer Department</u>
Operating revenues:	
Charges for services:	
Water and sewer revenues	\$ 5,721,008
Customer forfeited discounts	104,606
Connection and other fees	227,759
Miscellaneous revenues	30,818
Other	35,167
Total operating revenues	<u>6,119,358</u>
Operating Expenses:	
Transmission and distribution	1,273,347
Customer accounting and collection	284,713
Sewer treatment and disposal	668,629
Shop and maintenance	1,790,271
Depreciation and amortization	1,554,390
Total operating expenses	<u>5,571,350</u>
Operating income	<u>548,008</u>
Nonoperating revenues (expenses):	
Interest earnings	28,210
Water Tower Leases	97,798
Donated infrastructure	1,533,591
Coffee County Industrial Park Contract	17,400
Gain on Disposal of Fixed Assets	16,614
Interest Expense	(630,283)
Bank Service Charges/Fiscal Agent Fees	(1,011)
Total nonoperating revenues (expenses)	<u>1,062,319</u>
Change in Net Position	1,610,327
Net position, beginning as restated	21,730,272
Net position, ending	<u>\$ 23,340,599</u>

The notes to the financial statements are an integral part of this statement.

**City of Manchester, Tennessee**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 6,131,185
Cash paid to employees for services	1,784,732
Cash paid to suppliers of goods and services	(5,789,436)
Net Cash provided by (used in) operating activities	<u>2,126,481</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisitions of capital assets	(953,886)
Net Bond Refinance	5,510,675
Interest paid on capital debt	(630,283)
Principal paid on capital debt	(847,654)
Net Cash provided by (used in) by capital and related Financing Activities	<u>3,078,852</u>
 <u>Cash Flows from Investing Activities</u>	
Interest received	28,210
Other non operating receipts	111,667
Net Cash provided by (used in) Investing Activities	<u>139,877</u>
 Net Increase in Cash	 5,345,210
Cash, Beginning of Year	<u>3,651,443</u>
 Cash, End of Year	 <u><u>\$ 8,996,653</u></u>

**Reconciliation of Operating Income to Net Cash Provided by Operations**

Operating Income	\$ 548,008
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,554,420
(Increase) Decrease in Accounts Receivable	(39,767)
(Increase) Decrease in Unbilled Water and Sewer	(5,845)
(Increase) Decrease in Inventories	(12,943)
(Increase) Decrease in Net Pension Asset Account	6,311
(Increase) Decrease in Deferred Outflows Related to Pension	(13,558)
Increase (Decrease) in Accounts Payable	32,609
Increase (Decrease) in Accrued Payroll	(750)
Increase (Decrease) in Payroll Deductions Payable	(511)
Increase (Decrease) in Refunds Payable	1,068
Increase (Decrease) in Due to Other Funds	8,185
Increase (Decrease) in Due to State of Tennessee	960
Increase (Decrease) in DRUC Water Surcharge	(44)
Increase (Decrease) in Surcharge Fee Payable	3,106
Increase (Decrease) in Customer Deposits	45,232
Net Cash Provided by Operating Activities	<u><u>\$ 2,126,481</u></u>

The accompanying notes are an integral part of this statement.

**City of Manchester, Tennessee**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual- GAAP Basis**  
**General Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Taxes	\$ 9,904,109	\$ 10,019,109	\$ 10,667,293	\$ 648,184
Licenses and Permits	85,000	116,000	137,090	21,090
Charges for Current Services	22,700	36,738	37,869	1,131
Fines, Forfeitures and Penalties	208,000	228,200	263,142	34,942
Other Local Revenue	172,453	179,878	216,945	37,067
Intergovernmental	2,004,413	2,044,785	1,830,199	(214,586)
<b>Total Revenues</b>	<b>12,396,675</b>	<b>12,624,710</b>	<b>13,152,538</b>	<b>527,828</b>
<b>Expenditures</b>				
<u>General Government</u>				
<u>City Court</u>				
Contractual Services	12,000	12,000	12,000	-
<b>Total City Court</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>	<b>-</b>
<u>Board of Mayor and Aldermen</u>				
Personnel Expenditures	207,370	207,443	201,781	5,662
Contractual Services	141,921	141,763	95,089	46,674
Supplies	7,000	7,000	4,255	2,745
Fixed Charges	1,500	1,585	1,831	(246)
<b>Total Board of Mayor and Aldermen</b>	<b>357,791</b>	<b>357,791</b>	<b>302,956</b>	<b>54,835</b>
<u>Financial Administration</u>				
Personnel Expenditures	305,992	307,597	297,458	10,139
Contractual Services	56,000	56,000	48,212	7,788
Supplies	12,850	12,850	10,271	2,579
Fixed Charges	1,500	1,500	989	511
<b>Total Financial Administration</b>	<b>376,342</b>	<b>377,947</b>	<b>356,930</b>	<b>21,017</b>
<u>Information Systems</u>				
Personnel Expenditures	76,020	76,020	74,695	1,325
Contractual Services	24,820	24,820	17,054	7,766
Supplies	3,200	3,224	961	2,263
Fixed Charges	500	500	-	500
Capital Outlay	25,000	25,000	20,002	4,998
<b>Total Information Systems</b>	<b>129,540</b>	<b>129,564</b>	<b>112,712</b>	<b>16,852</b>
<u>Planning and Zoning</u>				
Personnel Expenditures	261,026	263,526	248,596	14,930
Contractual Services	43,300	43,361	27,679	15,682
Supplies	8,300	8,300	4,631	3,669
Fixed Charges	1,300	1,300	1,017	283
Capital Outlay	6,500	6,500	15,500	(9,000)
<b>Total Planning and Zoning</b>	<b>320,426</b>	<b>322,987</b>	<b>297,423</b>	<b>25,564</b>
<u>General Government and Buildings</u>				
Personnel Expenditures	41,750	41,750	31,661	10,089
Contractual Services	238,787	238,787	199,486	39,301
Supplies	5,000	5,000	2,522	2,478
Fixed Charges	362,800	375,800	298,946	76,854
Capital Outlay	533,702	561,372	136,303	425,069
<b>Total General Government and Buildings</b>	<b>1,182,039</b>	<b>1,222,709</b>	<b>668,918</b>	<b>553,791</b>
<b>Total General Government</b>	<b>2,378,138</b>	<b>2,422,998</b>	<b>1,750,939</b>	<b>672,059</b>

(continued)

The notes to the financial statements are an integral part of this statement.

**City of Manchester, Tennessee**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual- GAAP Basis (Continued)**  
**General Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget- Positive (Negative)
	Original	Final		
<u>Expenditures (Cont.)</u>				
<u>Public Safety</u>				
<u>Police Department</u>				
Personnel Expenditures	2,228,700	2,228,700	2,159,052	69,648
Contractual Services	74,195	74,195	62,511	11,684
Supplies	150,000	151,000	117,761	33,239
Fixed Charges	3,000	3,000	439	2,561
Capital Outlay	38,000	44,000	43,857	143
<b>Total Police Department</b>	<b>2,493,895</b>	<b>2,500,895</b>	<b>2,383,620</b>	<b>117,275</b>
<u>Fire Department</u>				
Personnel Expenditures	1,769,764	1,789,764	1,762,782	26,982
Contractual Services	53,250	56,820	49,548	7,272
Supplies	85,400	86,900	95,088	(8,188)
Fixed Charges	13,800	13,800	4,732	9,068
<b>Total Fire Department</b>	<b>1,922,214</b>	<b>1,947,284</b>	<b>1,912,150</b>	<b>35,134</b>
<b>Total Public Safety</b>	<b>4,416,109</b>	<b>4,448,179</b>	<b>4,295,770</b>	<b>152,409</b>
<u>Public Works</u>				
<u>Public Works Department</u>				
Personnel Expenditures	956,423	963,923	917,828	46,095
Contractual Services	300,950	296,550	309,549	(12,999)
Supplies	156,100	156,475	140,317	16,158
Building Materials	55,000	55,500	38,972	16,528
Fixed Charges	960	960	407	553
Capital Outlay	436,000	466,000	397,095	68,905
<b>Total Public Works Department</b>	<b>1,905,433</b>	<b>1,939,408</b>	<b>1,804,168</b>	<b>135,240</b>
<b>Total Public Works</b>	<b>1,905,433</b>	<b>1,939,408</b>	<b>1,804,168</b>	<b>135,240</b>
<u>Health, Welfare, Culture and Recreation</u>				
Contributions to Other Agencies	132,515	232,515	255,615	(23,100)
<b>Total Health, Welfare, Culture and Recreation</b>	<b>132,515</b>	<b>232,515</b>	<b>255,615</b>	<b>(23,100)</b>
<b>Total Expenditures</b>	<b>8,832,195</b>	<b>9,043,100</b>	<b>8,106,492</b>	<b>936,608</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,564,480	3,581,610	5,046,046	1,464,436
<b>Other Financing Sources (Uses)</b>				
Transfers In	52,451	52,451	52,451	-
Transfers Out	(3,672,832)	(4,528,243)	(4,528,243)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(3,672,832)</b>	<b>(4,528,243)</b>	<b>(4,475,792)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ (108,352)</b>	<b>\$ (946,633)</b>	<b>570,254</b>	<b>\$ (1,516,887)</b>
<b>Fund Balance - Beginning</b>			<b>5,700,073</b>	
<b>Fund Balance - Ending</b>			<b>\$ 6,270,327</b>	

The notes to the financial statements are an integral part of this statement.

**City of Manchester, Tennessee**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual- Budgetary Basis**  
**General Purpose School Funds**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for Current Services	\$ 159,000	\$ 159,000	\$ 145,104	\$ (13,896)
Other Local Revenues	11,250	36,530	37,558	1,028
Intergovernmental	11,675,095	11,680,163	13,192,754	1,512,591
<b>Total Revenues</b>	<b>11,845,345</b>	<b>11,875,693</b>	<b>13,375,416</b>	<b>1,499,723</b>
<b>Expenditures</b>				
<u>Instruction</u>				
Regular Instruction Program	7,147,190	7,166,313	7,178,414	(12,101)
Alternative Instruction Program	32,942	32,942	32,060	882
Special Education Program	1,321,638	1,336,918	1,275,531	61,387
Student Body Education Program	3,000	3,000	230	2,770
<u>Support Services</u>				
Attendance	112,670	112,670	103,911	8,759
Health Services	222,292	232,907	230,659	2,248
Other Student Support	180,208	187,278	185,390	1,888
Regular Instruction Program	434,180	418,780	419,324	(544)
Special Education Program	287,010	287,010	278,142	8,868
Board of Education	230,087	235,090	223,112	11,978
Office of the Superintendent	254,005	249,005	234,227	14,778
Office of the Principal	695,795	695,795	668,441	27,354
Fiscal Services	233,373	233,373	239,168	(5,795)
Operation of Plant	876,195	876,195	804,987	71,208
Maintenance of Plant	382,231	382,231	383,992	(1,761)
Transportation	34,530	34,530	31,482	3,048
Central and Other	455,933	455,933	524,906	(68,973)
<u>Operation of Non-instructional Services</u>				
Community Services	348,856	355,966	333,016	22,950
Early Childhood Education	271,677	269,151	277,456	(8,305)
<u>Capital Outlay</u>				
Regular Capital Outlay	-	141,000	141,000	-
<b>Total Expenditures</b>	<b>13,523,812</b>	<b>13,706,087</b>	<b>13,565,448</b>	<b>140,639</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,678,467)	(1,830,394)	(190,031)	1,640,362
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,678,467	1,678,467	1,678,467	-
<b>Total Other Financing Sources</b>	<b>1,678,467</b>	<b>1,678,467</b>	<b>1,678,467</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (151,927)</b>	<b>1,488,436</b>	<b>\$ 1,640,362</b>
Add encumbrances at end of year			57,169	
Less encumbrances at beginning of year			(153,116)	
<b>Net Change in Fund Balance - (GAAP)</b>			<b>1,392,489</b>	
<b>Fund Balance - Beginning (GAAP)</b>			<b>2,849,288</b>	
<b>Fund Balance - Ending (GAAP)</b>			<b>\$ 4,241,777</b>	

**City of Manchester, Tennessee**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual-GAAP Basis**  
**Debt Service Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Other Local Revenues	\$ 39,875	\$ 39,875	\$ 13,508	\$ (26,367)
Total Revenues	<u>39,875</u>	<u>39,875</u>	<u>13,508</u>	<u>(26,367)</u>
<b>Expenditures</b>				
Debt Service	1,908,304	1,908,304	1,561,922	346,382
Total Expenditures	<u>1,908,304</u>	<u>1,908,304</u>	<u>1,561,922</u>	<u>346,382</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,868,429)</u>	<u>(1,868,429)</u>	<u>(1,548,414)</u>	<u>320,015</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,908,304	1,908,304	1,906,735	1,569
Total Other Financing Sources	<u>1,908,304</u>	<u>1,908,304</u>	<u>1,906,735</u>	<u>1,569</u>
<b>Net Change in Fund Balance</b>	<u>\$ 39,875</u>	<u>\$ 39,875</u>	358,321	<u>\$ 321,584</u>
<b>Fund Balance - Beginning</b>			<u>2,251,305</u>	
<b>Fund Balance - Ending</b>			<u>\$ 2,609,626</u>	

The notes to the financial statements are an integral part of this statement.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

A. Reporting Entity

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

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**B. Government-Wide and Fund Financial Statements**

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

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

The City of Manchester issues all debt for the Manchester City Schools. There were no debt issues contributed by the City to the City Schools during the year ended June 30, 2017.

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.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). However, July and August 2017 property tax collections have been included in revenues. All other revenue items are considered to be measurable and available only when the City receives cash.

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

The City reports the following major governmental funds:

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

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont.)

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

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

The City reports the following major proprietary fund:

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

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

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

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**D. DEPOSITS AND INVESTMENTS**

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

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

Cash consists of cash-on-hand and on-deposit with financial institutions. For purposes of reporting cash on the Statement of Net Position, the City considers unrestricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash is reported on the Statement of Cash Flows as "Cash". At June 30, 2017, the City had no cash equivalents.

Investments – All investments are stated at fair value for all funds. At June 30, 2017, the City had no investments.

**E. RECEIVABLES AND PAYABLES**

All property taxes are shown with an allowance for un-collectibles. Allowance for un-collectibles are based on historical collection data.

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

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

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**F. INVENTORIES**

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

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

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

**G. CAPITAL ASSETS**

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**G. CAPITAL ASSETS (CONT.)**

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

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

**H. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

*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 Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Legacy Pension Plan. Investments are reported at fair value.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**I. COMPENSATED ABSENCES**

The City provides for the accumulation of unused vacation. Accumulated vacation and sick leave vest with the employee and may be taken, or paid to the employee upon termination or retirement. For Governmental Fund accounting and reporting purposes, no amounts accrued at June 30, 2017 are expected to be liquidated with expendable available financial resources; accordingly, a liability is not recorded in the fund statements. Compensated absences are accrued when incurred in the governmental activities and proprietary fund financial statements.

**J. LONG-TERM OBLIGATIONS**

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

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

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

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

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**L. NET POSITION AND FUND BALANCE**

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

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

Restricted net position – Consists of net position with constraints placed on the use either by (A) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (B) law through constitutional provisions or enabling legislation.

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

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

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

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

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

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**M. NET POSITION AND FUND BALANCE (CONT.)**

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

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

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

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position

The Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position on page 20 of this report includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONT.)**

- B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities on page 22 of this report includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

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

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

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**4. DEPOSITS AND INVESTMENTS**

The City of Manchester participates in an internal cash and investment pool through the City Finance Director's office. The City Financial Officer 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.

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**5. RECEIVABLES**

ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2017 consist of the following:

	General Fund	General Purpose School Fund	Other Governmental Funds	Water and Sewer Fund
Customers	\$ 12,362	\$ -	\$ 147,594	\$ 421,984
Allowance for Uncollectable	(10,991)	-	(71,796)	(39,073)
Due from National Institute for Excellence in Teaching – Teacher Incentive Fund Grant	-	181,725	-	
Total	<u>\$ 1,371</u>	<u>\$ 181,725</u>	<u>\$ 75,798</u>	<u>\$ 382,911</u>

OTHER TAXES RECEIVABLE

Other Taxes Receivable at June 30, 2017 consist of the following:

	General Fund
Wholesale Beer Tax	\$ 102,225
Wholesale Liquor Tax	37,260
Cable TV Franchise Tax	36,319
Room Occupancy Tax	70,268
Total	<u>\$ 246,072</u>

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**5. RECEIVABLES (CONT.)**

**DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2017, consist of the following:

	General Fund	General Purpose School Fund	Other Governmental Funds
Due from Coffee County:			
Court Fines	\$ -	\$ -	\$ 5,310
Coffee County Shared Revenues:			
Current Property Taxes	-	7,075	-
Trustee's Collections Prior Years	-	6,604	-
Clerk and Master Property Tax Collections	-	5,599	-
Interest and Penalty on Property Taxes	-	2,529	-
Payments in Lieu of Taxes	-	764	-
Local Option Sales Tax	-	646,166	-
Interstate Telecommunications Tax	-	79	-
Marriage Licenses	-	126	-
Due from State of Tennessee:			
Local Option Sales Tax	592,585	-	-
State Sales Tax	146,532	-	-
State Income Tax	76,034	-	-
State Mixed Drink Tax	8,212	-	-
State Gas and Motor Fuel Tax	48,605	-	-
Diabetes Bikes Grants	-	-	2,547
Career Ladder	-	1,167	-
Alcoholic Beverage Tax	-	269	-
ESEA Chapter 1	-	-	6,064
Education of the Handicap	-	-	6,497
Special Education Grants to States	-	-	3,000
City Streets and Transportation	3,401	-	-
State Highway Maintenance Contract	11,147	-	-
GHSO Police Grant	675	-	-
Other Federal Grants	-	-	1,493
<b>Total</b>	<b>\$ 887,191</b>	<b>\$ 670,378</b>	<b>\$ 24,911</b>

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

<u>Governmental Activities</u>	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
<u>Capital assets not being depreciated:</u>					
Land	\$ 4,710,362	\$ -	\$ -	\$ -	\$ 4,710,362
Construction in Progress	237,531	170,809		(329,196)	79,144
<b>Total Not Being Depreciated</b>	<b>\$ 4,947,893</b>	<b>\$ 170,809</b>	<b>\$ -</b>	<b>\$ (329,196)</b>	<b>\$ 4,789,506</b>
<u>Capital assets being depreciated:</u>					
Buildings	\$ 27,291,026	\$ -	\$ -	\$ -	\$ 27,291,026
Land Improvements	403,668	-	-	-	403,668
Infrastructure	26,063,875	207,648	-	329,196	26,600,719
Other Equipment	1,588,630	585,410	46,864		2,127,176
Heavy Equipment	638,472	151,262	16,735		772,999
Vehicles	4,143,834	119,312	124,981		4,138,165
<b>Total Being Depreciated</b>	<b>\$60,129,505</b>	<b>\$ 1,063,632</b>	<b>\$ 188,580</b>	<b>\$ 329,196</b>	<b>\$61,333,753</b>
<u>Accumulated Depreciation</u>					
Buildings	\$12,765,104	\$784,735	\$ -	\$ -	\$13,549,839
Land Improvements	168,147	15,619			183,766
Infrastructure	18,237,175	326,948	-	-	18,564,123
Heavy Equipment	512,931	14,941	-	-	527,872
Other Equipment	1,110,799	93,598	27,391	-	1,177,006
Vehicles	2,650,903	284,704	138,288	-	2,797,319
<b>Total Accumulated Depreciation</b>	<b>\$35,445,059</b>	<b>\$1,520,545</b>	<b>\$ 165,679</b>	<b>\$ -</b>	<b>\$36,799,925</b>
<b>Net Capital Assets Being Depreciated</b>	<b>\$24,684,446</b>	<b>\$ (456,913)</b>	<b>\$ 22,901</b>	<b>\$ 329,196</b>	<b>\$24,533,828</b>
<b>Net Capital Assets</b>	<b>\$29,632,339</b>	<b>\$ (286,122)</b>	<b>\$ 22,901</b>	<b>\$ -</b>	<b>\$29,323,334</b>

Depreciation expense was charged to the following locations:

General government	\$ 6,357
Public Safety	124,156
Drug Fund	124,534
Public Works	533,983
Sanitation	47,569
Recreation	266,117
Schools	417,829
<b>Total</b>	<b>\$1,520,545</b>

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**6. CAPITAL ASSETS (CONT)**

<u>Business-type Activities</u>	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Capital assets not being depreciated:</u>				
Land	\$ 210,937	\$ -	\$ -	\$ 210,937
Construction in Progress	2,054,187	490,983	2,183,850	361,320
Total Not Being Depreciated	<u>\$ 2,265,124</u>	<u>\$ 490,983</u>	<u>\$ 2,183,850</u>	<u>\$ 572,257</u>
<u>Capital assets being depreciated:</u>				
Buildings	\$ 398,600	\$ -	\$ -	\$ 398,600
Other Equipment	1,372,192	12,528	27,801	1,356,919
Utility Plant	48,603,720	4,476,421	-	53,080,141
Total Being Depreciated	<u>\$ 50,374,512</u>	<u>\$ 4,488,949</u>	<u>\$ 27,801</u>	<u>\$ 54,835,660</u>
<u>Accumulated Depreciation</u>				
Buildings	\$ 264,368	\$ 6,467	\$ -	\$ 270,835
Other Equipment	1,042,611	71,968	27,631	1,086,948
Utility Plant	18,189,451	1,475,985	-	19,665,436
Total Accumulated Depreciation	<u>\$ 19,496,430</u>	<u>\$ 1,552,890</u>	<u>\$ 27,631</u>	<u>\$ 21,023,219</u>
Net Capital Assets Being Depreciated	<u>\$ 30,878,082</u>	<u>\$ 2,936,059</u>	<u>\$ 170</u>	<u>\$ 33,812,441</u>
Net Capital Assets	<u>\$ 33,143,206</u>	<u>\$ 3,427,042</u>	<u>\$ 2,184,020</u>	<u>\$ 34,384,698</u>

During 2017, depreciation in the amount of \$1,552,890 was charged to operations.

**7. INTERFUND TRANSACTIONS**

The composition of inter-fund balances as of June 30, 2017 was as follows:

	<u>Due To</u>	<u>Due From</u>
General	\$ 917	\$ 7,552
General Purpose Schools	12,806	9,018
Central Cafeteria	8,101	12,806
Sanitation	63,323	-
Drug Control	7,552	-
Water and Sewer	-	63,323
Total	<u>\$ 92,699</u>	<u>\$ 92,699</u>

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**8. LONG-TERM OBLIGATIONS**

**Governmental Activities**

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

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

General obligation bonds, capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 30 years for bonds and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2017, will be retired from the Debt Service Fund.

General obligation bonds capital outlay notes and other loans outstanding as of June 30, 2017, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-2017</u>
Capital Outlay Notes	3.85%	2019	\$ 550,000	\$ 79,196
General Obligation Bonds	2.91% to 4.70%	2038	21,790,000	20,720,000

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2017, including interest payments and other loan fees, are presented in the following table:

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**8. LONG-TERM OBLIGATIONS (Cont.)**

**Governmental Activities (Cont.)**

**General Obligation Bonds, Capital Outlay Notes and Other Loans (Cont.)**

Year Ending June 30	Principal	Interest	Total
2018	\$ 703,570	\$ 772,728	\$ 1,476,298
2019	670,626	755,587	1,426,213
2020	675,000	732,449	1,407,449
2021	705,000	717,905	1,422,905
2022	735,000	697,267	1,432,267
2023-2027	4,055,000	3,159,168	7,214,168
2028-2032	5,085,000	2,494,258	7,579,258
2033-2037	6,645,000	1,388,469	8,033,469
2038	1,525,000	76,250	1,601,250
Total	<u>\$20,799,196</u>	<u>\$10,794,081</u>	<u>\$31,593,277</u>

Long-term obligation activity for the year ended June 30, 2017, was as follows:

	Capital Outlay Notes	General Obligation Bonds	Other Loans
Balance, July 1, 2016	\$ 157,768	\$ 20,445,000	\$ -
Additions	-	880,000	-
Reductions	78,572	605,000	-
Balance, June 30, 2017	<u>\$ 79,196</u>	<u>\$ 20,720,000</u>	<u>\$ -</u>
Balance Due Within One Year	<u>\$ 78,570</u>	<u>\$ 625,000</u>	<u>\$ -</u>

**Capitalized Leases (Cont.)**

On January 26, 2015 the City of Manchester entered into a capital lease agreement with Municipal Asset Management, Inc. for the lease of cardio equipment for the Manchester Recreation Center. This agreement requires a monthly payment of \$2,347 with no stipulation of the interest rate for the lease of this equipment. The discount rate of interest used for the equipment is 2.81% and the discounted value on the date of the lease was \$80,942 which exceeded 90% of the estimated value of this equipment on the date of the lease, therefore,

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**8. LONG-TERM OBLIGATIONS (Cont.)**

**Governmental Activities (Cont.)**

Capitalized Leases

this lease has been treated as a capital lease in the financial statements of this report. The principal balance as of June 30, 2017 was \$19,990.

In June 2015 the City of Manchester entered into a capital lease agreement for the purchase of a leaf loader. This agreement required a monthly payment of \$1,054 which includes interest and principal. The lease purchase agreement has a stipulated interest rate of 2.81%. The principal balance of this lease purchase agreement on June 30, 2017 was \$11,611.

In June 2015 the City of Manchester entered into a capital lease agreement for the purchase of a knuckle-boom truck. This agreement required a monthly payment of \$3,664 which includes interest and principal. The lease purchase agreement has a stipulated interest rate of 2.81%. The principal balance of this lease purchase agreement on June 30, 2017 was \$40,355.

In January 2016, the City of Manchester Schools entered into a capital lease agreement for the purchase of servers for their data processing network. This agreement required an annual payment of \$13,716 which includes interest and principal. The lease purchase agreement has a stipulated interest rate of 3.46%. The principal balance of this lease purchase agreement on June 30, 2017 was \$36,712

**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 and revenue bonds, and other loans are issued pledging the revenue of the Manchester Water and Sewer system and the full faith and credit of the government. These bonds and other loans outstanding were issued for

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**8. LONG-TERM OBLIGATIONS (Cont.)**

**Business-type Activities (Cont.)**

General Obligation and Revenue Bonds, and Other Loans (Cont.)

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, 2017, will be retired from the Water and Sewer Fund.

Outstanding general obligation and revenue bonds and other loans serviced by City of Manchester as of June 30, 2017, for business-type activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-2017
General Obligation and Revenue Bonds	3.00% to 4.25%	2050	16,991,658	14,164,183
Other Loans	2.16% to 4.74%	2031	7,500,000	5,497,035

The annual requirements to amortize bonds and other loans outstanding and serviced by the City of Manchester of June 30, 2017, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Principal	Interest	Total
2018	\$ 1,105,543	\$ 550,654	\$ 1,656,197
2019	1,139,828	517,919	1,657,747
2020	1,174,333	484,209	1,658,542
2021	1,269,064	449,132	1,718,196
2022	1,304,026	414,933	1,718,958
2023-2027	7,133,043	1,462,994	8,596,037
2028-2032	4,142,198	511,821	4,654,019
2033-2037	1,780,674	215,758	1,996,432
2038-2042	221,490	76,029	297,519
2043-2047	257,286	40,218	297,504
2048-2050	133,732	4,920	138,652
Total	<u>\$19,661,217</u>	<u>\$ 4,728,587</u>	<u>\$24,389,804</u>

Long-term obligation activity serviced by the City of Manchester for the year ended June 30, 2017, was as follows:

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**8. LONG-TERM OBLIGATIONS (Cont.)**

**Business-type Activities (Cont.)**

General Obligation and Revenue Bonds, and Other Loans (Cont.)

	General Obligation Bonds	Other Loans
Balance, July 1, 2016	\$ 9,706,764	\$ 5,835,926
Additions	5,635,000	-
Reductions	1,177,581	338,891
Balance, June 30, 2017	<u>\$ 14,164,183</u>	<u>\$ 5,497,035</u>
Balance Due Within One Year	<u>\$ 759,258</u>	<u>\$ 346,285</u>

Compensated absences and other post-employment benefits will be paid from the employing funds, primarily the General and Schools Funds.

The local Government Improvement Bonds-Series Z-1-B-DRUC Portion and Public Building Authority of Coffee County, TN-Utility Revenue and tax Bonds-Series 2006-DRUC were used by the Duck River Utility Commission to construct their facilities and improvements to utility plant through an agreement between the City of Tullahoma and the City of Manchester. As a result, Duck River Utility Commission (DRUC) is to be primarily responsible for the repayment of the loans. The receivable from DRUC at June 30, 2017, was \$9,160,000. These loans will be retired by the Duck River Utility Commission.

Outstanding general obligation and revenue bonds and other loans serviced by Duck River Utility Commission as of June 30, 2017, for business-type activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-2017
Public Building Authority Series Z-1-B	5.00%	2038	2,940,000	2,920,000
Public Building Authority Series 2006	Variable	2038	6,595,000	6,240,000

The annual requirements to amortize bonds outstanding and serviced by the Duck River Utility Commission as of June 30, 2017, including interest payments and other loan fees, are presented in the following table:

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**8. LONG-TERM OBLIGATIONS (Cont.)**

**Business-type Activities (Cont.)**

General Obligation and Revenue Bonds, and Other Loans (Cont.)

Year Ending June 30	Principal	Interest	Total
2018	\$ 390,000	\$ 267,150	\$ 657,150
2019	400,000	259,250	659,250
2020	405,000	251,200	656,200
2021	415,000	243,000	658,000
2022	425,000	234,600	659,600
2023-2027	2,245,000	1,041,300	3,286,300
2028-2032	2,310,000	810,650	3,120,650
2033-2037	2,100,000	443,750	2,543,750
2038-2039	470,000	23,750	493,750
Total	<u>\$ 9,160,000</u>	<u>\$ 3,574,650</u>	<u>\$12,734,650</u>

Long-term obligation activity serviced by Duck River Utility Commission for the year ended June 30, 2017, was as follows:

	General Obligation Bonds
Balance, July 1, 2016	\$ 9,515,000
Additions	-
Reductions	355,000
Balance, June 30, 2017	<u>\$ 9,160,000</u>
Balance Due Within One Year	<u>\$ 390,000</u>

**9. EXPENDITURES IN EXCESS OF BUDGET**

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

The General Fund exceeded appropriations at the level of control for Health, Welfare, Culture and Recreation by \$23,100. Expenditures of the Recreation Fund exceeded appropriations at the level of control for Recreation Administration by \$1,259.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS**

**Teacher Legacy Pension Plan of TCRS**

*Plan description.* Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Manchester City Schools are provided with pensions through the Teacher Retirement 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 after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. 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 [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*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 year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and 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. Under the Teacher Legacy Pension 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.

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**Teacher Legacy Pension Plan of TCRS (Cont.)**

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Manchester City Schools for the year ended June 30, 2017 to the Teacher Legacy Pension Plan were \$990,996 which is 9.04 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, 2017, Manchester City Schools reported a liability of \$1,099,287 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial value as of that date. Manchester City Schools' proportion of the net pension liability 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, 2016 Manchester City Schools' proportion was 0.175901 percent. The proportion measured as of June 30, 2015 was 0.184713 percent.

*Pension expense.* For the year ended June 30, 2017, Manchester City Schools recognized pension expense of \$159,725.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2017, Manchester City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**Teacher Legacy Pension Plan of TCRS (Cont.)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 46,262	\$ 1,330,872
Net difference between projected and actual earnings on pension plan investments	1,221,368	-
Changes in proportion of Net Pension Liability (Asset)	174,163	66,830
LEA's contributions subsequent to the measurement date of June 30, 2016	990,996	<i>(not applicable)</i>
Total	\$ 2,432,789	\$ 1,397,702

Manchester City Schools employer contributions of \$990,996, 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>	
2018	\$ (175,520)
2019	(175,520)
2020	413,248
2021	87,975
2022	(100,092)
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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included an adjustment for expected future improvement in life expectancy.

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**Teacher Legacy Pension Plan of TCRS (Cont.)**

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established 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 inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**Teacher Legacy Pension Plan of TCRS (Cont.)**

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate.* The following presents Manchester City Schools’ proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Manchester City School’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Manchester City Schools’ proportionate share of the net pension liability (asset)	\$6,036,372	\$1,099,287	\$(2,990,372)

*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 Pension Plan

At June 30, 2017, Manchester City Schools reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**Manchester City Schools Teacher Retirement Plan**

*Plan description.* Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Manchester City Schools are provided with pensions through the Teacher Retirement 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 after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. 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 [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

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

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**Manchester City Schools Teacher Retirement Plan (Cont.)**

*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 years when the maximum funded level, as established by the 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, 2017 to the Teacher Retirement Plan were \$7,570 which is 4.00 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, 2017, Manchester City Schools reported an asset of \$6,483 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset 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, 2016 Manchester City Schools' proportion was 0.062277 percent. The proportion measured as of June 30, 2015 was 0.049222 percent.

*Pension expense.* For the year ended June 30, 2017, Manchester City Schools recognized pension expense of \$5,397.

*Deferred outflows* of resources and *deferred inflows* of resources. For the year ended June 30, 2017, Manchester City Schools reported deferred outflows Of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**Manchester City Schools Teacher Retirement Plan (Cont.)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 628	\$748
Net difference between projected and actual earnings on pension plan investment)	1,062	
Changes on proportion of Net Pension Liability (Asset)	-	366
LEA's contributions subsequent to the measurement date of June 30, 2016	\$ 7,570	<i>(not applicable)</i>
<b>Total</b>	<b>\$ 9,260</b>	<b>\$1,114</b>

Manchester City Schools employer contributions of \$7,570, 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>	
2018	\$ 232
2019	232
2020	232
2021	181
2022	(46)
Thereafter	\$ (255)

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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**Manchester City Schools Teacher Retirement Plan (Cont.)**

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included an adjustment for expected future improvement in life expectancy.

The actuarial assumptions were used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established 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 inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**Manchester City Schools Teacher Retirement Plan (Cont.)**

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate.* The following presents Manchester City Schools’ proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Manchester City Schools’ proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**Manchester City Schools Teacher Retirement Plan (Cont.)**

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Manchester City Schools' proportionate share of the net pension liability (asset)	\$3,061	\$(6,483)	\$(13,516)

*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, 2017, Manchester City Schools reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

**TCRS Manchester General Government Retirement Plan**

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

*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

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**TCRS Manchester General Government Retirement Plan (Cont.)**

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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	51
Active employees	141
	192

*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, 2016 the Actuarially Determined Contribution (ADC) for Manchester was \$176,719 based on a rate of 5 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.

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**TCRS Manchester General Government Retirement Plan (Cont.)**

Net Pension Liability (Asset)

Manchester's net pension liability (asset) was measured as of June 30, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established 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 inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**TCRS Manchester General Government Retirement Plan (Cont.)**

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<hr/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Manchester will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**TCRS Manchester General Government Retirement Plan (Cont.)**

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

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
<b>Balance at 6/30/15</b>	\$3,394,030	\$3,673,050	\$(279,020)
<b>Changes for the year:</b>			
Service cost	428,731		428,731
Interest	286,230		286,230
Differences between expected and actual experience			
	86,361		86,361
Contributions-employer		265,914	(265,914)
Contributions-employees		254,221	(254,221)
Net investment income		104,059	(104,059)
Benefit payments, including refunds of employee contributions	(12,722)	(12,722)	-
Administrative expense		(10,406)	10,406
Other changes	-	-	-
<b>Net changes</b>	<u>788,600</u>	<u>601,066</u>	<u>187,534</u>
<b>Balance at 6/30/16</b>	<u>\$4,182,630</u>	<u>\$4,274,116</u>	<u>\$(91,486)</u>

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of Manchester calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Manchester's net pension liability (asset)	\$708,858	\$(91,486)	\$(728,356)

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

*Pension expense.* For the year ended June 30, 2017, Manchester recognized pension expense of \$201,588.

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**TCRS Manchester General Government Retirement Plan (Cont.)**

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2017, Manchester reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 77,725	\$(50,074)
Net difference between projected and actual earnings on pension plan investments	150,178	-
Contributions subsequent to the measurement date of June 30, 2016	176,719	<i>(Not applicable)</i>
<b>Total</b>	<b>\$404,622</b>	<b>\$(50,074)</b>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2016,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<b>Year Ended June 30:</b>	
2018	\$ 24,559
2019	24,559
2020	70,182
2021	40,389
2022	2,377
Thereafter	15,767

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, 2017, Manchester reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**10. RETIREMENT PLANS (CONT.)**

**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**

Upon employment, employees of the City of Manchester, Tennessee are eligible to contribute up to \$16,500 (as well as an additional \$5,500 if over the age of 50) to a 457(b)(6) deferred compensation plan. The City does not match any contributions to this plan.

**11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description

Manchester City Schools participates in the state-administered Local Government Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is agent multiple-employer defined OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for local governments. Prior to reaching the age of 65, all members have the option of

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Cont.)**

choosing between the standard or partnership or partnership preferred provider organization (PPO) plan for healthcare benefits subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.htm>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 members in the Medicare Supplement Plan. Manchester City Schools recognized expenditures of \$97,824 respectively, for postemployment health care during the year ended June 30, 2017. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress – Other Postemployment Benefit Plan, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. In the July 1, 2016, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate was seven percent for fiscal year 2016.

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**11. OTHER POSTEMPLOYMENT BENEFITS (CONT.)**

The trend will decrease to 6.5 percent in fiscal year 2017 and then will be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

Annual OPEB Cost and Net OPEB Obligation

	<b>Employee Group Plan</b>
ARC	\$ 206,000
INTEREST ON THE NOPEBO	13,066
ADJUSTMENT TO THE ARC	(13,119)
ANNUAL OPEB COST	205,947
AMOUNT OF CONTRIBUTION	(97,824)
INCREASE/DECREASE IN NOPEBO	108,123
NET OPEB OBLIGATION, 7-1-16	807,175
NET OPEB OBLIGATION, 6-30-17	\$ 915,298

		<b>% OF ANNUAL OPEB COST CONTRIBUTED</b>	<b>OPEB OBLIGATION AT YEAR END</b>
<b>FISCAL YEAR</b>	<b>ANNUAL OPEB COST</b>		
6/30/14	\$ 81,616	48%	\$ 439,340
6/30/15	65,216	44%	523,576
6/30/16	97,824	44%	807,175
6/30/17	97,824	44%	915,298

Actuarial present value of benefits	
Active Participants	\$ 1,603,000
Retired Participants	355,000
Total Actuarial Present Value of Benefits	\$ 1,958,000

Actuarial Accrued Liability	
Active Participants	\$ 1,603,000
Retired Participants	355,000
Total Actuarial Accrued Liability	\$ 1,958,000

Normal Cost	\$ 117,000
Amortization of UAAL	82,000
Annual required contribution for FYE 6/30/16	\$ 199,000

**CITY OF MANCHESTER, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**11. OTHER POSTEMPLOYMENT BENEFITS (CONT.)**

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013 was as follows:

Actuarial valuation date		07/01/13
Actuarial accrued liability (AAL)	\$	1,400,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	1,400,000
Actuarial value of assets as a % of the AAL		0%
Covered payroll (active plan members)	\$	7,038,157
UAAL as a % of covered payroll		19.89%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events for into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress – Other Postemployment Benefit Plan, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2013, actuarial valuation for the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate was seven percent for fiscal year 2016. The trend will decrease to 6.5 percent in fiscal year 2017 and then will be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**12. 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.

**13. COMMITMENTS AND CONTINGENCIES**

Pending Lawsuits

On September 1, 2016, the State of Tennessee, Department of Labor and Workforce Development Division of Workplace Regulations and Compliance issued an order assessing civil penalties for failure to comply with the child labor act. This order assessed civil penalties totaling \$46,500 for the failure to provide thirty-minute unpaid break or meal period when minors were scheduled to work six hours consecutively, for working minor 14-15 years of age more than eight hours a day on non-school days and for working minors 14-15 year of age between 9:00 PM and 6:00 AM on Friday nights or during summer vacation. The City has filed an appeal to this order and to the date of this report no outcome has been established. It is the opinion of the City that this appeal will more than most likely not be successful. This amount has been established as a liability in this report.

**14. 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.

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**15. PRIOR PERIOD ADJUSTMENTS**

During the audit of fixed assets in the Water/Sewer Fund, it was discovered that the fixed asset master listing differed from the general ledger in the amount of \$771,508. Failure to reconcile the fixed asset master listing to the general ledger resulted in this necessary adjustment. This prior period adjustment is to correct this error.

**16. COMMUNITY POLICING FUND**

During the examination period, the City of Manchester closed the Community Policing Fund. An Internal Transfer was made, in the amount of \$52,451, to the General Fund from the Community Policing Fund to complete the closing of the fund.

**17. OTHER MATTERS**

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 April 24, 2018 (the date the financial statements were available to be issued) and concluded that no events should be disclosed as a subsequent event.

Related Entity

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations do not extend beyond making the appointment.

The following organizations are related organizations which have not been included in the reporting entity.

Manchester Housing Authority - The Board and Director of the Authority are appointed by the Mayor and Alderman, but the City does not provide funding, has no obligation for the debt issued by the Authority, and cannot impose its will upon the operations of the Authority.

**CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**17. OTHER MATTERS (CONT.)**

Related Entity (Cont.)

Manchester Arts Commission - The Board and Director of the Commission are appointed by the Mayor and Alderman. The Commission is a Tennessee Chartered Non-Profit Corporation. Further, the City has no obligation for any debt issued by the Commission, nor can it impose its will upon the operations of the Commission.

Joint Venture

The City, in conjunction with the City of Tullahoma, appoints the Board of the Duck River Utility Commission (DRUC), which operates a water treatment plant providing the citizens of the two cities with water. Each city elects three of the six-member board. Neither city has any other responsibility for the Commission. The City has no equity interest in the net resources of the Commission. Assets of the Commission are pledged to the cities to secure indebtedness to the State of Tennessee which is being repaid from earnings of the Commission. Complete financial statements of the Commission are available at the Finance Director's office at City Hall. In July 2016, the Commission refinanced the 2006 bond issue. The bond principal was transferred to a Series 2017A bond with a lower interest of 2%.

Manchester City Schools participates in the Volunteer State Cooperative (VOLCO), which represents a cost-sharing arrangement. The Cooperative was established through a contractual agreement between the Boards of Education of Bedford County, Coffee County, Dickson County, Fayetteville City, Humphreys County, Marshall County, Maury County, Robertson, County, and Stewart County. The Cooperative was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each member's school food service systems. The Cooperative has coordinating district (Stewart County School Department) and a service provider to offer these services. The Cooperative is governed by a Representative Committee, comprising one representative from each of the member districts; and an executive Council, consisting of the chair, vice chair, secretary, treasurer, and a member-at large from the Representative Committee.

Complete financial statements for the Volunteer State Cooperative can be obtained from its administrative office at Volunteer State Cooperative, P O Box 433, 110 Natcor Drive, Dover, TN 37058.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**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 30**

	2014	2015	2016
<b>Total Pension Liability (Asset)</b>			
Service Cost	\$ 392,551	\$ 409,021	\$ 428,731
Interest	202,268	241,631	286,230
Changes in Benefit Terms	-	-	-
Differences Between Actual and Expected Experience	(36,349)	(29,547)	86,361
Changes in Assumptions	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(20,597)	(79,607)	(12,722)
Net Change in Total Pension Liability (Asset)	537,873	541,498	788,600
Total Pension Liability (Asset), Beginning	2,314,659	2,852,532	3,394,030
Total Pension Liability (Asset), Ending (a)	<u>\$ 2,852,532</u>	<u>\$ 3,394,030</u>	<u>\$ 4,182,630</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 236,299	\$ 248,031	\$ 265,914
Contributions - Employee	225,047	236,781	254,221
Net Investment Income	418,209	103,794	104,059
Benefit Payments, Including Refunds of Employee Contributions	(20,597)	(79,607)	(12,722)
Administrative Expense	(4,520)	(6,871)	(10,406)
Net Change in Plan Fiduciary Net Position	\$ 854,438	\$ 502,128	\$ 601,066
Plan Fiduciary Net Position, Beginning	2,316,484	3,170,922	3,673,050
Plan Fiduciary Net Position, Ending (b)	<u>\$ 3,170,922</u>	<u>\$ 3,673,050</u>	<u>\$ 4,274,116</u>
Net Pension Liability (Asset), Ending (a - b)	<u>\$ (318,390)</u>	<u>\$ (279,020)</u>	<u>\$ (91,486)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.16%	108.22%	102.19%
Covered Employee Payroll	\$ 4,500,934	\$ 4,742,457	\$ 5,084,402
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	7.07%	5.88%	-1.80%

\*\*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
Actuarially Determined Contribution	\$ 236,299	\$ 248,031	\$ 265,914	\$ 246,166
Contributions in relation to the actuarially determined contribution	236,299	248,031	265,914	\$ 246,166
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 4,500,934	\$ 4,742,457	\$ 5,084,402	\$ 4,706,807
Contributions as a Percentage of Covered Employee Payroll	5.25%	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 Manchester City Schools' Proportionate Share of the**  
**Net Pension Liability (Asset)**  
**Teacher Retirement Plan of TCRS**  
**For the Fiscal Year Ended June 30**

	2015	2016
Manchester City Schools' proportion of the net pension liability (asset)	0.050259%	0.062277%
Manchester City Schools' proportionate share of the net pension liability (asset)	\$ (2,022)	\$ (6,483.00)
Manchester City Schools' covered payroll	\$ 104,427	\$ 247,023.00
Manchester City Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	1.94%	-2.37%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%

\*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.

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

	2015	2016	2017
Contractually required contribution	\$ 4,177	\$ 6,859	\$ 12,219
Contributions in Relation to the contractually required contribution	4,177	10,961	12,219
Contribution Deficiency (Excess)	\$ -	\$ (4,102)	\$ -
 Manchester City School's covered payroll	 \$ 104,427	 \$ 247,023	 \$ 305,475
 Contributions as a Percentage of Manchester City Schools' covered payroll	 4.00%	 4.00%	 4.00%

\*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.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Manchester City Schools' proportion of the net pension liability (asset)	0.176430%	0.184713%	0.175901%
Manchester City Schools' proportionate share of the net pension liability (asset)	\$ (28,669)	\$ 75,665	\$ 1,099,287
Manchester City Schools' covered payroll	\$ 6,924,855	\$ 6,914,728	\$ 6,349,698
Manchester City Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.414002%	1.094253%	17.31%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%

\*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.

**City of Manchester, Tennessee  
Schedule of Contributions  
Legacy Pension Plan of TCRS  
For the Fiscal Year Ended June 30, 2017**

	2014	2015	2016	2017
Contractually Required	\$ 614,927	\$ 625,091	\$ 574,012	\$ 650,373
Contributions in Relation to the contractually required contribution	614,927	625,091	574,012	650,373
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
 Manchester City Schools' covered payroll	 \$ 6,924,857	 \$ 6,914,728	 \$ 6,349,698	 \$ 7,194,400
 Contributions as a Percentage of Manchester City Schools' covered payroll	 8.88%	 9.04%	 9.04%	 9.04%

\*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.

**City of Manchester, Tennessee**  
**Schedule of Funding Progress - Other Postemployment Benefit Plan**  
**June 30, 2017**

(Dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$ -	\$ 1,863	\$ 1,863	0.00%	\$ 8,476	21.98%
July 1, 2013	\$ -	\$ 1,400	\$ 1,400	0.00%	\$ 7,029	19.92%
July 1, 2015	\$ -	\$ 1,958	\$ 1,958	0.00%	\$ 7,019	27.90%

CITY OF MANCHESTER, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017

*Valuation Date:* Actuarially determined contribution rate for 2017 were calculated based on the July 1, 2015, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, 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	2.5%

**SUPPLEMENTAL AND OTHER  
INFORMATION SECTION**

**City of Manchester, Tennessee**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Recreation	Tourism and Community Development	School Federal Projects	Central Cafeteria	Community Policing	Sanitation	Drug Control	
<b>ASSETS</b>								
Cash	\$ 179,105	\$ -	\$ -	\$ 363,763	\$ -	\$ -	\$ -	\$ 542,868
Investment in Pooled Cash	11,186	235,961	224,540	-	-	208,132	581,171	1,260,990
Accounts Receivable	130,862	16,732	-	-	-	-	-	147,594
Allowance for Uncollectible	(71,796)	-	-	-	-	-	-	(71,796)
Due from Other Governments	2,547	-	17,053	-	-	-	5,310	24,910
Due from Other Funds	-	-	-	8,101	-	63,323	7,552	78,976
Inventories	-	-	-	17,261	-	-	-	17,261
<b>Total Assets</b>	<b>\$ 251,904</b>	<b>\$ 252,693</b>	<b>\$ 241,593</b>	<b>\$ 389,125</b>	<b>\$ -</b>	<b>\$ 271,455</b>	<b>\$ 594,033</b>	<b>\$ 2,000,803</b>
<b>LIABILITIES</b>								
Accounts Payable	\$ 125,509	\$ 1,915	\$ -	\$ 717	\$ -	\$ 57,795	\$ 212	\$ 186,148
Accrued Payroll	-	-	41,244	-	-	2,125	-	43,369
Payroll Deductions Payable	2,529	-	-	-	-	-	-	2,529
Other Payables	711	-	-	-	-	54,223	-	54,934
Judgements Payable	46,500	-	-	-	-	-	-	46,500
Due to Other Funds	-	-	-	12,806	-	-	-	12,806
Unearned Revenues	65,343	-	-	-	-	-	69,643	134,986
<b>Total Liabilities</b>	<b>240,592</b>	<b>1,915</b>	<b>41,244</b>	<b>13,523</b>	<b>-</b>	<b>114,143</b>	<b>69,855</b>	<b>481,272</b>
<b>FUND BALANCES</b>								
Nonspendable:								
Inventory	-	-	-	17,261	-	-	-	17,261
Restricted:								
Restricted for Drug Control and Investigation	-	-	-	-	-	-	524,178	524,178
Restricted for Education	-	-	-	-	-	-	-	-
Restricted for Operation of Non-instructional Services	-	-	-	358,341	-	-	-	358,341
Assigned	11,312	250,778	200,349	-	-	157,312	-	619,751
<b>Total Fund Balances</b>	<b>11,312</b>	<b>250,778</b>	<b>200,349</b>	<b>375,602</b>	<b>-</b>	<b>157,312</b>	<b>524,178</b>	<b>1,519,531</b>
<b>Total Liabilities, and Fund Balances</b>	<b>\$ 251,904</b>	<b>\$ 252,693</b>	<b>\$ 241,593</b>	<b>\$ 389,125</b>	<b>\$ -</b>	<b>\$ 271,455</b>	<b>\$ 594,033</b>	<b>\$ 2,000,803</b>

**City of Manchester, Tennessee**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2017**

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Recreation	Tourism and Community Development	School Federal Projects	Central Cafeteria	Community Policing	Sanitation	Drug Control	
<b>Revenues</b>								
Local Taxes	\$ 252,240	\$ 126,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 378,360
Charges for Current Services	1,154,426	-	-	187,641	-	1,055,345	-	2,397,412
Fines, Forfeitures and Penalties	-	-	-	-	-	-	62,739	62,739
Other Local Revenues	23,536	-	-	296	-	963	83,155	107,950
Intergovernmental	20,500	-	961,760	626,582	-	-	2,500	1,611,342
<b>Total Revenues</b>	<b>1,450,702</b>	<b>126,120</b>	<b>961,760</b>	<b>814,519</b>	<b>-</b>	<b>1,056,308</b>	<b>148,394</b>	<b>4,557,803</b>
<b>Expenditures</b>								
<u>Public Safety</u>								
Drug Investigation and Control	-	-	-	-	-	-	126,953	126,953
<u>Public Works</u>								
Sanitation Services	-	-	-	-	-	1,048,479	-	1,048,479
<u>Health, Welfare, Cultural and Recreation</u>								
Recreation Administration	202,018	-	-	-	-	-	-	202,018
Recreation Centers	1,810,682	-	-	-	-	-	-	1,810,682
Park Areas	402,127	-	-	-	-	-	-	402,127
<u>Economic Development and Assistance</u>								
Tourism and Community Development	-	91,858	-	-	-	-	-	91,858
<u>Education</u>								
<u>Instruction</u>								
Regular Instruction Program	-	-	425,561	-	-	-	-	425,561
Special Education Program	-	-	392,683	-	-	-	-	392,683
<u>Support Services</u>								
Other Student Support	-	-	4,971	-	-	-	-	4,971
Regular Instruction Program	-	-	99,704	-	-	-	-	99,704
Special Education Program	-	-	28,060	-	-	-	-	28,060
Transportation	-	-	4,791	-	-	-	-	4,791
<u>Operation of Non-instructional Services</u>								
Food Service	-	-	-	693,642	-	-	-	693,642
<b>Total Expenditures</b>	<b>2,414,827</b>	<b>91,858</b>	<b>955,770</b>	<b>693,642</b>	<b>-</b>	<b>1,048,479</b>	<b>126,953</b>	<b>5,331,529</b>

( continued)

The notes to the financial statements are an integral part of this statement.

**City of Manchester, Tennessee**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2017**

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Recreation	Tourism and Community Development	School Federal Projects	Central Cafeteria	Community Policing	Sanitation	Drug Control	
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(964,125)	34,262	5,990	120,877	-	7,829	21,441	(773,726)
<b>Other Financing Sources (Uses)</b>								
Transfers In	1,055,911	-	-	-	-	60,000	-	1,115,911
Transfers Out	(116,244)	-	-	-	(52,451)	(56,626)	-	(225,321)
Total Other Financing Sources (Uses)	939,667	-	-	-	(52,451)	3,374	-	890,590
<b>Net Change in Fund Balance</b>	(24,458)	34,262	5,990	120,877	(52,451)	11,203	21,441	116,864
<b>Fund Balance- Beginning</b>	35,772	216,516	194,359	254,725	52,451	146,108	502,738	1,402,669
<b>Fund Balance - Ending</b>	\$ 11,314	\$ 250,778	\$ 200,349	\$ 375,602	\$ -	\$ 157,311	\$ 524,179	\$ 1,519,533

The notes to the financial statements are an integral part of this statement.

**City of Manchester, Tennessee**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual-GAAP Basis**  
**Recreation Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Taxes	\$ 150,000	\$ 183,000	\$ 252,240	\$ 69,240
Charges for Current Services	1,184,000	1,186,052	1,154,426	(31,626)
Other Local Revenues	24,796	25,320	23,536	(1,784)
Intergovernmental	25,000	30,500	20,500	(10,000)
<b>Total Revenues</b>	<b>1,383,796</b>	<b>1,424,872</b>	<b>1,450,702</b>	<b>25,830</b>
<b>Expenditures</b>				
<u>Health, Welfare, Culture and Recreation</u>				
<u>Recreation Administration</u>				
Personnel Expenditures	191,575	191,855	187,504	4,351
Contractual Services	6,000	6,104	12,575	(6,471)
Supplies	2,800	2,800	1,939	861
<b>Total Recreation Administration</b>	<b>200,375</b>	<b>200,759</b>	<b>202,018</b>	<b>(1,259)</b>
<u>Recreation Centers</u>				
Personnel Expenditures	521,972	534,129	537,294	(3,165)
Contractual Services	379,100	406,740	446,498	(39,758)
Supplies	129,200	136,926	146,035	(9,109)
Fixed Charges	28,000	28,000	23,046	4,954
Capital Outlay	687,216	707,944	657,809	50,135
<b>Total Recreation Centers</b>	<b>1,745,488</b>	<b>1,813,739</b>	<b>1,810,682</b>	<b>3,057</b>
<u>Park Areas</u>				
Personnel Expenditures	168,146	172,731	175,613	(2,882)
Contractual Services	111,000	111,033	110,661	372
Supplies	72,000	72,239	60,947	11,292
Fixed Charges	8,900	8,900	7,731	1,169
Capital Outlay	147,000	160,676	47,175	113,501
<b>Total Park Areas</b>	<b>507,046</b>	<b>525,579</b>	<b>402,127</b>	<b>123,452</b>
<b>Total Expenditures</b>	<b>2,452,909</b>	<b>2,540,077</b>	<b>2,414,827</b>	<b>125,250</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,069,113)	(1,115,205)	(964,125)	151,080
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,055,911	1,055,911	1,055,911	-
Transfers Out	(85,000)	(115,666)	(116,244)	(578)
<b>Total other Financing Sources</b>	<b>970,911</b>	<b>940,245</b>	<b>939,667</b>	<b>(578)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (98,202)</b>	<b>\$ (174,960)</b>	<b>(24,458)</b>	<b>\$ 150,502</b>
<b>Fund Balance - Beginning</b>			<b>35,772</b>	
<b>Fund Balance - Ending</b>			<b>\$ 11,314</b>	

**City of Manchester, Tennessee**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual-GAAP Basis**  
**Tourism and Community Development Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Taxes	\$ 75,000	\$ 92,000	\$ 126,120	\$ 34,120
<b>Total Revenues</b>	<b>75,000</b>	<b>92,000</b>	<b>126,120</b>	<b>34,120</b>
<b>Expenditures</b>				
<u>Economic Development and Assistance</u>				
<u>Tourism and Community Development</u>				
Personnel Expenditures	1,000	3,000	4,976	(1,976)
Contractual Services	93,400	109,400	86,292	23,108
Supplies	2,600	2,600	590	2,010
<b>Total Expenditures</b>	<b>97,000</b>	<b>115,000</b>	<b>91,858</b>	<b>23,142</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(22,000)</b>	<b>(23,000)</b>	<b>34,262</b>	<b>57,262</b>
<b>Net Change in Fund Balance</b>	<b>\$ (22,000)</b>	<b>\$ (23,000)</b>	<b>34,262</b>	<b>\$ 57,262</b>
<b>Fund Balance -Beginning</b>			<u>216,516</u>	
<b>Fund Balance - Ending</b>			<u>\$ 250,778</u>	

**City of Manchester, Tennessee**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual- Budgetary Basis**  
**School Federal Projects**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 1,270,936	\$ 1,268,616	\$ 961,760	\$ (306,856)
Total Revenues	<u>1,270,936</u>	<u>1,268,616</u>	<u>961,760</u>	<u>(306,856)</u>
<b>Expenditures</b>				
<u>Instruction</u>				
Regular Instruction Program	527,212	521,929	425,561	96,368
Special Education Program	506,687	506,917	392,683	114,234
Other Student Support	15,207	15,418	4,971	10,447
<u>Support Services</u>				
Regular Instruction Program	120,803	123,325	99,704	23,621
Special Education Program	92,395	92,395	28,060	64,335
Transportation	8,632	8,632	4,791	3,841
Total Expenditures	<u>1,270,936</u>	<u>1,268,616</u>	<u>955,770</u>	<u>312,846</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>5,990</u>	<u>5,990</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>5,990</u>	<u>\$ -</u>
<b>Fund Balance - Beginning</b>			<u>194,359</u>	
<b>Fund Balance - Ending</b>			<u>\$ 200,349</u>	

**City of Manchester, Tennessee**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual- Budgetary Basis**  
**Central Cafeteria Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for Current Services	\$ 241,700	\$ 241,700	\$ 187,641	\$ (54,059)
Other Local Revenues	1,210	1,210	296	\$ (914)
Intergovernmental	507,900	507,900	626,582	\$ 118,682
<b>Total Revenues</b>	<u>750,810</u>	<u>750,810</u>	<u>814,519</u>	<u>63,709</u>
<b>Expenditures</b>				
<u>Operation of Non-instructional Services</u>				
Food Service	750,810	750,810	693,642	57,168
<b>Total Expenditures</b>	<u>750,810</u>	<u>750,810</u>	<u>693,642</u>	<u>57,168</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>120,877</u>	<u>120,877</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>120,877</u>	<u>\$ 120,877</u>
<b>Fund Balance - Beginning</b>			254,725	
<b>Fund Balance- Ending</b>			<u>\$ 375,602</u>	

**City of Manchester, Tennessee**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual-GAAP Basis**  
**Sanitation Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for Current Services	\$ 1,000,000	\$ 1,000,000	\$ 1,055,345	\$ 55,345
Other Local Revenues	3,000	3,000	963	(2,037)
<b>Total Revenues</b>	<b>1,003,000</b>	<b>1,003,000</b>	<b>1,056,308</b>	<b>53,308</b>
<b>Expenditures</b>				
<u>Public Works</u>				
<u>Sanitation Services</u>				
Personnel Expenditures	348,818	348,818	324,337	24,481
Contractual Services	685,000	687,852	711,062	(23,210)
Supplies	42,300	42,300	11,080	31,220
Fixed Charges	-	-	2,000	(2,000)
<b>Total Expenditures</b>	<b>1,076,118</b>	<b>1,078,970</b>	<b>1,048,479</b>	<b>30,491</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(73,118)</b>	<b>(75,970)</b>	<b>7,829</b>	<b>83,799</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	60,000	60,000	60,000	-
Transfers Out	(56,626)	(56,626)	(56,626)	-
<b>Total other Financing Sources</b>	<b>3,374</b>	<b>3,374</b>	<b>3,374</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ (69,744)</b>	<b>\$ (72,596)</b>	<b>11,203</b>	<b>\$ 83,799</b>
<b>Fund Balance - Beginning</b>			<b>146,108</b>	
<b>Fund Balance -Ending</b>			<b>\$ 157,311</b>	

**City of Manchester, Tennessee**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual-GAAP Basis**  
**Drug Control Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Fines, Forfeitures and Penalties	\$ 65,000	\$ 65,000	\$ 62,739	\$ (2,261)
Other Local Revenues	158,500	159,100	83,155	(75,945)
Intergovernmental	5,000	5,000	2,500	(2,500)
<b>Total Revenues</b>	<b>228,500</b>	<b>229,100</b>	<b>148,394</b>	<b>(80,706)</b>
<b>Expenditures</b>				
<u>Public Safety</u>				
<u>Drug Investigation and Control</u>				
Personnel Expenditures	35,351	36,326	11,547	24,779
Contractual Services	67,500	67,500	14,883	52,617
Supplies	90,500	91,950	52,632	39,318
Capital Outlay	55,000	58,000	47,891	10,109
<b>Total Expenditures</b>	<b>248,351</b>	<b>253,776</b>	<b>126,953</b>	<b>126,823</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(19,851)</b>	<b>(24,676)</b>	<b>21,441</b>	<b>46,117</b>
<b>Net Change in Fund Balance</b>	<b>\$ (19,851)</b>	<b>\$ (24,676)</b>	<b>21,441</b>	<b>\$ 46,117</b>
<b>Fund Balance -Beginning</b>			<b>502,738</b>	
<b>Fund Balance - Ending</b>			<b>\$ 524,179</b>	

**City of Manchester, Tennessee**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Year Ended June 30, 2017**

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
School Breakfast Program	10.553	(2)	\$ 136,482
National School Lunch Program	10.555	(2)	408,448
After School Snack Program	10.555	(2)	16,880
Child Nutrition Equipment Grant	10.579	(2)	8,101
Passed-through State Department of Agriculture:			
Commodity Supplemental Food Program	10.565	(2)	56,671
Total U.S. Department of Agriculture			<u>\$ 626,582</u>
U.S. Department of Housing and Urban Development			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	33004-13415	\$ 95,719
Total U.S. Department of Housing and Urban Development			<u>\$ 95,719</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	154AL-15-82	16,002
Highway Planning and Commission	20.205	(2)	27,195
Total U.S. Department of Transportation			<u>\$ 43,197</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 444,643
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	258,417
Special Education - Preschool Grants	84.173	N/A	57,242
Rural Education	84.358	N/A	29,783
English Language Acquisition State Grants	84.365	N/A	13,141
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	N/A	47,917
Least Restrictive Environment Placement	84.027	N/A	124,508
Progress Monitoring Supplement	84.027	N/A	3,585
Passed-through National Institute for Excellence in Teaching:			
Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)	84.374	N/A	731,702
Total U.S. Department of Education			<u>\$ 1,710,938</u>
U.S. Department of Justice			
Pass-through State Department of Finance and Administration, Office of Criminal Justice Programs			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-MU-BX-0442	\$ 13,780
Total U.S. Department of Justice			<u>\$ 13,780</u>
Appalachian Regional Commission:			
Passed-through State Department of Economic and Community Development:			
Appalachian Area Development Supplemental and Direct Grants	23.002	33004-39116	\$ 97,798
Total Appalachian Regional Commission:			<u>\$ 97,798</u>
Total Expenditures of Federal Awards			<u>\$ 2,588,014</u>
<u>State Grants</u>			
Project Diabetes Implementation Grants - State Department of Health		34347-41314	15,000
Coordinated School Health Initiative - State Department of Education		(2)	81,000
LEAP Grant - State Department of Economic and Community Development		(2)	149,117
Family Resource Center Grant - State Department of Education		(2)	59,923
Safe Schools Act 2003 - State Department of Education		(2)	7,170
Total State Grants			<u>\$ 312,210</u>

CFDA = Catalog of Federal Domestic Assistance  
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.  
(2) Information not available.

**City of Manchester, Tennessee**  
**Schedule of Changes in Long-term Debt**  
**For the Year Ended June 30, 2017**

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Outstanding 07/01/16	Issued During Period	Paid and/or Matured During Period	Outstanding 06/30/17
<b>Governmental Activities</b>						
<u>Capitalized Leases</u>						
Public Works Leaf Loader Lease	\$ 35,895	2.81%	\$ 24,264	\$ -	\$ 12,653	\$ 11,611
Public Works Knuckle boom Lease	\$ 124,750	2.81%	84,328	-	43,973	40,355
Recreation Cardio Equipment Lease	\$ 80,942	2.81%	45,808	-	25,818	19,990
Schools Servers Lease	\$ 64,144	3.46%	50,428	-	13,716	36,712
<b>Total Capitalized Leases</b>			<b>\$ 204,828</b>	<b>\$ -</b>	<b>\$ 96,160</b>	<b>\$ 108,668</b>
<u>Capital Outlay Notes Payable</u>						
Vision Bank Capital Outlay Notes, Series 2010	\$ 275,000	3.85%	\$ 78,571	\$ -	\$ 39,286	\$ 39,285
Coffee County Bank Capital Outlay Notes, Series 2010	\$ 275,000	3.85%	79,197	-	39,286	39,911
<b>Total Capital Outlay Notes Payable</b>			<b>\$ 157,768</b>	<b>\$ -</b>	<b>\$ 78,572</b>	<b>\$ 79,196</b>
<u>Bonds Payable</u>						
General Obligation Refunding Bonds, Series 2010	\$ 10,620,000	4.70%	\$ 10,580,000	\$ -	\$ 10,000	\$ 10,570,000
General Obligation Refunding Bonds, Series 2013	\$ 9,690,000	2.91%	9,480,000	-	55,000	9,425,000
General Obligation Refunding Bonds Series 2014	\$ 1,480,000	3.67%	385,000	-	385,000	-
General Obligation Refunding Bonds Series 2016B	\$ 880,000	2.00%	-	880,000	155,000	725,000
<b>Total Bonds Payable</b>			<b>\$ 20,445,000</b>	<b>\$ 880,000</b>	<b>\$ 605,000</b>	<b>\$ 20,720,000</b>
<u>Other Loans Payable</u>						
Public Building Authority of Coffee County, Series Z-4-A	\$ 1,460,000	3.90%	875,000	-	875,000	\$ -
<u>Compensated Absences</u>						
General Government			\$ 1,270,178	\$ 114,957	\$ -	\$ 1,385,135
City Schools			480,770	-	61,680	419,090
<b>Total Compensated Absences</b>			<b>\$ 1,750,948</b>	<b>\$ 114,957</b>	<b>\$ 61,680</b>	<b>\$ 1,804,225</b>
<u>Other Post Employment Benefits</u>						
City School Employees Post Employment Medical Insurance			\$ 807,175	\$ 108,123	\$ -	\$ 915,298
<b>Total Governmental Activities</b>			<b>\$ 24,240,719</b>	<b>\$ 1,103,080</b>	<b>\$ 1,716,412</b>	<b>\$ 23,627,387</b>
<b>Business-type Activities</b>						
<u>Bonds Payable</u>						
GO Refunding Bonds, Series 2010	\$ 5,620,000	3.82%	\$ 5,505,000	\$ -	\$ 20,000	\$ 5,485,000
Water & Sewer Revenue & Tax Refunding Bonds, Series 2006	\$ 825,000	4.25%	660,000	-	660,000	-
General Obligation Refunding Bonds, Series 2014	\$ 3,120,000	3.94%	1,875,000	-	445,000	1,430,000
RDA Bonds, Series 2011	\$ 1,348,000	3.00%	1,252,499	-	22,218	1,230,281
RDA Bonds, Series 2014	\$ 443,658		414,265	-	30,363	383,902
GO Refunding Bonds, Series 2016B			-	5,640,000	5,000	5,635,000
<b>Total Bonds Payable</b>			<b>\$ 9,706,764</b>	<b>\$ 5,640,000</b>	<b>\$ 1,182,581</b>	<b>\$ 14,164,183</b>

**City of Manchester, Tennessee**  
**Schedule of Changes in Long-term Debt (Cont.)**  
**For the Year Ended June 30, 2017**

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Outstanding 07/01/16	Issued During Period	Paid and/or Matured During Period	Outstanding 06/30/17
<u>Business-type Activities (Cont)</u>						
<u>Other Loans Payable</u>						
SRF Loan, Series 2011	\$ 7,500,000	2.16%	\$ 5,835,926	\$ -	\$ 338,891	\$ 5,497,035
Public Building Authority of Coffee County, TN Series Z-1-B DRUC	\$ 2,940,000	4.74%	2,920,000	-	-	2,920,000
Public Building Authority of Coffee County, TN Series 2006 DRUC	\$ 7,565,000	4.03%	6,595,000	-	6,595,000	-
Public Building Authority of Coffee County, TN Series 2016A DRUC			-	6,240,000	-	6,240,000
Total Other Loans Payable			<u>\$ 15,350,926</u>	<u>\$ 6,240,000</u>	<u>\$ 6,933,891</u>	<u>\$ 8,417,035</u>
Compensated Absences			\$ 274,062	\$ 30,591	\$ 5,434	\$ 299,219
Total Business-type Activities			<u>\$ 25,331,752</u>	<u>\$ 11,910,591</u>	<u>\$ 8,121,906</u>	<u>\$ 22,880,437</u>
Total			<u>\$ 49,572,471</u>	<u>\$ 13,013,671</u>	<u>\$ 9,838,318</u>	<u>\$ 46,507,824</u>

City of Manchester, Tennessee  
Schedule of Long-Term Debt Requirements By Year  
Governmental Activities

Fiscal Year Ending	General Obligation Refunding Bond, Series 2010		General Obligation Refunding Bond, Series 2013		General Obligation Refunding Bond, Series 2016B		First Vision Bank		Coffee County Bank		Total	
	Principle	Interest	Principle	Interest	Principle	Interest	Principle	Interest	Principle	Interest	Principle	Interest
2018	\$ 10,000	\$ 493,205	\$ 450,000	\$ 260,419	\$ 165,000	\$ 14,500	\$ 39,285	\$ 2,302	\$ 39,285	\$ 2,302	\$ 703,570	\$ 772,728
2019	10,000	492,930	485,000	251,419	175,000	11,200	-	-	626	38	670,626	755,587
2020	10,000	492,630	480,000	232,119	185,000	7,700	-	-	-	-	675,000	732,449
2021	10,000	492,305	495,000	221,600	200,000	4,000	-	-	-	-	705,000	717,905
2022	10,000	491,980	725,000	205,287	-	-	-	-	-	-	735,000	697,267
2023	10,000	491,655	745,000	187,594	-	-	-	-	-	-	755,000	679,249
2024	10,000	491,305	765,000	166,556	-	-	-	-	-	-	775,000	657,861
2025	10,000	490,905	805,000	142,406	-	-	-	-	-	-	815,000	633,311
2026	10,000	490,505	830,000	117,506	-	-	-	-	-	-	840,000	608,011
2027	10,000	490,105	860,000	90,631	-	-	-	-	-	-	870,000	580,736
2028	10,000	489,705	895,000	62,663	-	-	-	-	-	-	905,000	552,368
2029	10,000	489,305	930,000	33,600	-	-	-	-	-	-	940,000	522,905
2030	10,000	488,885	960,000	-	-	-	-	-	-	-	970,000	488,885
2031	1,115,000	488,465	-	-	-	-	-	-	-	-	1,115,000	488,465
2032	1,155,000	441,635	-	-	-	-	-	-	-	-	1,155,000	441,635
2033	1,195,000	393,125	-	-	-	-	-	-	-	-	1,195,000	393,125
2034	1,265,000	340,844	-	-	-	-	-	-	-	-	1,265,000	340,844
2035	1,330,000	285,500	-	-	-	-	-	-	-	-	1,330,000	285,500
2036	1,380,000	219,000	-	-	-	-	-	-	-	-	1,380,000	219,000
2037	1,475,000	150,000	-	-	-	-	-	-	-	-	1,475,000	150,000
2038	1,525,000	76,250	-	-	-	-	-	-	-	-	1,525,000	76,250
<b>Total</b>	<b>\$ 10,570,000</b>	<b>\$ 8,780,239</b>	<b>\$ 9,425,000</b>	<b>\$ 1,971,800</b>	<b>\$ 725,000</b>	<b>\$ 37,400</b>	<b>\$ 39,285</b>	<b>\$ 2,302</b>	<b>\$ 39,911</b>	<b>\$ 2,340</b>	<b>\$ 20,799,196</b>	<b>\$ 10,794,081</b>

**City of Manchester, Tennessee**  
**Schedule of Long-Term Debt Requirements By Year**  
**Business-type Activities**

Fiscal Year	General Obligation Refunding Bonds, Series 2010		General Obligation Refunding Bonds, Series 2016B		Local Government Public Improvement Bonds Series 2010 Z-1-DRUC*		Water & Sewer Revenue & Tax Revenue & Tax Refunding GO Bonds Series 2016A -DRUC		General Obligation Refunding Bonds, Series 2014	
	Principle	Interest	Principle	Interest	Principle	Interest	Principle	Interest	Principle	Interest
2018	\$ 20,000	\$ 206,600	\$ 225,000	\$ 122,425	\$ -	\$ 146,250	\$ 390,000	\$ 120,900	\$ 460,000	\$ 57,200
2019	20,000.00	206,050.00	235,000.00	117,925.00	-	146,250.00	400,000.00	113,000.00	475,000.00	38,800.00
2020	20,000.00	205,450.00	240,000.00	113,225.00	-	146,250.00	405,000.00	104,950.00	495,000.00	19,800.00
2021	595,000.00	204,800.00	245,000.00	108,425.00	-	146,250.00	415,000.00	96,750.00	-	-
2022	615,000.00	185,462.50	250,000.00	103,525.00	-	146,250.00	425,000.00	88,350.00	-	-
2023	625,000.00	165,475.00	260,000.00	93,525.00	-	146,250.00	430,000.00	79,800.00	-	-
2024	670,000.00	143,600.00	265,000.00	88,325.00	-	146,250.00	440,000.00	71,100.00	-	-
2025	685,000.00	116,800.00	270,000.00	83,025.00	-	146,250.00	450,000.00	62,200.00	-	-
2026	705,000.00	89,400.00	275,000.00	77,625.00	-	146,250.00	460,000.00	53,100.00	-	-
2027	745,000.00	61,200.00	280,000.00	72,125.00	-	146,250.00	465,000.00	43,850.00	-	-
2028	785,000.00	31,400.00	285,000.00	66,525.00	-	146,250.00	475,000.00	34,450.00	-	-
2029	-	-	295,000.00	60,825.00	-	146,250.00	485,000.00	24,850.00	-	-
2030	-	-	300,000.00	54,925.00	-	146,250.00	495,000.00	15,050.00	-	-
2031	-	-	305,000.00	48,925.00	-	146,250.00	505,000.00	5,050.00	-	-
2032	-	-	315,000.00	42,825.00	350,000.00	146,250.00	-	-	-	-
2033	-	-	325,000.00	36,525.00	375,000.00	128,750.00	-	-	-	-
2034	-	-	330,000.00	29,212.50	400,000.00	110,000.00	-	-	-	-
2035	-	-	335,000.00	21,787.50	425,000.00	90,000.00	-	-	-	-
2036	-	-	300,000.00	14,250.00	450,000.00	68,750.00	-	-	-	-
2037	-	-	300,000.00	7,125.00	450,000.00	46,250.00	-	-	-	-
2038	-	-	-	-	470,000.00	23,750.00	-	-	-	-
2039	-	-	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-	-	-
	<b>\$ 5,485,000</b>	<b>\$ 1,616,238</b>	<b>\$ 5,635,000</b>	<b>\$ 1,363,075</b>	<b>\$ 2,920,000</b>	<b>\$ 2,661,250</b>	<b>\$ 6,240,000</b>	<b>\$ 913,400</b>	<b>\$ 1,430,000</b>	<b>\$ 115,800</b>

**City of Manchester, Tennessee**  
**Schedule of Long-Term Debt Requirements By Year**  
**Business-type Activities**

Fiscal Year	SRF Loan Series 2011		RDA Bonds Series 2011		RDA Bonds Series 2014		Totals	
	Principle	Interest	Principle	Interest	Principle	Interest	Principle	Interest
2018	\$ 346,285	\$ 115,848	\$ 22,894	\$ 36,601	\$ 31,364	\$ 11,980	\$ 1,495,543	\$ 817,804
2019	353,839	108,294	23,590	35,905	32,399	10,945	1,539,828	777,169
2020	361,558	100,575	24,308	35,284	33,468	9,876	1,579,333	735,409
2021	369,445	92,687	25,047	34,448	34,572	8,772	1,684,064	692,132
2022	377,504	84,627	25,809	33,686	35,712	7,632	1,729,026	649,533
2023	385,740	76,391	26,594	32,901	36,891	6,453	1,764,224	600,796
2024	394,154	67,976	27,403	32,180	38,108	5,236	1,834,665	554,668
2025	402,754	59,377	28,236	31,259	39,365	3,979	1,875,354	502,891
2026	411,540	50,591	29,095	30,400	40,663	2,681	1,921,298	450,047
2027	420,517	41,613	29,980	29,515	42,005	1,339	1,982,502	395,892
2028	429,691	32,439	30,892	28,681	19,355	152	2,024,938	339,897
2029	439,064	23,065	31,831	27,664	-	-	1,250,896	282,654
2030	448,643	13,486	32,800	26,696	-	-	1,276,442	256,407
2031	356,300	3,779	33,797	25,698	-	-	1,200,097	229,702
2032	-	-	34,825	24,737	-	-	699,825	213,812
2033	-	-	35,884	23,611	-	-	735,884	188,886
2034	-	-	36,976	22,520	-	-	766,976	161,732
2035	-	-	38,101	21,395	-	-	798,101	133,182
2036	-	-	39,259	20,291	-	-	789,259	103,291
2037	-	-	40,453	19,042	-	-	790,453	72,417
2038	-	-	41,684	17,812	-	-	511,684	41,562
2039	-	-	42,952	16,544	-	-	42,952	16,544
2040	-	-	44,258	15,278	-	-	44,258	15,278
2041	-	-	45,604	13,891	-	-	45,604	13,891
2042	-	-	46,991	12,504	-	-	46,991	12,504
2043	-	-	48,421	11,075	-	-	48,421	11,075
2044	-	-	49,894	9,628	-	-	49,894	9,628
2045	-	-	51,411	8,085	-	-	51,411	8,085
2046	-	-	52,975	6,521	-	-	52,975	6,521
2047	-	-	54,586	4,910	-	-	54,586	4,910
2048	-	-	56,246	3,258	-	-	56,246	3,258
2049	-	-	57,957	1,539	-	-	57,957	1,539
2050	-	-	19,528	124	-	-	19,528	124
	\$ 5,497,035	\$ 870,747	\$ 1,230,281	\$ 693,683	\$ 383,902	\$ 69,045	\$ 28,821,217	\$ 8,303,238

**City of Manchester, Tennessee**  
**Schedule of Transfers**  
**For the Year Ended June 30, 2017**

From Fund	To Fund	Purpose	Amount
General	General Purpose Schools	To Provide Funding for Operations	\$ 1,678,467
General	Debt Service	To Provide Funding for Operations	1,708,365
General	Debt Service	To Provide Funding for Operations	25,500
General	Recreation	To Provide Funding for Operations	1,055,911
General	Sanitation	To Provide Funding for Operations	60,000
Recreation	Debt Service	To Provide Funding for Operations	116,244
Community Policing	General	To Close Community Policing Fund	52,451
Sanitation	Debt Service	To Provide Funding for Operations	<u>56,626</u>
Total Transfers			<u><u>\$ 4,753,564</u></u>

**City of Manchester, Tennessee**  
**Schedule of Assessed Property Tax Values,**  
**Property Tax Rates and Changes in Property Taxes Receivable**  
**For the Year Ended June 30, 2017**

Tax Year	Tax Rate	Assessed Value	Original Levy	Balance July 1, 2016	Property Tax Levied	Anticipated Current Year Levy	Abatements and Adjustments	Collections	Allowance for Uncollectible	Net Receivable Balance June 30, 2017
2017						4,933,336			19,904	4,913,432
2016	2.2999	210,695,655	4,845,752		4,845,752		(32,170)	4,467,638	19,551	326,393
2015	2.2999	205,498,253	4,725,424	307,842			1,772	182,305	19,065	108,244
2014	2.2999	202,117,409	4,648,498	66,737			1,398	39,508	18,755	9,872
2013	2.2999	200,337,660	4,607,596	204,247				30,417	18,590	155,240
2012	2.2999	199,239,840	4,582,317	93,653				14,203	18,488	60,963
2011	2.2999	198,802,639	4,572,262	11,212				448	10,764	-
2010	2.2999	199,841,765	4,596,161	2,678				470	2,208	-
Totals				686,369	4,845,752	4,933,336	(29,000)	4,734,989	127,325	5,574,144

NOTES: All uncollected taxes for years prior to 2015 were turned over to the Clerk and Master for collection.

**City of Manchester, Tennessee**  
**Schedule of Utility Rate Structure and Number of Customers**  
**June 30, 2017**

	<u>2016-2017</u>		<u>2015-2016</u>		<u>2014-2015</u>	
	Water	Sewer	Water	Sewer	Water	Sewer
<u>Within Corporate Limits</u>						
Up to and including 2,000 gallons	\$8.60	\$10.82	\$ 8.60	\$ 10.82	\$ 8.60	\$ 10.82
Next 98,000 gallons per 1,000 gallons	\$4.30	\$5.41	\$ 4.30	\$ 5.41	\$ 4.30	\$ 5.41
All over the next 100,000 gallons per 1,000 gallons	\$3.42	\$4.30	\$ 3.42	\$ 4.30	\$ 3.42	\$ 4.30
Unmetered Residential Customers		\$25.74		\$ 25.74		\$ 25.74
<u>Outside Corporate Limits</u>						
One and one-half times inside rate - Industrial						
Two time inside rate - Residential and Commercial						
<u>Number of Customers</u>						
Residential - Inside of City	4,267	4,175	4,267	4,175	4,215	4,124
Residential - Outside of City	1,989	10	1,989	10	1,965	10
Commerical - Inside of City	677	601	677	601	669	594
Commerical - Outside of City	96	11	96	11	95	11
Industrial - Inside of City	11	11	11	11	11	11
Industrial - Outside of City	30	28	30	28	30	28
<b>Total</b>	<b>7,070</b>	<b>4,836</b>	<b>7,070</b>	<b>4,836</b>	<b>6,985</b>	<b>4,778</b>

City of Manchester, Tennessee  
AWWA Worksheet  
For the Year Ended June 30, 2017

**AWWA Free Water Audit Software:  
Reporting Worksheet**

WAS v5.0

American Water Works Association.

?	Click to access definition	<b>Water Audit Report for:</b> City of Manchester Water & Sewer Department (0000429)
+	Click to add a comment	<b>Reporting Year:</b> 2017 7/2016 - 6/2017

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the

**All volumes to be entered as: MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where

Master Meter and Supply Error Adjustments

<b>WATER SUPPLIED</b>	----- Enter grading in column 'E' and 'J' -----		Pcnt:	Value:
Volume from own sources:	+ ?			
Water imported:	+ ?	10	3.00%	
Water exported:	+ ?	10	3.00%	
<b>WATER SUPPLIED:</b>		<b>723.719</b>		

<b>AUTHORIZED CONSUMPTION</b>				Click here: ? for help using option buttons below
Billed metered:	+ ?	10		
Billed unmetered:	+ ?	10		
Unbilled metered:	+ ?	10		
Unbilled unmetered:	+ ?		1.25%	
<b>AUTHORIZED CONSUMPTION:</b>		<b>634.409</b>		

<b>WATER LOSSES (Water Supplied - Authorized Consumption)</b>		<b>89.310</b>	MG/Yr	
<b>Apparent Losses</b>				
Unauthorized consumption:	+ ?		1.809	MG/Yr
<b>Apparent Losses:</b>		<b>3.361</b>	MG/Yr	

<b>Real Losses (Current Annual Real Losses or CARL)</b>				
<b>Real Losses = Water Losses - Apparent Losses:</b>		<b>85.949</b>	MG/Yr	
<b>WATER LOSSES:</b>		<b>89.310</b>	MG/Yr	

<b>NON-REVENUE WATER</b>				
<b>NON-REVENUE WATER:</b>		<b>102.988</b>	MG/Yr	

<b>SYSTEM DATA</b>				
Length of mains:	+ ?	10	200.0	miles
Number of active AND inactive service connections:	+ ?	10	7,743	
Service connection density:	?		39	conn./mile main
Average length of customer service line:	+ ?	10	0.0	ft
<b>Average length of customer service line has been set to zero and a data grading score of 10 has been applied</b>				
Average operating pressure:	+ ?	7	60.0	psi

<b>COST DATA</b>				
Total annual cost of operating water system:	+ ?	10	\$2,632,176	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	9	\$4.43	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	10	\$1,250.00	\$/Million gallons

**WATER AUDIT DATA VALIDITY SCORE:**

**\*\*\* YOUR SCORE IS: 92 out of 100 \*\*\***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

**PRIORITY AREAS FOR ATTENTION:**

Based on the information provided, audit accuracy can be improved by addressing the following components:

<b>1: Unauthorized consumption</b>
<b>2: Systematic data handling errors</b>
<b>3: Customer metering inaccuracies</b>



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

WAS v5.0

American Water Works Association.

Water Audit Report for:   
 Reporting Year:

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

**System Attributes:**

Apparent Losses:  MG/Yr  
 + Real Losses:  MG/Yr  
 = **Water Losses:**  MG/Yr

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

Annual cost of Apparent Losses:

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

**Performance Indicators:**

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

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

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

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

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

# **INTERNAL CONTROL AND COMPLIANCE SECTION**



# Allen, McGee & Associates

## 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***

Board of Mayor and 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 the 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, 2017, 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 April 24, 2018.

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not

been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (Findings **2017-001**: Receivables for the Recreation Center and **2017-003**: Voided and/or Adjusting Entries Made to Cash Collections without Appropriate Documentation).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Manchester, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as items **2017-002**: Deposits with Financial Institution in Excess of Required Collateral Pledges; **2017-004**: Budget Expenditures in Excess of Appropriations; **2017-005**: Non-Compliance with T.C.A Title 9 Chapter 2 Section 102, and **2017-006**: Non-Compliance with T.C.A 6-56-111- Deposit Accounts not Carried on the General Ledger.

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

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

### **Purpose of this Report**

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

*Allen, McGee and Associates*

Tullahoma, Tennessee  
April 24, 2018



# Allen, McGee & Associates

## 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

Board of Mayor and Aldermen  
City of Manchester, Tennessee

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

We have audited the City of Manchester, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the City of Manchester, Tennessee's major federal programs for the year ended June 30, 2017. The City of Manchester, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Our responsibility is to express an opinion on compliance for each of the City of Manchester, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Manchester, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Manchester, Tennessee's compliance.

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

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, 2017.

110 North Jackson Street, Tullahoma, Tennessee 37388  
Phone 931.393.3307 [www.AllenMcGeeCPA.com](http://www.AllenMcGeeCPA.com)

## Report on Internal Control over Compliance

Management of the City of Manchester, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Manchester, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Manchester, Tennessee's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Allen, McGee and Associates*

Tullahoma, Tennessee  
April 24, 2018

**CITY OF MANCHESTER, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR FINDINGS & QUESTIONED COSTS**  
**For the Year Ended June 30, 2017**

*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 current status from the financial statements for the City of Manchester, Tennessee, for year ended June 30, 2016.

***Prior year Financial Statement Findings***

<b>Fiscal Year</b>	<b>Page Number</b>	<b>Finding Number</b>	<b>Title of Finding</b>	<b>CFDA Number</b>	<b>Current Status</b>
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**City General Government**

2015	169	2015-002	Receivables for the Recreation Center.	N/A	Repeated Finding 2017-001
2015	169	2015-003	Budgeted Expenditure in Excess of Appropriations.	N/A	Repeated Finding 2017-005
2015	170	2015-004	Deposit with Financial Institution in Excess of Pledged Collateral	N/A	Repeated Finding 2017-002
2015	170	2015-010	Cash Overdraft in the Recreation Fund	N/A	Corrected
2016	171	2016-001	Purchase in Violation of the Manchester Municipal Code/ Direct Conflict of Interest	N/A	Corrected
2016	171-172	2016-002	Adjusting Entries made to Cash Collection without Documentation or Approval	N/A	Repeated Finding 2017-003
2016	172	2016-005	Lack of Reconciliation between General and Subsidiary Ledgers for Fixed Assets	N/A	Corrected

**City of Manchester, Tennessee**  
**Schedule of Prior Year Findings & Questioned Costs (Cont.)**

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
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**Manchester City Schools**

2016	173	2016-007	Lease Purchase Agreement Not Approved by Governing Body and not Reported to the Division of Local Government Finance	N/A	Corrected
------	-----	----------	--	-----	-----------

***Prior year Federal Award Findings***

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

**City of Manchester, Tennessee**  
**Schedule of Audit Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

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

**Financial Statements:**

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

**Federal Awards:**

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

CFDA Numbers 10.553, 10.555 and 10.565	Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Commodity Supplemental Food Program
CFDA Number 14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
CFDA Number 84.010	Title I Grants to Local Educational Agencies
8. Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000
9. Auditee qualified as low-risk auditee? NO

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

### City General Government

**FINDING 2017-001:** (Repeat 2015-002) RECEIVABLES- RECREATION CENTER  
(Internal Control – Significant Deficiency under *Government Auditing Standards*)

**Condition:** As of June 30, 2017, accounts receivable in the Manchester Recreation Center totaled \$97,489 as reflected in the financial statements. These receivables do not appear to have been reviewed and no determination of uncollectible accounts has been made.

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

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

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

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

**FINDING 2017-002:** (Repeat 2015-004) DEPOSIT WITH FINANCIAL INSTITUTION IN EXCESS OF REQUIRED COLLATERAL PLEDGES- FINANCE DEPARTMENT  
(Noncompliance under *Government Auditing Standards*)

**Condition:** The City had uncollateralized, uninsured deposits with First National Bank of \$4,312,934.63 and uncollateralized, *uninsured* deposits with Coffee County Bank of at least \$308,706.42.

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

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

**Recommendation:** Management should either:

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

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

**PART II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS  
(CONT.)**

**City General Government (Cont.)**

***FINDING 2017-003:*** (Repeat 2016-002) VOIDED AND/OR ADJUSTING ENTRIES MADE TO CASH COLLECTIONS WITHOUT APPROPRIATE DOCUMENTATION OR APPROVAL - RECREATION DEPARTMENT

(Internal Control – Significant Deficiency under *Government Auditing Standards*)

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

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

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

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

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

***FINDING 2017-004:*** (Repeat 2015-003) BUDGETED EXPENDITURES IN EXCESS OF APPROPRIATIONS (Noncompliance under *Government Auditing Standards*)

***Condition:*** The General Fund exceeded appropriations at the level of control for Health, Welfare, Culture and Recreation by \$23,100. Expenditures of the Recreation Fund exceeded appropriations at the level of control for Recreation Administration by \$1,259.

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

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

**PART II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS  
(CONT.)**

**City General Government (Cont.)**

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

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

**Manchester City Schools**

**FINDING 2017-005** NONCOMPLIANCE WITH T.C.A TITLE 9 CHAPTER 2 SECTION 102.  
(Noncompliance under *Government Auditing Standards*)

**Condition:** At fiscal year end, Manchester City Schools had checks totaling \$39,984.84 that were dated June 30, 2017 but were not listed on the June bank reconciliation performed in July. It appears that the check register for the school's clearing account was not submitted to the city's finance department in a timely manner, resulting in a discrepancy between the bank account balance and the general ledger.

**Criteria:** *Tennessee Code Annotated*, Section 9-2-102 requires that Municipalities must maintain records sufficient and necessary to comply with legal provisions and generally accepted accounting principles. GAAP requires that procedures for a proper cut-off for revenues and expenditure recognition be maintained.

**Effect:** The failure of a subsidiary ledger or check register to agree with the general ledger causes issues when trying to determine outstanding checks at year-end and circumvents internal controls over cash disbursements and recording of expenditures.

**Recommendation:** Management should ensure that all disbursements are recorded the day the disbursement is made.

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

**PART II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS  
(CONT.)**

**Manchester City Schools (Cont.)**

**FINDING 2017-006** NONCOMPLIANCE WITH T.C.A 6-56-111- DEPOSIT ACCOUNTS NOT CARRIED ON THE GENERAL LEDGER (Noncompliance under *Government Auditing Standards*)

**Condition:** The Manchester City School system maintains four separate bank accounts for clearing payroll liabilities that are not shown on the general ledger. They include accounts for 1) retirement; 2) payroll taxes; 3) health, dental & life insurance; and 4) Great Western life insurance.

**Criteria:** TCA Section 6-56-111(c) states in part, "Every municipal official authorized to disburse public funds shall be required to make disbursements of such public funds...drawn on the municipality's official bank account or accounts."

**Effect:** The municipality does not control disbursement of public funds in these accounts.

**Recommendation:** Ensure that all deposit accounts controlled by the entity are added to and accounted for within the general ledger.

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

**PART III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs for federal awards.

**Management's Corrective Action Plan  
For the Fiscal Year Ended June 30, 2017**

**FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

**Finding 2017-001** (Repeat 2015-002) RECEIVABLES-RECREATION CENTER  
(Internal Control-Significant Deficiency under *Government Auditing Standards*)

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

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

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

**Anticipated Completion Date:** December 31, 2018

**Finding 2017-002** (Repeat 2015-004) DEPOSIT WITH FINANCIAL INSTITUTION IN EXCESS OF REQUIRED COLLATERAL PLEDGES-FINANCE DEPARTMENT  
(Noncompliance under *Government Auditing Standards*)

**Recommendation:** Management should either:

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

**Action Taken:** This will be reconciled on a regular basis to ensure that this is corrected.

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

**Anticipated Completion Date:** June 30, 2018

**Finding 2017-003** (Repeat 2016-002) VOIDED AND/OR ADJUSTING ENTRIES MADE TO CASH COLLECTIONS WITHOUT APPROPRIATE DOCUMENTATION OR APPROVAL - RECREATION DEPARTMENT  
(Internal Control – Significant Deficiency under *Government Auditing Standards*)

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

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

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

**Anticipated Completion Date:** December 31, 2018

**Finding 2017-004:** (Repeat 2015-003) BUDGETED EXPENDITURES IN EXCESS OF APPROPRIATIONS (Noncompliance under *Government Auditing Standards*)

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

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

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

**Anticipated Completion Date:** December 31, 2018

**Finding 2017-005:** NONCOMPLIANCE WITH T.C.A TITLE 9 CHAPTER 2 SECTION 102. (Noncompliance under *Government Auditing Standards*)

**Recommendation:** Management should ensure that all disbursements are recorded the day the disbursement is made.

**Action Taken:** We will discuss this finding with the Manchester City Schools, so corrective action can be taken to ensure this will not occur again.

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

**Anticipated Completion Date:** December 31, 2018

**Finding 2017-006:** NONCOMPLIANCE WITH T.C.A 6-56-111- DEPOSIT ACCOUNTS NOT CARRIED ON THE GENERAL LEDGER (Noncompliance under *Government Auditing Standards*)

**Recommendation:** Ensure that all deposit accounts controlled by the entity are added to and accounted for within the general ledger.

**Action Taken:** We will discuss this finding with the Manchester City Schools, so corrective action can be taken to ensure this will not occur again.

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

**Anticipated Completion Date:** December 31, 2018