

OFFICIAL STATEMENT

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: S&P: "AA"
(See "MISCELLANEOUS-Rating")

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS - Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

\$8,870,000 **CITY OF MANCHESTER, TENNESSEE** **General Obligation Refunding Bonds, Series 2017**

Dated: December 1, 2017

Due: June 1 (as indicated below)

The \$8,870,000 General Obligation Refunding Bonds, Series 2017 (the "Bonds") shall be issued by the City of Manchester, Tennessee (the "City") as book-entry-only Bonds in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") except as otherwise described herein. DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2018 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged. A portion of the Bonds shall be additionally payable from, although not secured by, revenues received by the City from the City's water and sewer system. The remainder of the Bonds shall be additionally payable from, although not secured by, revenues reserved by the City from the operation of the water treatment and distribution facility of Duck River Utility Commission.

Bonds maturing June 1, 2024 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2023.

Due					Interest				
<u>(June 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIPs**</u>	<u>(June 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIPs**</u>
2018	\$ 30,000	2.00%	1.05%	562400 RW3	2027	\$ 765,000	2.00%	2.00%	562400 SF9
2019	80,000	2.00	1.15	562400 RX1	2028	785,000	2.25	2.10 c	562400 SG7
2020	80,000	2.00	1.25	562400 RY9	2033	400,000	3.00	2.60 c	562400 SM4
2021	675,000	2.00	1.35	562400 RZ6	2034	400,000	3.00	2.70 c	562400 SN2
2022	690,000	2.00	1.50	562400 SA0	2035	400,000	3.00	2.85 c	562400 SP7
2023	695,000	2.00	1.60	562400 SB8	2036	400,000	3.00	3.00	562400 SQ5
2024	730,000	2.00	1.65 c	562400 SC6	2037	400,000	3.00	3.05	562400 SR3
2025	730,000	2.00	1.75 c	562400 SD4	2038	400,000	3.00	3.10	562400 SS1
2026	740,000	2.00	1.85 c	562400 SE2					

\$470,000 3.00% Term Bond Due June 1, 2032 @ 2.45% c 562400 SL6

c = Yield to call on June 1, 2023.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued by the City, subject to the approval of the legality thereof by Glankler Brown, PLLC, Memphis, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from Gerald Ewell, Jr., counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about December 1, 2017.

Cumberland Securities Company, Inc.
Financial Advisor

November 8, 2017

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate (as defined herein), and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer or the Underwriter. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

** These CUSIP numbers have been assigned by S&P CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The City is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

CITY OF MANCHESTER, TENNESSEE

OFFICIALS

Lonnie Norman	<i>Mayor</i>
Bridget Anderson	<i>Finance Director</i>
Gerald Ewell, Jr.	<i>City Attorney</i>

ALDERMEN

Ryan French, Vice Mayor
Bob Bellamy
Chris Elam
Tim Kilgore
Lana Sain
Cheryl Swan

UNDERWRITER

Robert W. Baird & Co. Incorporated
Milwaukee, Wisconsin

BOND COUNSEL

Glankler Brown, PLLC
Memphis, Tennessee

REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Official Statement*.

Issuer	City of Manchester, Tennessee (the “City”, “Municipality” or “Issuer”). See APPENDIX B contained herein.
The Bonds.....	\$8,870,000 General Obligation Refunding Bonds, Series 2017 (the “Bonds”).
Security.....	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged. A portion of the Bonds shall be additionally payable from, although not secured by, revenues received by the City from the City’s water and sewer system. The remainder of the Bonds shall be payable from, although not secured by, revenues received by the City from the operation of the water treatment and distribution facility of Duck River Utility Commission.
Purpose	The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Bonds (as defined herein) of the City, as described herein; and (ii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled “SECURITIES OFFERED - Authority and Purpose” contained herein.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2023, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.
Tax Matters.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled “LEGAL MATTERS- Tax Matters” and APPENDIX A (form of opinion) included herein.
Bank Qualification	The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Rating.....	S&P: “AA”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the “Registration Agent”).
Bond Counsel	Glankler Brown, PLLC, Memphis, Tennessee.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS - Financial Advisor; Related Parities; Others”, herein.
Underwriter.....	Robert. W. Baird & Co. Incorporated, Milwaukee, Wisconsin.

Book-Entry-Only.....	The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION – Book–Entry-Only System”.
General	The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, <i>Tennessee Code Annotated</i> , as supplemented and revised. See the section entitled SECURITIES OFFERED herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of the Depository Trust Company, New York, New York.
Disclosure	In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the City will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”) established in Tennessee, if any, annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Reports. For additional information, see the section entitled “MISCELLANEOUS - Continuing Disclosure” for additional information.
Other Information.....	The information in the <i>Official Statement</i> is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the City, or the OFFICIAL STATEMENT, contact Lonnie Norman, Mayor, P.O. Box 209, 200 West Fort Street, Manchester, TN 37309, Telephone: (931) 728-4652; or the City's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

GENERAL FUND BALANCES
Summary of Changes In Fund Balances
(In Thousands)
For the Fiscal Year Ended June 30

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Beginning Fund Balance	\$2,867,946	\$2,935,206	\$3,356,231	\$3,070,981	\$3,768,119
Revenues	11,969,016	11,926,595	11,829,605	12,439,577	13,251,296
Expenditures	8,121,578	7,894,132	8,532,868	8,072,369	7,694,610
Excess of Revenues Over (under)					
Expenditures	3,847,438	4,032,464	3,296,737	4,367,208	5,556,686
Other Financing Sources:					
Loan Proceeds & Other Sources	-	-	11,356,068	-	-
Transfers In	-	-	-	-	-
Transfers Out	(3,780,178)	(3,611,439)	(14,938,055)	(3,670,070)	(3,624,732)
Excess of Revenues Over (Under) Expenditures	67,260	421,025	(285,250)	697,138	1,931,954
Ending Fund Balance	\$2,935,206	\$3,356,231	\$3,070,981	\$3,768,119	\$5,700,073

Source: Comprehensive Annual Financial Reports of the City of Manchester, Tennessee.

\$8,870,000
CITY OF MANCHESTER, TENNESSEE
General Obligation Refunding Bonds, Series 2017

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto is furnished in connection with the offering by the City of Manchester, Tennessee (the “City”, “Municipality” or “Issuer”) of its \$8,870,000 General Obligation Refunding Bonds, Series 2017 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, and other applicable provisions of the law and pursuant to resolutions (the “Resolution”) adopted by the Board of Mayor and Alderman of the City (the “Board”) on November 7, 2017.

The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Debt, as described in the “Refunding Plan” below; and (ii) payment of the costs related to the issuance and sale of the Bonds.

REFUNDING PLAN

The City is proposing to refinance a portion of the City’s outstanding General Obligation Refunding Bonds, Series 2010, dated June 10, 2010, maturing June 1, 2021 and thereafter (the “Outstanding Bonds”) to the June 1, 2020 call date at par plus accrued interest.

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the “Plan”) for the Outstanding Bonds was submitted to the Director of the Office of State and Local Finance for review, and a report was received thereon.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from the date of issuance December 1, 2017. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2018. The Bonds are issuable in registered book-entry form only and in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Mayor and shall be attested by the City Recorder. No Bond shall be valid until it has been authenticated by the manual signature of an authorized representative of the Registration Agent and the date of authentication noted thereon.

SECURITY

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. A portion of the Bonds shall be additionally payable from, although not secured by, revenues received by the City from the City's water and sewer system. The remainder of the Bonds shall be additionally payable from, although not secured by, revenues received by the City from the operation of the water treatment and distribution facility of Duck River Utility Commission.

The City, through its governing body, shall annually levy and collect a tax on all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the City and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from the General Fund of the City or other available funds of the City to the payment of debt service on the Bonds.

The Bonds are not obligations of the State of Tennessee (the "State") or any political subdivision thereof other than the City.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Under the Internal Revenue Code of 1986, as amended (the "Code"), in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations," as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

OPTIONAL REDEMPTION

Bonds maturing June 1, 2024, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2023 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of Mayor and Aldermen of the City, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

MANDATORY REDEMPTION

Subject to the credit hereinafter provided, the City shall redeem Bonds maturing June 1, 2032 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed with a maturity shall be selected in the same manner as described above for optional redemption.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
June 1, 2032	June 1, 2029	\$ 25,000
	June 1, 2030	\$ 25,000
	June 1, 2031	\$ 25,000
	June 1, 2032*	\$395,000

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the City may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the City on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The City shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the

Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the City nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the City will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as described below.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book entry system maintained by DTC (the “Book Entry Only System”). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a

wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC’s records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the City determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the City will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to beneficial owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the City, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect

Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be applied by the County as follows:

- (a) an amount, which together with investment earnings thereon and other legally available funds of the City, if any, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Bonds until and through the redemption date therefor shall be deposited with a financial institution acting as escrow agent under a refunding escrow agreement to be held in an Escrow Fund established thereunder to be held and applied as provided therein, including paying the redemption price of the Outstanding Bonds on the earliest optional redemption date; and
- (b) the remainder of the proceeds of the sale of the Bonds shall be used to pay the costs of issuance the Bonds, and all necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premium, if any, administrative and clerical costs, rating agency fees, registration agent fees, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.

DISCHARGE AND SATISFACTION OF BONDS

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

- 1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;
- 2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving or such notice); or
- 3. By delivering such Bonds to the Registration Agent for cancellation by it;

and if the City shall also pay or cause to be paid all other sums payable hereunder by the City with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such escrow agent to pay amounts when and as required to the Registration Agent for the

payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the City to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations (defined herein) deposited as aforesaid.

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the City, including, but not limited to, the right to require the City to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the City to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

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LEGAL MATTERS

LITIGATION

There are no claims against the City, including claims in litigation, which, in the opinion of the City, would have a material adverse effect on the City's financial position. There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds.

TAX MATTERS

Federal

General. Glankler Brown, PLLC, Memphis, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended, (the "Code")
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The Code imposes requirements on the Bonds that the City must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the City does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The City has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also the section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount

Qualified Tax-Exempt Obligations. Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Glankler Brown, PLLC, Memphis, Tennessee, bond counsel. Bond counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, bond counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled MISCELLANEOUS – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

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MISCELLANEOUS

RATING

S&P Global Ratings (“S&P”) has given the Bonds the rating of “AA”.

There is no assurance that such rating will continue for any given period of time or that the ratings may not be suspended, lowered or withdrawn entirely by S&P, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the ratings may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of S&P and any explanation of the significance of such rating should be obtained from S&P.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on November 8, 2017. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated October 26, 2017.

The successful bidder for the Bonds was an account led by Robert W. Baird & Co. Incorporated, Milwaukee, Wisconsin, (the “Underwriters”) who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$8,895,254.12 (consisting of the par amount of the Bonds, plus an original issue premium of \$103,388.80 and less an underwriter’s discount of \$78,134.68) or 100.285% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

Financial Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as financial advisor (the “Financial Advisor”) to the City for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Financial Advisor has not been engaged by the City to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the City, including without limitation any of the City’s financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the City, any of its affiliated or contractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Financial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm and has not been engaged by the City to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

Regions Bank. Regions Bank (the “Bank”) is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the City in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statements. Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the City and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Glankler Brown, PLLC has represented the Bank on legal matters unrelated to the City and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company’s role as serving as the City’s Dissemination Agent. If the City chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

DEBT RECORD

There is no record of default on principal or interest payments of the Issuer. Additionally, no agreements or legal proceedings of the Issuer relating to securities have been declared invalid or unenforceable.

ADDITIONAL DEBT

The City has not authorized any additional debt. However, the City has ongoing capital needs that may or may not require the issuance of additional debt. The City may also authorize the issuance of additional refundings of outstanding debt as savings opportunities arise.

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CONTINUING DISCLOSURE

The audit for the City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2017 (the "Annual Reports"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The issuer will provide notice in a timely manner to the MSRB of a failure by the City to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Reports (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Reports or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. In the past five years, the City has filed its Annual Reports on time at www.emma@msrb.org under the base CUSIP Number 562400 which is the base CUSIP Number for the City. However, the City inadvertently failed to also file such Annual Reports for fiscal year ending June 30, 2012 under the CUSIP Numbers of the Local Government Public Improvement Bonds, Series Z-4-A, dated November 2, 2006 (the "Series Z-4-A Bonds") for which the City was an obligated person. The City did file the Annual Reports for fiscal year ending June 30, 2012 for the Series Z-4-A Bonds on April 30, 2014, however, the Annual Reports were available under the City's base CUSIP which were filed on time on April 22, 2013. The City filed the Annual Reports for fiscal year ending June 30, 2013 through June 30, 2016 on time for both the City's base CUSIP and the Series Z-4-A Bonds CUSIPS. Additionally, the Series Z-4-A Bonds were redeemed by the City on August 8, 2016.

While it is believed that all appropriate filings were made with respect to the ratings of the City's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12.

The City does not deem any of the foregoing omissions to be material, and therefore, in the judgment of the City, for the past five years, the City has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the City for the fiscal year, prepared in accordance with generally accepted auditing standards, provided, however, if the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-9;
2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-10 and B-11;
3. Information about the Bonded Debt Service Requirements – General Obligation Debt Service Fund as of the end of such fiscal year as shown on page B-12;
4. Information about the Bonded Debt Service Requirements – Water and Sewer Debt Service Fund as of the end of such fiscal year as shown on page B-13;
5. Information about the Bond Debt Service Requirements – Revenue and Tax Backed - Duck River Utility Commission as of the end of each fiscal year as shown on page B-14
6. The fund balances and retained earnings for the fiscal year as shown on page B-16;
7. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-17;
8. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-23;
9. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-23; and
10. The ten largest taxpayers as shown on page B-24.

Any or all of the items listed above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the City or related public entities, which have been submitted to each of the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is an OFFICIAL STATEMENT, in final form, it will be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The City will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.

3. The following are the Listed Events:
- a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - g. Modifications to rights of Bondholders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities, if material;
 - k. Rating changes;
 - l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
 - m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that

arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions

thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the City and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The City has deemed this OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12.

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CERTIFICATION OF ISSUER

On behalf of the City, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ Lonnie Norman
City Mayor

ATTEST:

/s/ Bridget Anderson
Finance Director/City Recorder

APPENDIX A

FORM OF LEGAL OPINION

[LETTERHEAD OF GLANKLER BROWN, PLLC]

Date of Closing

Board of Mayor and Aldermen
of the City of Manchester, Tennessee
Manchester City Hall
200 W. Fort St.
Manchester, Tennessee 37355

**Re: \$8,870,000 General Obligation Refunding Bonds, Series 2017 of the
City of Manchester, Tennessee**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Manchester, Tennessee (the "City"), of \$8,870,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2017 dated as of the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material published and distributed in connection with the sale of the Bonds or any other information concerning the financial condition of the City which may have been provided to the purchasers of the Bonds, and we express no opinion relating thereto.

Based on our examination, we are of the opinion, under existing law, as of the date hereof, as follows:

1. The Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of Tennessee and constitute the valid and binding general obligations of the City for the payment of which the City has irrevocably pledged its full faith and credit. The Bonds are payable as to both principal and interest from ad valorem taxes to be levied, as necessary, upon all taxable property within the City without limitation as to rate or amount.

2. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), for the purpose of computing the alternative minimum taxable income. The opinion set forth in clause (a) above is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements. Except as set forth in this paragraph and in Paragraph 4 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

3. The Bonds and the income therefrom are exempt from all present state, county and municipal taxation in the State of Tennessee, except (a) Tennessee excise taxes on all or a portion of the interest on any Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

4. The Bonds have been designated by the Issuer as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

To the extent constitutionally applicable, the rights of the holders of the Bonds and the enforceability thereof are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereinafter enacted. Also, the enforcement of bondholder rights may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The City of Manchester, (the “City”) is the county seat of Coffee County (the “County”), Tennessee, is located in the south central portion of the State of Tennessee. The County is bounded on the north by Cannon County and on the south by Franklin County. To the east the County is bordered by Warren and Grundy County and to the west by Bedford and Moore counties. Manchester is in the north central section of the County and is located directly on Interstate 24, a main artery between the cities of Chattanooga and Nashville. The City of Tullahoma is located primarily in Coffee County with a portion in Franklin County.

GENERAL

The County land area is approximately 278,000 acres, or 435 square miles, in size. The majority of the County lies along the Highland Rim, a natural division of the state, at an average elevation of 1,050 feet above sea level. The general relief of the Highland Rim is gently rolling to rolling and has traditionally been a fertile farming area producing a variety of crops such as hay, corn, potatoes, cotton, tobacco and fruits. Farming accounts for about 72% of the County's land use. Aside from farming, livestock, poultry and dairy products are a major industry.

Tullahoma was designated a Micropolitan Statistical Area (the “mSA”) that had a population of 93,024 according to the 2010 US Census. An mSA is defined by the U.S. Census Bureau as a non-urban community that is anchored by a town of no more than 50,000 residents. The mSA includes Coffee, Franklin and Moore Counties. According to the 2010 Census, Coffee County has a population of 52,796 and Manchester has 10,102. The 2010 Census puts the City of Tullahoma's population at 18,655.

GOVERNMENT

A Board of Mayor and Aldermen govern the City. Aldermen are elected for three-year overlapping terms on an at-large basis. Their primary responsibility is to represent the citizens of the community through the establishment of policies. These policies may take the form of ordinances, resolutions or motions that establish the laws, proceedings, and service levels for the City. The Mayor is elected for a four-year term. The Board of Mayor and Aldermen constitute the Legislative Branch or governing body of the City.

The Board of Mayor and Aldermen appoints a City Manager whose responsibilities include executive and administrative supervision over all departments. The City Manager is the chief executive officer of the City, a direct representative of the Board of Mayor and Aldermen acting on behalf of and in absence of the Board of Mayor and Aldermen. The City Manager assists the Board of Mayor and Aldermen in carrying out their responsibilities outlined in the City Charter but does not substitute or release the Board of Mayor and Aldermen of ultimate responsibility.

TRANSPORTATION

Interstate 24 runs through the County with 4 exits in Manchester. Transportation is also provided by US Highway 41 and State Highways 53, 55 and 130. Rail service is provided by CSX Transportation. The County has a community airport, the Tullahoma Regional / Northern Field Airport with a 5,001 foot runway. The Nashville International Airport located about 70 miles away is the closest commercial airport to the County.

EDUCATION

The *Coffee County School System* has seven elementary grade schools, one middle school and two high schools. The fall 2015 enrollment was 4,537 students with about 309 teachers. The *City of Manchester* has a school system made up of two elementary grade schools and one grade middle school. Fall 2015 student population was 1,378 with 98 teachers. The *City of Tullahoma* also has a school system with four elementary schools, two middle schools and one high school. Total fall 2015 enrollment for this system was 3,535 with 221 teachers.

Source: Tennessee Department of Education.

There are five colleges within a 35-mile radius:

Middle Tennessee State University in Murfreesboro was founded in 1911 as one of three state normal schools for teacher training. MTSU is now the oldest and largest public university in Middle Tennessee, and is a Tennessee Board of Regents Institution. The campus consists of 137 buildings on 504 acres and had a fall 2015 enrollment of 22,662. MTSU offers Bachelor degrees in eight areas: Arts, Business Administration, Fine Arts, Music, Science, Science in Nursing, Social Work, and University Studies. The College of Graduate Studies confers Master's degrees in ten areas, the Specialist in Education degree, the Doctor of Arts degree, and the Doctor of Philosophy degree.

Source: Middle Tennessee State University and TN Higher Education Commission.

Motlow State Community College is an accredited public comprehensive community college that had a fall 2015 enrollment of 5,294 students. The college was founded in 1969 and is located in Tullahoma in Coffee County, Tennessee. The associate degree program offers students an opportunity to earn an Associate of Arts or Associate of Science degree designed for transfer to a four-year-college or university. Motlow State has offices and classrooms in Fayetteville, McMinnville and Smyrna.

Source: Motlow State Community College and TN Higher Education Commission.

Sewanee: The University of the South. The University of the South, popularly known as Sewanee, is a private school located on a 13,000-acre campus atop Tennessee's Cumberland Plateau in Franklin County. Founded by leaders of the Episcopal Church in 1857, Sewanee continues to be owned by 28 Episcopal dioceses in 12 states and is committed to an academic curriculum which focuses on the liberal arts as the most enlightening and valuable form of undergraduate education. The University consists of a College of Arts and Sciences which offers 36 majors, 27 minors, and 15 special programs, along with pre-medicine, pre-nursing, pre-law, and pre-business. Sewanee has about 1,400 students enrolled.

Source: University of the South and Franklin County Chamber of Commerce.

The *University of Tennessee Space Institute* (UTSI) is a graduate education and research institution located outside of Tullahoma, Tennessee adjacent to the U. S. Air Force Arnold Engineering Development Center. UTSI was established in 1964 as part of The University of Tennessee and has become an internationally recognized institution for graduate study and research in engineering, physics, mathematics, and aviation systems and has made remarkable contributions at the local, state, national, and global levels. Almost 1,500 graduate degrees -- including more than 180 doctorates -- have been awarded through UTSI.

UTSI is an institution unlike any in the United States, perhaps even the entire world. It plays a unique role of vital importance to the US Air Force, and is thus a critical element in the preservation of freedoms and security that Americans have long come to enjoy. It was founded in the wake of two technological revolutions – the development of the airplane and the development of the rocket. In the years since 1964, UTSI’s faculty, students, and alumni have played critical roles in the furthering of American technological superiority in aeronautics and space arenas.

Source: University of Tennessee Space Institute.

The Tennessee Technology Center at Murfreesboro. The Tennessee Technology Center at Murfreesboro is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution’s primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Murfreesboro serves the central region of the state including Rutherford, Wilson, Cannon, and Coffee Counties. The Technology Center at Murfreesboro began operations in 1967, and the main campus is located in Rutherford County. Fall 2014 enrollment was 5,334 students.

Source: Tennessee Technology Center at Murfreesboro and TN Higher Education Commission.

MEDICAL

Harton Regional Medical Center. Harton Regional Medical Center is presently a 135-licensed bed acute hospital located in Tullahoma in Coffee County. There are over 75 full-time physicians on staff specializing in over 25 specialties. In early 2015 construction was completed on a \$4.9 million expansion of the critical care unit. The 10,000 square foot CCU triples the size of the former space, expanding the unit from eight to 14 all-private rooms.

The facility first opened in 1965 with 47 beds. Harton Regional is part of the Health Management Associates (the “HMA”) with other facilities in Jamestown and Lebanon. Health Management Associates was founded in 1977 to own, lease and manage hospitals throughout the United States. HMA currently operates 56 hospitals in 15 states with approximately 8,000 licensed beds. The Company hosts a medical staff of approximately 10,000 physicians.

Source: Health Management Associates, Inc.

Unity Medical Center. Unity Medical Center is a physician-owned, acute-care, full-service community hospital. In 2015 Unity Medical Center was created from combining operations of the United Regional Medical Center (the “URMC”) of Manchester with the Medical Center of Manchester (the “MCM”). All of the URMC operations were moved to the MCM facility about 3

miles away. UPMC was formerly known as the Coffee Medical Center (built in 1954) until it was bought in 2002 by a group of 44 physicians.

Source: Manchester Times.

MANUFACTURING AND COMMERCE

Arnold Engineering Development Center (Arnold Air Force Base). Arnold Engineering Development Center (or “AEDC”) is located both in Coffee and Franklin Counties on a 41,300 acre site. The Center is the most advanced and largest complex of flight simulation test facilities in the world with a replacement value of more than \$11.8 billion. The total economic impact for fiscal year 2014 is estimated to be \$620.9 million. They continue to be a leader in aerospace ground testing and a vital element in our nation's defense. They have made major contributions in the development of nearly every aerospace weapon system in the DOD inventory today. Twenty-seven of the center's test units have capabilities unmatched elsewhere in the United States; 14 are unique in the world. This is a joint venture between the U.S. Air Force and civilian contractors.

AEDC employs a mixture of active-duty military personnel from the Air Force and Navy; Department of Defense civilians; and contractor personnel, which totaled 2,310 personnel in 2014. Of the 2,310 personnel, 52 were active-duty military; two Air Force Reserve and National Guard; 291 appropriated fund civilian employees (includes general schedule, federal wage board and other military branches); 60 government non-appropriated fund employees; 30 other civilians (credit union, Base Exchange and commissary tenants); and 1,875 contractor and sub-contractor employees.

Bonnaroo Music Festival. The County is also host to the Bonnaroo Music Festival that brings in over 65,000 people each year. The last time a study was conducted, in 2012, Bonnaroo had a \$51 million economic impact and direct local spending reached \$36 million. Bonnaroo also contributes \$3 from each ticket sold to the Manchester and Coffee County governments. That money has helped build a community arts center and recreation center. The festival also allows local organizations to run concession booths, which bring between \$15,000 and \$25,000 annually.

Source: Manchester Area Chamber of Commerce and Knoxville News Sentinel.

Industrial Parks. Coffee County (including the cities of Manchester and Tullahoma) has available industrial property in three industrial parks totaling almost 1,600 acres. The County owns two of these parks: Coffee County Interstate Industrial Park is 795 acres 1.5 miles southeast of Manchester and Coffee County Joint Industrial Park is 415 acres 6 miles southwest of Manchester. Manchester Industrial Park is 405 acres owned by the City and is 5 miles southeast of Manchester.

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A partial list of the major employers in the County follows:

Major Employers in Coffee County

<u>Company</u>	<u>Product</u>	<u>Employees</u>
Aerospace Testing Alliance	Environmental Testing	2,310
M-Tek, Inc.	Interior Auto Parts	1,535
Harton Regional Medical Center	Hospital	550
Batesville Casket Company	Steel Caskets	452
VIAM Manufacturing	Auto Floor Mats	370
Van-Rob Manchester	Metal stampings	275
United Technologies Aerospace	Aircraft Landing Gear	240
Cubic Transportation Systems	Sheet Metal Work	240
TE Connectivity	Electrical Connectors	239
Great Lake Cheese	Cheeses	226
Wisco Envelope Co.	Commercial envelopes	205
JSP International	Engineered Plastic Foam	196
Schmiede Corp.	Precision Machinery	157
Sonoco Corporation	Custom Molded Packaging	150
City of Tullahoma	Government	139
City of Manchester	Government	136
Aspen Technologies	Molded Polyurethane Foam	120
Ravago Mfg. Americas, LLC	Nylon / ABS compounding	117
Reliable Carriers	Trucking Warehousing	109
Tullahoma Industries	Government Apparel	100
Coca-Cola Bottling	Soft Drinks	95
Fischer Tool & Die	Tool and Die Manufacturing	79
MDS Foods South, LLC	Distribution	77
Tullahoma News	Publishing Company	60

Source: Middle Tennessee Industrial Development Association, Coffee County Chamber of Commerce and The Tullahoma News - 2017.

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EMPLOYMENT INFORMATION

As of February 2017, the unemployment rate in Coffee County stood at 4.8%, representing 23,530 persons employed out of a workforce of 24,730.

For the month of February 2017, the unemployment rate for the Tullahoma mSA stood at 4.9% with 45,990 persons employed out of a labor force of 48,350.

Unemployment

	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
National	8.1%	7.4%	6.2%	5.3%	4.9%
Tennessee	8.0%	8.2%	6.7%	5.8%	4.8%
Coffee County	7.5%	7.3%	6.3%	5.6%	4.8%
Index vs. National	93	99	102	106	98
Index vs. State	94	89	94	97	100
Tullahoma mSA	7.6%	7.4%	6.1%	5.4%	4.8%
Index vs. National	94	100	98	102	98
Index vs. State	95	90	91	93	100

Source: Tennessee Department of Employment Security, CPS Labor Force Estimates Summary.

ECONOMIC DATA

Per Capita Personal Income

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
National	\$42,453	\$44,267	\$44,462	\$46,414	\$48,112
Tennessee	\$37,452	\$38,771	\$38,806	\$40,233	\$42,094
Coffee County	\$32,668	\$33,779	\$34,022	\$35,399	\$36,679
Index vs. National	77	76	77	76	76
Index vs. State	87	87	88	88	87
Tullahoma mSA	\$32,132	\$33,604	\$33,887	\$35,159	\$36,397
Index vs. National	76	76	76	76	76
Index vs. State	86	87	87	87	86

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Coffee County</u>	<u>Manchest er</u>	<u>Tullahoma</u>
Median Value Owner Occupied Housing	\$178,600	\$142,100	\$113,100	\$108,600	\$113,200
% High School Graduates or Higher	86.70%	85.50%	84.3%	82.5%	87.3%
% Persons with Income Below Poverty Level	13.50%	16.70%	15.9%	21.9%	19.5%
Median Household Income	\$53,889	\$45,219	\$41,590	\$42,574	\$35,798

Source: U.S. Census Bureau State & County QuickFacts - 2015.

RECREATION

Recreation within the County is centered on water activities which take place on the County's three major lakes: Tim's Ford Reservoir, Wood's Reservoir and Normandy Reservoir. Combined, the three lakes provide the County with 406 miles of shoreline and 17,900 acres of water area for recreation. In addition, there are three state parks in the area: Old Stone Fort State Park, Tim's Ford State Park and the Civil War cemetery site in Beech Grove.

Bonnaroo Music Festival. The Bonnaroo Music Festival now has a permanent home in Manchester, Tennessee on 530 acres. The festival that Rolling Stone dubbed, "the American rock festival to end all festivals," at its peak has attracted nearly 90,000 music fans from around the globe. Festival goers make the trek to Manchester to hear top headlining acts like Tom Petty, Dave Matthews, The Police and The Dead rock out on a variety of stages. Each of the 50 states is represented at the Bonnaroo Music Festival, along with 24 countries. The weekend festival brings in so many people that for three days, Manchester actually becomes the state's sixth largest city.

Manchester Recreation Complex. The Manchester Recreation Complex is equipped with two indoor pools, one outdoor play pool, basketball courts, an indoor track, racketball courts, weight machines, cardiovascular exercise equipment and dance/fitness rooms. This complex draws people from not only Coffee County, but the surrounding counties and stands as one of the best facilities in southern middle Tennessee. The recreational facilities have also been improved to build a greenway which is almost fully completed and stretches along the Duck River, through playground areas, and will eventually run all of the way out to Old Stone Fort State Park.

Source: Manchester Chamber of Commerce.

Old Stone Fort State Archaeological Park. The Old Stone Fort is a 2000-year-old American Indian ceremonial site that consists of mounds and walls that combine with cliffs and rivers to form an enclosure measuring 1-1/4 miles around. It has been identified as, perhaps, the most spectacularly sited sacred area of its period in the United States and the largest and most complex hilltop enclosure in the south. Located in Coffee County just outside of Manchester, the 876-acre park offers a variety

of activities. The park offers educational and entertaining programs, which increase understanding of the Old Stone Fort, archaeology, and Native American cultures. The park has a 9-hole golf course, a museum, many campsites, hiking trails and fishing along the Duck River.

Source: Tennessee State Parks.

RECENT DEVELOPMENTS

Aerospace Testing Alliance (the “ATA”). In early 2013 due to the federal government sequestration, ATA was forced to eliminate 128 jobs. But by late 2013 about 100 of those workers were rehired back. Due to a \$13.5 million reduction in federal funding, the ATA on the Arnold Air Force Base laid off 64 employees in 2010. ATA has been the operating contractor at Arnold Engineering Development Center since 2003. The company employs over 2,000 people.

Great Lakes Cheese Company. The Manchester Industrial Park is the home of the largest one-time investment ever for the County of a \$100 million: a 330,000-square-foot cheese packaging plant for the Great Lakes Cheese Company. Construction was completed at the end of 2014. The plant employs about 300 workers as of 2016. This is the fourth biggest plant of the Company’s nine plants. The Company makes about \$2 billion a year and employs over 2,300 employees company-wide.

M-Tek Inc. The Manchester auto supplier, M-Tek, won a \$147 million contract to build interior door panels for a new midsize sedan that Volkswagen plans to assemble in Chattanooga. Volkswagen’s \$1 billion facility opened in 2011. Despite the ailing auto industry, the Chattanooga plant is a key part of the carmaker's long-term plan to nearly quadruple its U.S. sales to about 800,000 annually by 2018.

Van-Rob. The Canadian automobile company, Van-Rob, has had a facility in Manchester since 1997. In 2015 a \$16.8 million expansion to its existing facility was completed and resulted in over 100 extra jobs.

VIAM Manufacturing Inc. The Japanese company with its North American headquarters located in Manchester has invested in to expansions in the last few years. Announced in mid-2013, a \$9 million expansion has added 75 jobs. In 2010 VIAM finished construction on a new \$4 million, expansion for the production of a polyester-based carpet fiber. This brought an additional 34 jobs upon completion. The Japanese company uses recycled PET clear bottles to produce the fiber for automotive uses.

Source: The Tennessean, The Tullahoma News, The Manchester Times, the Sunday News, the Herald-Chronicle, Health Management Associates, Inc, TSINews and Harton Regional Medical Center.

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CITY OF MANCHESTER, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	(1) Estimated As of June 30, 2017 OUTSTANDING
\$ 10,620,000	General Obligation Refunding Bonds, Series 2010 (General Fund Portion)	June 2038	Fixed	\$ 10,570,000
275,000	Capital Outlay Notes, Series 2010 (GO) (First Vision)	2019	Fixed	39,286
275,000	Capital Outlay Notes, Series 2010 (GO) (Coffee County Bank)	2019	Fixed	39,912
9,690,000	General Obligation Refunding Bonds, Series 2013	June 2030	Fixed	9,425,000
4,600,000	General Obligation Refunding Bonds, Series 2014	June 2020	Fixed	1,430,000
5,500,000	(2) General Obligation Refunding Bonds, Series 2010 (W&S Portion)	June 2028	Fixed	5,485,000
7,500,000	(2) Loan Agreement, Series 2011 (State Revolving Fund)	2031	Fixed	5,497,035
1,348,000	(2) Water and Sewer Revenue and Tax Bonds, Series 2011 (Rural Development)	2050	Fixed	1,230,323
450,000	(2) Water and Sewer Revenue and Tax Bonds, Series 2014 (Rural Development)	2028	Fixed	383,902
6,520,000	(4) General Obligation Bonds, Series 2016B	June 2037	Fixed	6,360,000
2,940,000	(3) General Obligation Refunding Bonds, Series 2010 (Duck River)	June 2038	Fixed	2,905,000
6,240,000	(3) General Obligation Refunding Bonds, Series 2016A (Duck River)	Aug. 2030	Fixed	6,240,000
<u>\$ 55,958,000</u>	TOTAL BONDED DEBT			<u>\$ 49,605,458</u>
\$ 8,870,000	(5) General Obligation Refunding Bonds, Series 2017	June 2038	Fixed	\$ 8,870,000
(20,033,000)	Less: City's Water and Sewer Supported Debt (Excludes Duck River)			(19,966,260)
(12,480,000)	Less: Duck River's Water and Sewer Supported Debt (Excludes City's W&S Debt)			(9,395,000)
<u>32,315,000</u>	TOTAL BONDED DEBT			<u>29,114,197</u>
General Obligation Debt Supported by the Duck River Utility Commission as of June 30, 2017				
\$ (2,940,000)	General Obligation Refunding Bonds, Series 2010 (Duck River)	June 2020	Fixed	\$ (15,000)
(6,240,000)	General Obligation Refunding Bonds, Series 2016A (Duck River)	Aug. 2030	Fixed	(6,240,000)
<u>(3,300,000)</u>	General Obligation Refunding Bonds, Series 2017 (Duck River Portion)	June 2038	Fixed	<u>(3,140,000)</u>

NOTES:

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.
- (2) Revenue Supported Debt - Water and Sewer System
- (3) Revenue Supported Debt - Duck River Utility Commission
- (4) The Series 2016A Bonds were issued July 20, 2016. The purpose of the Series 2016B Bonds are to refund the balance of the Outstanding 2006 Bonds, to refund the Series Z-4-A Loan Agreement and to finance new public works projects for the water and sewer system and were issued August 5, 2016. \$5,635,000 of the Series 2016B Bonds are support by Water and Sewer Revenue

CITY OF MANCHESTER, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

The indebtedness information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements. Property tax information is derived the City.

	Fiscal Year Ending June 30				Unaudited 2017	After Issuance 2017
	2013	2014	2015	2016		
INDEBTEDNESS						
TAX SUPPORTED						
General Obligation Bonds & Notes	\$23,393,483	\$22,754,912	\$22,126,340	\$21,477,769	\$20,799,197	\$20,799,197
TOTAL TAX SUPPORTED	23,393,483	22,754,912	22,126,340	21,477,769	21,482,769	20,799,197
SELF SUPPORTING DEBT						
Water & Sewer / Duck River	28,175,315	27,344,945	25,796,859	25,047,732	28,806,260	29,361,260
TOTAL REVENUE SUPPORTED	28,175,315	27,344,945	25,796,859	25,047,732	30,012,732	29,361,260
TOTAL DEBT	\$51,568,798	\$50,099,857	\$47,923,200	\$46,525,501	\$51,495,501	\$50,160,458
Less: Revenue Supported Debt	(28,175,315)	(27,344,945)	(25,796,859)	(25,047,732)	(30,012,732)	(29,361,260)
Less: Debt Service Fund	(2,108,682)	(2,154,687)	(2,154,687)	(2,154,687)	(2,154,687)	(2,154,687)
NET DIRECT DEBT	21,284,801.21	20,600,225.18	19,971,653.76	19,323,082.34	19,328,082.34	18,644,510.92
PROPERTY TAX BASE						
Estimated Actual Value	\$ 632,580,080	\$ 637,647,608	\$ 637,416,074	\$ 648,744,124	\$ 705,461,710	\$ 705,461,710
Appraised Value	627,392,923	632,418,898	637,416,074	648,744,124	661,581,992	661,581,992
Assessed Value	199,256,249	200,615,391	202,022,094	205,669,293	209,912,342	209,912,342

DEBT RATIOS	Fiscal Year Ending June 30				Unaudited		After Issuance
	2013	2014	2015	2016	2017	2017	
TOTAL DEBT to Estimated Actual Value	8.15%	7.86%	7.52%	7.17%	7.30%	7.11%	
TOTAL DEBT to Appraised Value	8.22%	7.92%	7.52%	7.17%	7.78%	7.58%	
TOTAL DEBT to Assessed Value	25.88%	24.97%	23.72%	22.62%	24.53%	23.90%	
NET DIRECT DEBT to Estimated Actual Value	3.36%	3.23%	3.13%	2.98%	2.74%	2.64%	
NET DIRECT DEBT to Appraised Value	3.39%	3.26%	3.13%	2.98%	2.92%	2.82%	
NET DIRECT DEBT to Assessed Value	10.68%	10.27%	9.89%	9.40%	9.21%	8.88%	
PER CAPITA RATIOS							
POPULATION (1)	10,261	10,349	10,517	10,517	10,517	10,517	
PER CAPITA PERSONAL INCOME	\$35,871	\$37,295	\$37,295	\$37,295	\$37,295	\$37,295	
Estimated Actual Value to POPULATION	61,649	61,614	60,608	61,685	67,078	67,078	
Assessed Value to POPULATION	19,419	19,385	19,209	19,556	19,959	19,959	
Total Debt to POPULATION	5,026	4,841	4,557	4,424	4,896	4,769	
Net Direct Debt to POPULATION	2,074	1,991	1,899	1,837	1,838	1,773	
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	14.01%	12.98%	12.22%	11.86%	13.13%	12.79%	
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	5.78%	5.34%	5.09%	4.93%	4.93%	4.75%	

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census and the Government of the City of Manchester, Tennessee.

CITY OF MANCHESTER, TENNESSEE
G.O. BONDED DEBT SERVICE REQUIREMENTS

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest	TOTAL	
2018	\$ 703,571	\$ 771,173	\$ 1,474,744	3.38%
2019	670,626	755,573	1,426,199	
2020	675,000	742,049	1,417,049	
2021	705,000	728,424	1,433,424	
2022	735,000	713,580	1,448,580	16.78%
2023	755,000	696,943	1,451,943	
2024	775,000	678,899	1,453,899	
2025	815,000	657,461	1,472,461	
2026	840,000	632,911	1,472,911	
2027	870,000	607,611	1,477,611	36.27%
2028	905,000	580,336	1,485,336	
2029	940,000	551,968	1,491,968	
2030	970,000	522,485	1,492,485	
2031	1,115,000	488,465	1,603,465	
2032	1,155,000	441,635	1,596,635	60.72%
2033	1,195,000	393,125	1,588,125	
2034	1,265,000	340,844	1,605,844	
2035	1,330,000	285,500	1,615,500	
2036	1,380,000	219,000	1,599,000	
2037	1,475,000	150,000	1,625,000	92.67%
2038	1,525,000	76,250	1,601,250	100.00%
	<u>\$ 20,799,197</u>	<u>\$ 11,034,231</u>	<u>\$ 31,833,428</u>	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

CITY OF MANCHESTER, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS
Water and Sewer System

F.Y. Ended	Existing Debt Water and Sewer As of June 30, 2017 (1)			Less: Bonds Refunded			General Obligation Refunding Bonds, Series 2017			% 2017 Principal Repaid		Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL			Principal	Interest	TOTAL	
6/30	\$ 1,105,543	\$ 549,647	\$ 1,655,190	\$ -	\$ (204,800)	\$ (204,800)	\$ 10,000	\$ 58,250	\$ 68,250	0.17%		\$ 1,115,543	\$ 403,097	\$ 1,518,640	5.59%
2018	1,139,828	517,005	1,656,833	-	(204,800)	(204,800)	55,000	116,300	171,300			1,194,828	428,505	1,623,333	
2019	1,174,333	483,419	1,657,752	-	(204,800)	(204,800)	55,000	115,200	170,200			1,229,333	393,819	1,623,152	
2020	1,269,064	448,415	1,717,479	(595,000)	(204,800)	(799,800)	650,000	114,100	764,100			1,324,064	357,715	1,681,779	
2021	1,304,025	414,319	1,718,344	(615,000)	(185,463)	(800,463)	665,000	101,100	766,100	25.04%		1,354,025	329,956	1,683,982	31.14%
2022	1,334,225	374,240	1,708,464	(625,000)	(165,475)	(790,475)	670,000	87,800	757,800			1,379,225	296,565	1,675,789	
2023	1,394,665	336,936	1,731,601	(670,000)	(143,600)	(813,600)	705,000	74,400	779,400			1,429,665	267,736	1,697,401	
2024	1,425,355	294,158	1,719,513	(685,000)	(116,800)	(801,800)	705,000	60,300	765,300			1,445,355	237,658	1,683,013	
2025	1,461,298	250,532	1,711,830	(705,000)	(89,400)	(794,400)	715,000	46,200	761,200			1,471,298	207,332	1,678,630	
2026	1,517,502	205,749	1,723,251	(745,000)	(61,200)	(806,200)	740,000	31,900	771,900	86.74%		1,512,502	176,449	1,688,951	67.39%
2027	1,549,938	159,082	1,709,020	(785,000)	(31,400)	(816,400)	760,000	17,100	777,100	100.00%		1,524,938	144,782	1,669,720	
2028	765,896	111,009	876,904	-	-	-	-	-	-			765,896	111,009	876,904	
2029	781,442	94,562	876,004	-	-	-	-	-	-			781,442	94,562	876,004	
2030	695,097	77,947	773,044	-	-	-	-	-	-			695,097	77,947	773,044	
2031	349,825	67,558	417,383	-	-	-	-	-	-			349,825	67,558	417,383	88.01%
2032	360,884	60,132	421,016	-	-	-	-	-	-			360,884	60,132	421,016	
2033	366,976	51,728	418,704	-	-	-	-	-	-			366,976	51,728	418,704	
2034	373,101	43,178	416,279	-	-	-	-	-	-			373,101	43,178	416,279	
2035	339,259	34,537	373,796	-	-	-	-	-	-			339,259	34,537	373,796	
2036	340,453	26,163	366,616	-	-	-	-	-	-			340,453	26,163	366,616	96.93%
2037	41,684	17,807	59,491	-	-	-	-	-	-			41,684	17,807	59,491	
2038	42,952	16,540	59,491	-	-	-	-	-	-			42,952	16,540	59,491	
2039	44,258	15,274	59,532	-	-	-	-	-	-			44,258	15,274	59,532	
2040	45,604	13,887	59,491	-	-	-	-	-	-			45,604	13,887	59,491	
2041	46,991	12,500	59,491	-	-	-	-	-	-			46,991	12,500	59,491	98.04%
2042	48,421	11,071	59,492	-	-	-	-	-	-			48,421	11,071	59,492	
2043	49,894	9,623	59,517	-	-	-	-	-	-			49,894	9,623	59,517	
2044	51,411	8,080	59,492	-	-	-	-	-	-			51,411	8,080	59,492	
2045	52,975	6,517	59,492	-	-	-	-	-	-			52,975	6,517	59,492	
2046	54,586	4,906	59,492	-	-	-	-	-	-			54,586	4,906	59,492	99.33%
2047	56,246	3,253	59,500	-	-	-	-	-	-			56,246	3,253	59,500	
2048	57,957	1,535	59,492	-	-	-	-	-	-			57,957	1,535	59,492	
2049	19,570	122	19,692	-	-	-	-	-	-			19,570	122	19,692	100.00%
2050	<u>\$ 19,661,260</u>	<u>\$ 4,721,430</u>	<u>\$ 24,382,690</u>	<u>\$ (5,425,000)</u>	<u>\$ (1,612,538)</u>	<u>\$ (7,037,538)</u>	<u>\$ 5,730,000</u>	<u>\$ 822,650</u>	<u>\$ 6,552,650</u>			<u>\$ 19,966,260</u>	<u>\$ 3,931,542</u>	<u>\$ 23,897,802</u>	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Average Coupon 2.0497%

CITY OF MANCHESTER, TENNESSEE

Bonded Debt Service Requirements - Revenue and Tax Backed Duck River Utility Commission

F.Y. Ended	Estimated Existing Debt As of June 30, 2017 Duck River (t)			Less: Bonds Being Refunded			General Obligation Refunding Bonds, Series 2017			Total Bonded Debt Service Requirements (t)			% Total Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest	TOTAL	
6/30	\$ 395,000	\$ 257,751	\$ 652,751	\$ -	\$ (68,201)	\$ (68,201)	\$ 20,000	\$ 45,781	\$ 65,781	\$ 415,000	\$ 235,332	\$ 650,332	
2018	405,000	249,714	654,714	-	(136,401)	(136,401)	25,000	91,163	116,163	430,000	204,475	634,475	4.42%
2019	410,000	241,514	651,514	-	(136,401)	(136,401)	25,000	90,663	115,663	435,000	195,775	630,775	
2020	420,000	233,151	653,151	(5,000)	(136,401)	(141,401)	25,000	90,163	115,163	440,000	186,913	626,913	
2021	430,000	224,589	654,589	(5,000)	(136,239)	(141,239)	25,000	89,663	114,663	450,000	178,013	628,013	23.10%
2022	435,000	215,876	650,876	(5,000)	(136,076)	(141,076)	25,000	89,163	114,163	455,000	168,963	623,963	
2023	445,000	207,001	652,001	(5,000)	(135,901)	(140,901)	25,000	88,663	113,663	465,000	159,763	624,763	
2024	455,000	197,901	652,901	(5,000)	(135,701)	(140,701)	25,000	88,163	113,163	475,000	150,363	625,363	
2025	465,000	188,601	653,601	(5,000)	(135,501)	(140,501)	25,000	87,663	112,663	485,000	140,763	625,763	
2026	470,000	179,151	649,151	(5,000)	(135,301)	(140,301)	25,000	87,163	112,163	490,000	131,013	621,013	48.32%
2027	480,000	169,551	649,551	(5,000)	(135,101)	(140,101)	25,000	86,663	111,663	500,000	121,113	621,113	
2028	490,000	159,751	649,751	(5,000)	(134,901)	(139,901)	25,000	86,100	111,100	510,000	110,950	620,950	
2029	500,000	149,741	649,741	(5,000)	(134,691)	(139,691)	25,000	85,350	110,350	520,000	100,400	620,400	
2030	510,000	139,531	649,531	(5,000)	(134,481)	(139,481)	25,000	84,600	109,600	530,000	89,650	619,650	
2031	345,000	134,271	479,271	(345,000)	(134,271)	(479,271)	395,000	83,850	478,850	395,000	83,850	478,850	74.45%
2032	365,000	119,781	484,781	(365,000)	(119,781)	(484,781)	400,000	72,000	472,000	400,000	72,000	472,000	
2033	390,000	103,813	493,813	(390,000)	(103,813)	(493,813)	400,000	60,000	460,000	400,000	60,000	460,000	
2034	410,000	86,750	496,750	(410,000)	(86,750)	(496,750)	400,000	48,000	448,000	400,000	48,000	448,000	
2035	435,000	66,250	501,250	(435,000)	(66,250)	(501,250)	400,000	36,000	436,000	400,000	36,000	436,000	
2036	435,000	44,500	479,500	(435,000)	(44,500)	(479,500)	400,000	24,000	424,000	400,000	24,000	424,000	95.74%
2037	455,000	22,750	477,750	(455,000)	(22,750)	(477,750)	400,000	12,000	412,000	400,000	12,000	412,000	100.00%
2038	\$ 9,145,000	\$ 3,391,940	\$ 12,536,940	\$ (2,890,000)	\$ (2,409,415)	\$ (5,299,415)	\$ 3,140,000	\$ 1,526,806	\$ 4,666,806	\$ 9,395,000	\$ 2,509,332	\$ 11,904,332	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Average Coupon 2.9718%.

(3) The Duck River Utility Commission (the "Commission") which was formed by pursuant to an agreement under the Interlocal Cooperation Act, Sections 12-9-101 et seq., Tennessee Code Annotated, with the City of Tullahoma, Tennessee for the purpose of providing the City and the City of Tullahoma with potable water. For more information, see the notes to the Financial Statements in the CAFR herein.

FINANCIAL OPERATIONS

BASIS OF ACCOUNTING AND PRESENTATION

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are spent and the means by which spending activities are controlled.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. All governmental fund revenues are generally recognized under the modified accrual basis of accounting when they become both measurable and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. All proprietary funds are accounted for using the accrual basis of accounting.

DEBT RECORD

There is no record of any default on principal and interest payments by the City of Manchester from the information available.

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FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The following table depicts audited fund balances, net assets and retained earnings for the last five fiscal years ending June 30:

For the Fiscal Year Ended June 30					
<u>Fund Type</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<i>Governmental Funds:</i>					
General	\$ 2,935,206	\$ 3,356,230	\$3,070,981	\$3,768,119	\$ 5,700,073
School Fund	4,679,991	3,868,640	3,066,952	2,030,856	2,849,288
Debt Service Fund	-	2,108,681	2,154,686	2,191,566	2,251,305
Other Governmental	<u>3,044,425</u>	<u>1,124,579</u>	<u>1,226,913</u>	<u>1,114,349</u>	<u>1,403,146</u>
Total	<u>\$10,659,622</u>	<u>\$10,425,777</u>	<u>\$9,519,533</u>	<u>\$9,104,892</u>	<u>\$12,203,812</u>
<i>Proprietary Net Assets:</i>					
Water & Sewer Fund	\$19,767,040	\$19,270,676	\$19,974,720	\$20,206,140	\$20,958,764

Source: Comprehensive Annual Financial Report and Auditor's Report, City of Manchester, Tennessee.

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CITY OF MANCHESTER, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - General Fund
For the Fiscal Year Ended June 30

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Taxes	\$ 9,782,372	\$ 9,796,432	\$ 9,747,956	\$ 10,094,596	\$ 10,809,177
Licenses, Permits, Fines	62,982	74,363	99,520	70,965	101,414
Charges for Services	13,470	24,530	16,730	21,066	25,365
Fines and Fees	198,248	224,395	262,326	247,158	211,120
Intergovernmental Rev.	1,564,914	1,517,087	1,550,105	1,818,752	1,993,359
Miscellaneous	347,032	289,788	152,969	187,040	110,861
Total Revenues	<u>\$ 11,969,016</u>	<u>\$ 11,926,595</u>	<u>\$ 11,829,605</u>	<u>\$ 12,439,577</u>	<u>\$ 13,251,296</u>
Expenditures:					
General government	\$ 1,507,552	\$ 1,537,210	\$ 1,516,182	\$ 1,866,109	\$ 2,001,209
Public Safety	4,472,472	4,643,791	4,505,238	4,447,129	4,094,460
Public Works/Highways	1,260,372	1,335,162	1,587,733	1,616,182	1,390,228
Contributions	132,611	126,800	126,533	142,949	208,713
Capital Outlay	748,571	251,168	797,182	-	-
Total Expenditures	<u>\$ 8,121,578</u>	<u>\$ 7,894,132</u>	<u>\$ 8,532,868</u>	<u>\$ 8,072,369</u>	<u>\$ 7,694,610</u>
Excess of Revenues Over (Under) Expenditures	\$ 3,847,438	\$ 4,032,464	\$ 3,296,737	\$ 4,367,208	\$ 5,556,686
Other Financing Sources (Uses):					
Loan Proceeds	\$ -	\$ -	\$ 11,170,000	\$ -	\$ -
Bond Premiums & Issance Cos	-	-	32,873	-	-
Capital Contributions	-	-	153,195	-	-
Transfers In	-	-	-	-	-
Transfers Out	(3,780,178)	(3,611,439)	(14,938,055)	(3,670,070)	(3,624,732)
Total	<u>\$ (3,780,178)</u>	<u>\$ (3,611,439)</u>	<u>\$ (3,581,987)</u>	<u>\$ (3,670,070)</u>	<u>\$ (3,624,732)</u>
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ 67,260	\$ 421,025	\$ (285,250)	\$ 697,138	\$ 1,931,954
Fund Balance July 1	2,867,946	2,935,206	3,356,231	3,070,981	3,768,119
Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30	<u><u>\$ 2,935,206</u></u>	<u><u>\$ 3,356,231</u></u>	<u><u>\$ 3,070,981</u></u>	<u><u>\$ 3,768,119</u></u>	<u><u>\$ 5,700,073</u></u>

Source: Comprehensive Annual Financial Report for City of Manchester, Tennessee.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by state statute and local policies. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all deposits in financial institutions are required to be secured and collateralized by the institutions. The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the City and must total a minimum 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. For reporting purposes, all investments are stated at cost, which approximates market value.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

State Taxation of Property; Classifications of Taxable Property; Assessment Rates

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

- (a) Public Utility Property, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property, to be assessed at 30% of its value; and
- (c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

County Taxation of Property

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 1 for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is

required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

State Assessments of Public Utility Property; State Board of Equalization. The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an on-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and

adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

Valuation for Property Tax Purposes

County Valuation of Property. The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State Board of Equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole (*i.e.*, the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the "*Certified Tax Rate*") which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

Tax Freeze for the Elderly Homeowners

The Tennessee Constitution was amended by the voters in November, 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is \$500 for the year in which he becomes eligible, his property taxes will remain at \$500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

Tax Collection and Tax Lien

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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Assessed Valuations. According to the Tax Aggregate Report, property in the City reflected a ratio of appraised value to true market value of 0.9378. The following table shows pertinent data for tax year 2016¹.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Actual Value</u>
Public Utilities	\$ 5,679,256	55%	\$ 13,010,896
Commercial and Industrial	104,815,000	40%	279,417,238
Personal Tangible Property	15,129,336	30%	52,516,659
Residential and Farm	<u>84,288,750</u>	25%	<u>359,516,917</u>
TOTAL	<u>\$209,912,342</u>		<u>\$705,461,710</u>

Source: 2016 State of Tennessee Tax Aggregate Report and the City.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2017 (tax year 2016) is \$209,912,342 compared to \$205,669,293 for the fiscal year ending June 30, 2016 (tax year 2015). The estimated actual value for tax year 2016 is \$705,461,710 compared to \$648,744,124 for tax year 2015.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2012 through 2016 as well as the aggregate uncollected balances as of June 30, 2016.

PROPERTY TAX RATE AND COLLECTIONS							
Tax Year¹	Assessed Valuation	Tax Rates	Taxes Levied	Fiscal Year Collections		Aggregate Uncollected Balance as of June 30, 2016	
				Amount	Pct	Amount	Pct
2012	\$199,256,249	\$2.2999	\$4,581,605	\$4,318,817	94.3%	\$ 93,653	2.0%
2013	200,615,391	2.2999	4,616,283	4,305,671	93.3%	204,246	4.4%
2014	202,022,094	2.2999	4,650,466	4,252,823	91.4%	36,990	0.8%
2015	205,669,293	2.2999	4,725,425	4,401,579	93.1%	307,842	8.6%
2016	209,912,342	2.2999	4,845,752	IN PROCESS			

Source: Comprehensive Annual Financial Report and Auditor's Report, City of Manchester, Tennessee.

¹ The tax year coincides with the calendar year, therefore tax year 2016 is actually fiscal year 2016-17.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2016 (tax year 2015), the ten largest taxpayers in the City were as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Assessed Value</u>	<u>Taxes Levied</u>
1. Batesville Manufacturing	Steel Caskets	\$ 5,452,071	\$125,392
2. Wal-Mart	Retail	4,080,996	93,859
3. DREMC	Electric/Utility	3,378,080	77,692
4. Char El Apartments	Apartments	3,085,150	70,955
5. Coffee Co. Hospitality Group	Medical	1,965,360	45,201
6. International Health Care	Medical	1,760,866	40,498
7. John Roberts	Auto Dealership	1,853,572	39,801
8. Coffee Medical Group, LLC	Medical	1,668,760	38,380
9. Manchester Hotel Hospitality, LLC	Motel	1,642,920	37,786
10. Manchester Hotel Partners	Motel	<u>1,525,320</u>	<u>35,081</u>
TOTAL		<u>\$26,413,095</u>	<u>\$604,645</u>

Source: The City.

PENSION PLAN

The Manchester City Schools contribute to the State Employees, Teachers and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment.

There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-3 7 of the Tennessee Code Annotated (TCA). State Statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

All other full time employees of the City, after one year of continuous service, may elect to participate in the City's defined contribution pension plan (the Plan). In a defined contribution plan,

benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Plan provides for contributions based upon participating employee salary as follows: the City contributes 7% of salary with participating employees contributing a minimum of 1% of salary. Employees hired after July 1, 2002 may contribute from 1% to 11% and the City will match dollar-for-dollar up to a maximum set by the current fiscal year budget ordinance. Contributions fully vest after five years of continuous service by the employee.

For more details on this please refer to General Purpose Financial Statements of the City included herein.

INSURANCE

The City participates in the Tennessee Municipal League Risk Management Pool, a public entity risk pool, for errors, omissions, automobile liability and physical damage, workers compensation and employees liability. Commercial insurance is carried for employees bonds and certain property destruction and employee health, accident and environmental claims. The City is self-insured up to \$20,000 per person annually. A commercial carrier insures claims in excess of this amount.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

THE CITY OF MANCHESTER, TENNESSEE

**CITY OF MANCHESTER, TENNESSEE
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

CITY OF MANCHESTER, TENNESSEE

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**CITY OF MANCHESTER, TENNESSEE
LISTING OF PRINCIPAL OFFICIALS (UNAUDITED)
JUNE 30, 2016**

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, Finance Director/CFO

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



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INDEPENDENT AUDITORS' REPORT

January 19, 2017

To the Board of Mayor and Aldermen
City of Manchester, Tennessee
200 West Fort Street
Manchester, Tennessee 37355

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manchester, Tennessee, as of and for the year ended June 30, 2016, 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

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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, 2016, and the respective changes in financial position, budgetary comparisons for the General Fund, General Purpose School Fund and Debt Service Fund and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

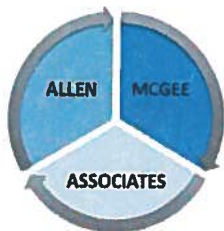
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10-19 and the schedules as listed in the table of contents under the required supplementary information section on pages 91-99 are presented to supplement the basic financial statements. Such information, although not a part the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements, in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manchester, Tennessee's basic financial statements. The introductory section, combining and individual non-major fund financial statements, budgetary comparison schedules of non-major governmental fund and the combining and individual fund financial statements, miscellaneous schedules, and the supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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The combining and individual non-major fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and the miscellaneous schedules 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, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Information described in the "Supplementary Information Section" in the table of contents as the Schedule of Changes in Property Taxes Receivable, Schedule of Tax Rates and Assessments and the Schedule of Utility Rate Structure and Number of Customers is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information described in the Table of Contents in the "Supplementary Information Section" as the Schedule of Changes in Property Taxes Receivable, Schedule of Tax Rates and Assessments and the Schedule of Utility Rate Structure and Number of Customers is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information described in the "Supplementary Information Section" as the AWWA Reporting Work Sheet has 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.

Information described in the "Single Audit Section" in the table of contents as the Schedule of Expenditures of Federal Awards and State Grants Required by OMB Circular A-133 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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

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prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information described in the Table of Contents in the "Single Audit Section" as the Schedule of Expenditures of Federal Awards and State Grants is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2017, on our consideration of the City of Manchester, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 *Government Auditing Standards* in considering City of Manchester, Tennessee's internal control over financial reporting and compliance.

Allen, McGee and Associates

Certified Public Accountants

January 19, 2017

Management's Discussion and Analysis

As management of the City of Manchester, Tennessee , 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, 2016. 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 \$38,609,141. Of this amount, \$11,519,607 (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 \$6,000 for restoration of the historic spring house in Memorial Park.
- The City of Manchester received a Safe Routes to School Grant for \$26,900 for equipment and instruction.
- The City of Manchester received a Safe Routes to School Grant for \$108,113 (\$83,113 for sidewalk extension on Oakdale Street and \$25,000 for Non-Infrastructure).
- The City of Manchester Police Department also received a grant from the Governor's Highway Safety in the amount of \$14,998 for Saturation Overtime and body cameras.
- The City of Manchester received a CDBG grant for drainage improvements in the amount of \$315,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,203,812.
- 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 \$91,716; Restricted \$1,062,182; Committed \$482,160; Assigned \$4,950,734; and Unassigned \$5,617,020. 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 21-24 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 101.

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 25-29 and 38-44 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 government-wide financial statements. The City uses an enterprise fund to account for its Water and Sewer operations.

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

The basic proprietary fund financial statements can be found on pages 31-38 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 45-89 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 100 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 \$38,609,141 at the close of this fiscal year.

By far the largest portion of the City's assets (66.18%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Manchester's Net Position

	Governmental 2016	Activities 2015	Business type 2016	Activities 2015
Current and other assets	\$19,054,000	\$17,307,372	\$13,899,653	\$13,981,722
Capital Assets	29,632,339	30,211,836	33,143,206	33,397,386
Total Assets	48,686,339	47,519,208	47,042,859	47,379,108
Long-term liabilities outstanding	23,296,415	24,161,174	24,135,279	25,331,191
Other Liabilities	10,579,261	11,066,127	1,990,342	1,869,745
Total Liabilities	33,875,676	35,227,301	26,125,621	27,200,936
Net Position				
Net Investment in Capital Assets	7,949,743	7,786,088	17,600,518	17,007,043
Restricted	1,327,047	873,437	212,226	
Unrestricted	8,373,587	4,749,076	3,146,020	3,199,097
Total net position	\$17,650,377	\$13,408,601	\$20,958,764	\$20,206,140

Changes in net position. Governmental activities increased the City's net position by \$4,241,776. Business-type activities net position increased by \$752,624.

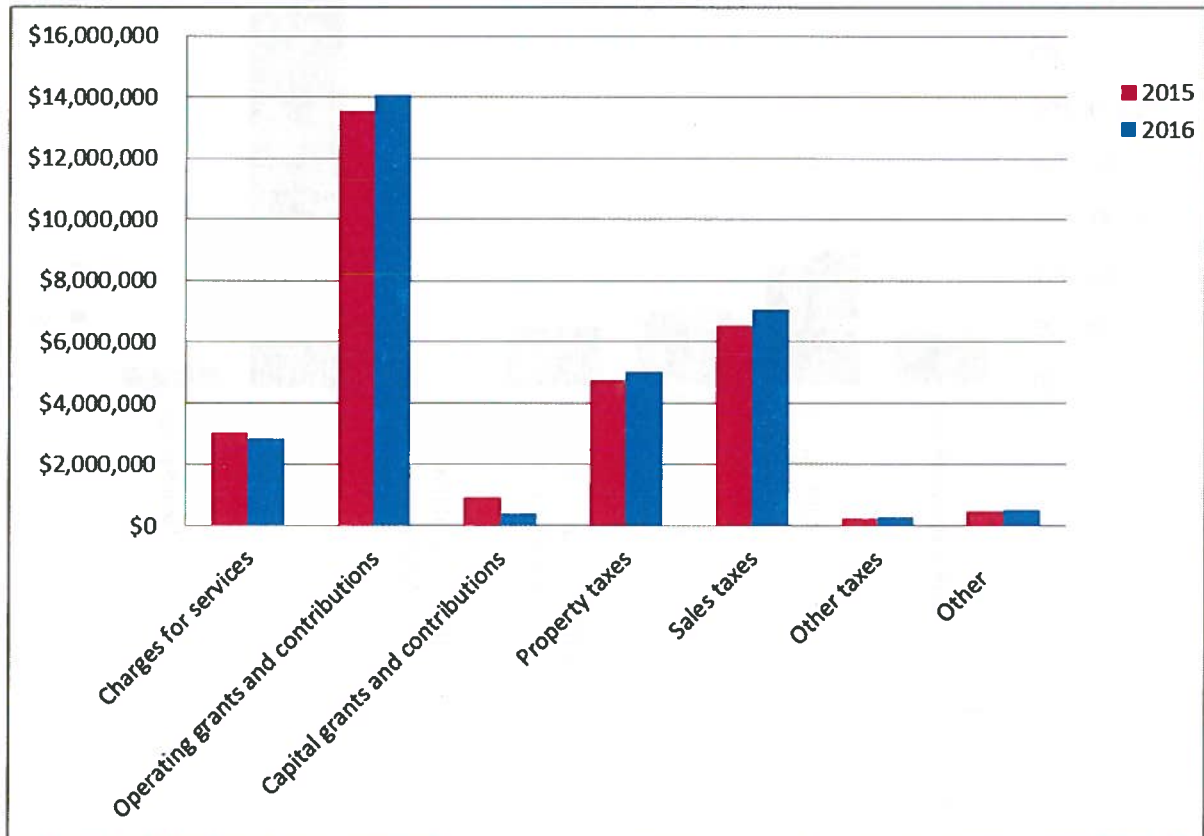
The table below provides a summary of the City's net assets broken down by governmental and business-type activities.

City of Manchester's Changes in Net Position

	Governmental Activities		Business-type Activities	
<u>Revenues</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Program revenues</u>				
Charges for services	\$2,833,278	\$3,039,580	\$6,035,123	\$5,892,440
Operating grants and contributions	14,068,251	13,530,052	17,400	17,400
Capital grants and contributions	381,537	901,333		
<u>General Revenues</u>				
Property taxes	5,035,188	4,732,611		
Sales taxes	7,052,348	6,533,641		
Other taxes	256,910	231,301		
Other	523,708	446,835	277,983	130,254
Total revenues	<u>\$30,151,220</u>	<u>\$29,415,353</u>	<u>\$6,330,506</u>	<u>\$6,040,094</u>
<u>Governmental Activities</u>				
General Government	\$1,809,730	\$1,780,477		
Public Safety	4,412,994	4,903,113		
Public Works	2,719,980	2,850,491		
Health, Welfare, Culture and Recreation	2,157,226	2,226,175		
Economic Development and Assistance	157,674	55,325		
Education	13,800,758	15,410,104		
Debt Service	851,082	919,919		
Water & Sewer			5,765,330	5,865,802
Total expenses	<u>\$25,909,444</u>	<u>\$28,145,604</u>	<u>\$5,765,330</u>	<u>\$5,865,802</u>
Change in Net Position	4,241,776	1,269,749	565,176	174,292
Net Position, as previously reported	13,408,601	14,312,282	20,206,140	19,974,720
Restatement from prior year		(2,173,430)	187,448	57,128
Net Position, beg. Of year as restated				
Net Position, end of year	<u>\$17,650,377</u>	<u>\$13,408,601</u>	<u>\$20,958,764</u>	<u>\$20,206,140</u>

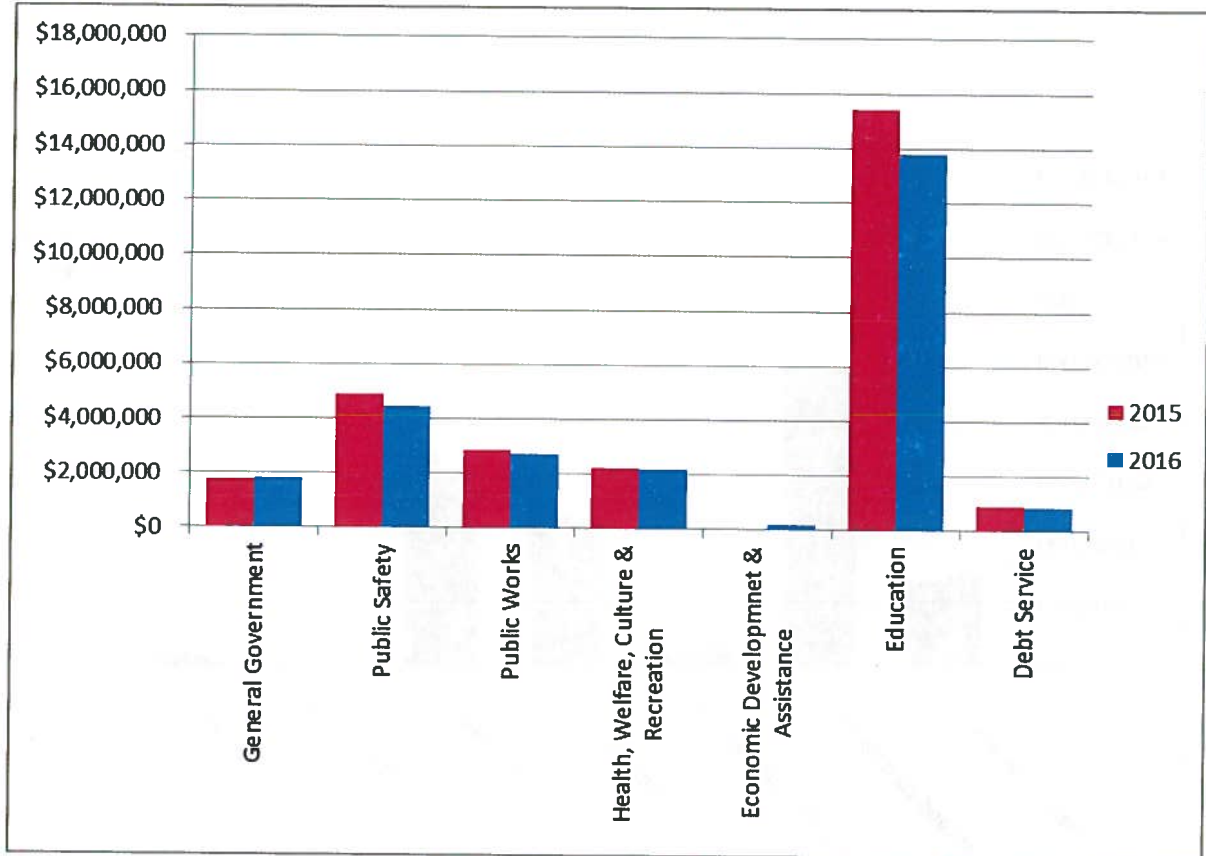
Revenues by Source – Governmental Activities

Revenues



Expenditures – Governmental Activities

Expenditures



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

- The overall expenditures decreased by approximately \$2,236,160. The decrease is due to budgetary cuts and being resourceful with available funds.
- Education expenditures decreased by \$1,609,346 due to budgetary cuts.

Business-type Activities

Business-type activities accounted for revenue of \$6,330,933 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 \$12,203,812, an increase of \$3,098,920 in comparison with the prior year. Within the governmental funds, \$83,053 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 \$5,617,020. 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 48.16% of total general fund expenditures.

The City's general fund had a positive Net Change in Fund Balance of \$1,931,954.

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 \$3,146,020. This represents total Net Assets at June 30, 2016 of \$20,958,764.

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 \$546,236; General Purpose School Fund – increase of \$31,403; School Federal and State Programs – increase of \$5,853; changes to appropriations of General Fund increase of \$153,845; General Purpose School Fund – increase of \$67,305; School Federal and State Programs – increase of \$5,853.

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

	Budgeted Amounts	
	Original	Final
General Fund		
Revenues:		
Total Taxes Revenue	\$ 9,650,019	\$9,947,463
General Purpose School Fund:		
Revenues	\$ 11,496,122	\$11,527,525
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, 2016, amounts to \$62,775,545 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total of the City's investment in capital assets for the current fiscal year decreased in the amount of \$833,678 (a net decrease of \$579,497 for governmental activities and a net decrease of \$254,181 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	49,002,320	76,697,014
Equipment and furniture	2,227,102	1,372,192	3,599,294
Infrastructure	26,063,875		26,063,875
Vehicles	4,143,834		4,143,834
Construction in progress	237,531	2,054,187	2,291,718
	65,077,398	52,639,636	117,717,034
Less Accumulated Depreciation	35,445,059	19,496,430	54,941,489
Net Capital Assets	\$29,632,339	\$33,143,206	\$62,775,545

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 \$46,535,499. Of this amount, \$1,545,044 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	\$ 673,572	871,472	1,545,044

The City of Manchester's combined total bonded debt decreased in the amount of \$706,184 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 4.9%. This compares to the State's average unemployment rate of 4.1% and the national average rate of 4.9%. 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, 2016

	<u>Primary Government</u>		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 243,646	\$ 1,089,389	\$ 1,333,035
Investment in Pooled Cash	10,540,720	2,562,054	13,102,774
Accounts Receivable	438,079	394,650	832,729
Allowance for Uncollectible	(78,843)	(29,175)	(108,018)
Unbilled Water and Sewer	-	155,509	155,509
Due from Other Governments	1,790,827	-	1,790,827
Internal Balances	61,576	-	61,576
Property Taxes Receivable	5,590,837	-	5,590,837
Allowance for Uncollectible Property Taxes	(100,551)	-	(100,551)
Other Taxes Receivable	302,843	-	302,843
Inventories	91,717	179,996	271,713
Current Portion of Notes Receivable from DRUC	-	325,000	325,000
Net Pension Asset	173,149	32,230	205,379
Capital Assets:			
Assets Not Being Depreciated:			
Land	4,710,362	210,937	4,921,299
Construction in Progress	237,531	2,054,187	2,291,718
Assets Net of Accumulated Depreciation:			
Land Improvements	235,521	-	235,521
Buildings	14,525,922	134,232	14,660,154
Vehicles	1,492,931	-	1,492,931
Heavy Equipment	125,541	-	125,541
Other Equipment	477,831	329,581	807,412
Water Plant	-	6,603,545	6,603,545
Sewer Plant	-	23,810,724	23,810,724
Infrastructure	7,826,700	-	7,826,700
Long-term Portion of Note Receivable DRUC	-	9,190,000	9,190,000
Total Assets	\$ 48,686,339	\$ 47,042,859	\$ 95,729,198

The accompanying notes are an integral part of this statement.

City of Manchester, Tennessee
Statement of Net Position (Cont.)

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions
Total Deferred Outflows of Resources

<u>Primary Government</u>		
Governmental	Business-type	
Activities	Activities	Total
\$ 2,839,714	\$ 41,526	\$ 2,881,240
\$ 2,839,714	\$ 41,526	\$ 2,881,240

LIABILITIES

Accounts Payable
Accrued Payroll
Payroll Deductions Payable
Accrued Interest Payable
Judgements Payable
Other Payables
Internal Balances
Due to State of Tennessee
Duck River Utility Commission Surcharge
Customer Deposits
Surcharge Fee Payable
Unearned Revenues
Pooled Cash Overdraft
Noncurrent Liabilities:
 Due Within One Year
 Due in More Than One Year
Total Liabilities

\$ 639,648	\$ 242,991	\$ 882,639
63,443	17,973	81,416
709	808	1,517
76,611	36,383	112,994
46,500	-	46,500
55,254	2,758	58,012
-	61,576	61,576
383	19,314	19,697
-	2,393	2,393
-	383,443	383,443
-	3,721	3,721
109,124	-	109,124
5,782	-	5,782
944,304	1,196,472	2,140,776
23,296,415	24,135,279	47,431,694
\$ 25,238,173	\$ 26,103,111	\$ 51,341,284

DEFERRED INFLOWS OF RESOURCES

Deferred Property Taxes
Deferred Inflows Related to Pensions
Total Deferred Inflows of Resources

\$ 5,433,643	\$ -	\$ 5,433,643
3,203,860	22,510	3,226,370
\$ 8,637,503	\$ 22,510	\$ 8,660,013

The accompanying notes are an integral part of this statement.

City of Manchester, Tennessee
Statement of Net Position (Cont.)

	<u>Primary Government</u>		
	Governmental	Business-type	
	Activities	Activities	Total
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 7,949,743	\$ 17,600,518	\$ 25,550,261
Restricted for:			
Pensions	173,149	32,230	\$ 205,379
Inventories of Materials and Supplies	91,716	179,996	271,712
Drug Control and Investigation	502,738	-	502,738
Education	313,382	-	313,382
Operation of Non-instructional Services	246,062	-	246,062
Unrestricted	8,373,587	3,146,020	11,519,607
Total Net Position	\$ 17,650,377	\$ 20,958,764	\$ 38,609,141

The accompanying notes are an integral part of this statement.

City of Manchester, Tennessee
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Position		Total
					Primary Government		
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 1,809,730	\$ 98,022	\$ -	\$ 236,163	\$ (1,475,545)	\$ -	\$ (1,475,545)
Public Safety	4,412,994	277,867	121,689	-	(4,013,438)	-	(4,013,438)
Public Works	2,719,980	941,951	298,295	108,736	(1,370,998)	-	(1,370,998)
Health, Welfare, Culture and Recreation	2,157,226	1,176,399	164,991	36,638	(779,198)	-	(779,198)
Economic Development and Assistance	157,674	-	-	-	(157,674)	-	(157,674)
Education	13,800,758	339,039	13,483,276	-	21,557	-	21,557
Debt Service	851,082	-	-	-	(851,082)	-	(851,082)
Total Governmental Activities	\$ 25,909,444	\$ 2,833,278	\$ 14,068,251	\$ 381,537	\$ (8,626,378)	\$ -	\$ (8,626,378)
Business-type Activities							
Water and Sewer	5,765,330	6,035,123	17,400	-	-	287,193	287,193
Total Primary Government	\$ 31,674,774	\$ 8,868,401	\$ 14,085,651	\$ 381,537	\$ (8,626,378)	\$ 287,193	\$ (8,339,185)
General Revenues							
Property Taxes					\$ 4,829,267	\$ -	\$ 4,829,267
Interest and Penalty on Taxes					78,434	-	78,434
In-Lieu of Taxes					127,487	-	127,487
Local Sales Tax					4,228,338	-	4,228,338
Wholesale Beer Tax					469,483	-	469,483
Wholesale Liquor Tax					249,289	-	249,289
Business Taxes					343,552	-	343,552
Cable TV Franchise Tax					144,717	-	144,717
Room Occupancy Tax					799,024	-	799,024
State Sales Tax					817,945	-	817,945
Other State Taxes - Unrestricted					256,910	-	256,910
Licenses and Permits					101,414	-	101,414
Other Local Revenues - Unrestricted					369,588	6,303	375,891
Unrestricted Investment Earnings and Rental Income					44,000	272,107	316,107
Gain on Sale of Capital Assets					8,706	(427)	8,279
Total General Revenues					\$ 12,868,154	\$ 277,983	\$ 13,146,137
Change in Net Position					\$ 4,241,776	\$ 565,176	\$ 4,806,952
Net Position Beginning of Year as Previously Reported					13,408,601	20,206,140	33,614,741
Restatements (Note 15)					-	187,448	187,448
Net Position - End of Year					\$ 17,650,377	\$ 20,958,764	\$ 38,609,141

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

City of Manchester, Tennessee
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds			Nonmajor Funds	
	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ -	\$ 50	\$ -	\$ 243,596	\$ 243,646
Investment in Pooled Cash	4,619,122	2,377,561	2,251,305	1,292,732	10,540,720
Accounts Receivable	12,152	329,677	-	96,250	438,079
Allowance for Uncollectible	(10,991)	-	-	(67,852)	(78,843)
Due from Other Governments	1,217,292	417,449	-	156,086	1,790,827
Due from Other Funds	1,311	69,459	-	84,399	155,169
Property Taxes Receivable	5,590,837	-	-	-	5,590,837
Allowance for Uncollectible Property Taxes	(100,551)	-	-	-	(100,551)
Other Taxes Receivable	251,837	-	-	51,006	302,843
Inventories	83,053	-	-	8,664	91,717
Total Assets	<u>\$ 11,664,062</u>	<u>\$ 3,194,196</u>	<u>\$ 2,251,305</u>	<u>\$ 1,864,881</u>	<u>\$ 18,974,444</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 472,942	\$ 5,773	\$ -	\$ 160,933	\$ 639,648
Accrued Payroll	49,036	-	-	14,407	63,443
Payroll Deductions Payable	-	-	-	709	709
Other Payables	433	-	-	54,821	55,254
Judgements Payable	-	-	-	46,500	46,500
Due to Other Funds	7,552	16,582	-	69,459	93,593
Due to State of Tennessee	383	-	-	-	383
Unearned Revenues	-	-	-	109,124	109,124
Pooled Cash Overdraft	-	-	-	5,782	5,782
Total Liabilities	<u>\$ 530,346</u>	<u>\$ 22,355</u>	<u>\$ -</u>	<u>\$ 461,735</u>	<u>\$ 1,014,436</u>

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

City of Manchester, Tennessee
Balance Sheet
Governmental Funds (Cont.)

DEFERRED INFLOWS OF RESOURCES

	Major Funds			Nonmajor Funds	Total
	General	General Purpose School	Debt Service	Other Governmental Funds	Governmental Funds
Deferred Property Taxes	\$ 5,433,643	\$ -	\$ -	\$ -	\$ 5,433,643
Other Deferred/Unavailable Revenue	-	322,553	-	-	322,553
Total Deferred Inflows of Resources	\$ 5,433,643	\$ 322,553	\$ -	\$ -	\$ 5,756,196

FUND BALANCES

Nonspendable:					
Inventory	\$ 83,053	\$ -	\$ -	\$ 8,663	\$ 91,716
Restricted:					
Restricted for Drug Control and Investigation	-	-	-	502,738	502,738
Restricted for Education	-	312,630	-	752	313,382
Restricted for Operation of Non-instructional Services	-	-	-	246,062	246,062
Committed:					
Committed for Education	-	1,390	-	-	1,390
Committed for Debt Service	-	480,770	-	-	480,770
Assigned	-	2,054,498	2,251,305	644,931	4,950,734
Unassigned	5,617,020	-	-	-	5,617,020
Total Fund Balances	\$ 5,700,073	\$ 2,849,288	\$ 2,251,305	\$ 1,403,146	\$ 12,203,812
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,664,062	\$ 3,194,196	\$ 2,251,305	\$ 1,864,881	\$ 18,974,444

City of Manchester, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
June 30, 2016

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

Total fund balances - balance sheet - governmental funds		\$ 12,203,812
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Land	\$ 4,710,362	
Construction in Progress	237,531	
Land Improvements	235,521	
Buildings	14,525,922	
Vehicles	1,492,931	
Heavy Equipment	125,541	
Other Equipment	477,831	
Infrastructure	<u>7,826,700</u>	29,632,339
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Accrued Interest Payable	\$ (76,611)	
Due Within One Year	(944,304)	
Due in More Than One Year	<u>(23,296,415)</u>	(24,317,330)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Deferred outflows of resources related to pensions	\$ 2,839,714	
Deferred inflows of resources related to pensions	(3,203,860)	(364,146)
(4) Net pension assets of the city agent plan are not current financial resources and are therefore not reported in the governmental funds.		173,149
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>322,553</u>
Net position of governmental activities		<u>\$ 17,650,377</u>

City of Manchester, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds			Nonmajor Funds	Total
	General	General Purpose School	Debt Service	Other Governmental Funds	Governmental Funds
<u>Revenues</u>					
Local Taxes	\$ 10,809,177	\$ -	\$ -	\$ 332,927	\$ 11,142,104
Licenses and Permits	101,414	-	-	-	101,414
Charges for Current Services	25,365	145,279	-	2,389,693	2,560,337
Fines, Forfeitures and Penalties	211,120	-	-	61,821	272,941
Other Local Revenue	110,861	73,855	39,776	174,288	398,780
Intergovernmental	1,993,359	11,660,815	-	1,794,452	15,448,626
Total Revenues	\$ 13,251,296	\$ 11,879,949	\$ 39,776	\$ 4,753,181	\$ 29,924,202
<u>Expenditures</u>					
General Government	\$ 2,001,209	\$ -	\$ -	\$ -	\$ 2,001,209
Public Safety	4,094,460	-	-	192,860	4,287,320
Public Works	1,390,228	-	-	990,845	2,381,073
Health, Welfare, Culture and Recreation	208,713	-	-	2,013,379	2,222,092
Economic Development and Assistance	-	-	-	77,732	77,732
Education	-	12,604,128	-	1,747,821	14,351,949
Debt Service	-	-	1,568,051	-	1,568,051
Total Expenditures	\$ 7,694,610	\$ 12,604,128	\$ 1,568,051	\$ 5,022,637	\$ 26,889,426
Excess (Deficiency) of Revenues	\$ 5,556,686	\$ (724,179)	\$ (1,528,275)	\$ (269,456)	\$ 3,034,776
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ -	\$ 1,678,467	\$ 1,588,012	\$ 735,000	\$ 4,001,479
Transfers Out	(3,624,732)	(200,000)	-	(176,747)	(4,001,479)
Capitalized Lease Proceeds	-	64,144	-	-	64,144
Total other Financing Sources	\$ (3,624,732)	\$ 1,542,611	\$ 1,588,012	\$ 558,253	\$ 64,144
Net Change in Fund Balance	\$ 1,931,954	\$ 818,432	\$ 59,737	\$ 288,797	\$ 3,098,920
Fund Balance, July 1, 2015	3,768,119	2,030,856	2,191,568	1,114,349	9,104,892
Fund Balance, June 30, 2016	\$ 5,700,073	\$ 2,849,288	\$ 2,251,305	\$ 1,403,146	\$ 12,203,812

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, 2016

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

Net change in fund balances - total governmental funds	\$ 3,098,920
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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	\$ 933,645	
Less: current-year depreciation expense	(1,590,612)	(656,967)

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	\$ (31,266)	
Add: donations of capital assets	108,736	
Add: confiscations of capital assets placed in service	-	77,470

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, 2015	(173,004)	
Add: other deferred/unavailable revenue June 30, 2016	322,553	149,549

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	\$ 740,815	
Less: capitalized lease proceeds	(64,144)	676,671

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	\$ (10,130)	
Change in compensated absences payable	79,005	
Change in net pension asset	(135,370)	
Change in deferred outflows of resources related to pensions	1,723,020	
Change in deferred inflows of resources related to pensions	(652,268)	
Change in other postemployment benefits liability	(108,123)	896,134

Rounding		(1)
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Change in net position of governmental activities	\$ 4,241,776
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City of Manchester, Tennessee
Water and Sewer Fund
Statement of Net Position
For the Year Ended June 30, 2016

ASSETS

Cash	\$ 1,089,389
Investment in Pooled Cash	2,562,054
Accounts Receivable	394,650
Allowance for Uncollectible	(29,175)
Unbilled Water and Sewer	155,509
Inventories	179,996
Current Portion of Notes Receivable from DRUC	325,000
Net Pension Asset Account	32,230
Capital Assets:	
Assets Not Being Depreciated:	
Land	210,937
Construction in Progress	2,054,187
Assets Net of Accumulated Depreciation:	
Buildings	134,232
Equipment	329,581
Water Plant	6,603,545
Sewer Plant	23,810,724
Long-term portion of Notes Receivable from DRUC	9,190,000
Total Assets	<u>\$ 47,042,859</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension Changes in Contributions after Measurement Date	\$ 41,526
Total Deferred Outflows of Resources	<u>\$ 41,526</u>

LIABILITIES

Accounts Payable	\$ 242,991
Accrued Payroll	17,973
Payroll Deductions Payable	808
Refunds Payable	2,758
Accrued Interest Payable	36,383
Due to Other Funds	61,576
Due to State of Tennessee	19,314
DRUC Water Surcharge	2,393
Customer Deposits	383,443
Surcharge Fee Payable	3,721
Noncurrent Liabilities:	
Due Within One Year	1,196,472
Due in More Than One Year	24,135,279
Total Liabilities	<u>\$ 26,103,111</u>

City of Manchester, Tennessee
Water and Sewer Fund
Statement of Net Position (Cont.)

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pension	\$ 22,510
Total Deferred Inflows of Resources	<u>\$ 22,510</u>

NET POSITION

Net Investment in Capital Assets	\$ 17,600,518
Restricted for Pension	32,230
Restricted for Inventory	179,996
Unrestricted	<u>3,146,020</u>
Net Position	<u>\$ 20,958,764</u>

City of Manchester, Tennessee
Water and Sewer Fund
Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

Operating Revenues

Water Revenues

Inside Residential/Metered Water Sales	\$ 763,858	
Inside Commercial/Metered Water Sales	563,752	
Inside Industrial/Metered Water Sales	145,619	
Outside Residential/Metered Water Sales	729,782	
Outside Commercial/Metered Water Sales	136,545	
Outside Industrial/Metered Water Sales	372,252	
Ready to Serve	12,617	
Sprinkler System/Fire Protection	61,036	
Sales to Hillsville Utility District	482,362	
Forfeited Discounts/Penalties	100,420	
Water Service Calls	55,065	
Water Tap Fees	91,726	
Miscellaneous - Water	31,373	
Total Water Revenues		\$ 3,546,407

Sewer Revenues

Sewer Charges - Inside Residential	\$ 911,321	
Sewer Charges - Inside Commercial	636,392	
Sewer Charges - Inside Industrial	255,361	
Sewer Charges - Outside Residential	5,650	
Sewer Charges - Outside Commercial	96,326	
Sewer Charges - Outside Industrial	462,025	
Pretreatment Fees	73,710	
Sewer Tap Fees	13,966	
Total Sewer Revenues		2,454,751

Other Revenues from Operations

Billing Administration Fees	\$ 33,493	
Bad Debt Collections	472	
Total Other Revenues from Operations		33,965

Total Operating Revenues \$ 6,035,123

City of Manchester, Tennessee

Water and Sewer Fund

Statement of Revenue, Expenses and Changes in Net Position (Cont.)

Operating Expenses

Water Distribution

Electric	\$ 75,743	
Telephone and Telegraph	12,729	
Water Purchased for Resale	1,170,525	
Provision for Depreciation	329,760	
Total Water Distribution		\$ 1,588,757

Shop & Maintenance

Regular Employee Salaries	\$ 830,799	
Salaries - Overtime	48,258	
Accrued Benefits	392	
OASI Employer Share	62,768	
Employee Health Insurance	161,384	
Retirement - TCRS	18,797	
Retirement - ING	19,934	
Employee Dental Insurance	11,636	
Employee Life Insurance	1,412	
Worker's Compensation Insurance	20,943	
Unemployment Insurance	1,084	
Education/Training	555	
Other Employee Benefits	71,531	
Electric	4,607	
Telephone and Telegraph	2,644	
Other Utility Services	616	
Architectural Engineering Service	16,173	
Other Professional Service	25,718	
Repair & Maintenance - Motor Vehicle	20,135	
Repair & Maintenance - Other Machinery	36,883	
Repair & Maintenance Grounds I	1,283	
Repair & Maintenance - Buildings	730	
Repair/Maintenance - Water	96,262	
Repair/Maintenance - Sewer	23,320	
Small Items of Equipment	8,280	
Household & Janitorial Supplies	809	
Clothing and Uniforms	754	
Educational Supplies	15	
Other Operating Supplies	4,457	
Gas, Oil, Diesel, Fuel, Grease	20,294	
Repair Parts - Water/Sewer	37,016	
General Liability Insurance	11,599	
Machinery And Equipment	468	
Provision for Depreciation	29,235	
State - Annual Maintenance	12,918	
Shop Vehicles	3,200	
Total Shop & Maintenance		1,606,909

City of Manchester, Tennessee
Water and Sewer Fund
Statement of Revenue, Expenses and Changes in Net Position (Cont.)

Operating Expenses (Cont.)

Customer Account & Collection

Regular Employee Salaries	\$ 140,465	
Salaries - Overtime	1,979	
Accrued Benefits	60	
OASI Employers Share	10,175	
Employee Insurance	30,717	
Retirement - TCRS	1,168	
Retirement - ING	7,720	
Dental Insurance	2,324	
Death Benefits Plan	245	
Workman's Comp - Employer	233	
Unemployment Insurance	224	
Education/Training	537	
Postage	32,382	
Printing, Duplication, Typing	4,628	
Telephone and Telegraph	501	
Other Utility Services	5,623	
Accounting/Audit Services	5,640	
Data Processing Support	12,078	
Other Professional Services	2,690	
Repair and Maintenance - Bldg./F	4,498	
Repair and Maintenance - Computer Equip	3,289	
Office Supplies	2,866	
Small Item of Equipment	1,314	
Other Office Supplies	9	
Gas, Oil, Diesel, Fuel, Grease	5,124	
General Liability	1,289	
Professional Liability/Surety Bonds	300	
Provision for Depreciation	3,660	
Bad Debt Expense	4,549	
Office Machinery and Equipment	626	
Total Customer Account & Collection		286,913

Sewer Treatment & Disposal

Regular Employee Salaries	\$ 128,062
Salaries - Overtime	14,067
Accrued Benefits	121
OASI Employer Share	10,408
Employee Health Insurance	26,712
Retirement- ING	10,014
Employee Dental Insurance	2,104
Employee Life Insurance	207
Workers Compensation Insurance	3,019

City of Manchester, Tennessee

Water and Sewer Fund

Statement of Revenue, Expenses and Changes in Net Position (Cont.)

Operating Expenses (Cont.)

Sewer Treatment & Disposal (Cont.)

Unemployment Insurance	144	
Education/Training	905	
Electric	275,024	
Telephone and Telegraph	1,991	
Repair & Maintenance - Other Machinery	50,851	
Small Items of Equipment	1,355	
Chemical, Lab & Med Supplies	31,579	
Clothing and Uniforms	60	
Other Operational Supplies	83	
Gas, Oil, Diesel, Fuel and Grease	4,993	
Waste Water Pretreatment	29,426	
Sewer General Liability	19,332	
Provision for Depreciation	1,030,229	
State - Annual Maintenance	11,846	
Sewer Vehicles	1,298	
Total Sewer Treatment & Disposal		1,653,830

Mechanical Maintenance

Regular Employee Salaries	\$ 76,419	
Salaries - Overtime	17,738	
Accrued Benefits	30	
OASI Employers Share	6,983	
Employee Health Insurance	10,839	
Retirement- TCRS	3,419	
Employee Dental Insurance	1,103	
Employee Life Insurance	138	
Unemployment Insurance	96	
Other Operating Supplies	1,732	
Gas, Oil, Diesel, Fuel and Grease	1,417	
Provision for Depreciation	2,205	
Total Mechanical Maintenance		122,119

Total Operation Expenses \$ 5,258,528

Total Operating Income \$ 776,595

City of Manchester, Tennessee

Water and Sewer Fund

Statement of Revenue, Expenses and Changes in Net Position (Cont.)

Non-operating Revenues (Expenses)

Interest Earnings	\$ 11,662	
Water Tower Leases	260,445	
Coffee County Industrial Park Contract	17,400	
Insurance Recoveries	6,303	
Loss on Disposal of Fixed Assets	(427)	
Interest Expense	(505,789)	
Bank Service Charges/Fiscal Agent Fees	(1,013)	
Total Non-operating Revenues (Expenses)		<u>(211,419)</u>
Change in Net Position	\$ 565,176	
Net Position, Beginning of Year as Previously Reported		20,206,140
Restatement (Note 15)		<u>187,448</u>
Net Position 6/30/2016		<u><u>\$ 20,958,764</u></u>

City of Manchester, Tennessee
Water and Sewer Fund
Statement of Cash Flow
For the Year Ended June 30, 2016

Cash Flows from Operating Activities

Cash received from customers	\$ 6,046,950
Cash paid to employees for services	(1,749,360)
Cash paid to suppliers of goods and services	(2,101,853)
Net Cash provided by operating activities	<u>\$ 2,195,737</u>

Cash Flows from Capital and Related Financing Activities

Acquisitions of capital assets	\$ (953,886)
Interest paid on capital debt	(505,789)
Principal paid on capital debt	(847,654)
Net Cash used by capital and related Financing Activities	<u>\$ (2,307,329)</u>

Cash Flows from Investing Activities

Interest received	\$ 11,662
Other non operating receipts	280,617
Net Cash provided by Investing Activities	<u>\$ 292,279</u>

Net Increase in Cash	\$ 180,687
Cash, Beginning of Year	<u>3,470,756</u>
Cash, End of Year	<u><u>\$ 3,651,443</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operations

Operating Income	\$ 776,595
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,395,089
(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>\$ 2,195,737</u></u>

City of Manchester, Tennessee
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2016

	Actual (GAAP Basis)	Less: Encumbrances 07/01/15	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance With Final Budget Positive Negative
				Original	Final	
Revenues						
Local Taxes	\$ 10,809,177	\$ -	\$ 10,809,177	\$ 9,650,019	\$ 9,947,463	\$ 861,714
Licenses and Permits	101,414	-	101,414	77,000	87,891	13,523
Charges for Current Services	25,365	-	25,365	17,350	26,786	(1,421)
Fines, Forfeitures and Penalties	211,120	-	211,120	251,000	210,600	520
Other Local Revenue	110,861	-	110,861	77,500	154,069	(43,208)
Intergovernmental	1,993,359	-	1,993,359	1,764,804	1,957,100	36,259
Total Revenues	\$ 13,251,296	\$ -	\$ 13,251,296	\$ 11,837,673	\$ 12,383,909	\$ 867,387
Expenditures						
General Government						
City Court						
Contractual Services	\$ 12,000	\$ -	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Total City Court	\$ 12,000	\$ -	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Board of Mayor and Aldermen						
Personnel Expenditures	\$ 167,426	\$ -	\$ 167,426	\$ 176,150	\$ 176,150	\$ 8,724
Contractual Services	102,772	-	102,772	136,800	138,335	35,563
Supplies	3,804	-	3,804	8,500	7,500	3,696
Fixed Charges	1,084	-	1,084	1,200	1,200	116
Total Board of Mayor and Aldermen	\$ 275,086	\$ -	\$ 275,086	\$ 322,650	\$ 323,185	\$ 48,099
Financial Administration						
Personnel Expenditures	\$ 268,350	\$ -	\$ 268,350	\$ 275,400	\$ 275,400	\$ 7,050
Contractual Services	41,200	-	41,200	42,711	42,711	1,511
Supplies	12,687	-	12,687	13,200	15,200	2,513
Fixed Charges	1,039	-	1,039	1,500	1,500	461
Total Financial Administration	\$ 323,276	\$ -	\$ 323,276	\$ 332,811	\$ 334,811	\$ 11,535

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 - Actual (Budgetary Basis) and Budget
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 07/01/15	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance With Final Budget- Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>General Government (Cont.)</u>						
<u>Information Systems</u>						
Personnel Expenditures	\$ 70,922	\$ -	\$ 70,922	\$ 72,495	\$ 70,695	\$ (227)
Contractual Services	22,636	(1,554)	21,082	21,320	25,320	4,238
Supplies	1,406	-	1,406	2,200	2,000	594
Fixed Charges	-	-	-	500	-	-
Capital Outlay	12,812	-	12,812	14,500	13,000	188
Total Information Systems	\$ 107,776	\$ (1,554)	\$ 106,222	\$ 111,015	\$ 111,015	\$ 4,793
<u>Planning and Zoning</u>						
Personnel Expenditures	\$ 226,082	\$ -	\$ 226,082	\$ 302,099	\$ 302,099	\$ 76,017
Contractual Services	24,710	-	24,710	48,000	47,900	23,190
Supplies	3,253	-	3,253	8,950	9,350	6,097
Fixed Charges	832	-	832	5,300	5,000	4,168
Total Planning and Zoning	\$ 254,877	\$ -	\$ 254,877	\$ 364,349	\$ 364,349	\$ 109,472
<u>General Government and Buildings</u>						
Personnel Expenditures	\$ 229,634	\$ -	\$ 229,634	\$ 271,500	\$ 271,500	\$ 41,866
Contractual Services	185,268	-	185,268	238,700	238,700	53,432
Supplies	3,134	-	3,134	5,000	5,000	1,866
Fixed Charges	327,440	-	327,440	362,500	362,500	35,060
Capital Outlay	282,718	(9,844)	272,874	380,589	476,302	203,428
Total General Government and Buildings	\$ 1,028,194	\$ (9,844)	\$ 1,018,350	\$ 1,258,289	\$ 1,354,002	\$ 335,652
Total General Government	\$ 2,001,209	\$ (11,398)	\$ 1,989,811	\$ 2,401,114	\$ 2,499,362	\$ 509,551

City of Manchester, Tennessee
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 07/01/15	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance With Final Budget Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Public Safety</u>						
<u>Police Department</u>						
Personnel Expenditures	\$ 2,145,555	\$ -	\$ 2,145,555	\$ 2,205,395	\$ 2,205,395	\$ 59,840
Contractual Services	82,705	(10,643)	72,062	59,500	66,897	(5,165)
Supplies	78,820	(2,759)	76,061	139,150	139,150	63,089
Fixed Charges	514	-	514	3,700	3,700	3,186
Capital Outlay	25,393	-	25,393	27,000	46,689	21,296
Total Police Department	\$ 2,332,987	\$ (13,402)	\$ 2,319,585	\$ 2,434,745	\$ 2,461,831	\$ 142,246
<u>Fire Department</u>						
Personnel Expenditures	\$ 1,629,701	\$ -	\$ 1,629,701	\$ 1,685,965	\$ 1,685,965	\$ 56,264
Contractual Services	48,491	-	48,491	42,590	51,738	3,247
Supplies	72,857	-	72,857	61,438	66,776	(6,081)
Fixed Charges	10,424	-	10,424	11,330	11,330	906
Total Fire Department	\$ 1,761,473	\$ -	\$ 1,761,473	\$ 1,801,323	\$ 1,815,809	\$ 54,336
Total Public Safety	\$ 4,094,460	\$ (13,402)	\$ 4,081,058	\$ 4,236,068	\$ 4,277,640	\$ 196,582
<u>Public Works</u>						
<u>Public Works Department</u>						
Personnel Expenditures	\$ 883,183	\$ -	\$ 883,183	\$ 862,800	\$ 868,300	\$ (14,883)
Contractual Services	302,207	-	302,207	301,950	308,170	5,963
Supplies	105,849	-	105,849	148,000	137,900	32,051
Building Materials	25,137	-	25,137	55,000	55,000	29,863
Fixed Charges	531	-	531	960	960	429
Capital Outlay	73,321	(4,997)	68,324	101,812	106,338	38,014
Total Public Works Department	\$ 1,390,228	\$ (4,997)	\$ 1,385,231	\$ 1,470,522	\$ 1,476,668	\$ 91,437
Total Public Works	\$ 1,390,228	\$ (4,997)	\$ 1,385,231	\$ 1,470,522	\$ 1,476,668	\$ 91,437

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 - Actual (Budgetary Basis) and Budget
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 07/01/15	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance With Final Budget Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Health, Welfare, Culture and Recreation</u>						
Contributions to Other Agencies	\$ 208,713	\$ -	\$ 208,713	\$ 105,237	\$ 113,116	\$ (95,597)
Total Health, Welfare, Culture and Recreation	\$ 208,713	\$ -	\$ 208,713	\$ 105,237	\$ 113,116	\$ (95,597)
Total Expenditures	\$ 7,694,610	\$ (29,797)	\$ 7,664,813	\$ 8,212,941	\$ 8,366,786	\$ 701,973
Excess (Deficiency) of Revenues	\$ 5,556,686	\$ 29,797	\$ 5,586,483	\$ 3,624,732	\$ 4,017,123	\$ 1,569,360
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (3,624,732)	\$ -	\$ (3,624,732)	\$ (3,624,732)	\$ (3,624,732)	\$ -
Total Other Financing Sources	\$ (3,624,732)	\$ -	\$ (3,624,732)	\$ (3,624,732)	\$ (3,624,732)	\$ -
Net Change in Fund Balance	\$ 1,931,954	\$ 29,797	\$ 1,961,751	\$ -	\$ 392,391	\$ 1,569,360
Fund Balance, July 1, 2015	3,768,119	(29,797)	3,738,322	2,791,971	2,791,971	946,351
Fund Balance, June 30, 2016	\$ 5,700,073	\$ -	\$ 5,700,073	\$ 2,791,971	\$ 3,184,362	\$ 2,515,711

City of Manchester, Tennessee
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Purpose School Fund
For the Year Ended June 30, 2016

	Actual	Add: Encumbrances 06/30/16	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance With Final Budget- Positive (Negative)
				Original	Final	
Revenues						
Charges for Current Services	\$ 145,279	\$ -	\$ 145,279	\$ 159,000	\$ 159,000	\$ (13,721)
Other Local Revenues	73,855	-	73,855	11,250	17,430	56,425
Intergovernmental	11,660,815	-	11,660,815	11,325,872	11,351,095	309,720
Total Revenues	\$ 11,879,949	\$ -	\$ 11,879,949	\$ 11,496,122	\$ 11,527,525	\$ 352,424
Expenditures						
Instruction						
Regular Instruction Program	\$ 6,581,720	\$ 5,258	\$ 6,586,978	\$ 6,954,759	\$ 6,768,763	\$ 181,785
Alternative Instruction Program	37,765	-	37,765	72,270	42,800	5,035
Special Education Program	1,353,696	922	1,354,618	1,422,468	1,392,748	38,130
Student Body Education Program	18,363	-	18,363	20,000	18,400	37
Support Services						
Attendance	100,239	-	100,239	102,155	102,155	1,916
Health Services	224,860	-	224,860	163,506	226,445	1,585
Other Student Support	187,430	-	187,430	191,524	187,429	(1)
Regular Instruction Program	500,900	58	500,958	525,380	501,161	203
Special Education Program	221,217	500	221,717	255,981	255,981	34,264
Board of Education	213,580	366	213,946	235,097	226,097	12,151
Office of the Superintendent	92,026	-	92,026	205,325	92,625	599
Office of the Principal	674,003	300	674,303	713,507	683,270	8,967
Fiscal Services	232,824	6,262	239,086	259,377	239,395	309
Operation of Plant	763,078	5,271	768,349	860,516	811,895	43,546
Maintenance of Plant	331,289	59,030	390,319	372,876	529,402	139,083
Transportation	27,365	3,106	30,471	34,500	34,500	4,029
Central and Other	431,508	85,124	516,632	279,017	473,517	(43,115)
Operation of Non-instructional Services						
Community Services	276,466	1,062	277,528	187,052	341,811	64,283
Early Childhood Education	271,655	-	271,655	277,456	271,677	22

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 - Actual (Budgetary Basis) and Budget
General Purpose School Fund (Cont.)

	Actual	Add: Encumbrances 06/30/16	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance With Final Budget Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Capital Outlay</u>						
Regular Capital Outlay	64,144	-	64,144	-	-	(64,144)
Total Expenditures	\$ 12,604,128	\$ 209,810	\$ 12,771,387	\$ 13,132,766	\$ 13,200,071	\$ 428,684
Excess (Deficiency) of Revenues	\$ (724,179)	\$ (209,810)	\$ (891,438)	\$ (1,636,644)	\$ (1,672,546)	\$ 781,108
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 1,678,467	\$ -	\$ 1,678,467	\$ 1,678,467	\$ 1,678,467	\$ -
Transfers Out	(200,000)	-	(200,000)	-	(200,000)	-
Capital Lease Proceeds	64,144	-	64,144	-	-	64,144
Total Other Financing Sources	\$ 1,542,611	\$ -	\$ 1,542,611	\$ 1,678,467	\$ 1,478,467	\$ 64,144
Net Change in Fund Balance	\$ 818,432	\$ (209,810)	\$ 651,173	\$ 41,823	\$ (194,079)	\$ 845,252
Fund Balance, July 1, 2015	2,030,856	-	2,030,856	1,417,500	1,417,500	613,356
Fund Balance, June 30, 2016	\$ 2,849,288	\$ -	\$ 2,682,029	\$ 1,459,323	\$ 1,223,421	\$ 1,458,608

City of Manchester, Tennessee
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Debt Service Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance With Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 39,776	\$ 39,875	\$ 39,875	\$ (99)
Total Revenues	\$ 39,776	\$ 39,875	\$ 39,875	\$ (99)
<u>Expenditures</u>				
Debt Service	\$ 1,568,051	\$ 1,588,729	\$ 1,590,513	\$ 22,462
Total Expenditures	\$ 1,568,051	\$ 1,588,729	\$ 1,590,513	\$ 22,462
Excess (Deficiency) of Revenues	\$ (1,528,275)	\$ (1,548,854)	\$ (1,550,638)	\$ 22,363
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 1,588,012	\$ 1,586,229	\$ 1,588,013	\$ 1
Total Other Financing Sources	\$ 1,588,012	\$ 1,586,229	\$ 1,588,013	\$ 1
Net Change in Fund Balance	\$ 59,737	\$ 37,375	\$ 37,375	\$ 22,364
Fund Balance, July 1, 2015	2,191,568	2,191,768	2,191,768	(200)
Fund Balance, June 30, 2016	\$ 2,251,305	\$ 2,229,143	\$ 2,229,143	\$ 22,164

CITY OF MANCHESTER, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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, 2016.

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 2016 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.)

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, 2016, the City had no cash equivalents.

Investments – All investments are stated at fair value for all funds. At June 30, 2016, 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. RECEIVABLES AND PAYABLES (CONT.)

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.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

G. CAPITAL ASSETS (CONT.)

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

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

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

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.

**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, 2016 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. RETIREMENT

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 (TCRS) and additions to/deductions from the plan's fiduciary net position has 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.)

L. 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."

M. 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,

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

N. NET POSITION AND FUND BALANCE (CONT.)

by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by ordinance remains in place until a similar action is taken (adoption of another ordinance) to remove or revise the limitation.

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

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

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

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 27 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 29 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.

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

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONT.)

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.

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, 2016 consist of the following:

	General Fund	General Purpose School Fund	Other Governmental Funds	Water and Sewer Fund
Customers	\$ 12,152	\$ -	\$ 96,250	\$ 394,650
Allowance for Uncollectable	(10,991)	-	(67,852)	(29,175)
Due from National Institute for Excellence in Teaching – Teacher Incentive Fund Grant	-	329,677	-	-
Total	\$ 1,161	\$ 329,677	\$ 28,398	\$ 365,475

OTHER TAXES RECEIVABLE

Other Taxes Receivable at June 30, 2016 consist of the following:

	General Fund	Other Governmental Funds
Wholesale Beer Tax	\$ 85,046	\$ -
Wholesale Liquor Tax	58,457	-
Cable TV Franchise Tax	36,807	-
Room Occupancy Tax	71,527	51,006
Total	\$ 251,837	\$ 51,006

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

5. RECEIVABLES (CONT.)

DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2016, consist of the following:

	General Fund	General Purpose School Fund	Other Governmental Funds
Due from Coffee County:			
Court Fines	\$ -	\$ -	\$ 2,693
Coffee County Shared Revenues:			
Current Property Taxes	-	47,961	-
Trustee's Collections Prior Years	-	5,116	-
Clerk and Master Property Tax Collections	-	7,493	-
Interest and Penalty on Property Taxes	-	3,036	-
Payments in Lieu of Taxes	-	789	-
Local Option Sales Tax	-	318,351	-
Interstate Telecommunications Tax	-	103	-
Marriage Licenses	-	150	-
Due from State of Tennessee:			
Local Option Sales Tax	764,237	-	-
State Sales Tax	142,518	-	-
State Income Tax	141,476	-	-
State Mixed Drink Tax	6,989	-	-
State Gas and Motor Fuel Tax	50,536	-	-
Career Ladder	-	817	-
Other State Education Funds	-	33,415	-
Alcoholic Beverage Tax	-	218	-
ESEA Chapter 1	-	-	89,579
Education of the Handicap	-	-	55,449
English Language Acquisition Grant	-	-	7,025
Special Education Grants to States	-	-	1,340
City Streets and Transportation	3,425	-	-
State Highway Maintenance Contract	24,217	-	-
CDBG Grant	73,014	-	-
GHSO Police Grant	257	-	-
Other Federal Grants	10,623	-	-
Total	\$ 1,217,292	\$ 417,449	\$ 156,086

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

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

<u>Governmental Activities</u>	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
<u>Capital assets not being depreciated:</u>					
Land	\$ 4,711,324	\$ -	\$ 962	\$ -	\$ 4,710,362
Construction in Progress	143,326	420,920		(326,715)	237,531
Total Not Being Depreciated	\$ 4,854,650	\$ 420,920	\$ 962	\$ (326,715)	\$ 4,947,893
<u>Capital assets being depreciated:</u>					
Buildings	\$ 27,239,050	\$ 57,617	\$ 5,641	\$ -	\$ 27,291,026
Land Improvements	403,668	-	-		403,668
Infrastructure	25,570,010	493,865		326,715	26,063,875
Other Equipment	1,444,823	276,721	132,914		1,588,630
Heavy Equipment	684,787	20,000	66,315		638,472
Vehicles	4,139,878	99,973	102,017	6,000	4,143,834
Total Being Depreciated	\$ 59,482,216	\$ 948,176	\$ 306,887	\$ 332,715	\$60,129,505
<u>Accumulated Depreciation</u>					
Buildings	\$ 12,007,887	\$762,858	\$ 5,641	\$ -	\$12,765,104
Land Improvements	152,096	16,051			168,147
Infrastructure	17,869,227	367,948			18,237,175
Heavy Equipment	546,090	26,330	59,489		512,931
Other Equipment	1,129,459	98,159	116,819		1,110,799
Vehicles	2,420,271	319,266	94,634	6,000	2,650,903
Total Accumulated Depreciation	\$ 34,125,030	\$1,590,612	\$ 276,583	\$ 6,000	\$35,445,059
Net Capital Assets Being Depreciated	\$ 25,357,186	\$ (642,436)	\$ 30,304	\$ 326,715	\$24,684,446
Net Capital Assets	\$ 30,211,836	\$ (221,516)	\$ 357,981	\$ -	\$29,632,339
Depreciation expense was charged to the following locations:					
General government			\$ 67,023		
Public Safety			197,242		
Drug Fund			139,367		
Public Works			486,043		
Sanitation			44,578		
Recreation			242,120		
Schools			414,239		
Total			<u>\$1,590,612</u>		

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

6. CAPITAL ASSETS (CONT)

<u>Business-type Activities</u>	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<u>Capital assets not being depreciated:</u>				
Land	\$ 210,937	\$ -	\$ -	\$ 210,937
Construction in Progress	1,144,462	909,725	-	2,054,187
Total Not Being Depreciated	\$ 1,355,399	\$ 909,725	\$ -	\$ 2,265,124
<u>Capital assets being depreciated:</u>				
Buildings	\$ 407,201	\$ -	\$ 8,601	\$ 398,600
Other Equipment	1,221,532	231,609	80,949	1,372,192
Utility Plant	48,623,588	-	19,868	48,603,720
Total Being Depreciated	\$ 50,252,321	\$ 231,609	\$ 109,418	\$ 50,374,512
<u>Accumulated Depreciation</u>				
Buildings	\$ 266,501	\$ 6,468	\$ 8,601	\$ 264,368
Other Equipment	1,063,579	59,555	80,523	1,042,611
Utility Plant	16,880,253	1,329,066	19,868	18,189,451
Total Accumulated Depreciation	\$ 18,210,333	\$ 1,395,089	\$ 108,992	\$19,496,430
Net Capital Assets Being Depreciated	\$ 32,041,988	\$(1,163,480)	\$ 426	\$30,878,082
Net Capital Assets	\$ 33,397,387	\$ (253,755)	\$ 426	\$33,143,206

During 2016, depreciation in the amount of \$1,395,089 was charged to operations.

7. INTERFUND TRANSACTIONS

The composition of inter-fund balances as of June 30, 2016 was as follows:

	Due To	Due From
General	\$ 7,552	\$ 1,311
General Purpose Schools	16,582	69,459
School Federal Projects	56,653	
Central Cafeteria	12,806	15,271
Sanitation		61,576
Drug Control		7,552
Water and Sewer	61,576	
Total	\$ 155,169	\$ 155,169

**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, 2016, will be retired from the Debt Service Fund.

General obligation bonds capital outlay notes and other loans outstanding as of June 30, 2016, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-2016
Capital Outlay Notes	3.85%	2019	\$ 550,000	\$ 157,768
General Obligation Bonds	2.91% to 4.70%	2038	21,790,000	20,445,000
Other Loans	3.90%	2021	1,460,000	875,000

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2016, 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
2017	\$ 673,572	\$ 816,892	\$ 1,490,464
2018	698,570	786,656	1,485,226
2019	670,626	766,734	1,437,360
2020	680,000	740,359	1,420,359
2021	710,000	722,105	1,432,105
2022-2026	3,920,000	3,275,699	7,195,699
2027-2031	4,800,000	2,633,359	7,433,359
2032-2036	6,325,000	1,680,104	8,005,104
2037-2038	3,000,000	226,250	3,226,250
Total	<u>\$21,477,768</u>	<u>\$11,648,158</u>	<u>\$33,125,926</u>

Long-term obligation activity for the year ended June 30, 2016, was as follows:

	Capital Outlay Notes	General Obligation Bonds	Other Loans
Balance, July 1, 2015	\$ 236,340	\$ 20,880,000	\$ 1,010,000
Additions	-	-	-
Reductions	78,572	435,000	135,000
Balance, June 30, 2016	<u>\$ 157,768</u>	<u>\$ 20,445,000</u>	<u>\$ 875,000</u>
Balance Due Within One Year	<u>\$ 78,572</u>	<u>\$ 450,000</u>	<u>\$ 145,000</u>

Capitalized Leases

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, 2016 was \$45,808.

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, 2016 was \$24,264.

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, 2015 was \$84,328.

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 a monthly 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, 2016 was \$50,428.

Business-type Activities (Cont.)

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, 2016, 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, 2016, for business-type activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-2016
General Obligation and Revenue Bonds	3.00% to 4.25%	2050	11,413,000	9,706,763
Other Loans	2.16% to 4.74%	2031	18,005,000	5,835,926

The annual requirements to amortize bonds and other loans outstanding and serviced by the City of Manchester of June 30, 2016, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Principal	Interest	Total
2017	\$ 871,472	\$ 482,945	\$ 1,354,417
2018	895,543	454,968	1,350,511
2019	924,828	426,071	1,350,899
2020	954,333	396,297	1,350,630
2021	1,044,064	365,245	1,409,309
2022-2026	5,704,567	1,336,747	7,041,314
2027-2031	3,979,875	433,354	4,413,229
2032-2036	350,045	167,351	517,396
2037-2041	379,952	97,989	477,941
2042-2046	249,692	47,813	297,505
2047-2050	188,318	9,830	198,191
Total	<u>\$15,542,689</u>	<u>\$ 4,218,610</u>	<u>\$19,761,342</u>

Long-term obligation activity serviced by the City of Manchester for the year ended June 30, 2016, 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, 2015	\$ 10,222,761	\$ 6,167,582
Additions	-	-
Reductions	515,997	331,657
Balance, June 30, 2016	\$ 9,706,764	\$5,835,925
Balance Due Within One Year	\$ 532,581	\$ 338,891

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, 2016, was \$9,515,000. 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, 2016, for business-type activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-2016
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	6,595,000

The annual requirements to amortize bonds outstanding and serviced by the Duck River Utility Commission as of June 30, 2016, 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
2017	\$ 325,000	\$ 403,208	\$ 728,208
2018	340,000	390,333	730,333
2019	350,000	377,308	727,308
2020	375,000	363,439	738,439
2021	385,000	348,713	733,713
2022-2026	2,180,000	1,494,225	3,674,225
2027-2031	2,640,000	1,010,006	3,650,006
2032-2036	2,000,000	543,750	2,543,750
2037-2038	920,000	70,000	990,000
Total	\$ 9,515,000	\$ 5,000,982	\$14,515,982

Long-term obligation activity serviced by Duck River Utility Commission for the year ended June 30, 2016, was as follows:

	General Obligation Bonds
Balance, July 1, 2015	\$ 9,830,000
Additions	-
Reductions	315,000
Balance, June 30, 2016	\$ 9,515,000
Balance Due Within One Year	\$ 325,000

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.

Expenditures of the General Fund exceeded appropriations at the level of control for Contributions to Other Agencies by \$95,597. Expenditures of the General Purpose School Fund exceeded appropriations at the level of control for Support Services – Central and Other by \$43,115, and Capital Outlay by \$64,144. Expenditures of the Recreation Fund exceeded appropriations at the level of control for Recreation Administration by 41,407 and Park Areas by \$16,550. The Tourism and Community Development Fund exceeded appropriations at the level of control for Tourism and Community Development by \$2,732.

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 Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only 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

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

10. RETIREMENT PLANS (CONT.)

Teacher Legacy Pension Plan of TCRS (Cont.)

defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. 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, 2016 to the Teacher Legacy Pension Plan were \$855,248 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, 2016, the Manchester City Schools reported a liability of \$75,665 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015 Manchester City Schools' proportion was 0.184713 percent. The proportion measured as of June 30, 2014 was 0.176430 percent.

Negative pension expense. For the year ended June 30, 2016, Manchester City Schools recognized a negative pension expense of \$20,339.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, 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.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 60,724	\$ 1,177,731
Net difference between projected and actual earnings on pension plan investments	1,366,266	1,854,780
Changes in proportion of Net Pension Liability (Asset)	217,703	-
LEA's contributions subsequent to the measurement date of June 30, 2015	914,635	(not applicable)
Total	<u>\$ 2,559,328</u>	<u>\$ 3,032,511</u>

Manchester City Schools employer contributions of \$855,248, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (456,554)
2018	(456,554)
2019	(456,554)
2020	161,706
2021	(179,861)
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, 2015 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, 2015 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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
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)	\$5,158,558	\$75,665	\$(4,132,372)

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

At June 30, 2016, 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, 2016.

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

10. RETIREMENT PLANS (CONT.)

Manchester City Schools Teacher Retirement Plan

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 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.

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. 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, 2016 to the Teacher Retirement Plan were \$5,715, 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, 2016, Manchester City Schools reported an asset of \$2,022 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2015, 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 relative to the contributions of all LEAs. At the measurement date of June 30, 2015 Manchester City Schools' proportion was 0.050259 percent.

Pension expense. For the year ended June 30, 2016, Manchester City Schools recognized pension expense of \$2,650.

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

10. RETIREMENT PLANS (CONT.)

Manchester City Schools Teacher Retirement Plan (Cont.)

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, Manchester City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$658
Net difference between projected and actual earnings on pension plan investments	\$163	
LEA's contributions subsequent to the measurement date of June 30, 2015	\$6,112	(not applicable)
Total	\$6,275	\$658

Manchester City Schools employer contributions of \$5,715 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (14)
2018	(14)
2019	(14)
2020	(14)
2021	(55)
Thereafter	\$ (384)

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

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

10. RETIREMENT PLANS (CONT.)

Manchester City Schools Teacher Retirement Plan (Cont.)

Actuarial assumptions. The total pension liability in the June 30, 2015 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.

The actuarial assumptions were used in the June 30, 2012 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.

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

10. RETIREMENT PLANS (CONT.)

Manchester City Schools Teacher Retirement Plan (Cont.)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

10. RETIREMENT PLANS (CONT.)

Manchester City Schools Teacher Retirement Plan (Cont.)

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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Manchester City Schools' proportionate share of the net pension liability (asset)	\$359	\$(2,022)	\$(3,768)

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

At June 30, 2016, 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, 2016.

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.

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, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	37
Active employees	136
	<hr/> 173 <hr/>

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, 2015 the Actuarially Determined Contribution (ADC) for Manchester was \$248,031 based on a rate of 5.23 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Manchester's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

10. RETIREMENT PLANS (CONT.)

TCRS Manchester General Government Retirement Plan (Cont.)

Manchester's net pension liability (asset) was measured as of June 30, 2015, 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, 2015 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, 2015 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.

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

10. RETIREMENT PLANS (CONT.)

TCRS Manchester General Government Retirement Plan (Cont.)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	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)
Balance at 6/30/14	\$2,852,532	\$3,170,922	\$(318,390)
Changes for the year:			
Service cost	409,021		409,021
Interest	241,631		241,631
Differences between expected and actual experience	(29,547)		(29,547)
Contributions-employer		248,031	(248,031)
Contributions-employees		236,781	(236,781)
Net investment income		103,794	(103,794)
Benefit payments, including refunds of employee contributions	(79,607)	(79,607)	-
Administrative expense		(6,871)	6,871
Net changes	541,498	502,128	39,370
Balance at 6/30/15	\$3,394,030	\$3,673,050	\$(279,020)

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)	\$395,885	\$(279,020)	\$(814,914)

Pension expense. For the year ended June 30, 2016, Manchester recognized pension expense of \$145,896.

**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, 2016, Manchester reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$56,333
Net difference between projected and actual earnings on pension plan investments	119,170	136,868
Contributions subsequent to the measurement date of June 30, 2015	196,467	(Not applicable)
Total	<u>\$315,637</u>	<u>\$193,201</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:	
2017	\$ (22,089)
2018	(22,089)
2019	(22,089)
2020	23,534
2021	(6,259)
Thereafter	\$ (25,036)

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

At June 30, 2016, *Manchester* reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

Reconciliation of TCRS Retirement Plans to Statement of Net Position

Retirement Plan	Net Pension Asset
General Government	\$ 279,020
Teacher Legacy	(75,665)
Teacher	2,022
Rounding	2
Total Net Pension Asset	<u>\$ 205,379</u>

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

10. RETIREMENT PLANS (CONT.)

**Reconciliation of TCRS Retirement Plans to Statement of Net Postion
(Cont.)**

<u>Retirement Plan</u>	Deferred Outflow Related to Pensions
General Government	\$ 315,637
Teacher Legacy	2,559,328
Teacher	6,275
Total Deferred Outflows Related to Pensions	<u>\$2,881,240</u>

<u>Retirement Plan</u>	Deferred Inflows Related to Pensions
General Government	\$ 193,201
Teacher Legacy	3,032,511
Teacher	658
Total Deferred Outflows Related to Pensions	<u>\$3,226,370</u>

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.

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

10. RETIREMENT PLANS (CONT.)

Manchester Public Employee Retirement System (MPERS) (Cont.)

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 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>.

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

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

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, 2016. 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, 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, 2015, 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 2015. The trend will decrease to 6.5 percent in fiscal year 2016 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.)**

11. OTHER POSTEMPLOYMENT BENEFITS (CONT.)

Annual OPEB Cost and Net OPEB Obligation

	Employee Group Plan
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, 7-1-15	699,052
NET OPEB OBLIGATION, 6-30-16	<u>\$ 807,175</u>

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

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

Actuarial Accrued Liability	
Active Participants	\$ 1,603,000
Retired Participants	355,000
Total Actuarial Accrued Liability	<u>\$ 1,958,000</u>

Normal Cost	\$ 117,000
Amortization of UAAL	82,000
Annual required contribution for FYE 6/30/15	<u>\$ 199,000</u>

**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, 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. Consist 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 2015. The trend will decrease to 6.5 percent in fiscal year 2016 and then will be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. Both rate 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 p.m. and 6:00am 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 a physical inventory taken for the 2015-2016 fiscal year it was discovered by the City of Manchester that several fixed assets totaling \$187,448 in value were not included on the fixed asset listing for the Water and Sewer Fund. This prior period adjustment is to correct these errors.

16. 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 January 4, 2017 (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.

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.

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

16. OTHER MATTERS (CONT.)

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. The Commission reported net position of \$2,201,394 in 2016. 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 2016A 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.

Copies of the complete financial statements of the City for the current Fiscal Year are available at http://www.comptroller.tn.gov/RA_MA_Financial/Default.aspx