

PRELIMINARY OFFICIAL STATEMENT

\$9,995,000*

CITY OF MANCHESTER, TENNESSEE

Water and Sewer System Revenue and Tax Bonds, Series 2026

OFFERED FOR SALE NOT SOONER THAN

Thursday, July 9, 2026 at 10:15 A.M. E.D.T.
Through the Facilities of **PARITY®**



SINCE 1931

CUMBERLAND SECURITIES
INDEPENDENT FINANCIAL ADVISOR

June 29, 2026

*Preliminary, subject to change.

This *Preliminary Official Statement* and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the *Official Statement* is delivered in final form. Under no circumstances shall this *Preliminary Official Statement* constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 29, 2026

NEW ISSUE

Ratings: S&P: "AA"

Book-Entry-Only

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 excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. Under existing law and subject to certain exceptions, the Bonds and the income therefrom will be exempt from state, county and municipal taxation in the State of Tennessee. See "LEGAL MATTERS - Tax Matters" herein.

\$9,995,000*

CITY OF MANCHESTER, TENNESSEE

Water and Sewer System Revenue and Tax Bonds, Series 2026

Dated: Date of Issuance (assume July 24, 2026).

Due: June 1 (as indicated below)

The \$9,995,000* Water and Sewer System Revenue and Tax Bonds, Series 2026 (the "Bonds") issued by the City of Manchester, Tennessee (the "City") are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). 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 December 1, 2026 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-only system, principal of and interest on the Bonds are payable at the designated trust office of the Registration Agent.

The Bonds shall be payable from and secured by a pledge of the Net Revenues, as defined herein, and, in the event of a deficiency in such revenues, from unlimited ad valorem taxes to be levied on all taxable property within the City. The punctual payment of principal of and premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery. The Net Revenues are irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due. See section entitled "SECURITIES OFFERED – Security".

The Bonds maturing June 1, 2034 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2033.

<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2029	\$195,000				2043	\$345,000			
2030	200,000				2044	360,000			
2031	210,000				2045	375,000			
2032	220,000				2046	390,000			
2033	230,000				2047	405,000			
2034	235,000				2048	425,000			
2035	245,000				2049	445,000			
2036	260,000				2050	460,000			
2037	270,000				2051	480,000			
2038	280,000				2052	500,000			
2039	290,000				2053	525,000			
2040	305,000				2054	545,000			
2041	315,000				2055	570,000			
2042	330,000				2056	585,000			

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire *Preliminary 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 Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from L. Craig Johnson, Esq., counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company, New York, New York, on or about July __, 2026.

Cumberland Securities Company, Inc.

Municipal Advisor

July __, 2026

*Preliminary, subject to change.

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

This *Preliminary 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 *Preliminary 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 *Preliminary Official Statement*. The City 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 City's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This *Preliminary Official Statement* and the Appendices hereto contain brief descriptions of, among other matters, the City, 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 *Preliminary 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 City or the Underwriter to give any information or to make any representations other than those contained in this *Preliminary Official Statement*, and, if given or made, such other information or representations should not be relied upon as having been authorized by the City or the Underwriter. Except where otherwise indicated, all information contained in this *Preliminary Official Statement* has been provided by the City. The information set forth herein has been obtained by the City 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 *Preliminary 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 City, 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.

****Copyright, American Bankers Association (the "ABA").** CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the City makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

CITY OF MANCHESTER, TENNESSEE

OFFICIALS

Honorable Joey Hobbs
Anthony Burrows
Craig Johnson

Mayor
Finance Director
City Attorney

BOARD OF ALDERMEN

Julie Anderson
Thomas Crosslin
Ryan French
Mark Messick
Donny Parsley
James Threet

UNDERWRITER

REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.

TABLE OF CONTENTS

SUMMARY STATEMENT	i
SUMMARY NOTICE OF SALE	iii
DETAILED NOTICE OF SALE	v
EXHIBIT A	xv
EXHIBIT B	xvii
BID FORM	xix
SECURITIES OFFERED	
Authority and Purpose	1
Description of the Bonds	1
Security	1
Flow of Funds	2
Rate Covenant	2
Bond Fund and Debt Service Reserve Fund	2
Parity of Pledge and Additional Bonds	2
Subordinate Lien Bonds	3
Additional Borrowing Plans	3
Optional Redemption	3
Mandatory Redemption	3
Notice Redemption	4
BASIC DOCUMENTATION	
Registration Agent	6
Book-Entry-Only System	7
<i>DTC and its Participants</i>	7
<i>Purchase of Ownership Interests</i>	7
<i>Payments of Principal and Interest</i>	8
<i>Notices</i>	8
<i>Transfers of Bonds</i>	9
Discontinuance of Book-Entry-Only System	9
<i>No Assurance Regarding DTC Practices</i>	9
Disposition of Bond Proceeds	10
LEGAL MATTERS	
Litigation	11
Tax Matters	
<i>Federal</i>	11
<i>State</i>	13
Changes in Federal and State Tax Law	13
Closing Certificates	13
Approval of Legal Proceedings	14
MISCELLANEOUS	
Rating	15
Competitive Public Sale	15
Municipal Advisor; Related Parties: Other	15
Debt Record	16
Continuing Disclosure	16
<i>Five-Year History of Filing</i>	17
<i>Content of Annual Report</i>	17
<i>Reporting of Significant Events</i>	18
<i>Termination of Reporting Obligation</i>	19
<i>Amendment; Waiver</i>	19
<i>Default</i>	20

Bondholder Risk.....	20
Forward Looking Statements.....	21
Additional Information.....	22
CERTIFICATION OF THE ISSUER.....	23

APPENDIX A: LEGAL OPINION

APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT – Manchester Water and Sewer Systems

Service Area	B-1
CUSTOMERS AND USAGE	
Water Sales By Revenue.....	B-1
Water Sales By Volume	B-2
Water Customers by Category	B-2
Water Loss.....	B-2
Wastewater Sales By Revenue	B-3
Wastewater Sales By Volume.....	B-3
Wastewater Customers by Category.....	B-3
Top 10 Water and Sewer Customers	B-4
Environmental Regulations.....	B-4
Cybersecurity.....	B-4
Water and Sewer Rates.....	B-5
Debt Record	B-5
Debt Service Coverage	B-5
Summary of Bonded Indebtedness – Water and Sewer System	B-6
Bonded Debt Service Requirements – Water and Sewer System.....	B-7
Bonded Debt Service Requirements – Duck River Utility Commission.....	B-8
Five-Year Summary of Revenues, Expenses, Changes in Net Position – Water and Sewer System.....	B-9
Historical Debt Service Coverage - Water and Sewer Fund.....	B-10

APPENDIX C: SUPPLEMENTAL INFORMATION STATEMENT – Manchester

Location	C-1
General.....	C-1
Government	C-1
Transportation	C-1
Education	C-1
Medical	C-3
Manufacturing and Commerce	C-3
<i>Major Employers in the County</i>	C-5
Economic Data	C-6
Tourism and Recreation	C-6
DEBT STRUCTURE	
Summary of Bonded Indebtedness	C-8
Indebtedness and Debt Ratios.....	C-9
G.O. Bonded Debt Service Requirements.....	C-11
Bonded Debt Service Requirements – Water and Sewer System	C-12
Bonded Debt Service Requirements – Duck River Utility Commission	C-13
FINANCIAL OPERATIONS	
Basis of Accounting and Presentation	C-14

Debt Record.....	C-14
Fund Balances, Net Assets and Retained Earnings.....	C-14
Five Year Summary of Revenues, Expenditures and Changes in Fund Balance - General Fund.....	C-15
Investment and Cash Management Practices	C-16
Real Property Assessment, Tax Levy and Collection Procedures	
<i>State Taxation of Property</i>	C-16
<i>County Taxation of Property</i>	C-17
<i>Assessment of Property</i>	C-17
<i>Periodic Reappraisal and Equalization</i>	C-18
<i>Valuation for Property Tax Purposes</i>	C-19
<i>Certified Tax Rate</i>	C-19
<i>Tax Freeze for the Elderly Homeowners</i>	C-20
<i>Tax Collection and Tax Lien</i>	C-20
<i>Assessed Valuations</i>	C-21
<i>Property Tax Rates and Collections</i>	C-21
<i>Ten Largest Taxpayers</i>	C-22
Pension Plans.....	C-22
Insurance.....	C-23

**APPENDIX D: SUMMARY OF CERTAIN PROVISIONS OF THE WATER AND SEWER
RESOLUTION**

**APPENDIX E: GENERAL PURPOSE FINANCIAL STATEMENTS – City of Manchester,
Tennessee**

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 *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement*.

The Issuer	City of Manchester, Tennessee (the “City” or “Issuer”). See APPENDIX B contained herein.
Securities Offered.....	\$9,995,000* Water and Sewer System Revenue and Tax Bonds, Series 2026, maturing June 1, 2029 through June 1, 2056, inclusive, (the “Bonds”) of the City. The Bonds will be dated the date of issuance (assume July 24, 2026). See the section entitled “SECURITIES OFFERED” for additional information.
Security	The Bonds shall be payable from and secured by a pledge of the Net Revenues, as defined herein, and, in the event of a deficiency in such revenues, from unlimited ad valorem taxes to be levied on all taxable property within the City. The punctual payment of principal of and premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery. The Net Revenues are irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due. For the definition of Net Revenues of the System, see APPENDIX D – “Summary of Certain Provisions of the Resolution”.
Purpose	The Bonds are being issued for the purpose of providing funds to finance, in whole or in part (i) the acquisition and construction of improvements and extensions to the City’s water and sewer system (the “System”); (ii) the acquisition of all other property, real and personal, appurtenant to the foregoing (the “Projects”); (iii) the payment of legal, fiscal, administrative, architectural and engineering costs incident to the Projects and incident to the indebtedness, as described herein; (iv) the payment of capitalized interest during construction of the Projects and for up to six months thereafter; (v) the reimbursement to the City for funds previously expended for any of the foregoing; and (vi) the payment of costs incident to the issuance and sale of the Bonds.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2033, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.
Rates	Rates and fees for water and sewer service provided by the System are established by the City. The System is not otherwise subject to rate regulation, and City is not aware of any pending legislation which would make its rates and fees subject to regulation.
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 excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain 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.)
Bank Qualification.....	The Bonds will be treated 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 - Ratings” for more information.
Registration and Paying Agent	Regions Bank, Nashville, Tennessee. (the "Registration Agent").
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee.
Municipal Advisor.....	Cumberland Securities Company, Inc. See the section entitled “MISCELLANEOUS - Municipal Advisor; Related Parities; Others”, herein.
Underwriter.....	_____.
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 the Title 7, Chapter 34, and Title 9, Chapter 21, <i>Tennessee Code Annotated</i> , as supplemented and revised. See the section entitled “SECURITIES OFFERED – Authority and Purpose.” The Bonds will be issued with CUSIP numbers 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, 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”), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled “MISCELLANEOUS-Continuing Disclosure.”
Other Information.....	The information in this <i>Preliminary 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 except for the omission of certain pricing and other information. For more information concerning the City or the <i>Preliminary Official Statement</i> , contact Joey Hobbs, Mayor, 200 West Fort Street, Manchester, Tennessee 37309, Telephone: (865) 882-9414; or the City's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding BiDCOMP™/PARITY® may be obtained from PARITY®, 1359 Broadway - 2 nd Floor, New York, NY 10018, Telephone: (800) 850-7422.

SUMMARY NOTICE OF SALE

\$9,995,000*

CITY OF MANCHESTER, TENNESSEE

Water and Sewer System Revenue and Tax Bonds, Series 2026

NOTICE IS HEREBY GIVEN that the Mayor of the City of Manchester, Tennessee (the “City” or “Issuer”) will receive electronic or written sealed bids until **10:15 a.m. E.D.T. / 9:15 C.D.T. on Thursday, July 9, 2026** for the purchase of all, but not less than all, of the City's \$9,995,000* Water and Sewer System Revenue and Tax Bonds, Series 2026 (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in the “Detailed Notice of Sale”. In case of written bids, bids will be received by the City’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:45 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the **PARITY®** System.

Electronic bids must be submitted through **PARITY®** via the BiDComp Competitive Bidding Service as described in the Detailed Notice of Sale and no other provider of electronic bidding services will be accepted. For the purposes of the bidding process, both written and electronic, the time maintained by **PARITY®** shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in **PARITY®** conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry-only form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume July 24, 2026). The Bonds will mature on June 1 in the years 2029 through 2056, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing December 1, 2026, and will be subject to optional redemption prior to maturity on or after June 1, 2033. Bidders must bid not less than one hundred percent (100.00%) of par or more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the City by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. **No rate or rates bid for the Bonds shall be less than four percent (4.00%) or exceed five percent (5.00%) per annum. Additionally, each maturity must have a minimum reoffering price of at least ninety-eight percent (98.0%) of par.** Unless bids are rejected, the Bonds will be awarded by the Mayor of the City on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

In the event that the competitive sale requirements of applicable Treasury Regulations are not met, the City will require bidders to comply with the “hold-the-offering-price rule” for purposes of determining the issue price of the Bonds as described in the Detailed Notice of Sale. Bids will not be subject to cancellation in the event that the competitive sale requirements of applicable Treasury Regulations are not satisfied.

* Preliminary, subject to change.

Additional information, including the *Preliminary Official Statement* in near final form and the Detailed Notice of Sale, may be obtained through www.prospectushub.com or from the City's Municipal Advisor, Cumberland Securities Company, Inc., (865) 988-2663. Further information regarding **PARITY**[®] may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

CITY OF MANCHESTER, TENNESSEE

By: Joey Hobbs, Mayor

DETAILED NOTICE OF SALE

\$9,995,000*

CITY OF MANCHESTER, TENNESSEE

Water and Sewer System Revenue and Tax Bonds, Series 2026

NOTICE IS HEREBY GIVEN that the Mayor of the City of Manchester, Tennessee (the “City” or “Issuer”) will receive electronic or written sealed bids until **10:15 a.m. E.D.T. / 9:15 C.D.T. on Thursday, July 9, 2026** for the purchase of all, but not less than all, of the City's \$9,995,000* Water and Sewer System Revenue and Tax Bonds, Series 2026 (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in this “Detailed Notice of Sale”. In case of written bids, bids will be received by the City’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in this Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:45 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the **PARITY®** System.

Description of the Bonds. The Bonds will be issued in book-entry-only form without coupons and will be issued or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2026. The Bonds will mature and be payable on June 1 of each year as follows:

YEAR		YEAR	
(June 1)	AMOUNT*	(June 1)	AMOUNT*
2029	\$195,000	2043	\$345,000
2030	200,000	2044	360,000
2031	210,000	2045	375,000
2032	220,000	2046	390,000
2033	230,000	2047	405,000
2034	235,000	2048	425,000
2035	245,000	2049	445,000
2036	260,000	2050	460,000
2037	270,000	2051	480,000
2038	280,000	2052	500,000
2039	290,000	2053	525,000
2040	305,000	2054	545,000
2041	315,000	2055	570,000
2042	330,000	2056	585,000

Bank Qualification. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee. When the Bonds are issued, ownership interests will be

available to purchasers only through a book-entry-only 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. The Book-Entry-Only System will evidence beneficial ownership interests of the Bonds in the principal amount of \$5,000 for the Bonds and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The City will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the successful bidder for the Bonds certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use of the Book-Entry-Only System is not required.

In the event that the Book-Entry-Only System for the Bonds is discontinued and a successor securities depository is not appointed by the City, Bond Certificates in fully registered form will be delivered to, and registered in the names of, the DTC Participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) and the City and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution authorizing the Bonds.

Security Pledged. The Bonds shall be payable from and secured by a pledge of the Net Revenues, as defined herein, and, in the event of a deficiency in such revenues, from unlimited ad valorem taxes to be levied on all taxable property within the City. The punctual payment of principal of and premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery. The Net Revenues are irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due. For the definition of Net Revenues of the System, see APPENDIX D – "Summary of Certain Provisions of the Resolution".

Municipal Bond Insurance. The City has provided information to prospective bond insurance companies in order to qualify the Bonds under their respective optional bidding programs. If the successful bidder or bidders for the Bonds desires to purchase a municipal bond insurance policy insuring payment of all or a portion of the debt service payable on the Bonds, the successful bidder or bidders does so at its own risk and expense and the obligation of the successful bidder to pay for such series Bonds shall not be conditioned on the issuance of a municipal bond insurance policy. The City will cooperate with the successful bidder(s) in obtaining such insurance, but the City will not enter into any additional agreements with a bond insurer. Without limiting the generality of the foregoing, the successful bidder(s) will be responsible for all costs, expenses and charges associated with the issuance of such insurance, including but not limited to the premium for the insurance policy, and excluding only the fees of S&P Global Ratings that will be paid by the City.

Purpose. The Bonds are being issued for the purpose of providing funds to finance, in whole or in part (i) the acquisition and construction of improvements and extensions to the City's water and sewer system (the "System"); (ii) the acquisition of all other property, real and personal, appurtenant to the foregoing (the "Projects"); (iii) the payment of legal, fiscal, administrative, architectural and engineering

costs incident to the Projects and incident to the indebtedness, as described herein; (iv) the payment of capitalized interest during construction of the Projects and for up to six months thereafter; (v) the reimbursement to the City for funds previously expended for any of the foregoing; and (vi) the payment of costs incident to the issuance and sale of the Bonds.

Optional Redemption. The Bonds maturing on June 1, 2034 and thereafter are subject to optional redemption prior to maturity at the option of the City on or after June 1, 2033, at any time at the redemption price of par plus accrued interest.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds (“Term Bonds”) bearing a single interest rate. If a successful bidder for the Bonds designates certain consecutive serial maturities of such Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the City at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the bid of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date.

Bidding Instructions. The City will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. **Bidders for the Bonds are required to bid as to each maturity of the Bonds an interest rate of not less than four percent (4.00%) or more than five percent (5.00%) per annum. Additionally, each maturity must have a minimum reoffering price of at least ninety-eight percent (98.0%) of par. A single interest rate shall apply to each single maturity of the Bonds. Bidders must bid not less than one hundred percent (100.00%) of par or no more than one hundred and twenty-five percent (125%) of par in aggregate.**

Electronic bids must be submitted through **PARITY**® via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division’s BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will not confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For the purposes of the bidding process, the time as maintained by **PARITY**® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **PARITY**® conflict with the terms of this Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of **PARITY**® shall be deemed an offer to purchase in response to this Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **PARITY**®. The use of **PARITY**® facilities are at the sole risk of the prospective bidders.

For further information regarding **PARITY**®, potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process, bidders may submit bids prior to the established date and time by FACSIMILE transmission sent to the City’s Municipal Advisor, Cumberland Securities Company, Inc. at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The City and the Municipal Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Any written bids should be submitted by facsimile to the City’s Municipal Advisor at 865-988-1863. Written bids must be submitted on the Bid Forms included with the *Preliminary Official Statement*.

The City reserves the right to reject all bids for the Bonds and to waive any informalities in the bids accepted.

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the Mayor to the bidder whose bid complies with this notice and results in the lowest true interest rate on the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the Mayor shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

After receipt of the bids, the City reserves the right to adjust and/or revisions to the Bonds, as described below.

Bidder Certification Regarding Non-Engagement in a Boycott of Israel. By submitting a bid, each bidder shall be deemed to have certified to the Issuer that, to the extent that the award of the Bonds would constitute a “contract with a company to acquire or dispose of service”, as described by Tenn. Code Ann. Section 12-4-119, neither the bidder, nor any of its wholly owned subsidiaries, majority-owned subsidiaries, parent companies or affiliates, are currently engaged in nor will they engage in a boycott of Israel through the issue date of the Bonds, as described by Section 12-4-119. For purposes of Section 12-4-119, “boycott of Israel” shall mean engaging in refusals to deal, terminating business activities, or other commercial actions that are intended to limit commercial relations with Israel, or companies doing business in or with Israel or authorized by, licensed by, or organized under the laws of the State of Israel to do business, or persons or entities doing business in Israel, when such actions are taken (i) in compliance with, or adherence to, calls for a boycott of Israel, or (ii) in a manner that discriminates on the basis of nationality, national origin, religion, or other unreasonable basis, and is not based on a valid business reason. The winning bidder shall be required to include a written certification to such effect as a condition to the issuance of the Bonds. The provisions of this paragraph shall not apply, and a bidder shall not be required to provide a written certification as provided above, if the bidder’s compensation as a result of the purchase of a series of the Bonds is less than \$250,000.

Bidder Certification Regarding Compliance with Iran Divestment Act. Pursuant to Tennessee Code Annotated Section 12-12-111 and to the extent applicable to the activities contemplated herein, by submission of a bid for the Bonds, each bidder and each person signing on behalf of any bidder certifies, and in the case of a joint bid each party thereto certifies as to its own organization, under penalty of perjury, that to the best of its knowledge and belief that each bidder is not on the list created pursuant to Tennessee Code Annotated Section 12-12-106 (the “Iran Divestment Act List”). Such Iran Divestment Act List (i) provides a listing of persons determined to be engaging in investment activities in Iran, as described in Tennessee Code Section 12-12-105, and (ii) can be found online on the State’s website: https://www.tn.gov/content/dam/tn/generalservices/documents/cpo/library/2026/List_of_persons_pursuant_to_Tenn_Code_Ann_12-12-106_Iran_Divestment_Act_02-20-2026.pdf.

Tennessee Code Annotated Section 12-12-105 provides that “a person engages in investment activities in Iran if: (1) [t]he person provides goods or services of twenty million dollars (\$20,000,000) or more in the energy sector of Iran, including a person that provides oil or liquefied natural gas tankers, or products used to construct or maintain pipelines used to transport oil or liquefied natural gas, for the energy sector of Iran; or (2) [t]he person is a financial institution that extends twenty million dollars (\$20,000,000) or more in credit to another person, for forty-five (45) days or more, if that person will use the credit to provide goods or services in the energy sector in Iran and is identified on a list, created pursuant to Tennessee Code Annotated Section 12-12-106, as a person engaging in investment activities in Iran as described in this section.”

If in any case the bidder cannot make the foregoing certification, in accordance with Tennessee Code Annotated Section 12-12-111 and to the extent applicable to the activities herein, the bidder shall so state and shall furnish with the bid a signed statement which sets forth in detail the reasons therefor. The County may award the bid to a bidder who cannot make the certification above, on a case-by-case basis, if: (1) the investment activities in Iran were made before July 1, 2016, the investment activities in Iran have not been expanded or renewed on or after July 1, 2016, and the person has adopted, publicized, and is implementing a formal plan to cease the investment activities in Iran and to refrain from engaging in any new investments in Iran; or (2) the County makes a determination that the goods or services are necessary for the County to perform its functions and that, absent such an exemption, the County would be unable to obtain the goods or services for which the contract is offered. Such determination shall be made in writing and shall be a public document.

Adjustment and/or Revision. While it is the City's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the Mayor reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to twenty-five percent (25%). The principal factor to be considered in making any adjustments is the amount of premium bid for particular maturities. Among other factors the Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the City. Additionally, the Mayor reserves the right to change the dated date of the Bonds.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Standard Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the City's Municipal Advisor (by wire transfer) the amount of up to two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A wire transfer must be received by the City's Municipal Advisor no later than the close of business on the day following the competitive sale. The wire instructions will be sent to the winning bidder after all bids are received.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the City as liquidated damages.

In the event of the failure of the City to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

Undertakings of the Successful Bidder. The successful bidder for the Bonds shall make a bona fide public offering of the Bonds and shall, within 30 minutes after being notified of the award of the Bonds, advise the City in writing (via facsimile transmission or electronic mail) of the initial public offering prices of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or delivery received by the City within 24 hours after award, furnish the following information to the City to complete the *Official Statement* in final form, as described below:

- A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the City that the Bonds were initially offered to the public).
- B. The identity of the other underwriters if the successful bidder is part of a group or syndicate.
- C. Any other material information that the City determines is necessary to complete the *Official Statement* in final form.

After the award of the Bonds, the City will prepare copies of the final *Official Statement* and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the City will not include in the final *Official Statement* a “NRO” (“not reoffered”) designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the City in all aspects for the accuracy and completeness of information provided by such successful bidders with respect to such reoffering.

The City expects the successful bidder to deliver copies of such *Official Statement* in final form (the “Final Official Statement”) to persons to whom such bidder initially sells the Bonds and the Municipal Securities Rulemaking Board (“MSRB”) via the MSRB’s Electronic Municipal Market Access System (“EMMA”). The successful bidder will be required to acknowledge receipt of the Final Official Statement, to certify that each has made delivery of the Final Official Statement to the MSRB, to acknowledge that the City expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

Method for Establishment of Issue Price

- a. The successful bidder shall assist the City in establishing the issue price of the Bonds as more fully described herein. All actions to be taken by the City under this Detailed Notice of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the City by the Municipal Advisor, and any notice or report to be provided to the City may be provided to the Municipal Advisor.
- b. The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Requirements”) because:
 - 1. the City shall disseminate this Detailed Notice of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
 - 2. all bidders shall have an equal opportunity to bid;
 - 3. the City expects to receive bids for the Bonds from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
 - 4. the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Detailed Notice of Bond Sale.

Any bid submitted pursuant to this Detailed Notice of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

- c. In the event that the Competitive Sale Requirements are not satisfied as to the Bonds, the City shall so advise the successful bidder. In such event, the City intends to treat the (i) the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that

maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the City promptly after the award of the Bonds if any maturities of the Bonds satisfy the 10% Test as of the date and time of the award of the Bonds. The Hold-the-Offering-Price Rule shall apply to all maturities that do not satisfy the 10% Test as of the sale date. Bids will not be subject to cancellation in the event that the City determines to apply the Hold-the-Offering-Price Rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.

- d. By submitting a bid, in the event of application of the Hold-the-Offering-Price Rule, the successful bidder for the Bonds shall be deemed to have (i) confirmed that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:
1. the close of the fifth (5th) business day after the sale date; or
 2. the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

In the event of application of the Hold-the-Offering-Price Rule to any maturity of the Bonds, any successful bidder will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

- e. By submitting a bid, each bidder confirms that:
- (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable:
- (A) (1) to report the prices at which it sells to the public any unsold Bonds of each maturity allocated to it to which the Hold-the-Offering-Price Rule applies until the close of the fifth (5th) business day after the sale date and (2) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder and as set forth in the related pricing wires,
 - (B) to promptly notify the successful bidder of the Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public, and
 - (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the successful bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity to which the Hold-the-Offering-Price Rule applies allocated to it until the close of the fifth (5th) business day after the sale date and (B) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder or the underwriter and as set forth in the related pricing wires.

- f. The City acknowledges that, in making the representations set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds.
- g. Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public shall not constitute sales to the public for purposes of this Detailed Notice of Bond Sale. Further, for purposes of this Detailed Notice of Bond Sale:
 - 1. “public” means any person other than an underwriter or a related party;
 - 2. “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);
 - 3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

4. “sale date” means the date that the Bonds are awarded by the City to the successful bidder.

Issue Price Certificate. The winning bidder will be required to provide the City, at closing, with an issue price certificate consistent with the foregoing and meeting the requirements of bond counsel. The form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit A if the Competitive Sale Requirements are met, and the form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit B if the Competitive Sale Requirements are not met.

Legal Opinion. The approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the City. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes; is not an item of tax preference for purposes of the federal law alternative minimum tax. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds. Reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the City will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the City by not later than twelve months after each of the City's fiscal years (the “Annual Report”), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the operation of the Electronic Municipal Market Access system (the “EMMA”) and any State Information Depository established in the State of Tennessee (the “SID”). If the City is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by the City either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of events are summarized in the *Preliminary Official Statement*.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days notice will be given to the successful bidder of such delivery. Delivery will be made in Book-Entry-Only form through the facilities of The Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the City. The City will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The City has deemed the *Preliminary Official Statement* to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the “SEC”) except for the omission of certain pricing and other information. The City will furnish the successful bidder at the expense of the City a reasonable number of copies of the *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder to the persons to whom each such bidder and members of its bidding group initially sell the Bonds within seven (7) business days. Acceptance of a bid of the Bonds will constitute a contract between the City and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, this Detailed Notice of Sale and the Official Bid Form, may be obtained from the City's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Further information regarding **PARITY**[®] may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ Joey Hobbs, Mayor

EXHIBIT A

CITY OF MANCHESTER, TENNESSEE [\$ _____] Water and Sewer System Revenue and Tax Bonds, Series 2026]

ISSUE PRICE CERTIFICATE (if Hold-The-Offering-Price Rule does not apply)

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”) of the City of Manchester, Tennessee (the “Issuer”).

1. *Reasonably Expected Initial Offering Price.*

- (a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.
- (b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.
- (c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. *Defined Terms.*

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (c) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is July 9, 2026.
- (e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in

the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____

[NAME OF UNDERWRITER]

By: _____

Name: _____

Title: _____

EXHIBIT B

CITY OF MANCHESTER, TENNESSEE [\$ _____ Water and Sewer System Revenue and Tax Bonds, Series 2026]

ISSUE PRICE CERTIFICATE (if Hold-The-Offering-Price Rule applies)

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”) [and the other members of the underwriting syndicate (together, the “Underwriting Group”)], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the City of Manchester, Tennessee (the “Issuer”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.
2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***
 - (a) [SHORT NAME OF UNDERWRITER] offered the Hold-The-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.
 - (b) As set forth in the [Detailed Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER] agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the Hold-The-Offering-Price Rule. Pursuant to such agreement, no Underwriter (as defined below) offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.
3. ***Defined Terms.***
 - (a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”
 - (b) *Hold-The-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule B hereto as the “Hold-The-Offering-Price Maturities.”
 - (c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT NAME OF UNDERWRITER] sold at least 10% of such Hold-The-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-The-Offering-Price Maturity.

- (d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
- (e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (f) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is July 9, 2026.
- (h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____

[NAME OF UNDERWRITER]

By: _____

Name: _____

Title: _____

BID FORM

Joey Hobbs, Mayor
200 West Fort Street
Manchester, TN 37309

July 9, 2026

Dear Mayor Hobbs:

For your legally issued, properly executed \$9,995,000* Water and Sewer System Revenue and Tax Bonds, Series 2026 (the "Bonds") of the City of Manchester, Tennessee, in all respects as more fully outlined in your Detailed Notice of Sale, which by reference are made a part hereof, we will pay you a sum of _____ (\$_____).

The Bonds shall be dated the date of issuance (assume July 24, 2026) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on June 1 and bear interest at the following rates:

<u>Maturity</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Rate</u>
2029	\$195,000	___	2043	\$345,000	___
2030	200,000	___	2044	360,000	___
2031	210,000	___	2045	375,000	___
2032	220,000	___	2046	390,000	___
2033	230,000	___	2047	405,000	___
2034	235,000	___	2048	425,000	___
2035	245,000	___	2049	445,000	___
2036	260,000	___	2050	460,000	___
2037	270,000	___	2051	480,000	___
2038	280,000	___	2052	500,000	___
2039	290,000	___	2053	525,000	___
2040	305,000	___	2054	545,000	___
2041	315,000	___	2055	570,000	___
2042	330,000	___	2056	585,000	___

We have elected the option to designate two or more consecutive serial maturities as term bond maturities as indicated:

Term Bond 1: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.

Term Bond 2: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.

Term Bond 3: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.

Term Bond 4: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.

Term Bond 5: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.

It is our understanding that the Bonds are offered for sale as "qualified tax exempt obligations" subject to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee, whose opinion together with the executed Bonds, will be furnished by the City without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for up to 2% of the Bonds on which we have bid by the close of business on the date following the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal bonds, the preceding sentence should be crossed out.]

Accepted for and on behalf of the
City of Manchester, Tennessee, this
9th day of July, 2026.

Respectfully submitted,

Joey Hobbs, Mayor

Total interest cost from
July 24, 2026 to final maturity \$ _____
Less: Premium /plus discount, if any \$ _____
Net Interest Cost \$ _____
True Interest Rate %

The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.

\$9,995,000*
CITY OF MANCHESTER, TENNESSEE
Water and Sewer System Revenue and Tax Bonds, Series 2026

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Preliminary Official Statement*, which includes the “Summary Statement” and appendices, is furnished in connection with the offering by the City of Manchester, Tennessee (the “City” or “Issuer”) of its \$9,995,000* Water and Sewer System Revenue and Tax Bonds, Series 2026 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 7, Chapter 34, and Title 9, Chapter 21, *Tennessee Code Annotated*, as amended and other applicable provisions of law and pursuant to a bond resolution (the “Resolution”) duly adopted by the Board of Mayor and Aldermen of the City on June 2, 2026.

The Bonds are being issued for the purpose of providing funds to finance, in whole or in part (i) the acquisition and construction of improvements and extensions to the City’s water and sewer system (the “System”); (ii) the acquisition of all other property, real and personal, appurtenant to the foregoing (the “Projects”); (iii) the payment of legal, fiscal, administrative, architectural and engineering costs incident to the Projects and incident to the indebtedness, as described herein; (iv) the payment of capitalized interest during construction of the Projects and for up to six months thereafter; (v) the reimbursement to the City for funds previously expended for any of the foregoing; and (vi) the payment of costs incident to the issuance and sale of the Bonds.

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from the date of issuance (assume July 24, 2026). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2026. The Bonds are issuable in registered 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 Finance Director/City Recorder. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of authentication noted thereon.

SECURITY

The Bonds shall be payable from and secured by a pledge of the Net Revenues, as defined below, and, in the event of a deficiency in such revenues, from unlimited ad valorem taxes to be levied on all taxable property within the City. The punctual payment of principal of and premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery. The Net Revenues are irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due. The Bonds

* Preliminary, subject to change.

do not constitute a debt of the State of Tennessee. For the definition of Net Revenues of the System, see APPENDIX D – “Summary of Certain Provisions of the Resolution”.

FLOW OF FUNDS

Pursuant to the Resolution, the City has agreed to deposit all revenues derived from the operation of the System into the Revenue Fund and to apply such moneys as follows:

- First, to pay operating expenses
- Next, to pay debt service on the Bonds and any Parity Bonds
- Next, to fund debt service reserves for the Bonds and any Parity Bonds, if applicable (the City has not established a debt service reserve for the Bonds)
- Last, to pay debt service on Subordinate Lien Bonds, payment in lieu of taxes and to pay any other legal purpose. See APPENDIX D for a more detailed description of the flow of funds.

RATE COVENANT

“Rate Covenant Requirement” means an amount of Net Revenues which is equal to the sum of (a) 120% of the Debt Service Requirement for the forthcoming Fiscal Year on the Bonds plus (b) 100% of (i) the amounts, if any, required by this resolution or any subsequent resolution to be deposited by the City into the Reserve Fund during the forthcoming Fiscal Year, (ii) debt service payable on, or reserve fund funding requirements for, any subordinate lien indebtedness, and (iii) any required payments in lieu of taxes to the City or other governmental entities.

The meanings of the capitalized terms used in this paragraph and not otherwise defined are summarized in APPENDIX D – “Summary of Certain Provisions of the Resolution”.

BOND FUND AND DEBT SERVICE RESERVE FUND

The Resolution establishes a Bond Fund for the Bonds and any Parity Bonds. The Resolution requires the City to make monthly deposits to the Bond Fund sufficient to accumulate funds necessary to pay scheduled debt service on the Bonds and any Parity Bonds. The money on deposit in the Bond Fund will be used to pay the principal of and interest on the Bonds and any Parity Bonds as the same become due. Reference APPENDIX D – “Summary of Certain Provisions of the Resolution” for definitions of capitalized terms.

The Resolution does not require that the City to fund a Reserve Fund for the Bonds and the City will not fund a Reserve Fund for the Bonds.

PARITY OF PLEDGE AND ADDITIONAL BONDS

The City may, from time to time, issue Parity Bonds under the terms of the Resolution. Parity Bonds will have a lien on the Net Revenues of the System on a parity with the lien on the Net Revenues of the System securing the Bonds. The City may not issue bonds payable from or secured by a lien on the Net Revenues senior to that securing the payment of the Bonds and Parity Bonds. For a description of the requirements for issuing bonds or other obligations on a parity of lien with the Bonds see APPENDIX D – “Summary of Certain Provisions of the Resolution”.

SUBORDINATE LIEN BONDS AND OTHER SYSTEM INDEBTEDNESS

The City may, from time to time, issue Subordinate Lien Bonds under the terms of the Resolution. Subordinate Lien Bonds will either (i) have a lien on the Net Revenues of the System subordinate to the lien on the Net Revenues of the System securing the Bonds, or (ii) be payable from, but not have a lien on the Net Revenues of the System. A portion of the City's General Obligation Refunding Bonds, Series 2017, dated December 1, 2017, and General Obligation Refunding Bonds, Series 2021A, dated August 27, 2021, are payable from but not secured by the water and sewer system revenues.

ADDITIONAL BORROWING PLANS

The City has authorized not to exceed \$20,000,000 of Water and Sewer System Revenue and Tax Bonds. The Bonds are the first tranche of the authorized debt. The City will have approximately \$10,000,000 of additional bonds to issue in 2027. Additional capital improvements will be made to the water and sewer system. The City estimates that some of these capital improvements will be funded with operating earnings and some could be funded with additional debt.

OPTIONAL REDEMPTION

Bonds maturing June 1, 2034, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2033, 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-Only 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-Only 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

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter provided, the City shall redeem Bonds maturing June 1, 20__, and June 1, 20__ 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 within a maturity to be so redeemed shall be selected in the same manner as is described above relating to 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>
-----------------	----------------------------	---

*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.

(The remainder of this page left blank intentionally.)

BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent (named herein) 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 City in respect of such Bonds to the extent of the payments so made. 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.

Any interest on any Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the City to the persons in whose names the Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: the City shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the City shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the City of such Special Record Date and, in the name and at the expense of the City, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in the Resolution or in the Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the City to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Bonds when due.

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.

(The remainder of this page left blank intentionally.)

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, 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 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 City 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-only 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-Only 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”). The DTC Rules applicable to its Participants are on file with the 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-Only 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 City 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 or 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 Registration Agent 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 City 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 CITY, THE UNDERWRITER, THE BOND COUNSEL, THE MUNICIPAL 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 City, the Bond Counsel, the Registration Agent, the Municipal 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-Only System has been obtained from sources that the City believes to be reliable, but the City, the Bond Counsel, the Registration Agent, the Municipal 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 Municipal 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."

(The remainder of this page left blank intentionally.)

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be deposited in a special fund of City known as the "Series 2026 Construction Fund" to be kept separate and apart from all other funds of City. Moneys in the Construction Fund shall be disbursed solely to pay the costs of the Project and pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds and construction of the Project. Notwithstanding the foregoing, costs of issuance of the Bonds may be withheld from the good faith deposit, if any, or purchase price of the Bonds and paid to the Municipal Advisor to be used to pay costs of issuance of the Bonds. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in the Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by the resolution. Any funds remaining in the Construction Fund after completion of the Project and payment of authorized expenses shall be deposited to the Bond Fund. Moneys in the Construction Fund shall be invested by the City in such investments as shall be permitted by applicable law.

(The remainder of this page left blank intentionally.)

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. Bass, Berry & Sims PLC, Knoxville, 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 excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and
- is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations..

The Code imposes requirements on the Bonds that the County 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 County 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 County 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 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.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material

adverse change in the operation or the affairs of the City since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and Finance Director acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the City concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville, 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.”

(The remainder of this page left blank intentionally.)

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 rating may not be suspended, lowered or withdrawn entirely by S&P, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, 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 Bonds obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The ratings reflect 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 will be offered for sale at competitive public bidding on July 9, 2026. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated June 29, 2026.

The successful bidder for the Bonds was an account led by _____, _____, _____ (the “Underwriter”) 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 \$ _____ (consisting of the par amount of the Bonds, plus an original issue premium of \$ _____, less an underwriter’s discount of \$ _____) or _____% of par.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as Municipal Advisor (the “Municipal 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 Municipal 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 Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal 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. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

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 City 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 *Preliminary Official Statement* has been provided by the City. The information set forth herein has been obtained by the City 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 Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Preliminary 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 City, 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. Bond Counsel's fee for services rendered to the City with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. From time to time, Bass, Berry & Sims PLC 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 City. Additionally, no agreements or legal proceedings of the City relating to securities have been declared invalid or unenforceable.

CONTINUING DISCLOSURE

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, 2026 (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 City 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. For the past five years, the City is unaware of any instances in which it has not 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 information included in APPENDIX B entitled SUPPLEMENTAL INFORMATION STATEMENT.

1. Customers and Usage;
2. Top 10 Water and Sewer Customers;
3. Water and Sewer Rates;
4. Summary of Bonded Indebtedness;
5. Bonded Debt Service Requirements - Water and Sewer System;
6. Bonded Debt Service Requirements - Revenue and Tax - Duck River Utility Commission;
7. Five Year Summary of Revenues, Expenses and Changes in Net Position – Water and Sewer System; and

8. Historical Debt Service Coverage on Bonds in the Water and Sewer System.

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;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the City, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the City, any of which reflect financial difficulties.

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 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.

BONDHOLDER RISK

General. The purchase of the Bonds is subject to a number of investment considerations. The following is a discussion of certain investment considerations, which, among others, could affect the ability of the City to pay the principal of and interest and premium, if any, on the Bonds and which could also affect the marketability of, or the market price for, the Bonds. Such discussion is not, and is not intended to be, a comprehensive compilation of all possible investment considerations nor a substitute for an independent evaluation of the information presented in this Official Statement, including the Appendices attached hereto. Each prospective purchaser of any Bond should read this Official Statement, including the Appendices attached hereto, in its entirety and consult such prospective purchaser's own investment or legal advisor for a more complete explanation of the matters that should be considered when purchasing an investment such as the Bonds.

Climate Change. Planning for climate change in the State and its impact on the City's operation is an unknown challenge. The State's climate is exceedingly variable and projections of future conditions range significantly. While projections in the State indicate rising average temperatures, precipitation projections are much less clear and often contradictory. Other potential impacts of climate change include changes in the length, intensity, and frequency of droughts and floods. Additionally, severe weather and natural disasters, generally, including tornadoes and other storm events, can affect the City and its residents in a number of ways, including by damaging City property, causing the temporary or permanent displacement of City residents and interrupting City services. The City cannot predict the impact of climate change or the timing, extent or severity of any adverse weather event or natural disaster and any potential effect on the City's operations or finances.

Cyber-Security. Computer networks and data transmission and collection are vital to the efficient operations of the City. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in operations and the services provided by the City, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties and the services provided, and cause a loss of confidence in the City's operations, which could materially affect the City and its operations. To mitigate against such risks, the City has instituted various policies and procedures to protect its

respective information technology infrastructures, including cybersecurity training requirements for City employees. The City also maintains insurance against cybersecurity incidents.

Future Legislation. From time to time, the Tennessee General Assembly considers bills purporting to limit the amount by which Tennessee local governments may increase ad valorem tax levies for purposes other than the payment of general obligation debt service without first obtaining voter approval by referendum. If enacted into law, such bills would have no impact on the security for the payment of the Bonds. However, such laws could impact the City's ability to raise revenue for other governmental operating and capital requirements. See also "LEGAL MATTERS – Tax Matters – Changes in Federal and State Tax Law" for the potential impact of changes in tax law on the Bonds.

Enforceability of Remedies. The remedies available to the holders or beneficial owners of the Bonds upon any event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay.

The enforceability of remedies or rights with respect to the Bonds may be limited by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

Under existing law, municipalities must obtain the consent of state governments in order to avail themselves of federal bankruptcy protection under Title 11 of the United States Code. There is currently no law in the State granting such consent. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency, moratorium, or other similar laws affecting the rights of creditors generally or as to the availability of any particular remedy.

Secondary Market Prices. No assurance can be given that a secondary market for any of the Bonds will be available and no assurance can be given that the initial offering prices for the Bonds will continue for any period of time.

The Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Bonds in the event a holder or beneficial owner thereof determines to solicit purchasers of the Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Bonds may be sold. Such price may be lower than that paid by the current holder or beneficial owner of the Bonds, depending on existing market conditions and other factors.

FORWARD LOOKING STATEMENTS

The statements contained in this *Preliminary Official Statement* and *Official Statement*, and in any other information provided that are not purely historic, are forward-looking statements, including statements regarding the expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this *Preliminary Official Statement* and *Official Statement* are based on information available on the date hereof, and assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties

relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business and policy decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this *Preliminary Official Statement* and *Official Statement* would prove to be accurate.

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 the *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.

CERTIFICATION OF THE 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/
Mayor

ATTEST:

/s/
Finance Director

APPENDIX A

LEGAL OPINION

(Proposed Form of Opinion of Bond Counsel)

(Closing Date)

Board of Mayor and Aldermen
City of Manchester, Tennessee

[Underwriter]

**Re: City of Manchester, Tennessee, Water and Sewer System Revenue and Tax Bonds,
Series 2026**

Ladies and Gentlemen:

We have acted as bond counsel to City of Manchester, Tennessee (the "Issuer") in connection with the issuance of \$_____ Water and Sewer System Revenue and Tax Bonds, Series 2026, dated the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed 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 such facts by independent investigation.

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

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution (the "Bond Resolution") of the Board of Mayor and Aldermen of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is the valid and binding agreement of the Issuer.

3. The Bonds shall be payable from and secured by a pledge of the Net Revenues (as defined in the Bond Resolution) derived from the Issuer's water and sewer system, and, in the event of a deficiency in such revenues, from unlimited ad valorem taxes to be levied on all taxable property within the Issuer. The punctual payment of principal of and premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery. We express no opinion as to the sufficiency of any of such revenues for the payment of principal of, premium, if any, or interest on the Bonds.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer 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, excludable from gross income for federal income tax purposes under Section 103 of the Code. Failure to comply with certain of such requirements could cause interest on the Bonds to be so includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements.

5. 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 all or a portion of the interest on any of the 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 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.

6. The Bonds are “qualified tax-exempt” obligations within the meaning of Section 265 of the Code.

The rights of the owners of the Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights and remedies of creditors, and by equity principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds. Further, we express no opinion herein regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

APPENDIX B

**SUPPLEMENTAL INFORMATION STATEMENT
MANCHESTER WATER AND SEWER SYSTEM
OF THE
CITY OF MANCHESTER, TENNESSEE**

THE WATER AND SEWER SYSTEMS

The Water and Sewer system (the “System”) is operated by the City of Manchester (the “City”) as a separate department under the supervision of a Water and Sewer Manager. The System is operated on an independent and self-sustaining basis, including accounting procedures. It is supported solely by revenues obtained through the sale of Water and Sewer to its customers. The System provides essential water and sewer services to the residents of the City and parts of Coffee County, Tennessee.

SERVICE AREA

The Water and Sewer System serves customers both inside and outside of the city limits of Manchester, Tennessee. Water service is provided through approximately 17 miles of pipes. The Water System’s water comes from the Duck River Utility Commission (DRUC). The Duck River Utility Commission was created under an agreement between the City of Manchester, Tennessee and the City of Tullahoma, Tennessee on the 14th day of February, 1977. The Utility Commission was created to provide potable water and enable growth in the above mentioned cities.

The Duck River Utility Commission draws its water supply primarily from the Normandy Reservoir on the Duck River. The utility operates a filtration plant near Normandy Reservoir capable of producing approximately 7.5 million gallons of drinking water per day (MGD) to serve Manchester, Tullahoma, and the surrounding areas and is permitted to withdraw up to 12.32 MGD from the Normandy Reservoir.

The Sewer System serves approximately 6,014 customers. The System includes approximately 9 miles of pipes, 27 pump stations and one (1) wastewater treatment plant. The wastewater treatment plant is rated for up to 4.3 MGD and the average flow is approximately 2.5 MGD.

CUSTOMERS AND USAGE

The System has a relatively stable customer base. Set forth below are water sales/customers by category, water losses, sewer sales/customers by category and the top ten system customers for Fiscal Year 2025.

Water Sales by Revenue

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Utility District</u>	<u>Fire Hydrants</u>	<u>Total</u>
2021	\$1,755,708	\$677,243	\$618,229	\$523,159	\$2,598	\$3,576,937
2022	\$1,847,846	\$703,247	\$676,328	\$570,890	\$3,652	\$3,801,963
2023	\$2,133,701	\$826,225	\$777,111	\$537,105	\$2,155	\$4,276,297
2024	\$2,378,666	\$875,373	\$743,960	\$679,077	\$1,941	\$4,679,017
2025	\$2,481,490	\$969,604	\$668,452	\$621,812	\$2,414.90	\$4,743,773

Source: System Officials.

Water Sales by Volume

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Utility District</u>	<u>Fire Hydrants</u>	<u>Total</u>
2021	2,772,801	1,365,796	1,280,846	2,325,153	Inc in Res/Com	7,744,596
2022	2,822,758	1,422,276	1,378,062	2,446,532	Inc in Res/Com	8,069,628
2023	2,984,504	1,514,598	1,442,155	2,125,997	Inc in Res/Com	8,067,254
2024	3,033,499	1,426,197	1,233,895	2,496,608	Inc in Res/Com	8,190,199
2025	3,019,726	1,410,874	1,231,365	2,286,074	Inc in Res/Com	7,948,039

Note: All amounts in hundred gallons.

Source: System Officials.

Water Customers by Category

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Utility District</u>	<u>Fire Hydrants</u>	<u>Total</u>
2021	6,658	770	69	5	11	7,510
2022	6824	761	57	6	14	7,662
2023	7,248	810	60	6	5	8,129
2024	6892	749	55	6	6	7,708
2025	7,319	792	59	6	5	8,182

Source: System Officials.

Water Loses

<u>Year</u>	<u>Water Supplied</u>	<u>Water Sold & Consumed</u>	<u>Water Exported</u>	<u>Water Lost</u>	<u>% Lost</u>
2021	9,690,900	5,419,443	2,325,153	1,946,304	20%
2022	10,236,880	5,623,096	2,226,532	2,387,252	23%
2023	10,799,720	5,941,257	2,125,997	2,732,466	25%
2024	11,435,190	5,693,591	2,496,608	3,244,991	28%
2025	11,304,600	5,661,965	2,286,074	3,356,561	29%

Note: All amounts in hundred gallons.

Source: System Officials.

System officials consider the relatively high water loss ratios to be primarily related to older and less effective meters. Additionally, some of the loss may have been attributable to leaks. The System is in the process of upgrading to an advanced metering system but the availability of newer meters has slowed the process. Officials expect unaccounted for water losses to decline as meters are upgraded.

Wastewater Sales by Revenue

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2021	\$1,072,960	\$712,222	\$817,221	\$2,602,403
2022	\$1,116,030	\$822,909	\$844,194	\$2,783,133
2023	\$1,314,955	\$915,731	\$960,269	3,190,955
2024	\$1,453,725	\$948,806	\$921,336	\$3,323,867
2025	\$1,514,553	\$1,042,102	\$952,536	\$3,509,191

Source: System Officials.

Wastewater Sales by Volume

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2021	1,773,504	1,220,926	1,384,093	4,378,523
2022	1,798,912	1,377,106	1,387,295	4,563,313
2023	1,930,468	1,434,598	1,386,428	4,751,494
2024	1,955,625	1,326,238	1,158,095	4,439,958
2025	1,935,300	1,397,755	1,124,084	4,457,139

Note: All amounts in hundred gallons.

Source: System Officials.

Wastewater Customers by Category

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2021	4,375	630	43	4,954
2022	4,491	631	43	5,165
2023	4,409	666	46	5,121
2024	4,525	615	41	5,181
2025	4,876	647	44	5,567

Source: System Officials.

[balance of page left blank]

TOP 10 WATER AND SEWER SYSTEM CUSTOMERS

2025 Top Water and Sewer Customers

<u>Customer Name</u>	<u>Type of Business</u>	<u>Annual Sewer Usage</u>	<u>Annual Water Usage</u>	<u>Annual Sales</u>	<u>% of Total Revenues</u>
Hillsville	Utility District	0	227,982,100	\$552,052	4.63%
Entec Engineered Resins	Manufacturing	27,880,800	27,880,800	272,511	2.29%
Batesville Casket Co	Manufacturing	19,257,000	19,257,000	203,488	1.71%
Coffee County Jain	County	7,532,000	7,532,000	199,009	1.67%
Ravago Manufacturing	Manufacturing	780,100	780,100	109,163	0.92%
Great Lakes Cheese	Manufacturing	12,864,100	12,864,100	133,491	1.12%
Kasai North America M-TEK	Manufacturing	4,521,900	4,521,900	115,322	0.97%
M-Tek	Manufacturing	5,134,600	5,134,600	79,965	0.67%
Entec	Manufacturing	5,127,000	5,127,000	81,593	0.68%
Ocean LLS	Hotel	7,348,400	7,348,400	78,296	0.66%
TOTAL		90,445,900	318,428,000	1,824,890	15.31%

Source: System Officials.

ENVIRONMENTAL REGULATION

The operations of the Municipality are subject to the Federal Clean Water Act, as amended (Tennessee Code Annotated, Section 69-3-100, et seq.), and regulations of the Tennessee Department of Health and Environment, Bureau of Environment, Division of Water Management, Division of Construction Grants and Loans, Environmental Protection Agency, Division of Water Pollution Control, Water Quality Control Act of 1977 and regulations of the Water Quality Control Board.

The water treatment plant monitors its processed water on a daily basis. The potable water is tested daily for chlorine residual, alkalinity, pH, hardness, free C02, iron, manganese and fluoride, as well as other required parameters to meet state and federal requirements. Also records are kept on how much water is processed and distributed to the water system daily.

CYBERSECURITY

The City utilizes various computer information systems, software, and networking technology to perform its vital day-to-day operations. Day to day operations include the storage and transmission of sensitive personal data, and as a result, the City could be a targeted entity for a cyberattack. In addition to cyberattacks, the City employees have access to personal customer data and could be exploited to gain access to the information. It is also possible for unintentional breaches to occur due to employee error. The City has no knowledge of, nor historical record of

any successful cybersecurity breach or attack. Cybersecurity attacks, whether anonymous or targeted, are not uncommon to organizations or agencies with similar characteristics. Therefore, the City must take the precautions necessary to safeguard its information systems.

WATER AND SEWER RATES

Below are rates that are effective as of January 1, 2026.

Water & Sewer Rates

	WATER RATES	SEWER RATES
Base rate (up to and including 2,000 gallons) minimum	\$14.99 minimum	\$18.84
For the next 98,000 gallons	\$7.50/1,000 gallons	\$9.45/1,000
Over the next 100,000 gallons	\$6.10/1,000 gallons	\$7.50/1,000
Unmetered residential customers		\$32.81

Note: Outside the corporate limits, industrial water and sewer rates will be one and one-half (1 1/2) times the inside rates, listed above. Outside residential and commercial rates will be two (2) times the inside rates, listed above.

DEBT RECORD

There is no record of a default of paying principal and interest on any debt from information available.

DEBT SERVICE COVERAGE

The Bond Resolution authorizing the Series 2026 Bonds included a Rate Covenant that requires the System to have annual Net Revenues that are sufficient to cover the Series 2026 debt service, and any parity debt service, by at least 1.20 times. Under Tennessee Law, payments in lieu of taxes made to local governments are subordinate to debt service. For the purposes of the Rate Covenant, such payments are not included as an operating expense.

[balance of page left blank]

CITY OF MANCHESTER, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS
Water and Sewer System

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	Unaudited (1) As of June 30, 2026 OUTSTANDING
\$ 8,870,000	(4) General Obligation Refunding Bonds, Series 2017	June 2038	Fixed	\$ 4,420,000
9,510,000	(2) General Obligation Refunding Bonds, Series 2021A	June 2037	Fixed	6,305,000
4,100,000	(3) General Obligation Refunding Bonds, Series 2021B (Duck River)	Aug 2030	Fixed	2,360,000
\$ 22,480,000	TOTAL BONDED DEBT			\$ 13,085,000
\$ 9,995,000	(2) Water and Sewer System Revenue and Tax Bonds, Series 2026 (Senior)	June 2056	Fixed	\$ 9,995,000
(7,240,000)	Less: Duck River's Water and Sewer Supported Debt (Excludes City's W&S Debt)			(5,280,000)
\$ 25,235,000	TOTAL BONDED DEBT			\$ 17,800,000
General Obligation Debt Supported by the Duck River Utility Commission as of June 30, 2026 (Unaudited)				
\$ 3,140,000	General Obligation Refunding Bonds, Series 2017 (Duck River Portion)	June 2038	Fixed	\$ 2,920,000
4,100,000	General Obligation Refunding Bonds, Series 2021B (Duck River)	Aug 2030	Fixed	2,360,000
\$ 7,240,000				\$ 5,280,000

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 ACFR.
- (2) Revenue Supported Debt - Water and Sewer System
- (3) Revenue Supported Debt - Duck River Utility Commission
- (4) \$1,500,000 of the Series 2017 Bonds are support by Water and Sewer Revenue and \$2,920,000 is supported by Duck River Utility Commission.

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

F. Y. Ended	Unaudited Existing Debt Water and Sewer As of June 30, 2026 (1)			Water and Sewer System Revenue and Tax Bonds, Series 2026 (Senior)			% 2026 Principal		Total Bonded Debt Service Requirements (1)			% All Principal	
	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Repaid	Principal	Principal	Interest	TOTAL	Repaid	Principal
6/30	\$ 1,300,000	\$ 153,013	\$ 1,453,013	\$ -	\$ 423,608	\$ 423,608	0.00%	\$	\$ 1,300,000	\$ 576,620	\$ 1,876,620	7.30%	
2027	1,275,000	127,013	1,402,013	-	424,788	424,788	0.00%		1,275,000	551,800	1,826,800	14.47%	
2029	700,000	99,613	799,613	195,000	424,788	619,788	1.95%		895,000	524,400	1,419,400	19.49%	
2030	700,000	85,613	785,613	200,000	416,500	616,500	3.95%		900,000	502,113	1,402,113	24.55%	
2031	695,000	71,613	766,613	210,000	408,000	618,000	6.05%		905,000	479,613	1,384,613	29.63%	
2032	665,000	57,713	722,713	220,000	399,075	619,075	8.25%		885,000	456,788	1,341,788	34.61%	
2033	660,000	49,400	709,400	230,000	389,725	619,725	10.56%		890,000	439,125	1,329,125	39.61%	
2034	460,000	36,200	496,200	235,000	379,950	614,950	12.91%		695,000	416,150	1,111,150	43.51%	
2035	460,000	27,000	487,000	245,000	369,963	614,963	15.36%		705,000	396,963	1,101,963	47.47%	
2036	445,000	17,800	462,800	260,000	359,550	619,550	17.96%		705,000	377,350	1,082,350	51.43%	
2037	445,000	8,900	453,900	270,000	348,500	618,500	20.66%		715,000	357,400	1,072,400	55.45%	
2038	-	-	-	280,000	337,025	617,025	23.46%		280,000	337,025	617,025	57.02%	
2039	-	-	-	290,000	325,125	615,125	26.36%		290,000	325,125	615,125	58.65%	
2040	-	-	-	305,000	312,800	617,800	29.41%		305,000	312,800	617,800	60.37%	
2041	-	-	-	315,000	299,838	614,838	32.57%		315,000	299,838	614,838	62.13%	
2042	-	-	-	330,000	286,450	616,450	35.87%		330,000	286,450	616,450	63.99%	
2043	-	-	-	345,000	272,425	617,425	39.32%		345,000	272,425	617,425	65.93%	
2044	-	-	-	360,000	257,763	617,763	42.92%		360,000	257,763	617,763	67.95%	
2045	-	-	-	375,000	242,463	617,463	46.67%		375,000	242,463	617,463	70.06%	
2046	-	-	-	390,000	226,525	616,525	50.58%		390,000	226,525	616,525	72.25%	
2047	-	-	-	405,000	209,950	614,950	54.63%		405,000	209,950	614,950	74.52%	
2048	-	-	-	425,000	192,738	617,738	58.88%		425,000	192,738	617,738	76.91%	
2049	-	-	-	445,000	174,675	619,675	63.33%		445,000	174,675	619,675	79.41%	
2050	-	-	-	460,000	155,763	615,763	67.93%		460,000	155,763	615,763	81.99%	
2051	-	-	-	480,000	136,213	616,213	72.74%		480,000	136,213	616,213	84.69%	
2052	-	-	-	500,000	115,813	615,813	77.74%		500,000	115,813	615,813	87.50%	
2053	-	-	-	525,000	94,563	619,563	82.99%		525,000	94,563	619,563	90.45%	
2054	-	-	-	545,000	72,250	617,250	88.44%		545,000	72,250	617,250	93.51%	
2055	-	-	-	570,000	49,088	619,088	94.15%		570,000	49,088	619,088	96.71%	
2056	-	-	-	585,000	24,863	609,863	100.00%		585,000	24,863	609,863	100.00%	
	<u>\$ 7,805,000</u>	<u>\$ 733,875</u>	<u>\$ 8,538,875</u>	<u>\$ 9,995,000</u>	<u>\$ 8,130,770</u>	<u>\$ 18,125,770</u>			<u>\$ 17,800,000</u>	<u>\$ 8,864,645</u>	<u>\$ 26,664,645</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 ACFR.

(2) Estimated Interest Rates. Estimated Average Coupon 4.25%

CITY OF MANCHESTER, TENNESSEE
Bonded Debt Service Requirements - Revenue and Tax Backed
Duck River Utility Commission

F.Y. Ended	Total Bonded Debt Service Requirements (1) and (2)			% Total Principal
6/30	Principal	Interest	TOTAL	Repaid
2027	\$ 480,000	\$ 120,163	\$ 600,163	9.09%
2028	490,000	110,463	600,463	18.37%
2029	500,000	100,500	600,500	27.84%
2030	505,000	92,600	597,600	37.41%
2031	510,000	87,025	597,025	47.06%
2032	395,000	83,850	478,850	54.55%
2033	400,000	72,000	472,000	62.12%
2034	400,000	60,000	460,000	69.70%
2035	400,000	48,000	448,000	77.27%
2036	400,000	36,000	436,000	84.85%
2037	400,000	24,000	424,000	92.42%
2038	400,000	12,000	412,000	100.00%
	\$ 5,280,000	\$ 846,600	\$ 6,126,600	

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 ACFR.

(2) 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 ACFR herein.

CITY OF MANCHESTER, TENNESSEE
SUMMARY OF OPERATIONS
Five Year Summary of Revenues, Expenses and
Changes In Net Position - Water and Sewer System
For the Fiscal Year Ended June 30

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>Operating Revenues:</u>					
Water and Sewer Revenues	\$ 6,059,592	\$ 6,279,500	\$ 6,518,375	\$ 8,011,126	\$ 8,362,682
Forfeited Discounts	114,731	102,098	99,056	117,180	130,875
Connection and Other Fees	286,126	278,668	316,320	331,101	426,954
Miscellaneous Water Revenues	63,531	56,942	77,503	81,430	-
Federal and State Grants	-	-	258,333	100,192	2,970,076
Other Operating Revenue	-	-	26,366	83,026	32,226
Total Revenues	<u>\$ 6,523,980</u>	<u>\$ 6,717,208</u>	<u>\$ 7,295,953</u>	<u>\$ 8,724,055</u>	<u>\$ 11,922,813</u>
<u>Operating Expenditures:</u>					
Transmission and Distribution	\$ 1,194,959	\$ 1,435,383	\$ 1,355,339	\$ 1,723,970	\$ 1,783,272
Customer Accounting and Collection	324,410	349,691	344,525	556,767	467,034
Sewer Treatment and Disposal	793,530	819,025	763,778	977,139	1,385,749
Shop and Maintenance	1,958,221	2,185,394	2,094,474	2,388,561	3,641,976
Depreciation	1,653,474	1,620,464	1,625,932	1,560,781	1,464,214
Total Expenditures	<u>\$ 5,924,594</u>	<u>\$ 6,409,957</u>	<u>\$ 6,184,048</u>	<u>\$ 7,207,218</u>	<u>\$ 8,742,245</u>
Operating Income (Loss)	\$ 599,386	\$ 307,251	\$ 1,111,905	\$ 1,516,837	\$ 3,180,568
<u>Non-Operating Revenues (Expenses):</u>					
Interest Income	\$ 13,481	\$ 12,551	\$ 38,649	\$ 175,525	\$ 226,817
Insurance Recovery and Other	79,147	(82,550)	41,207	-	-
Gain (Loss) on Sale of Property	-	-	67,589	-	8,866
Interest Expense	(557,823)	(207,140)	(203,164)	(205,905)	(176,105)
Income (Loss)	<u>\$ (465,195)</u>	<u>\$ (277,139)</u>	<u>\$ (55,719)</u>	<u>\$ (30,380)</u>	<u>\$ 59,578</u>
Change in Net Position	\$ 134,191	\$ 30,112	\$ 1,056,186	\$ 1,486,457	\$ 3,240,146
Capital Contribution	\$ 632,200	\$ -	\$ -	\$ -	\$ -
Net Position - Beginning of year	\$ 23,872,598	\$ 24,638,989	\$ 24,669,101	\$ 25,725,287	\$ 27,211,744
Prior Period Adjustment	-	-	-	-	(197,150)
Net Position - End of Year	<u><u>\$ 24,638,989</u></u>	<u><u>\$ 24,669,101</u></u>	<u><u>\$ 25,725,287</u></u>	<u><u>\$ 27,211,744</u></u>	<u><u>\$ 30,254,740</u></u>

CITY OF MANCHESTER, TENNESSEE
MANCHESTER WATER AND SEWER SYSTEM
HISTORICAL DEBT SERVICE COVERAGE - Water And Sewer Fund

	Debt Service Coverage				
	2021	2022	2023	2024	2025
Operating Income	\$ 599,386	\$ 307,251	\$ 1,111,905	\$ 1,516,837	\$ 3,180,568
Plus:					
Depreciation	1,653,474	1,620,464	1,625,932	1,560,781	1,464,214
Interest Income	13,481	12,551	38,649	175,525	226,817
Net Revenue Available for Debt Service	\$ 2,266,341	\$ 1,940,266	\$ 2,776,486	\$ 3,253,143	\$ 4,871,599
Debt Service on All Debt Payable from W&S Revenues	\$ 2,321,829	\$ 1,705,909	\$ 2,053,164	\$ 2,095,905	\$ 2,001,105
Debt Service Coverage	0.98 x	1.14 x	1.35 x	1.55 x	2.43 x
Maximum Debt Service on All Debt and Series 2026 Bonds Payable from W&S Revenues (2027)	\$ 1,876,620	\$ 1,876,620	\$ 1,876,620	\$ 1,876,620	\$ 1,876,620
Debt Service Coverage	1.21 x	1.03 x	1.48 x	1.73 x	2.60 x
Maximum Debt Service on the Series 2026 Bonds Payable from W&S Revenues (2029)	\$ 619,788	\$ 619,788	\$ 619,788	\$ 619,788	\$ 619,788
Debt Service Coverage	3.66 x	3.13 x	4.48 x	5.25 x	7.86 x

Source: Audited Annual Financial Report of the City

APPENDIX C

**SUPPLEMENTAL INFORMATION STATEMENT
CITY OF MANCHESTER, TENNESSEE**

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 County and Grundy County and to the west by Bedford County and Moore County. 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. 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.

Tullahoma was designated a Micropolitan Statistical Area (the “mSA”). 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 2020 Census, Coffee County has a population of 57,889 and Manchester has 12,212. The 2020 Census puts the City of Tullahoma’s population at 20,339.

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 Mayor is the chief executive officer of the City.

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 10 schools in its K-12 system. The *City of Manchester* has a school system made up of two elementary schools and one middle school. Students in the

Manchester school system attend Coffee County High School, run by Coffee County, starting in 9th grade. The *City of Tullahoma* has seven schools for a K-12 education system.

Source: Tennessee Department of Education.

There are five colleges within a 35-mile radius:

Middle Tennessee State University (the “MTSU”) 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 approximately 140 buildings on approximately 504 acre. MTSU offers Bachelor’s 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. 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.

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

The *University of Tennessee Space Institute* (the “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. 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 College of Applied Technology at Murfreesboro (the “TCAT-M”) is part of a statewide system of vocational-technical schools. The TCAT-M 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 TCAT-M serves the central region of the state including Rutherford, Wilson, Cannon, and Coffee Counties. The TCAT-M began operations in 1967, and the main campus is located in Rutherford County.

Source: Tennessee College of Applied Technology at Murfreesboro and TN Higher Education Commission.

MEDICAL

Vanderbilt Tullahoma-Harton Hospital. The Vanderbilt Tullahoma-Harton Hospital is presently a 135-licensed bed acute hospital located in Tullahoma in Coffee County. There are over 80 full-time physicians on staff specializing in over 25 specialties.

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. URMC was formerly known as the Coffee Medical Center, that was built in 1954.

Source: Manchester Times.

MANUFACTURING AND COMMERCE

Arnold Engineering Development Center (Arnold Air Force Base). Arnold Engineering Development Center (the “AEDC”) is located both in Coffee and Franklin Counties on a 41,300-acre site. The AEDC is the most advanced and largest complex of flight simulation test facilities in the world.

AEDC operates more than 90 aerodynamic and propulsion wind tunnels, rocket and turbine engine test cells, environmental chambers, arc heaters, ballistic ranges, sled tracks, centrifuges and other specialized units. The facilities are unmatched in the U.S. and some are completely unique in the world due to the decommissioning of older cells and the building of new hypersonic tunnels

The annual economic impact is over \$1.2 billion and over 6,850 direct and secondary jobs are supported by the center.

Source: Arnold Air Force Base.

Bonnaroo Music Festival. The County is also host to the Bonnaroo Music Festival. Bonnaroo it's estimated to provide over \$300 million economic impact.

Source: Manchester Area Chamber of Commerce.

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.

Little Leaf Farms. Little Leaf Farms is establishing its first Tennessee greenhouse in 2025 in Coffee County. Little Leaf Farms will create approximately 318 new jobs over five years and invest

nearly \$75 million at the Manchester Industrial Park. The company's operations will have the capacity to produce and distribute packaged leafy greens throughout the Midwest and Southeast U.S. Additionally, the project benefits from Tennessee's AgTrack Cost Share Fund, an incentive program to promote and encourage agricultural development in Tennessee. Little Leaf Farms is recognized as the country's No. 1 brand of packaged lettuce sustainably grown through controlled environment agriculture. The company developed its first greenhouse in Massachusetts in 2015 and has since grown to include facilities in Pennsylvania (which is the largest indoor leafy greens campus in North America) and Tennessee.

Industrial Parks. There are four industrial parks in the County, and all are certified by the Select Tennessee Certified Sites Program: Coffee County Joint Industrial Park with 49 acres in Tullahoma, owned by the County; Manchester Industrial Park with 274 acres, owned by the Industrial Board of Coffee County; Middle Tennessee I-24 Megasite with 1,855 acres is available for development; and Tullahoma Airport Business Park with 102 acres, owned by the County.

Select Tennessee Certified Sites Program (the "STCSP"). The Manchester Industrial Park (274 acres), the Coffee County Joint Industrial Park (49 acres), the Tullahoma Airport Business Park (102 acres), and the Middle Tennessee I-24 Megasite (1,855 acres) have all been certified with the STCSP. The STCSP has helped communities prepare industrial sites for private investment and job creation since 2012. The certification process ensures that each certified site meets high quality standards and are primed for development. Certified sites must have documented environmental conditions and geotechnical analysis, existing onsite utilities or a formal plan to extend utilities to the site, and truck-quality road access. The program's goal is to give companies detailed and reliable information during the site selection process and markets the sites to a targeted group of site selection consultants and business leaders in Tennessee's key industry clusters.

Source: Tennessee Department of Economic and Community Development.

Tennessee Downtowns. The Cities of Manchester and Tullahoma have historically significant downtowns that have been improved through the Tennessee Downtowns program. Tennessee Downtowns is an affiliated program of Tennessee Main Street designed to help rural communities to revitalize their downtown areas. The Tennessee Downtowns program helps local communities revitalize traditional commercial districts, enhance community livability, spur job creation and maintain the historic character of downtown districts. The two-year program coaches selected communities and their steering committees through the steps of launching effective renewal efforts. Tennessee Downtowns includes community training in the Main Street America program and a grant for a downtown improvement project. The Tennessee Department of Economic and Community Development (the "TNECD") provides the Tennessee Downtowns program to communities that want to pursue the Main Street America approach to downtown revitalization.

The selected communities all have downtown commercial districts established at least 50 years ago and have demonstrated their readiness to organize efforts for downtown revitalization according to Main Street America principles. The highly competitive selection process was based on historic commercial resources, economic and physical need, demonstrated local effort, overall presentation and probability of success. Grants are awarded to organizations that illustrated the need for improvements and the ability to execute an effective design plan for building facades, wayfinding signage, gateways and streetscapes. As part of the program, each new grant recipient will be required to match 25-percent of the funding received.

Tennessee Downtown communities that complete the program are eligible for additional Downtown Improvement Grants as well as Main Street designation.

Source: Tennessee Department of Economic and Community Development.

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>
Arnold Engineering D Complex	Engineering Development & Testing	1,500
Coffee County School District	Education	800
Ascend Federal Credit Union	Banking	629
Kasai N.A.	Interior Auto Trim	610
Tullahoma City Schools	Education	558
VIAM Manufacturing	Auto Floor Mats	500
Great Lake Cheese	Cheeses	500
Vanderbilt-Harton Medical	Hospital	450
Batesville Casket Company	Steel Caskets	380
City of Tullahoma	Government	350
TE Connectivity	Electric Connectors	350
Coffee County	Government	335
Amentum	Design & Build	330
Wal-Mart Stores	Retail	300
Manchester City Schools	Education	300
Kirchhoff Van-Rob Manchester	Metal stampings	275
fischer, USA	Steel Tubing	260
Ravago Mfg.	Compounding	220
Cubic Transportation	Auto Revenue Collection Devices	190
DOT Foods	Warehousing	175
JSP International	Engineered Plastic Foam	175
Wisco Envelope Co.	Commercial envelopes	170
Schmiede Corp.	Precision Machinery	170

Source: Middle Tennessee Industrial Development Association (2026), and the 2025 ACFR for City of Tullahoma, Tennessee.

[balance of page left blank]

ECONOMIC DATA

Per Capita Personal Income

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
National	\$59,151	\$64,692	\$66,298	\$70,002	\$73,204
Tennessee	\$51,977	\$57,715	\$59,107	\$63,479	\$66,504
Coffee County	\$43,377	\$46,881	\$47,715	\$50,742	\$53,153
Index vs. National	73	72	72	72	73
Index vs. State	83	81	81	80	80

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>Manchester</u>	<u>Tullahoma</u>
Median Value Owner Occupied Housing	\$332,700	\$286,700	\$246,800	\$237,400	\$251,900
% High School Graduates or Higher	89.6%	90.0%	88.3%	87.2%	90.5%
% Persons with Income Below Poverty Level	10.6%	13.5%	15.5%	14.9%	18.0%
Median Household Income	\$80,734	\$69,595	\$61,505	\$57,500	\$60,979

Source: U.S. Census Bureau State & County QuickFacts - 2024.

TOURISM AND 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.

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 museum, many campsites, hiking trails and fishing along the Duck River.

Source: Tennessee State Parks.

Tennessee Whiskey Trail. The Tennessee Whiskey Trail was launched in 2017 and is more than 800 miles to distilleries throughout the state, including the Jack Daniel Distillery in Middle Tennessee. Tennessee has been a leader in spirits distillation throughout the nation's history, including the time before, during and after Prohibition. Tullahoma has the George Dickel Cascade Hollow Distillery on the Trail that was started in 1878 to produce whisky in the Scottish tradition.

More than 8 million visitors crisscrossed the state to experience the distilleries on the Trail. Since Tennessee state law changed in 2009 to allow more distilleries, more than 50 distilleries and craft producers in Tennessee are now on the Tennessee Whiskey Trail. The distilleries on the Trail house millions of barrels of whiskey valued at billions of dollars and accounting for nearly 100 percent of all distilled spirits produced in Tennessee.

CITY OF MANCHESTER, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	(1) Unaudited As of June 30, 2026 OUTSTANDING
\$ 17,115,000	General Obligation Refunding Bonds, Series 2020A	June 2038	Fixed	\$ 12,185,000
2,245,000	General Obligation Bonds, Series 2020B	June 2044	Fixed	1,800,000
610,502	(5) Energy Efficient School Initiative - EESI Loan	2033	Fixed	342,701
8,870,000	(4) General Obligation Refunding Bonds, Series 2017	June 2038	Fixed	4,420,000
9,510,000	(2) General Obligation Refunding Bonds, Series 2021A	June 2037	Fixed	6,305,000
4,100,000	(3) General Obligation Refunding Bonds, Series 2021B (Duck River)	Aug 2030	Fixed	2,360,000
\$ 42,450,502	TOTAL BONDED DEBT			\$ 27,412,701
\$ 9,995,000	(2) Water and Sewer System Revenue and Tax Bonds, Series 2026 (Senior)	June 2056	Fixed	\$ 9,995,000
(15,240,000)	Less: City's Water and Sewer Supported Debt (Excludes Duck River)			(17,800,000)
(7,240,000)	Less: Duck River's Water and Sewer Supported Debt (Excludes City's W&S Debt)			(5,280,000)
\$ 29,965,502	TOTAL BONDED DEBT			\$ 14,327,701
General Obligation Debt Supported by the Duck River Utility Commission as of June 30, 2025				
\$ 3,140,000	General Obligation Refunding Bonds, Series 2017 (Duck River Portion)	June 2038	Fixed	2,920,000
4,100,000	General Obligation Refunding Bonds, Series 2021B (Duck River)	Aug 2030	Fixed	2,360,000
\$ 7,240,000				\$ 5,280,000

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 ACFR.
- (2) Revenue Supported Debt - Water and Sewer System
- (3) Revenue Supported Debt - Duck River Utility Commission
- (4) \$1,500,000 of the Series 2017 Bonds are support by Water and Sewer Revenue and \$2,920,000 is supported by Duck River Utility Commission.
- (5) The EESI Loan is supported by the General Purpose School Fund from energy savings.

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 ACFR and the table should be read in conjunction with those statements. Property tax information is derived the City.

	Fiscal Year Ending June 30			Unaudited <u>2026</u>	After Issuance <u>2026</u>
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	
INDEBTEDNESS					
TAX SUPPORTED					
General Obligation Bonds & EESI Loan	\$18,240,565	\$17,302,709	\$16,334,613	\$15,341,277	\$14,327,701
TOTAL TAX SUPPORTED	18,240,565	17,302,709	16,334,613	15,341,277	14,327,701
SELF SUPPORTING DEBT					
Water & Sewer / Duck River	20,415,000	18,565,000	16,675,000	14,850,000	23,080,000
TOTAL REVENUE SUPPORTED	20,415,000	18,565,000	16,675,000	14,850,000	23,080,000
TOTAL DEBT	\$38,655,565	\$35,867,709	\$33,009,613	\$30,191,277	\$37,407,701
Less: Revenue Supported Debt	(20,415,000)	(18,565,000)	(16,675,000)	(14,850,000)	(23,080,000)
Less: Debt Service Fund	(2,889,756)	(3,046,004)	(1,811,345)	(1,580,554)	(1,580,554)
NET DIRECT DEBT	15,350,809.00	14,256,705.00	14,523,268.00	13,760,723.00	12,747,147.00
PROPERTY TAX BASE					
Estimated Actual Value	\$ 964,553,323	\$ 1,094,034,164	\$ 1,150,946,235	\$ 1,544,314,206	\$ 1,622,757,984
Appraised Value	824,693,091	1,094,034,164	1,150,946,235	1,168,119,265	1,227,616,415
Assessed Value	255,785,860	334,355,492	351,259,963	357,656,833	375,228,626

DEBT RATIOS	Fiscal Year Ending June 30				Unaudited		After
	2022	2023	2024	2025	2026	2026	Issuance
TOTAL DEBT to Estimated Actual Value	4.01%	3.28%	2.87%	1.95%	1.69%	2.31%	
TOTAL DEBT to Appraised Value	4.69%	3.28%	2.87%	2.58%	2.23%	3.05%	
TOTAL DEBT to Assessed Value	15.11%	10.73%	9.40%	8.44%	7.31%	9.97%	
NET DIRECT DEBT to Estimated Actual Val	1.59%	1.30%	1.26%	0.89%	0.79%	0.79%	
NET DIRECT DEBT to Appraised Value	1.86%	1.30%	1.26%	1.18%	1.04%	1.04%	
NET DIRECT DEBT to Assessed Value	6.00%	4.26%	4.13%	3.85%	3.40%	3.40%	
PER CAPITA RATIOS							
POPULATION (1)	13,020	13,020	13,020	13,020	13,020	13,020	
PER CAPITA PERSONAL INCOME	\$47,715	\$50,742	\$53,153	\$53,153	\$53,153	\$53,153	
Estimated Actual Value to POPULATION	74,082	84,027	88,398	118,611	124,636	124,636	
Assessed Value to POPULATION	19,646	25,680	26,978	27,470	28,819	28,819	
Total Debt to POPULATION	2,969	2,755	2,535	2,319	2,105	2,873	
Net Direct Debt to POPULATION	1,179	1,095	1,115	1,057	979	979	
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	6.22%	5.43%	4.77%	4.36%	3.96%	5.41%	
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.47%	2.16%	2.10%	1.99%	1.84%	1.84%	

(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	Total Bonded Debt Service Requirements (1)			% All Principal
	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>	<u>Repaid</u>
<u>6/30</u>				
2027	\$ 1,033,816	\$ 397,534	\$ 1,431,350	7.22%
2028	1,059,068	367,732	1,426,800	14.61%
2029	1,084,308	337,192	1,421,500	22.18%
2030	1,109,560	307,890	1,417,450	29.92%
2031	1,104,800	277,850	1,382,650	37.63%
2032	1,125,052	247,748	1,372,800	45.48%
2033	1,146,097	217,032	1,363,129	53.48%
2034	1,145,000	185,750	1,330,750	61.47%
2035	1,185,000	153,200	1,338,200	69.74%
2036	1,200,000	119,450	1,319,450	78.12%
2037	1,260,000	85,250	1,345,250	86.91%
2038	1,275,000	49,250	1,324,250	95.81%
2039	100,000	12,000	112,000	96.51%
2040	100,000	10,000	110,000	97.21%
2041	100,000	8,000	108,000	97.91%
2042	100,000	6,000	106,000	98.60%
2043	100,000	4,000	104,000	99.30%
2044	100,000	2,000	102,000	100.00%
	<u>\$ 14,327,701</u>	<u>\$ 2,787,878</u>	<u>\$ 17,115,579</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 ACFR.

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

F. Y. Ended	Existing Debt Water and Sewer As of June 30, 2026 (1)			Water and Sewer System Revenue and Tax Bonds, Series 2026			% 2026 Principal		Total Bonded Debt Service Requirements (1)			% All Principal	
	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Repaid	Principal	Principal	Interest	TOTAL	Repaid	Principal
6/30													
2027	\$ 1,300,000	\$ 153,013	\$ 1,453,013	\$ -	\$ 423,608	\$ 423,608	0.00%	\$	\$ 1,300,000	\$ 576,620	\$ 1,876,620	7.30%	
2028	1,275,000	127,013	1,402,013	-	424,788	424,788	0.00%		1,275,000	551,800	1,826,800	14.47%	
2029	700,000	99,613	799,613	195,000	424,788	619,788	1.95%		895,000	524,400	1,419,400	19.49%	
2030	700,000	85,613	785,613	200,000	416,500	616,500	3.95%		900,000	502,113	1,402,113	24.55%	
2031	695,000	71,613	766,613	210,000	408,000	618,000	6.05%		905,000	479,613	1,384,613	29.63%	
2032	665,000	57,713	722,713	220,000	399,075	619,075	8.25%		885,000	456,788	1,341,788	34.61%	
2033	660,000	49,400	709,400	230,000	389,725	619,725	10.56%		890,000	439,125	1,329,125	39.61%	
2034	460,000	36,200	496,200	235,000	379,950	614,950	12.91%		695,000	416,150	1,111,150	43.51%	
2035	460,000	27,000	487,000	245,000	369,963	614,963	15.36%		705,000	396,963	1,101,963	47.47%	
2036	445,000	17,800	462,800	260,000	359,550	619,550	17.96%		705,000	377,350	1,082,350	51.43%	
2037	445,000	8,900	453,900	270,000	348,500	618,500	20.66%		715,000	357,400	1,072,400	55.45%	
2038	-	-	-	280,000	337,025	617,025	23.46%		280,000	337,025	617,025	57.02%	
2039	-	-	-	290,000	325,125	615,125	26.36%		290,000	325,125	615,125	58.65%	
2040	-	-	-	305,000	312,800	617,800	29.41%		305,000	312,800	617,800	60.37%	
2041	-	-	-	315,000	299,838	614,838	32.57%		315,000	299,838	614,838	62.13%	
2042	-	-	-	330,000	286,450	616,450	35.87%		330,000	286,450	616,450	63.99%	
2043	-	-	-	345,000	272,425	617,425	39.32%		345,000	272,425	617,425	65.93%	
2044	-	-	-	360,000	257,763	617,763	42.92%		360,000	257,763	617,763	67.95%	
2045	-	-	-	375,000	242,463	617,463	46.67%		375,000	242,463	617,463	70.06%	
2046	-	-	-	390,000	226,525	616,525	50.58%		390,000	226,525	616,525	72.25%	
2047	-	-	-	405,000	209,950	614,950	54.63%		405,000	209,950	614,950	74.52%	
2048	-	-	-	425,000	192,738	617,738	58.88%		425,000	192,738	617,738	76.91%	
2049	-	-	-	445,000	174,675	619,675	63.33%		445,000	174,675	619,675	79.41%	
2050	-	-	-	460,000	155,763	615,763	67.93%		460,000	155,763	615,763	81.99%	
2051	-	-	-	480,000	136,213	616,213	72.74%		480,000	136,213	616,213	84.69%	
2052	-	-	-	500,000	115,813	615,813	77.74%		500,000	115,813	615,813	87.50%	
2053	-	-	-	525,000	94,563	619,563	82.99%		525,000	94,563	619,563	90.45%	
2054	-	-	-	545,000	72,250	617,250	88.44%		545,000	72,250	617,250	93.51%	
2055	-	-	-	570,000	49,088	619,088	94.15%		570,000	49,088	619,088	96.71%	
2056	-	-	-	585,000	24,863	609,863	100.00%		585,000	24,863	609,863	100.00%	
	<u>\$ 7,805,000</u>	<u>\$ 733,875</u>	<u>\$ 8,538,875</u>	<u>\$ 9,995,000</u>	<u>\$ 8,130,770</u>	<u>\$ 18,125,770</u>			<u>\$ 17,800,000</u>	<u>\$ 8,864,645</u>	<u>\$ 26,664,645</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 ACFR.

(2) Estimated Interest Rates. Estimated Average Coupon 4.25%

CITY OF MANCHESTER, TENNESSEE
Bonded Debt Service Requirements - Revenue and Tax Backed
Duck River Utility Commission

F.Y. Ended	Total Bonded Debt			% Total Principal
	Service Requirements (1) and (2)			
<u>6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>	<u>Repaid</u>
2027	\$ 480,000	\$ 120,163	\$ 600,163	9.09%
2028	490,000	110,463	600,463	18.37%
2029	500,000	100,500	600,500	27.84%
2030	505,000	92,600	597,600	37.41%
2031	510,000	87,025	597,025	47.06%
2032	395,000	83,850	478,850	54.55%
2033	400,000	72,000	472,000	62.12%
2034	400,000	60,000	460,000	69.70%
2035	400,000	48,000	448,000	77.27%
2036	400,000	36,000	436,000	84.85%
2037	400,000	24,000	424,000	92.42%
2038	400,000	12,000	412,000	100.00%
	\$ 5,280,000	\$ 846,600	\$ 6,126,600	

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 ACFR.

(2) 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 ACFR 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.

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>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<i>Governmental Funds:</i>					
General	\$11,026,747	\$10,899,884	\$12,538,154	\$15,678,474	\$17,390,185
School Fund	6,550,500	7,186,695	8,902,892	8,958,193	10,278,840
Debt Service Fund	2,767,359	2,889,756	3,046,004	1,811,345	1,580,554
Other Governmental	<u>2,943,603</u>	<u>4,379,524</u>	<u>6,393,259</u>	<u>5,486,373</u>	<u>4,489,788</u>
Total	<u>\$23,283,209</u>	<u>\$25,355,859</u>	<u>\$30,880,309</u>	<u>\$31,934,385</u>	<u>\$33,739,367</u>
<i>Proprietary Net Assets:</i>					
Water & Sewer Fund	\$24,638,989	\$24,669,101	\$25,725,287	\$27,211,744	\$30,254,740,

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

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>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenues:					
Taxes	\$ 11,857,142	\$ 13,050,697	\$ 13,695,440	\$ 14,713,607	\$ 14,352,266
Licenses, Permits, Fines	217,046	217,945	358,605	321,462	270,691
Charges for Services	35,579	68,430	42,264	66,978	53,435
Fines and Fees	200,012	153,189	160,973	143,062	177,521
Other Local Revenue	45,880	30,473	52,925	61,134	-
Intergovernmental Rev.	1,847,821	2,182,348	2,635,336	2,613,611	3,085,207
Federal and State Grants	545,583	384,877	289,521	715,754	424,848
Investment Earnings	14	89	101	67,018	461,239
Miscellaneous	20,720	22,665	182,187	30,577	188,568
Total Revenues	<u>\$ 14,769,797</u>	<u>\$ 16,110,713</u>	<u>\$ 17,417,352</u>	<u>\$ 18,733,203</u>	<u>\$ 19,013,775</u>
Expenditures:					
General government	\$ 4,246,283	\$ 3,423,637	\$ 1,910,460	\$ 1,993,317	\$ 2,575,311
Public Safety	4,751,650	5,164,275	5,520,493	5,636,835	6,905,858
Public Works/Highways	1,855,227	2,057,178	1,479,462	1,767,409	2,098,610
Health, Welfare and Recreation	-	-	-	-	345,487
Contributions	277,790	425,533	559,454	482,421	-
Capital Outlay	-	-	646,821	772,584	463,233
Total Expenditures	<u>\$ 11,130,950</u>	<u>\$ 11,070,623</u>	<u>\$ 10,116,690</u>	<u>\$ 10,652,566</u>	<u>\$ 12,388,499</u>
Excess of Revenues Over (Under) Expenditures	\$ 3,638,847	\$ 5,040,090	\$ 7,300,662	\$ 8,080,637	\$ 6,625,276
Other Financing Sources (Uses):					
Capital Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Transactions - Net	2,283,444	-	-	-	-
Sale of Capital Assets	-	-	472,150	417,450	24,187
Grants and Contracts	-	-	-	-	-
Insurance Recoveries	31,255	1,900	16,521	22,700	28,690
Transfers In	-	-	-	-	-
Transfers Out	(3,177,021)	(5,168,852)	(6,151,063)	(5,380,467)	(4,830,092)
Total	<u>\$ (862,322)</u>	<u>\$ (5,166,952)</u>	<u>\$ (5,662,392)</u>	<u>\$ (4,940,317)</u>	<u>\$ (4,777,215)</u>
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ 2,776,525	\$ (126,862)	\$ 1,638,270	\$ 3,140,320	\$ 1,848,061
Fund Balance July 1	8,250,222	11,026,747	10,899,885	12,538,154	15,678,474
Adjustments	-	-	(1)	-	(136,350)
Fund Balance June 30	<u><u>\$ 11,026,747</u></u>	<u><u>\$ 10,899,885</u></u>	<u><u>\$ 12,538,154</u></u>	<u><u>\$ 15,678,474</u></u>	<u><u>\$ 17,390,185</u></u>

Source: Annual Comprehensive 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.

[balance of page left blank]

Assessed Valuations. According to the Tax Aggregate Report, property in the City reflected a ratio of appraised value to true market value of 0.7564. The following table shows pertinent data for tax year 2025¹.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Actual Value</u>
Public Utilities	\$ 5,360,800	55%	\$ 12,282,296
Commercial and Industrial	158,956,040	40%	525,370,265
Personal Tangible Property	23,432,885	30%	93,678,136
Residential and Farm	<u>187,478,900</u>	25%	<u>991,427,287</u>
TOTAL	<u>\$375,228,626</u>		<u>\$1,622,757,984</u>

Source: 2025 State of Tennessee Tax Aggregate Report and the City.

¹ The tax year coincides with the calendar year, therefore tax year 2025 is actually fiscal year 2025-2026.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2026 (tax year 2025) is \$375,228,626 compared to \$357,656,833 for the fiscal year ending June 30, 2025 (tax year 2024). The estimated actual value for tax year 2024 is \$1,622,757,984 compared to \$1,544,314,206 for tax year 2023.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2021 through 2025 as well as the aggregate uncollected balances as of June 30, 2025.

PROPERTY TAX RATE AND COLLECTIONS							
Tax Year²	Assessed Valuation	Tax Rates	Taxes Levied	Fiscal Year Collections		Aggregate Uncollected Balance as of June 30, 2025	
				Amount	Pct	Amount	Pct
2021	\$255,785,860	\$1.9316	\$4,779,817	\$4,724,488	98.8%	55,329	1.2%
2022	334,355,492	1.5221	4,987,997	4,808,429	96.4%	179,568	3.6%
2023	351,259,963	1.5221	5,346,527	5,143,359	96.2%	203,168	3.8%
2024	357,656,833	1.5221	5,443,895	5,323,326	97.8%	120,569	2.2%
2025*	374,432,500	1.5521	5,699,237	IN PROCESS			

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

² The tax year coincides with the calendar year, therefore tax year 2025 is actually fiscal year 2025-2026.

- - Estimated

[balance of page left blank]

Ten Largest Taxpayers. For the fiscal year ending June 30, 2026 (tax year 2025), 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.	Great Lakes Cheese	Cheese Mfg.	\$6,312,330	\$96,080
2.	Batesville Manufacturing	Casket Mfg.	5,408,397	82,321
3.	Wal Mart Real Estate	Retail	5,158,956	78,524
4.	Parker, Joel	Land Developer	4,366,227	69,201
5.	Duck River Electric	Utility	3,696,169	56,259
6.	Hale, Adrian Etux Cynthia	Rentals	3,277,967	52,975
7.	Harney Homes	Builder	2,556,600	38,914
8.	Howard, Allan & Marilyn	Land Developer	2,507,675	38,168
9.	Old South Properties	Builder	2,407,350	36,642
10.	Kingwood II LP	Apartments	2,387,080	36,333
	TOTAL		<u>\$38,078,751</u>	<u>\$585,417</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 34-37 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. For more details on this please refer to General Purpose Financial Statements of the City.

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 employee's liability. Commercial insurance is carried for employee's bonds and certain property destruction and employee health, accident and environmental claims.

[balance of page left blank]

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE WATER AND SEWER RESOLUTION

SUMMARY OF RESOLUTION

The following information is a brief summary of certain provisions of the Resolution, as defined in the Official Statement, a copy of which is available at the office of the Municipality. This summary is not to be considered a complete statement of the Resolution, and, accordingly, is qualified by reference thereto and is subject to the full text thereof.

Definitions of Certain Terms

The following are definitions of certain terms used in the Resolution and in this Official Statement.

“Acquired System” shall mean any water and/or sewer systems acquired by the Municipality and/or any such facilities hereafter constructed or otherwise established by the Municipality pursuant to the Act.

“Act” shall mean, collectively, Sections 7-34-101 et seq., and Sections 9-21-101, et seq., Tennessee Code Annotated.

“Balloon Indebtedness” shall mean any bonds, notes or other indebtedness, other than Short-Term Indebtedness, 25% or more of the initial principal amount of which matures (or must be redeemed at the option of the holder) during any twelve month period, if such 25% or more is not to be amortized to below 25% by mandatory redemption prior to the beginning of such twelve month period.

“Bond Fund” shall mean the Principal and Interest Sinking Fund established pursuant to Section 6.1(b) of the Resolution.

“Bonds” means the Series 2026 Bonds and any Parity Bonds.

“Capital Appreciation Bonds” shall mean bonds which bear interest at a stated interest rate of 0.0% per annum, have a value on any applicable date equal to the Compound Accreted Value thereof on that date, and are payable only at maturity or earlier redemption.

“Code” means the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated or proposed thereunder.

“Compound Accreted Value” shall mean the value at any applicable date of any Capital Appreciation Bonds computed as the original principal amount thereof for each maturity date plus an amount equal to interest on said principal amount (computed on the basis of a 360-day year of twelve 30-day months) compounded semiannually on such dates as shall be established by the resolution authorizing Capital Appreciation Bonds, from the dated date to said applicable date at an interest rate which will produce at maturity the Maturity Amount for such maturity date.

“Construction Fund” means the Series 2026 Construction Fund established pursuant to Article XI of the Resolution.

“Consulting Engineer” means (i) an engineering firm or individual engineer employed by the Municipality with substantial experience in advising water and sewer systems as to the construction and maintenance of such systems and in the projection of costs of expansion of such systems or (ii) an engineer or engineers who are employees of the Municipality whose reports or projections are certified by a Municipal Advisor.

“Credit Facility” means any municipal bond insurance policy, letter of credit, surety bond, line of credit, guarantee, or other agreement under which any person other than the Municipality provides additional security for any Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of any Bond and shall include any Reserve Fund Credit Facility.

“Debt Service Requirement” means the total principal, Maturity Amounts and interest coming due, whether at maturity or upon mandatory redemption (less any amount of interest that is capitalized and payable with the proceeds of debt on deposit with the Municipality or any paying agent for the Bonds or other obligations of the Municipality payable from all or some portion of Gross Earnings), for any period of 12 consecutive calendar months for which such a determination is made, provided:

(a) The Debt Service Requirement with respect to Variable Rate Indebtedness shall be determined as if the variable rate in effect at all times during future periods equaled either (i) the average of the actual variable rate which was in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (ii) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date, as certified by a Municipal Advisor.

(b) For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness and Short-Term Indebtedness, (i) the actual principal and interest on such Balloon Indebtedness and Short Term Indebtedness shall be included in the Debt Service Requirement, subject to the other assumptions contained herein, or (ii) such Balloon Indebtedness and Short Term Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years from the date of issuance at an assumed interest rate (which shall be the interest rate certified by a Municipal Advisor to be the interest rate at which the Municipality could reasonably expect to borrow the same amount by issuing bonds with the same priority of lien as such Balloon Indebtedness and Short Term Indebtedness and with a 20-year term); provided, however, that if the maturity of such Balloon Indebtedness is in excess of 20 years from the date of issuance, then such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Indebtedness to maturity and at the interest rate applicable to such Balloon Indebtedness; provided further that this paragraph shall not be applicable for purposes of determining the Debt Service Requirement for purposes of Section 7.4 of the Resolution unless the Municipality has a written commitment from a bank, underwriting firm or other financial institution to refinance at least 90% of the principal amount of such Balloon Indebtedness or Short-Term Indebtedness coming due in the relevant Fiscal Year.

“Defeasance Obligations” shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, which obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

“Financial Guaranty Agreement” shall mean any Financial Guaranty Agreement authorized in the Resolution to be executed in connection with a Reserve Fund Credit Facility.

“Fiscal Year” means the twelve-month period commencing July 1st of each year and ending June 30th of the following year.

“Governing Body” means the Board of Mayor and Aldermen of the Municipality.

“Gross Earnings” means all revenues, rentals, earnings and income of the System from whatever source, determined in accordance with generally accepted accounting principles; proceeds from the sale of

System property; proceeds of System-related insurance and condemnation awards and compensation for damages, to the extent not applied to the payment of the cost of repairs, replacements and improvements; and all amounts realized from the investment of funds of the System, including money in any accounts and funds created by the Resolution, and resolutions authorizing any Parity Bonds or subordinate lien bonds (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the System); provided, however, at the election of the Governing Body, the term “Gross Earnings” shall not include any revenues, rentals, earnings or other income received from the operation of an Acquired System, and any bonds or other obligations issued in connection with such Acquired System shall not be payable from or secured by Net Revenues or be deemed to be Parity Bonds.

“Loan Agreement” shall mean any agreement or contract entered into by the Municipality whereby a third party agrees to advance funds to the Municipality and the Municipality agrees to repay those funds with interest from all or a portion of Gross Earnings.

“Maturity Amount” shall mean the Compound Accreted Value on the stated maturity date of a Capital Appreciation Bond.

“Maximum Annual Debt Service Requirement” means the maximum annual Debt Service Requirement for any Fiscal Year.

“Municipal Advisor” means an investment banking or financial/municipal advisory firm, commercial bank, or any other person who or which is retained by the Municipality for the purpose of passing on questions relating to the availability and terms of specified types of debt obligations or the financial condition or operation of the System and is actively engaged in and, in the good faith opinion of the Municipality, has a favorable reputation for skill and experience in providing Municipal Advisory services of the type with respect to which the Municipal Advisor has been retained.

“Municipality” means the City of Manchester, Tennessee.

“Net Revenues” means (i) Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets and further excluding non-cash or non-recurring items, including but not limited to, contributions in aid of construction, less (ii) Operating Expenses.

“Operating Expenses” means and shall include but not be limited to, expenses for ordinary repairs, removals and replacements of the System, salaries and wages, employees' health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents, administrative and general expenses (including legal, engineering, accounting and financial advisory fees and expenses and costs of other consulting or technical services not funded with proceeds of bonds, notes or other debt obligations), insurance expenses, taxes, payments in-lieu-of-taxes and other governmental charges, and any payments made by the Municipality during any Fiscal Year to purchase water or sewer supplies, production and/or treatment services. Operating Expenses do not include depreciation or obsolescence charges or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, on bonds, notes or other debt obligations of the System payable from Net Revenues of the System, costs or charges made therefor, capital additions, replacements, betterments, extensions or improvements to or retirement from the System which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System, nor such property items, including taxes and fuels, which are capitalized pursuant to the then existing accounting practices of the

Municipality or expenses of an Acquired System if revenues of the Acquired System are not included in Gross Earnings at the election of the Municipality.

“Original Purchaser” means the original purchaser of the Series 2026 Bonds at competitive sale pursuant to the terms of the Resolution.

“Other Bonds” means the City’s Series 2017 and Series 2021A General Obligation Refunding Bonds, and any other bonds secured by unlimited ad valorem taxes levied on all property within the Municipality that are additionally payable from, but not secured by, revenues derived by the Municipality’s System.

“Parity Bonds” means bonds, notes, Loan Agreements, and other debt obligations, including Balloon Indebtedness, Short-Term Indebtedness and Variable Rate Indebtedness, issued or entered into by the Municipality on a parity with the Series 2026 Bonds authorized in accordance with the restrictive provisions of Article IX of the Resolution, including any bonds or other obligations secured by a pledge of and/or lien on an Acquired System and the revenues derived from the operation of such Acquired System (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such System), so long as the Acquired System is not being operated separately from the System as is permitted or the revenues from such Acquired System are not excluded from Gross Earnings.

“Project” means improvements and extensions to the System, and the payment of legal, fiscal and administrative costs in connection therewith.

“Rate Covenant Requirement” means an amount of Net Revenues which is equal to the sum of: (a) 120% of the Debt Service Requirement for the forthcoming Fiscal Year on the Bonds plus (b) 100% of (i) the amounts, if any, required by the Resolution or any subsequent resolution to be deposited by the Issuer into the Reserve Fund during the forthcoming Fiscal Year, (ii) debt service payable on, or reserve fund funding requirements for, any subordinate lien indebtedness, and (iii) any required payments in lieu of taxes to the Municipality or other governmental entities.

“Rating” means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

“Rating Agencies” or “Rating Agency” means Moody's and S&P, or any successors thereto and any other nationally recognized credit rating agency.

“Registration Agent” means the registration and paying agent appointed by the Mayor of the Municipality, or any successor designated by the Municipality.

“Reserve Fund” shall mean any Debt Service Reserve Fund established pursuant to Section 6.1(d) of the Resolution.

“Reserve Fund Credit Facility” means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement provided by a Reserve Fund Credit Facility which provides for payment of amounts equal to all or any portion of the Reserve Fund Requirement in the event of an insufficiency of moneys in the Bond Fund to pay when due principal of and interest on all or a portion of the Bonds.

“Reserve Fund Credit Facility Issuer” means the issuer of a Reserve Fund Credit Facility that is, at the time such Reserve Fund Credit Facility is procured by the issuer, assigned a financial strength rating of at least “AA-” by S&P or “Aa3” by Moody’s.

“Reserve Fund Requirement” means an amount determined from time to time by the Municipality as a reasonable reserve, if any, for the payment of principal of and interest on a series of Bonds, which shall be set forth in the supplemental resolution authorizing such Bonds.

“Revenue Fund” shall have the meaning ascribed in Section 6.1 of the Resolution.

“Series 2026 Bonds” means the Water and Sewer System Revenue and Tax Bonds authorized to be issued by the Resolution.

“Short-Term Indebtedness” means bonds, notes, Loan Agreements or other debt obligations, including Variable Rate Indebtedness, maturing five years or less from their date of issuance, issued by the Municipality as Parity Bonds in accordance with the Resolution.

“State” means the State of Tennessee.

“System” means the water and sewer system of the City and any water and/or sewer system hereafter acquired, constructed or otherwise established, including all improvements and extensions made by the Municipality while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Governing Body, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Governing Body, not become a part of the System but be operated as a separate and independent system by the Municipality with the continuing right, upon the election of the Governing Body, to incorporate such separately Acquired System within the System.

“Variable Rate Indebtedness” means any Bonds, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by resolution authorizing such Bonds; provided that if the interest rate shall have been fixed for the remainder of the term thereof, it shall no longer be Variable Rate Indebtedness.

Source of Payment and Security

The Bonds shall be payable from and secured by a pledge of the Net Revenues and, in the event of a deficiency in such revenues, from unlimited ad valorem taxes to be levied on all taxable property within the Municipality. The punctual payment of principal of and premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery. The Net Revenues are irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due. The Bonds do not constitute a debt of the State of Tennessee.

Application of Revenues

Application of Revenues. From and after the delivery of the Series 2026 Bonds, and as long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds, the Gross Earnings of the System shall be deposited to the Revenue Fund (the “Revenue Fund”). The funds so deposited in the Revenue Fund created under the Resolution shall be used only as described in (a), (b), and (c) below:

(a) Operating Expenses. The money in the Revenue Fund shall be used first from month to month for the payment of Operating Expenses.

(b) Bond Fund. The money thereafter remaining in the Revenue Fund shall next be used to make deposits into a separate and special fund, to be known as the “Principal and Interest Sinking Fund” (the “Bond Fund”) to be kept separate and apart from all other funds of the Municipality and used to pay principal of and interest on the Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Bonds are paid in full or discharged and satisfied pursuant to Article XII of the Resolution, beginning in the month next following delivery of the Series 2026 Bonds.

For the period commencing with the month next following the delivery of any Bonds, to and including the month of the next interest payment date for such Bonds, each monthly deposit as to interest shall be an amount that, together with all other monthly deposits of approximately equal amounts during such period and amounts otherwise in said Fund, will be equal to interest due on such Bonds on the next interest payment date, and for each six month period thereafter, each monthly deposit as to interest for such Bonds shall be an equal to not less than one-sixth (1/6th) of the interest coming due on such Bonds on the next interest payment date net of any interest earnings on such amounts.

For the period commencing with the month next following the delivery of any Bonds to and including the month of the next principal payment for such Bonds, each monthly deposit as to principal shall be an amount that, together with all other monthly deposits during such period and amounts otherwise in said Fund, will be equal to the principal due on such Bonds on the next principal payment date (provided that, in the event that the next principal payment date is more than 12 months following the month next following delivery of such Bonds, monthly deposits to the Bond Fund in respect of principal shall begin in the month which is 12 months prior to the month of the next principal payment date), and for each twelve-month period thereafter, each monthly deposit as to principal for such Bonds shall be an amount equal to not less than one-twelfth (1/12th) of the principal amount or Maturity Amount, as the case may be, coming due on such Bonds, whether by maturity or mandatory redemption, on the next principal payment date net of any interest earnings on such amounts.

No further deposit shall be required as to any Bonds when the Bond Fund balance is equal to or greater than the amount needed to pay interest on the next interest payment date, the total of the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period. Notwithstanding the foregoing, deposits for payment of interest and principal on Variable Rate Indebtedness shall be made as such payments become due or as is otherwise agreed upon with the holder of the Series 2026 Bond, and if interest is not paid semi-annually and/or principal is not paid annually with respect to any Bonds, the deposits may be adjusted by the Municipality as provided in the resolution authorizing the issuance of such Bonds. Money in the Bond Fund shall be used and is expressly pledged for the purpose of paying principal of and interest on the Bonds.

(c) Repayment of Reserve Fund Credit Facility Issuers. The next available money in the Revenue Fund shall be paid to any Reserve Fund Credit Facility Issuer or Issuers (pro rata, if more than one) to the extent needed to reimburse the Reserve Fund Credit Facility Issuer for amounts advanced by the Reserve Fund Credit Facility Issuer or Issuers under the Reserve Fund Credit Facility, including any amounts payable under any Financial Guaranty Agreement, together with reasonable related expenses incurred by the Reserve Fund Credit Facility Issuer and interest as provided in the Financial Guaranty Agreement.

(d) Reserve Fund. To the extent any series of the Bonds has a Reserve Fund Requirement and such Reserve Fund Requirement is not fully satisfied by a Reserve Fund Credit Facility

or Facilities or funds of the Municipality, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into the applicable subaccount of the Reserve Fund. No deposit shall be required to be made to the Reserve Fund unless the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, becomes less than the applicable Reserve Fund Requirement. In the event deposits to the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as hereafter provided and each deposit shall be in a minimum amount equal to 1/24th of the difference between the Reserve Fund Requirement and the amount in each subaccount of said Fund, together with the Reserve Fund Credit Facility or Facilities, if any, immediately following the occurrence of such deficiency, so that any deficiency in any subaccount of said Fund shall be replenished over a period of not greater than twenty four (24) consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments. Any deposits required to be made hereunder shall be made monthly at the same time as deposits are made to the Bond Fund, commencing the first month in which the amount in the Fund, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the Reserve Fund Requirement. All deposits to the Reserve Fund shall be made from the first money in the Revenue Fund thereafter received which shall not then be required to pay Current Expenses, be transferred into the Bond Fund, or to be paid to the Reserve Fund Credit Facility Issuer or Issuers as above provided. Money in the Reserve Fund shall be used solely for the purpose of paying principal of or interest on the Bonds for the payment of which funds are not available in the Bond Fund. Funds in excess of the Reserve Fund Requirement may be released to be used by the Municipality for legally permissible purposes.

At the option of the Municipality, the Municipality may satisfy the Reserve Fund Requirement applicable to a series of Bonds, or a portion thereof, by providing for the benefit of owners of such series of Bonds a Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable to such series of Bonds and release an equal amount of funds on deposit in the corresponding subaccount of the Reserve Fund to be used by the Municipality for legally permissible purposes. At any time during the term hereof, the Municipality shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor. In the event of the issuance of Parity Bonds pursuant to the restrictive provisions of Article IX of the Resolution with a Reserve Fund Requirement or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, the Municipality shall satisfy the applicable Reserve Fund Requirement by depositing funds to the Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the applicable Reserve Fund Requirement for the series of Bonds taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the Municipality, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, the Municipality, from Revenues after payment of Current Expenses and required deposits to the Bond Fund, shall reimburse the Reserve Fund Credit Facility Issuer for all amounts advanced under the Reserve Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund as provided in the Resolution.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of Article XII hereof, the terms, covenants, liability and liens provided or created herein or in any resolution supplemental hereto shall remain in full force and effect and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the Municipality shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under this resolution other than remedies that would adversely affect owners of Bonds.

It shall be the responsibility of the Registration Agent to maintain adequate records, verified with the Reserve Fund Credit Facility Issuer or Issuers, as to the amount available to be drawn at any given time under the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility Issuer or Issuers under the terms of any Financial Guaranty Agreement and to provide notice to the Reserve Fund Credit Facility Issuer at least two days before any payment is due. The Reserve Fund Credit Facility Issuer shall receive notice of the resignation or removal of the Registration Agent and the appointment of a successor thereto.

Notwithstanding anything to the contrary, the Reserve Fund Requirement for the Series 2026 Bonds shall be \$0, and the Municipality may issue Parity Bonds without a Reserve Fund Requirement, as shall be specified in the bond resolution authorizing such Parity Bonds.

(e) Surplus Funds. The next available money in the Revenue Fund shall be used (i) to make payments in lieu of taxes to the Municipality and other governmental jurisdictions, (ii) for the purpose of the payment of principal of and interest on (including reasonable reserves therefor) any bonds or other obligations payable from revenues of the System, including the Other Bonds and any debt with a subordinate lien on the Net Revenues to the Bonds, and (iii) for any legally permissible purpose, as the Governing Body shall determine.

6.2 Investments and Maintenance of Funds. Money on deposit in the Funds described in this Section may be invested by the Municipality in such investments as shall be permitted by applicable law, as determined by an authorized representative of the Municipality, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created; provided, however, that in no event shall moneys in the Reserve Fund be invested in instruments that mature or are subject to repurchase more than two years from the date the money is so invested. The Municipality is authorized to enter into contracts with third parties for the investment of funds in any of the Funds described herein.

The Revenue Fund, the Bond Fund, and the Reserve Fund (except to the extent funded with a Reserve Fund Credit Facility or Facilities) shall be held and maintained by the Municipality and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

Covenants Regarding the Operation of System

Charges for Services Supplied by the System. While the Bonds remain outstanding and unpaid, the Municipality covenants and agrees that it will permit no free service to be furnished to any consumer or user whatsoever; that the charges for all services supplied through the medium of the System to all consumers and users shall be reasonable and just, taking into account and consideration the cost and value

of the System and the cost of maintaining, operating, repairing and insuring the System, a proper and necessary allowance for the depreciation thereof, and the amounts necessary for the payment of principal of and interest on all obligations payable from revenues of the System; and that there shall be charged against all users of the services of the System such rates and amounts as shall be fully adequate to comply with the covenants of this resolution.

The Municipality covenants that the System will be operated on a fully metered basis and that it will bill customers of the System on a monthly basis and will establish and maintain policies and procedures for discontinuing service to customers with delinquent bills.

Insurance. The Municipality shall maintain insurance on the properties of the System of a kind and in an amount which would normally be carried by private companies engaged in a similar type and size of business, provided, the Municipality shall not be required to insure beyond the limits of immunity provided by Sections 29-20-101 et seq., Tennessee Code Annotated, or other applicable law. The proceeds of any such insurance, except public liability insurance, shall be used to replace the part or parts of the System damaged or destroyed, or, if not so used, shall be placed in the Revenue Fund.

Books and Accounts; Audits. The Municipality will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited in accordance with GAAP at the end of each Fiscal Year by a recognized independent certified public accountant or a firm of such accountant or accountants and, upon written request, will make available to any registered owner of the Bonds the balance sheet and the profit and loss statement of the Municipality as certified by such accountant or accountants.

All expenses incurred in the making of the audits required by this Section shall be regarded and paid as Operating Expenses. The Municipality further agrees to cause copies of such audits to be furnished to the registered owner of any of the Bonds, at the written request thereof, within one year after the close of each Fiscal Year. The registered owner of any of the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of the Municipality relating thereto. If the Municipality fails to provide the audits and reports required by this Section, the registered owner or owners of twenty-five percent (25%) in principal amount of the Bonds may cause such audits and reports to be prepared at the expense of the Municipality.

Rate Covenant. The Municipality shall establish, fix, prescribe and collect rates, charges and fees for the sale or use of System services furnished by the Municipality which, together with other income, are reasonably expected to yield Net Revenues which are at least equal to the Rate Covenant Requirement for the forthcoming Fiscal Year. The Municipality agrees that should the annual financial statement made in accordance with the provisions of Section 7.3 of the Resolution disclose that during the period covered by such financial statement the Net Revenues were not at least equal to the Rate Covenant Requirement, the Municipality shall revise the schedule of rates, charges and fees insofar as is practicable and further revise Operating Expenses so as to produce the necessary Net Revenues as herein required. The Municipality shall revise the schedules of rates, charges and fees as provided in the preceding sentence within 120 days after the filing of the financial statements pursuant to Section 7.3.

Sale or Disposal of System. The Municipality will not sell, lease, mortgage, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof; provided, however, the use of any of the System facilities may at any time be permanently abandoned or otherwise disposed of or any of the System facilities sold at fair market value, provided that:

(a) The Municipality is in full compliance with all covenants and undertakings in connection with all bonds, notes and other obligations then outstanding and payable from the revenues of the System and any required reserve funds for such bonds, notes and other obligations have been fully established and contributions thereto are current;

(b) Any sale proceeds will be applied either (A) to redemption of Bonds in accordance with the provisions governing repayment of Bonds in advance of maturity, or (B) to the purchase of Bonds at the market price thereof so long as such price does not exceed the amount at which the Bonds could be redeemed on such date or the next optional redemption date as set forth herein or in the resolutions authorizing the Parity Bonds, or (C) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (D) the deposit to a replacement fund to be used to make capital improvements to the System;

(c) (i) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System or (ii) the operation of the System or revenue producing capacity of the System is not materially impaired by such abandonment, sale or disposition or any facilities acquired in replacement thereof are of equivalent or greater value; and

(d) If the facilities are being sold or disposed to an entity that is not a state or local government and the facilities were financed with the proceeds of Bonds the interest on which is excludable from gross income for federal income tax purposes, the Municipality shall have received an opinion of nationally recognized bond counsel to the effect that such sale, lease, mortgage or other disposition will not jeopardize the exclusion from federal income taxation of interest on any Bonds then outstanding intended to be excludable from gross income for federal income tax purposes.

Nothing in the Resolution is intended to prohibit the lease purchase of equipment or facilities of the System hereafter to be put in service or to prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the Municipality is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

Notwithstanding anything elsewhere provided in the Resolution, and without being subject to any of the foregoing restrictions, the Municipality shall have the right to sell, lease, transfer, or otherwise dispose of the System, as a whole or substantially as a whole, to any municipal corporation, county, political subdivision, governmental corporation, or governmental agency (each of which shall be included within the term "Transferee" as herein used), provided the Transferee thus acquiring the System from the Municipality will assume the performance of and be bound by all of the obligations of the Municipality to the holders of the Bonds under the covenants and provisions of the Resolution.

Budgets. Prior to the beginning of each Fiscal Year, the Governing Body shall prepare, or cause to be prepared, and adopted an annual budget of estimated revenues, Operating Expenses, and capital expenditures for the System for the ensuing Fiscal Year in compliance with the rate covenant requirement set forth in Section 7.4 of the Resolution, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any registered owner of a Bond upon written request.

Franchises. The Municipality will not construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently or hereafter served by the Municipality by any other public or private entity and will take all steps necessary and proper, including

appropriate legal action to prevent any such entity from providing such service; provided, nothing herein contained shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the Municipality is in full compliance with the covenants set forth in the Resolution immediately following such transfer or exchange.

Control of System. That for the purpose of assuring the efficient, impartial and nonpolitical operation of said system for the benefit of the Municipality and the Bondholders of the Bonds from time to time outstanding, the complete and independent control and operation of the system shall be vested in the Governing Body, subject, however, to the obligation and duty on the part of said Governing Body to carry out and perform faithfully all of the covenants and agreements contained in this resolution. Notwithstanding anything herein to the contrary, all obligations of the Municipality with respect to the Bonds and the System shall be exercised and fulfilled by the Municipality. Nothing described above is intended to limit the ability of the Municipality to dispose of the System in the manner described in the Resolution.

Remedies of Bond Owners

Any registered owner of any of the Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction enforce and compel performance of all duties imposed upon the Municipality by the provisions of this resolution, including the making and collecting of sufficient rates, the proper application of and accounting for revenues of the System, and the performance of all duties imposed by the terms hereof.

If any default be made in the payment of principal of, premium, if any, or interest on the Bonds, then upon the filing of suit by any registered owner of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of the Municipality with power to charge and collect rates sufficient to provide for the payment of all bonds and obligations outstanding against the System and for the payment of Operating Expenses, and to apply the income and revenues thereof in conformity with the provisions of this resolution.

Prohibition of Prior Lien; Parity Bonds

Prohibition of Prior Liens. The Municipality will not issue other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Bonds.

Parity Bonds. Additional bonds, notes, Loan Agreements or obligations may hereafter be issued on a parity with the Bonds under the following conditions but not otherwise:

(a) Any portion (including any maturities or portions thereof whether or not in chronological order and any amounts subject to mandatory redemption) or all of a series of the Bonds may be refunded at maturity, upon redemption in accordance with their terms, or upon payment, prepayment or redemption with the consent of the owners of such bonds, and the refunding bonds so issued shall constitute Parity Bonds secured on a parity with the Bonds thereafter outstanding, if all of the following conditions are satisfied:

(i) The Municipality shall have obtained a report from a Municipal Advisor demonstrating that the refunding is expected to reduce the total debt service payments on the Bonds, including payments on related Credit Facilities; and

(ii) the requirements of subsections (b)(ii) and (iv) below are met with respect to such refunding.

(b) Parity Bonds (including refunding Parity Bonds which do not meet the requirements of (a)) may also be issued on a parity with outstanding Bonds, and the Parity Bonds so issued shall be secured on a parity with such outstanding Bonds, if all of the following conditions are satisfied:

(i) There shall have been procured and filed with the Municipality a report by a Municipal Advisor to the effect that the historical Net Revenues for either (A) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Parity Bonds or (B) the most recent audited Fiscal Year, were equal to at least 120% of the Maximum Annual Debt Service Requirement on all Bonds which will be outstanding immediately after the issuance of the proposed Parity Bonds, in the then current and each succeeding Fiscal Year, provided, however, (C) the report may contain pro forma adjustments to historical related Net Revenues equal to the increased annual amount of Net Revenues attributable to improvements to the System that had been placed in service prior to the delivery of the proposed Parity Bonds and that are not fully reflected in the historical related Net Revenues actually received during such historical period used, (D) the report may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Parity Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used; (E) if the Municipality has a contract to purchase or otherwise acquire an Acquired System that will become part of the System, the historical Net Revenues may be adjusted to include the anticipated Net Revenues from the Acquired System; and (F) if the Municipality has entered into a contract to furnish services of the System that is not fully reflected in the historical Net Revenues of the System, such historical Net Revenues may be adjusted to include the anticipated Net Revenues from such contract.

(ii) The Municipality shall have received, at or before issuance of the Parity Bonds, a report from a Municipal Advisor to the effect that (A) the payments required to be made into the Bond Fund have been made and the balance in the Bond Fund is not less than the balance required as of the date of issuance of the proposed Parity Bonds; and (B) the Reserve Fund is funded to the Reserve Fund Requirement and will be funded to the Reserve Fund Requirement immediately following the issuance of the proposed Parity Bonds.

(iii) The resolution authorizing the proposed Parity Bonds must require the proceeds of such proposed Parity Bonds to be used to make capital improvements to or capital acquisitions for the System, to fund interest on the proposed Parity Bonds, to refund other obligations issued for such purposes (whether or not such refunding Parity Bonds satisfy the requirements of (a)), for any other legal purpose under applicable law as evidenced by an opinion of Bond Counsel, and/or to pay expenses incidental thereto and to the issuance of the proposed Parity Bonds.

(iv) The Mayor of the Municipality shall have certified, by written certificate dated as of the date of issuance of the Parity Bonds, that the Municipality is in compliance with all requirements of this resolution.

(c) Upon the determination of the Municipality to combine an Acquired System into the System, all outstanding Bonds and any bonds, notes and other obligations of the Acquired System outstanding upon such combination may, at the election of the Governing Body, be payable from Net Revenues of the combined System on a parity and equality of lien with each other, provided that there shall be filed with the Municipality:

(i) a report by a Municipal Advisor to the effect that the Net Revenues of such combined System for a period of 12 consecutive months of the most recent 18 consecutive months prior to such combination were equal to at least 120% of the Maximum Annual Debt Service Requirement on all Bonds and any bonds, notes and other obligations of the Acquired System which will be outstanding immediately after the combination, provided, however, (A) the report may contain pro forma adjustments to historical related Net Revenues equal to the increased annual amount of Net Revenues attributable to improvements to the System that had been placed in service prior to the combination and that are not fully reflected in the historical related Net Revenues actually received during such historical period used, (B) the report may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of the combination and not fully reflected in the historical related Net Revenues actually received during such historical period used; and (C) if the Municipality has entered into a contract to furnish services of the System that is not fully reflected in the historical Net Revenues of the System, such historical Net Revenues may be adjusted to include the anticipated Net Revenues from such contract.

(ii) A certificate of the Mayor of the Municipality, as of the date of the combination, that the Municipality is in compliance with all requirements of this resolution.

Applicability of Resolution to Parity Bonds. All the provisions and covenants of this resolution relating to negotiability and registration of Bonds, creation and investment of funds and the application of revenues, the operation of the System and charges for services of the System, the remedies of owners of the Bonds, the issuance of additional bonds, modification of the Resolution, the defeasance of Bonds, and such other provisions hereof as are appropriate may be incorporated by reference into supplemental resolutions authorizing additional bonds, and said provisions, when so incorporated, shall be equally applicable to the additional bonds issued pursuant to the terms of the Resolution in all respects and with like force and effect as though said provisions were recited in full in said supplemental resolutions and shall continue to be applicable so long as any such bonds remain outstanding.

Discharge and Satisfaction of Bonds

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

(a) 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;

(b) 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, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and 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 of such notice); or

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the Municipality shall also pay or cause to be paid all other sums payable hereunder by the Municipality 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 and redemption premiums, if any, 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 Municipality to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the Municipality 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 deposited as aforesaid.

Except as otherwise provided in this Section, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section 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 Municipality 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 Municipality, as received by the Registration Agent.

Modification of Resolution

Amendment Without Bondholder Consent. The Resolution may be amended without the consent of or notice to the registered owners of the Bonds for the purpose of curing any ambiguity or formal defect or omission in the Resolution; provided such amendment shall not adversely affect the registered owners, without taking into account any bond insurance policy.

Other Amendments. In addition to the amendments to the Resolution without the consent of registered owners as referred to in the Resolution, the registered owners of a majority in aggregate principal amount of the Bonds at any time outstanding (not including in any case any Bonds which may then be held or owned by or for the account of the Municipality but including such refunding bonds as may have been issued for the purpose of refunding any of such Bonds if such refunding bonds shall not then be owned by the Municipality) shall have the right from time to time to consent to and approve the adoption by the Governing Body of a resolution or resolutions modifying any of the terms or provisions contained in the Resolution; provided, however, that the Resolution may not be so modified or amended in such manner, without the consent of 100% of the registered owners of the Bonds, as to:

- (a) Make any change in the maturities or redemption dates of the Bonds;
- (b) Make any change in the rates of interest borne by the Bonds;
- (c) Reduce the amount of the principal payments or redemption premiums payable on the Bonds;
- (d) Modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payments;
- (e) Affect the rights of the registered owners of less than all of the Bonds then outstanding; or

(f) Reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

Procedure for Modification. Whenever the Municipality shall propose to amend or modify the Resolution under the provisions of the Resolution, it shall cause notice of the proposed amendment to be mailed by first-class mail, postage prepaid, to the owner of each Bond then outstanding. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file in the office of the Municipality for public inspection.

Whenever at any time within one year from the date of mailing of said notice there shall be filed with the Secretary an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Bonds then outstanding as in this Section defined, which instrument or instruments shall refer to the proposed amendatory resolution described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the Municipality may adopt such amendatory resolution and such resolution shall become effective and binding upon the owners of all Bonds.

If the registered owners of at least a majority in aggregate principal amount of the Bonds outstanding as in this section defined, at the time of the adoption of such amendatory resolution, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as herein provided, no registered owner of any Bonds, whether or not such owner shall have consented to or shall have revoked any consent as in this Section provided, shall have any right or interest to object to the adoption of such amendatory resolution or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the Municipality from taking any action pursuant to the provisions thereof.

Any consent given by the registered owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice above provided for and shall be conclusive and binding upon all future registered owners of the same Bond during such period. Such consent may be revoked at any time after six months from the date of publication of such notice by the registered owner who gave such consent or by a successor in title by filing notice of such revocation at the Municipality office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Bonds outstanding as in this Section defined shall have, prior to the attempted revocation, consented to and approved the amendatory resolution referred to in such revocation.

APPENDIX E

**FINANCIAL STATEMENTS
OF
CITY OF MANCHESTER, TENNESSEE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2025**



CITY OF MANCHESTER, TENNESSEE

ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDING JUNE 30, 2025

Matlock Clements

Certified Public Accountants

INTRODUCTORY SECTION

City of Manchester, TN
Annual Financial Report
For the Year Ended June 30, 2025

Contents

Introductory Section

Table of Contents	2
Directory of Officials	4

Financial Section

Independent Auditor's Report	7
Management's Discussion and Analysis	10
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements	
Balance Sheet, Governmental Funds	21
Reconciliation of Balance Sheet to Statement of Net Position of Governmental Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balance, Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance, Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget (GAAP Basis) and Actual - General Fund	25
Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget (GAAP Basis) and Actual - General Purpose School Fund	28
Statement of Net Position, Proprietary Funds	30
Statement of Revenues, Expenditures, and Changes in Net Position, Proprietary Funds	31
Statement of Cash Flows, Proprietary Funds	32
Notes to Financial Statements	33
Required Supplementary Information (Unaudited)	
Schedules of Changes in Proportionate Share of Collective OPEB Liability and Related Ratios (TGOP)	75
Schedules of Changes in Proportionate Share of Collective OPEB Liability and Related Ratios (TNP)	76
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS (General Gov)	77
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS (General Gov)	78
Schedule of Proportionate Share of the Net Pension Liability (Asset) Teacher Retirement Plan of TCRS	79
Schedule of Contributions Teacher Retirement Plan of TCRS	80

City of Manchester, TN
Annual Financial Report
For the Year Ended June 30, 2025

Contents

Schedule of Proportionate Share of the Net Pension Liability (Asset)	
Teacher Legacy Pension Plan of TCRS	81
Schedule of Contributions Teachers Legacy Pension Plan TCRS	82
Combining and Individual Fund Financial Statements and Schedules	
Combining Balance Sheet, Nonmajor Governmental Funds	84
Combining Statement of Revenues, Expenditures, and Changes in	
Fund Balances, Nonmajor Governmental Funds	85
Schedule of Revenues, Expenditures, and Changes in Fund Balance,	
Budget (GAAP Basis) and Actual, Governmental Funds	
Recreation	86
Tourism	87
School Federal Projects	88
Central Cafeteria	89
Sanitation	90
Drug	91
Capital Replacement	92
Debt Service	93
Financial Schedules	
Schedule of Utility Rate Structure and Number of Customers	95
Schedule of Principal and Interest Requirements:	
Governmental Activities	96
Business-type Activities	97
Schedule of Changes in Long-term Debt by individual issue	98
Schedule of Changes in Assessed Property Tax Values, Property Tax	
Rates and Changes in Property Tax Receivable	99
Schedule of Lease Obligations, Principal and Interest Requirements by Fiscal Year	100
Schedule of Changes in Lease Obligations	101
Single Audit Section	
Schedule of Expenditures of Federal and State Awards	103
Notes to the Schedule of Expenditures of Federal and State Awards	104
Independent Auditor's Report on Internal Control Over Financial Reporting and	
on Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance With <i>Government Auditing Standards</i>	106
Independent Auditor's Report on Compliance for Each Major Federal Program	
and on Internal Control Over Compliance Required by the Uniform Guidance	108
Schedule of Findings and Questioned Costs	110
Summary Schedule of Prior Year Findings	112
Management's Corrective Action Plan	113

**SCHEDULE OF ELECTED AND APPOINTED OFFICIALS
CITY OF MANCHESTER, TENNESSEE
JUNE 30, 2025**

ELECTED OFFICIALS

Board of Mayor and Aldermen

Joey Hobbs, Mayor	Mark Messick, Vice Mayor
Donnie Parsley, Alderman	Ryan French, Alderman
Thomas Crosslin, Alderman	James Threet, Alderman

Julie Anderson, Alderman

Manchester City School Board

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

APPOINTED OFFICIALS

Anthony Burrows, Finance Director

Bill Sipe, Chief of Police

George Chambers, Fire Chief

Jeff Perry, Director of Water and Sewer

AJ Fox, Director of Parks & Recreation

George Gannon, Director of Public Works

Brittany Fiske, Director of Building and Codes

Joey Vaughn, Director of Schools

FINANCIAL SECTION

THIS PAGE IS INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Manchester, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manchester, Tennessee as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Manchester, Tennessee's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manchester, Tennessee as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit, The Public Building Authority of the City of Manchester, whose financial statements reflect total assets of \$93,883 and total revenues of \$1,335,447. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Public Building Authority of the City of Manchester are based solely on the report of the other auditors.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Manchester, Tennessee and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

Eric Clements, CPA, CFE • Andy Matlock, C

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Manchester, Tennessee's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Manchester, Tennessee's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension data, and post-employment benefit data on pages 9 through 15 and 73 through 81 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manchester, Tennessee's basic financial statements. The accompanying combining and individual fund financial statements and schedules and financial schedules as listed in the supplemental section of the table of contents, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the schedule of state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 by us and other auditors.

In our opinion based on our audit and the report of the other auditors, the combining and individual fund financial statements and schedules and financial schedules as listed in the supplemental section of the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2026, on our consideration of the City of Manchester, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Manchester, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Manchester, Tennessee's internal control over financial reporting and compliance.



Matlock Clements, P.C.
Murfreesboro, Tennessee
May 29, 2026

CITY OF MANCHESTER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

As management of the City of Manchester, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. 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 \$89,938,478. Of this amount, \$39,413,890 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City is working on several large construction projects of which portions are funded by grants awarded to the City rather than securing debt.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33,739,367.

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 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,

CITY OF MANCHESTER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

public works, public safety, and public welfare, recreation and schools. The business-type activities of the City includes water and sewer services.

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

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

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

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for all funds.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund, General Purpose School Fund, Debt Service Fund and Special Revenue Funds to demonstrate compliance with the appropriation.

Proprietary Funds – The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented in the business-type activities in the governmental-wide financial statements. The City uses an enterprise fund to account for its Water and Sewer operations.

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

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.

CITY OF MANCHESTER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

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

Financial Analysis of the Financial Statements

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Manchester, Tennessee, assets exceeded liabilities by \$89,938,478 at the close of this fiscal year, compared to \$81,839,815 in the prior year.

The largest portion of the City's net position (47%), 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.

An additional portion of the City of Manchester, Tennessee's net position (9%) represents the resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Manchester, Tennessee is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its' business-type activities. The component unit of the City reported an ending net position of \$121,186.

Significant Budget Variations (General Fund)

Significant variances between the budget and actual results of the General fund included a shortfall in revenue projects of local taxes, primarily local option sales tax due to the cancellation of Bonnaroo. The largest variances are within General Government Buildings, the Police Department, and Public Works – all of which are results of budgeted but unspent capital outlay funding.

Significant Budget Variations (School)

Significant variances between the budget and actual results of the General Purpose School fund included a shortfall of \$2,566,492 in intergovernmental revenues, which is due to the cancellation of Bonnaroo.

Currently Known Facts, Decisions, or Conditions

Anticipated differences in the next fiscal year are: increases in revenues of the water sewer fund due to an increase in rates, increases in general fund revenues due to increased growth in the area.

**CITY OF MANCHESTER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

City of Manchester, Tennessee Net Position

	Governmental Activities		Business-Type Activities	
	2025	2024	2025	2024
Current assets	\$44,496,716	\$ 42,503,011	\$12,900,511	\$ 14,481,417
Capital assets, net	41,457,040	39,651,050	33,142,431	33,965,157
Total Assets	85,953,756	82,154,061	46,042,942	48,446,574
Deferred outflows	4,726,635	5,420,253	983,285	354,831
Total Deferred Outflows	4,726,635	5,420,253	983,285	354,831
Current and other liabilities	2,651,285	3,821,856	2,739,850	6,157,621
Long-term liabilities	21,115,116	22,427,861	13,880,583	15,365,163
Total Liabilities	23,766,401	26,249,717	16,620,433	21,522,784
Deferred inflows of resources	7,230,252	6,696,525	151,054	66,877
Deferred Inflows of Resources	7,230,252	6,696,525	151,054	66,877
Net Investment in Capital Assets	24,746,603	21,063,476	17,948,559	16,665,439
Restricted	7,829,426	7,790,489	-	-
Unrestricted	27,107,709	25,774,106	12,306,181	10,546,305
Total Net Position	\$59,683,738	\$ 54,628,071	\$30,254,740	\$ 27,211,744

Changes in net position. Governmental activities increased the City's net position by \$4,316,192. Business-type activities net position increased by \$3,240,146.

CITY OF MANCHESTER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

City of Manchester, Tennessee Changes in Net Position

	Governmental Activities		Business-Type Activities	
	2025	2024	2025	2024
Charges for services	\$ 3,160,764	\$ 2,876,470	8,920,511	8,459,407
Operating grants and contributions	16,245,890	16,022,694	-	-
Capital grants and contributions	65,406	56,190	2,970,076	100,192
General Revenues				
Taxes	24,820,677	23,881,761	-	-
Other revenues	701,858	1,240,600	41,092	164,456
Investment earnings	511,804	228,810	226,817	175,525
Miscellaneous				
Total Revenues	<u>45,506,399</u>	<u>44,306,525</u>	<u>12,158,496</u>	<u>8,899,580</u>
Expenses				
General government	3,383,026	2,208,509	-	-
Public safety	7,026,577	6,632,864	-	-
Public Works	3,910,127	3,638,642	-	-
Health, Welfare, & Recreation	3,227,750	3,427,418	-	-
Economic development	151,048	110,382	-	-
Education	23,163,282	22,084,321	-	-
Capital Outlay	-	-	-	-
Debt Service	328,397	570,105	-	-
Water and Sewer	-	-	8,918,350	7,413,123
Total Expenses	<u>41,190,207</u>	<u>38,672,241</u>	<u>8,918,350</u>	<u>7,413,123</u>
Change in net position	4,316,192	5,634,284	3,240,146	1,486,457
Net position, beginning, restated	55,367,546	48,993,787	27,014,594	25,725,287
Net position, ending	\$ 59,683,738	\$ 54,628,071	\$ 30,254,740	\$ 27,211,744

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

- The overall revenues increased by \$1,199,874. Increases in collections across the major tax revenues are the largest portion of this. The City continues to see increased development.
- The overall expenditures increased by \$2,517,966. While a portion of this can be attributed to inflation and increases in supplies and personnel, a large portion of this is related to the City's increased investment in its police and fire protection services.

Significant variances in City School expenditures from that of the prior year were as follows:

- The overall expenditures increased by \$1,078,961 due to increased investment in the education system related to supplies, personnel, and other education costs.

CITY OF MANCHESTER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

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

- The overall revenues increased by \$3,258,916. This is primarily related to the increase of grant revenues received during the year as the projects progress that are being funded by ARP and TDEC grants.
- The overall expenditures increased by \$1,505,227. While a portion of this can be attributed to inflation and increases in supplies and personnel, the largest portion of this is related to repairs to the system as it continues to age.

Business-type Activities

Business-type activities accounted for revenue of \$12,158,496.

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, unassigned 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 \$33,739,367, an increase of \$1,857,214 in comparison with the prior year. Approximately \$17,257,284 (51%) of this balance is unassigned. This amount is available for spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted, committed or assigned for specific purposes.

The general fund is the chief operation fund of the City of Manchester, Tennessee. At the end of this fiscal year, the amount of unassigned fund balance is \$17,257,284. 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 139.30% of total general fund expenditures.

Proprietary fund

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year for the Water and Sewer Fund amounted to \$12,306,181.

**CITY OF MANCHESTER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Manchester, Tennessee's business-type activities.

Capital Assets

The City of Manchester's investment in capital assets from its governmental and business-type activities at June 30, 2025 amounts to \$42,695,162 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvement, machinery and equipment, park facilities, roads, highways, and bridges.

City of Manchester, Tennessee's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	8,140,746	6,671,446	210,937	210,937	8,351,683	6,882,383
Buildings and improvements	32,089,459	32,089,459	398,600	398,600	32,488,059	32,488,059
Furniture, machinery, and equipment	10,108,382	9,983,604	1,883,526	1,937,066	11,991,908	11,920,670
Construction in progress	9,211,770	7,716,511	6,741,077	6,099,588	15,952,847	13,816,099
Infrastructure	29,908,720	29,908,720	57,521,495	57,521,495	87,430,215	87,430,215
Accumulated Depreciation	<u>(48,002,037)</u>	<u>(46,718,690)</u>	<u>(33,613,204)</u>	<u>(32,202,529)</u>	<u>(81,615,241)</u>	<u>(78,921,219)</u>
Total capital Assets	\$41,457,040	\$ 39,651,050	\$33,142,431	\$ 33,965,157	\$ 58,646,624	\$ 73,616,207

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, including premiums and discounts, the City of Manchester had debt outstanding of \$31,904,309. Of this amount, \$2,935,019 is due in the next fiscal year.

City of Manchester, Tennessee Outstanding Debt

	Governmental Activities	Business- Type Activities	Total
Principal due in the next fiscal year	\$1,140,270	\$1,794,749	\$2,935,019

The City of Manchester has a combined total debt in the amount of \$31,904,309 outstanding during the current fiscal year, including premiums/discounts, a decrease of \$3,681,591 from the prior year. The bonded debt is secured solely by specified revenue sources (i.e. revenue bonds).

**CITY OF MANCHESTER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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

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, 200 West Fort Street, Manchester, TN 37355.

BASIC FINANCIAL STATEMENTS

City of Manchester, Tennessee
Statement of Net Position
June 30, 2025

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		
ASSETS				
Investment in pooled cash	\$ 27,942,332	\$ -	\$ 27,942,332	\$ 16,935
Cash	2,836,489	5,643,007	8,479,496	-
Receivables				
Property taxes , net	5,799,854	-	5,799,854	-
Customers , net	-	1,096,208	1,096,208	-
Other	1,727,522	-	1,727,522	3,363
Due from Other Governments	1,735,771	-	1,735,771	
Other assets	-	-	-	3,185
Unbilled Water and Sewer	-	102,334	102,334	-
Receivable - DRUC	-	5,755,000	5,755,000	-
Internal Balances	103,006	(103,006)	-	-
Inventories	115,479	376,566	492,045	20,194
Prepaid Expenses	34,683	30,402	65,085	-
Capital assets, not being depreciated	17,352,516	6,952,014	24,304,530	-
Capital assets, being depreciated, net	24,104,524	26,190,417	50,294,941	50,206
TCRS Stabilization Reserve Trust	151,266	-	151,266	-
Net Pension Asset	4,050,314	-	4,050,314	-
Total Assets	\$ 85,953,756	\$ 46,042,942	\$ 131,996,698	\$ 93,883
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	\$ 3,321,658	\$ 983,285	\$ 4,304,943	\$ 64,279
Deferred Outflows Related to OPEB	1,404,977	-	1,404,977	-
Total Deferred Outflows of Resources	\$ 4,726,635	\$ 983,285	\$ 5,709,920	\$ 64,279
LIABILITIES				
Accounts Payable	\$ 273,308	\$ 20,398	\$ 293,706	\$ 4,322
Accrued Payroll	400,641	105,995	506,636	-
Accrued Interest Payable	33,759	54,454	88,213	-
Other Payables	124,277	166,930	291,207	-
Due to Other Governments	2,956	29,473	32,429	-
Customer Deposits	-	480,923	480,923	-
Unearned Revenues	105,999	-	105,999	-
Lease Liability - short term	26,864	-	26,864	-
Lease Liability - long term	39,461	-	39,461	-
Compensated absences - short term	570,075	86,928	657,003	-
Compensated absences - long term	1,330,175	202,831	1,533,006	-
Due Within One Year, net of premium	1,113,406	1,794,749	2,908,155	-
Due in More Than One Year, net of premium	15,530,706	13,399,123	28,929,829	-
Net Pension Liability	475,750	278,629	754,379	21,174
Total OPEB Liability	3,739,024	-	3,739,024	-
Total Liabilities	\$ 23,766,401	\$ 16,620,433	\$ 40,386,834	\$ 25,496
DEFERRED INFLOWS OF RESOURCES				
Assessed & Unlevied Property Taxes	\$ 5,430,324	\$ -	\$ 5,430,324	\$ -
Deferred Inflows Related to Pensions	1,260,528	151,054	1,411,582	11,480
Deferred Inflows Related to OPEB	539,400	-	539,400	-
Total Deferred Inflows of Resources	\$ 7,230,252	\$ 151,054	\$ 7,381,306	\$ 11,480
NET POSITION				
Net Investment in Capital Assets	\$ 24,746,603	\$ 17,948,559	\$ 42,695,162	\$ 50,206
Restricted for:				
Pensions	3,047,722	-	3,047,722	-
TCRS Stabilization Reserve Trust	151,266	-	151,266	-
Drug Control and Investigation	330,580	-	330,580	-
Education	2,073,353	-	2,073,353	-
Recreation	732,658	-	732,658	-
Tourism	508,875	-	508,875	-
Sanitation	984,972	-	984,972	-
Unrestricted	27,107,709	12,306,181	39,413,890	70,980
Total Net Position	\$ 59,683,738	\$ 30,254,740	\$ 89,938,478	\$ 121,186

See notes to the financial statements.

City of Manchester, Tennessee
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 3,383,026	\$ 230,956	\$ -	\$ 65,406	\$ (3,086,664)	\$ -	\$ (3,086,664)	
Public Safety	7,026,577	58,234	378,922	-	(6,589,421)	-	(6,589,421)	
Public Works	3,910,127	1,740,689	-	-	(2,169,438)	-	(2,169,438)	
Health, welfare, and recreation	3,227,750	899,888	546,045	-	(1,781,817)	-	(1,781,817)	
Economic development and assistance	151,048	-	80,539	-	(70,509)	-	(70,509)	
Education	23,163,282	230,997	15,240,384	-	(7,691,901)	-	(7,691,901)	
Interest on debt	328,397	-	-	-	(328,397)	-	(328,397)	
Total Governmental Activities	41,190,207	3,160,764	16,245,890	65,406	(21,718,147)	-	(21,718,147)	
Business-type Activities:								
Water and Sewer	8,918,350	8,920,511	-	2,970,076		2,972,237	2,972,237	
Total Primary Government	\$ 50,108,557	\$ 12,081,275	\$ 16,245,890	\$ 3,035,482	(21,718,147)	2,972,237	(18,745,910)	
Component Unit:								
The Public Building Authority of Manchester, Tennessee	\$ 1,224,655	\$ 905,495		\$ -				\$ (319,160)
General revenues:								
Property taxes					8,745,243	-	8,745,243	-
Interest and penalty					96,716	-	96,716	-
In-lieu of tax					290,697	-	290,697	-
Licenses and Permits					271,571	-	271,571	-
Local option sales tax					6,792,311	-	6,792,311	-
Wholesale liquor and beer tax					750,220	-	750,220	-
Business and cable TV taxes					1,761,551	-	1,761,551	-
Occupany tax					916,912	-	916,912	-
Intergovernmental revenues:								-
State sales tax					1,557,384	-	1,557,384	-
Other state revenue					3,909,643	-	3,909,643	-
Other revenue					345,469	32,226	377,695	429,930
Investment earnings and rental income					511,804	226,817	738,621	22
Gain (loss) on sale of capital assets					84,818	8,866	93,684	-
Total general revenues					26,034,339	267,909	26,302,248	429,952
Change in net position					4,316,192	3,240,146	7,556,338	110,792
Net position - beginning, as originally reported					54,628,071	27,211,744	81,839,815	10,394
Correction of Error (Note 12)					739,475	(197,150)	542,325	-
Net position - beginning, as restated					55,367,546	27,014,594	82,382,140	10,394
Net position - ending					\$ 59,683,738	\$ 30,254,740	\$ 89,938,478	\$ 121,186

See notes to the financial statements.

City of Manchester, Tennessee
Balance Sheet
Governmental Funds
June 30, 2025

	General	General Purpose School	Debt Service	Other Governmental Funds	Total
ASSETS					
Investment in pooled cash	\$ 15,807,681	\$ 8,937,154	\$ 1,477,548	\$ 1,719,949	\$ 27,942,332
Cash	-	-	-	2,836,489	2,836,489
Receivables					
Property taxes , net	5,799,854	-	-	-	5,799,854
Other	269,157	1,197,791	-	260,574	1,727,522
Due from other governments	1,735,771	-	-	-	1,735,771
Due from other funds	1,004	-	103,006	-	104,010
Inventory	98,218	-	-	17,261	115,479
Prepaid Expenses	34,683	-	-	-	34,683
TCRS Stabilization Reserve Trust	-	151,266	-	-	151,266
Restricted cash and cash equivalents	-	-	-	-	-
Total Assets	<u>\$ 23,746,368</u>	<u>\$ 10,286,211</u>	<u>\$ 1,580,554</u>	<u>\$ 4,834,273</u>	<u>\$ 40,447,406</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 183,742	\$ 6,367	\$ -	\$ 83,199	\$ 273,308
Accrued payroll	292,014	-	-	108,627	400,641
Other payables	77,617	-	-	160	77,777
Judgement payable	-	-	-	46,500	46,500
Due to other governments	2,956	-	-	-	2,956
Due to other funds	-	1,004	-	-	1,004
Unearned Revenues	-	-	-	105,999	105,999
Total Liabilities	<u>\$ 556,329</u>	<u>\$ 7,371</u>	<u>\$ -</u>	<u>\$ 344,485</u>	<u>\$ 908,185</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 5,799,854	\$ -	\$ -	\$ -	\$ 5,799,854
Total Deferred Inflows of Resources	<u>\$ 5,799,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,799,854</u>
FUND BALANCES					
Nonspendable	\$ 132,901	\$ -	\$ -	\$ 17,261	\$ 150,162
Restricted for:					
General purpose school	-	929,510	-	-	929,510
Internal school fund	-	-	-	240,153	240,153
School federal projects	-	-	-	134,756	134,756
Central cafeteria	-	-	-	768,934	768,934
Drug control and investigation	-	-	-	330,580	330,580
TCRS Reserve	-	151,266	-	-	151,266
Recreation	-	-	-	732,658	732,658
Tourism and community development	-	-	-	508,875	508,875
Sanitation	-	-	-	984,972	984,972
Assigned for:					
General purpose school	-	9,008,964	-	-	9,008,964
Debt service	-	189,100	1,580,554	-	1,769,654
Capital equipment replacement	-	-	-	771,122	771,122
Education capital projects	-	-	-	477	477
Unassigned	17,257,284	-	-	-	17,257,284
Total fund balances	<u>\$ 17,390,185</u>	<u>\$ 10,278,840</u>	<u>\$ 1,580,554</u>	<u>\$ 4,489,788</u>	<u>\$ 33,739,367</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 23,746,368</u>	<u>\$ 10,286,211</u>	<u>\$ 1,580,554</u>	<u>\$ 4,834,273</u>	<u>\$ 40,447,406</u>

See notes to the financial statements.

City of Manchester, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
June 30, 2025

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

Total fund balances - balance sheet - governmental funds		\$ 33,739,367
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Capital assets, not being depreciated	\$ 17,352,516	
Capital assets, being depreciated, net	<u>24,104,524</u>	41,457,040
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Accrued Interest Payable	(33,759)	
Accrued Vacation and Sick Leave	(1,900,250)	
Due Within One Year	(1,140,270)	
Due in More than One Year	<u>(15,570,167)</u>	(18,644,446)
Amounts reported as deferred outflows of resources and deferred inflows of resources		
Deferred outflows of resources related to OPEB	1,404,977	
Deferred outflows of resources related to pensions	3,321,658	
Deferred inflows of resources related to OPEB	(539,400)	
Deferred inflows of resources related to pensions	<u>(1,260,528)</u>	2,926,707
Total OPEB liabilities of the city agent plan are not current financial uses and are therefore not reported in the governmental funds		(3,739,024)
Net pension assets (liabilities) of the city agent plan are not current financial uses and are therefore not reported in the governmental funds		3,574,564
Other long-term liabilities that are not available for current period revenues and, therefore, are either deferred or not reported		<u>369,530</u>
Net position of governmental activities		<u><u>\$ 59,683,738</u></u>

City of Manchester, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2025

	General	General Purpose School	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues-					
Local Taxes	\$ 14,352,266	\$ -	\$ -	\$ 379,393	\$ 14,731,659
Licenses and permits	270,691	-	-	-	270,691
Charges for services	53,435	36,514	-	2,835,060	2,925,009
Fines and forfeitures	177,521	-	-	58,234	235,755
Other local revenues	-	21,164	-	304,869	326,033
Intergovernmental	3,085,207	6,783,852	-	-	9,869,059
Federal and State Grants	424,848	12,758,397	-	3,128,051	16,311,296
Investment earnings	461,239	43,926	-	6,639	511,804
Rental Income	-	-	21,400	-	21,400
Miscellaneous and contribution income	188,568	130,141	-	29,218	347,927
Total Revenues	\$ 19,013,775	\$ 19,773,994	\$ 21,400	\$ 6,741,464	\$ 45,550,633
Expenditures-					
General Government	\$ 2,575,311	\$ -	\$ -	\$ 754,650	\$ 3,329,961
Public Safety	6,905,858	-	-	104,708	7,010,566
Public Works	2,098,610	-	-	1,536,374	3,634,984
Health, welfare, and recreation	345,487	-	-	3,914,121	4,259,608
Economic development and assistance	-	-	-	151,048	151,048
Education	-	20,311,880	-	3,279,929	23,591,809
Capital Outlay	463,233	-	-	-	463,233
Debt Service	-	-	1,423,816	23,800	1,447,616
Total Expenditures	\$ 12,388,499	\$ 20,311,880	\$ 1,423,816	\$ 9,764,630	\$ 43,888,825
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,625,276	(537,886)	(1,402,416)	(3,023,166)	1,661,808
Other Financing Sources (Uses)					
Lease Proceeds	\$ -	\$ -	\$ -	\$ 81,832	\$ 81,832
Insurance recoveries	28,690	66	-	-	28,756
Sale of Capital Assets	24,187	-	-	60,631	84,818
Transfers in (out)	(4,830,092)	1,858,467	1,171,625	1,800,000	-
Total Other Financing Sources (Uses)	\$ (4,777,215)	\$ 1,858,533	\$ 1,171,625	\$ 1,942,463	\$ 195,406
NET CHANGE IN FUND BALANCES	\$ 1,848,061	\$ 1,320,647	\$ (230,791)	\$ (1,080,703)	\$ 1,857,214
FUND BALANCES - BEGINNING	15,678,474	8,958,193	1,811,345	5,486,373	31,934,385
Correction of Error (Note 12)	(136,350)	-	-	84,118	(52,232)
Fund Balances - beginning as restated	15,542,124	8,958,193	1,811,345	5,570,491	31,882,153
FUND BALANCES - ENDING	\$ 17,390,185	\$ 10,278,840	\$ 1,580,554	\$ 4,489,788	\$ 33,739,367

See notes to the financial statements.

City of Manchester, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
June 30, 2025

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

Net change in fund balances - total governmental funds	\$	1,857,214
---	----	-----------

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	\$	3,527,018	
Less: current-year depreciation expense		(1,721,028)	1,805,990
		27,277	

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.

Less: issuance of lease proceeds	\$	(81,832)	
Add: change in premium/discounts		99,830	
Add: principal payment on long-term debt		1,017,136	\$ 1,035,134

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	\$	(75,976)
--	----	----------

Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.

Less: Change in compensated absences	\$	476,131	
Add: Change in other post employment benefits		(313,316)	162,815

Interest is accrued on the outstanding bonds in the statement of activities, whereas in the governmental funds, an interest expenditure is reported when due.	\$	2,253
---	----	-------

Net change in pension assets/liabilities and expenditures that are deferred or capitalized for the statement of activities.		(471,238)
---	--	-----------

Change in net position of governmental activities	\$	4,316,192
--	-----------	------------------

City of Manchester, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Local Taxes	14,323,600	14,883,600	14,352,266	(531,334)
Licenses and permits	290,000	290,000	270,691	(19,309)
Charges for services	36,000	54,000	53,435	(565)
Fines and forfeitures	151,600	169,712	177,521	7,809
Intergovernmental	2,359,574	2,359,574	3,085,207	725,633
Federal and state grants	514,110	771,996	424,848	(347,148)
Investment earnings	-	-	461,239	461,239
Miscellaneous and contribution income	195,400	417,933	188,568	(229,365)
Total Revenues	17,870,284	18,946,815	19,013,775	66,960
EXPENDITURES				
<u>General Government</u>				
City Court				
Contractual services	12,000	12,000	13,000	(1,000)
	12,000	12,000	13,000	(1,000)
Mayor and Alderman				
Personnel expenditures	199,943	199,943	198,206	1,737
Contractual services	284,365	284,365	239,509	44,856
Supplies	14,500	14,500	20,708	(6,208)
Fixed charges	1,500	1,500	-	1,500
	500,308	500,308	458,423	41,885
Financial Administration				
Personnel expenditures	557,674	557,674	479,304	78,370
Contractual services	215,590	215,590	179,277	36,313
Supplies	11,900	11,900	67,807	(55,907)
Fixed charges	1,500	1,500	-	1,500
Capital Outlay	50,000	50,000	635	49,365
	836,664	836,664	727,023	109,641
Information Systems				
Personnel expenditures	191,969	191,969	125,973	65,996
Contractual services	69,140	69,140	74,397	(5,257)
Supplies	5,800	5,800	4,142	1,658
Capital Outlay	15,000	15,000	14,784	216
	281,909	281,909	219,296	62,613

See notes to the financial statements.

City of Manchester, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance
Planning and Zoning				
Personnel expenditures	388,438	388,438	301,549	86,889
Contractual services	60,900	70,900	90,305	(19,405)
Supplies	16,600	16,600	21,919	(5,319)
Fixed charges	3,000	3,000	12,299	(9,299)
Capital Outlay	-	-	53,366	(53,366)
	<u>468,938</u>	<u>478,938</u>	<u>479,438</u>	<u>(500)</u>
General Government and Buildings				
Personnel expenditures	22,500	22,500	7,771	14,729
Contractual services	280,000	333,000	261,468	71,532
Supplies	6,000	6,000	2,380	3,620
Fixed charges	339,400	386,400	371,296	15,104
Capital Outlay	421,377	421,377	24,351	397,026
	<u>1,069,277</u>	<u>1,169,277</u>	<u>667,266</u>	<u>502,011</u>
Economic Development Board				
Personnel expenditures	75,500	75,500	50,000	25,500
Contractual services	21,000	21,000	-	21,000
Supplies	16,000	16,000	-	16,000
	<u>112,500</u>	<u>112,500</u>	<u>50,000</u>	<u>62,500</u>
Total General Government	<u><u>3,281,596</u></u>	<u><u>3,391,596</u></u>	<u><u>2,614,446</u></u>	<u><u>777,150</u></u>
Public Safety				
Police Department				
Personnel expenditures	3,390,358	3,390,358	2,995,430	394,928
Contractual services	90,000	90,000	369,243	(279,243)
Supplies	181,950	181,950	202,862	(20,912)
Fixed charges	1,800	1,800	376	1,424
Capital Outlay	525,719	525,719	307,204	218,515
	<u>4,189,827</u>	<u>4,189,827</u>	<u>3,875,115</u>	<u>314,712</u>
Fire Department				
Personnel expenditures	2,589,283	2,682,171	2,663,492	18,679
Contractual services	124,000	124,000	317,177	(193,177)
Supplies	367,000	367,000	309,992	57,008
Fixed charges	16,000	16,000	12,295	3,705
Capital Outlay	-	-	34,991	(34,991)
	<u>3,096,283</u>	<u>3,189,171</u>	<u>3,337,947</u>	<u>(148,776)</u>
Total Public Safety	<u><u>7,286,110</u></u>	<u><u>7,378,998</u></u>	<u><u>7,213,062</u></u>	<u><u>165,936</u></u>

See notes to the financial statements.

City of Manchester, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance
<u>Public Works</u>				
Public Works Department				
Personnel expenditures	1,859,163	1,859,163	1,348,374	510,789
Contractual services	382,700	382,700	492,538	(109,838)
Supplies	228,000	228,000	184,850	43,150
Building Materials	90,000	90,000	72,721	17,279
Fixed charges	2,000	2,000	127	1,873
Capital Outlay	1,450,035	1,450,035	116,894	1,333,141
	<u>4,011,898</u>	<u>4,011,898</u>	<u>2,215,504</u>	<u>1,796,394</u>
Total Public Works	<u><u>4,011,898</u></u>	<u><u>4,011,898</u></u>	<u><u>2,215,504</u></u>	<u><u>1,796,394</u></u>
<u>Health, Welfare, and Recreation</u>				
Contributions to other agencies	413,954	413,954	345,487	68,467
	<u>413,954</u>	<u>413,954</u>	<u>345,487</u>	<u>68,467</u>
Total Health, Welfare, and Recreation	<u><u>413,954</u></u>	<u><u>413,954</u></u>	<u><u>345,487</u></u>	<u><u>68,467</u></u>
Total Expenditures	<u><u>14,993,558</u></u>	<u><u>15,196,446</u></u>	<u><u>12,388,499</u></u>	<u><u>2,807,947</u></u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	2,876,726	3,750,369	6,625,276	66,960
Other Financing Sources (Uses)				
Insurance recoveries	-	-	28,690	(28,690)
Sale of Capital Assets	-	-	24,187	(24,187)
Transfers in (out)	(4,478,235)	(3,724,235)	(4,830,092)	1,105,857
Total Other Financing Sources (Uses)	<u>(4,478,235)</u>	<u>(3,724,235)</u>	<u>(4,777,215)</u>	<u>1,052,980</u>
Net change in fund balances	<u><u>\$ (1,601,509)</u></u>	<u><u>\$ 26,134</u></u>	<u><u>1,848,061</u></u>	<u><u>\$ 1,119,940</u></u>
Fund Balances - beginning			<u>15,678,474</u>	
Correction of Error (Note 12)			<u>(136,350)</u>	
Fund Balances - beginning as restated			<u>15,542,124</u>	
Fund Balances - end			<u><u>\$ 17,390,185</u></u>	

See notes to the financial statements.

City of Manchester, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Purpose School Fund
Year Ended June 30, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Charges for services	51,229	51,229	36,514	(14,715)
Other local revenues	-	14,500	21,164	6,664
Intergovernmental	4,217,360	4,217,360	6,783,852	2,566,492
Federal and state grants	11,454,036	12,399,985	12,758,397	358,412
Investment earnings	4,000	4,000	43,926	39,926
Miscellaneous and contribution income	25,000	43,280	130,141	86,861
Total Revenues	15,751,625	16,730,354	19,773,994	3,043,640
EXPENDITURES				
<u>Instruction</u>				
Regular Instruction	9,964,083	10,258,496	10,176,688	81,808
Alternative Instruction	83,373	89,246	86,705	2,541
Special education	2,023,544	2,195,845	2,060,479	135,366
Career and Technical education	-	273,229	143,711	129,518
Student body education	2,000	2,000	-	2,000
<u>Support Services</u>				
Attendance	155,131	159,619	152,030	7,589
Health services	284,737	292,072	261,810	30,262
Other student support	507,546	594,346	562,913	31,433
Regular Instruction	406,055	421,059	370,172	50,887
Special education	335,285	348,539	318,856	29,683
Technology	515,416	529,666	484,804	44,862
Board of education	375,808	397,208	390,741	6,467
Office of the superintendent	313,575	324,507	312,221	12,286
Office of the principal	877,221	903,742	898,264	5,478
Fiscal services	433,719	454,719	414,550	40,169
Operation of plant	1,190,685	1,221,520	1,134,507	87,013
Maintenance of plant	570,414	600,514	496,690	103,824
Transportation	116,705	116,871	79,161	37,710
<u>Operation of Non-instructional Services</u>				
Community services	112,751	755,697	651,651	104,046
Early childhood education	333,187	333,187	323,848	9,339
Regular indirect cost	-	6,100	6,100	-
<u>Debt Service</u>				
Principal	48,648	48,648	48,420	228
Interest	1,752	1,815	1,980	(165)
<u>Capital Outlay</u>	-	1,661,606	935,579	726,027
Total Expenditures	18,651,635	21,990,251	20,311,880	1,678,371
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(2,900,010)	(5,259,897)	(537,886)	1,365,269

See notes to the financial statements.

City of Manchester, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Purpose School Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final		
Other Financing Sources (Uses)				
Insurance recoveries	500	500	66	434
Transfers in (out)	1,858,467	1,858,467	1,858,467	-
Total Other Financing Sources (Uses)	<u>1,858,967</u>	<u>1,858,967</u>	<u>1,858,533</u>	<u>434</u>
Net change in fund balances	<u>\$ (1,041,043)</u>	<u>\$ (3,400,930)</u>	1,320,647	<u>\$ 1,365,703</u>
Fund Balances - beginning			<u>8,958,193</u>	
Fund Balances - end			<u>\$ 10,278,840</u>	

See notes to the financial statements.

City of Manchester, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2025

	Water and Sewer Department
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 5,643,007
Accounts receivable - net	1,096,208
Unbilled Revenues	102,334
DRUC receivable - current portion	475,000
Prepaid Expenses	30,402
Inventories	376,566
Total Current Assets	<u>7,723,517</u>
Non-current Assets:	
DRUC receivable - long term portion	5,280,000
Capital assets, not being depreciated	6,952,014
Capital assets, being depreciated, net	26,190,417
Total noncurrent assets	<u>38,422,431</u>
Total Assets	<u>\$ 46,145,948</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	\$ 983,285
Total Deferred Outflows of Resources	<u>\$ 983,285</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 47,129,233</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 20,398
Accrued payroll and payroll liabilities	105,995
Due to Other Funds	103,006
Due to Other Governments	29,473
Accrued interest payable	54,454
Retainage payable	166,006
Other current liabilities	924
Compensated absences - short-term	86,928
Revenue bonds payable - current, net of premium	1,794,749
Total Current Liabilities	<u>2,361,933</u>
Non-current Liabilities:	
Customer deposits	480,923
Net pension liabilities	278,629
Compensated absences - long term	202,831
Revenue bonds payable, net of premium	13,399,123
Total noncurrent liabilities	<u>14,361,506</u>
Total Liabilities	<u>\$ 16,723,439</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pension	\$ 151,054
Total Deferred Inflows of Resources	<u>\$ 151,054</u>
NET POSITION	
Net investment in capital assets	\$ 17,948,559
Unrestricted	12,306,181
Total Net Position	<u>\$ 30,254,740</u>
Total Liabilities, Deferred inflows of Resources and Net Position	<u><u>\$ 47,129,233</u></u>

The accompanying notes are an integral part of the financial statements.

City of Manchester, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2025

	<u>Water and Sewer Department</u>
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 8,362,682
Forfeited discounts	130,875
Connection and other fees	426,954
Federal and state grants	2,970,076
Other operating revenue	<u>32,226</u>
Total Operating Revenues	11,922,813
 OPERATING EXPENSES	
Transmission and distribution	1,783,272
Customer accounting and collection	467,034
Sewer treatment and disposal	1,385,749
Shop and maintenance	3,641,976
Depreciation	<u>1,464,214</u>
Total Operating Expenses	<u>8,742,245</u>
 Operating income (loss)	 3,180,568
 NON-OPERATING REVENUES (EXPENSES)	
Interest	226,817
Sale of capital assets	8,866
Bond interest and fiscal charges	<u>(176,105)</u>
Total Non-operating Revenues (Expenses)	<u>59,578</u>
 Changes in net position	 3,240,146
 Net Position - beginning	 <u>27,211,744</u>
 Correction of Error	 <u>(197,150)</u>
 Net Position - beginning as restated	 <u>27,014,594</u>
 Net Position - end	 <u>\$ 30,254,740</u>

The accompanying notes are an integral part of the financial statements.

City of Manchester, Tennessee
Statement of Cash flows
Proprietary Fund
Year Ended June 30, 2025

	Water and Sewer Department
Cash Flows from Operating Activities	
Receipts from customers	\$ 9,146,468
Payments to employees	(2,179,812)
Payments to suppliers	(5,771,990)
Net cash provided (used) by operating activities	<u>1,194,666</u>
Cash Flows from Noncapital and Related Financing Activities	
Increase (decrease) in due from other funds	103,006
Net cash provided (used) by noncapital and related financing activities	<u>103,006</u>
Cash Flows from Capital and Related Financing Activities	
Sale proceeds from capital assets	8,866
Acquisitions of capital assets	(868,388)
Payment of retainage	(85,090)
Interest paid on capital debt	(176,105)
Principal paid on capital debt	(1,825,000)
Net cash provided (used) by capital and related financing activities	<u>(2,945,717)</u>
Cash Flows from Investing Activities	
Interest earned	226,817
Net cash provided (used) by investing activities	<u>226,817</u>
Net increase (decrease) in cash	(1,421,228)
Cash - beginning	<u>7,064,235</u>
Cash - end	<u><u>\$ 5,643,007</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ 3,180,568
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	1,464,214
(Increase) decrease in accounts receivable	(445,618)
(Increase) decrease in unbilled revenues	96,442
(Increase) decrease in notes receivable	490,000
(Increase) decrease in inventory	(62,490)
(Increase) decrease in prepaid expenses	(30,402)
(Increase) decrease in net pension asset	8,740
(Increase) decrease in deferred outflows related to pension	(628,454)
Increase (decrease) in accounts payable	(312,748)
Increase (decrease) in accrued payroll	(15,451)
Increase (decrease) in compensated absences	45,057
Increase (decrease) in due to other governments	(394)
Increase (decrease) in accrued interest	10,282
Increase (decrease) in other current liabilities	(50,717)
Increase (decrease) in deferred revenues	(2,929,284)
Increase (decrease) in net pension liabilities	278,629
Increase (decrease) in pension deferred inflows	84,177
Increase (decrease) in customer deposits	12,115
Total adjustments	<u>(1,985,902)</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,194,666</u></u>
Schedule of Capital & Related Financing Activities that did not result in cash payments	
Capital asset additions from prior year construction in progress	\$ 226,900
	<u><u>\$ 226,900</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

1.) Summary of Significant Accounting Policies

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

Reporting Entity

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

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

The financial statements of *The Public Building Authority of the City of Manchester, Tennessee* (the Authority) was incorporated January 01, 2021, and its financial statements for year then ended June 30, 2025, have been discretely presented. The Authority was established to finance, develop and operate the Manchester Conference Center. It is managed by a seven-member board that is appointed by the governing body. The Authority is a legal entity that meets the definition of a component unit of the City in that a financial burden/benefit relationship exists between the two entities. A complete copy of the component unit's audited reports may be obtained from the City's Finance Director.

Government-wide and Fund Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

1.) Summary of Significant Accounting Policies-(Continued)

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

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise fund:

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

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

1.) Summary of Significant Accounting Policies-(Continued)

Additionally, the City reports the following nonmajor governmental funds:

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

1.) Summary of Significant Accounting Policies-(Continued)

Budget Policy and Budgetary Data

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

Inventories and Prepaid Items

Inventories, principally materials, supplies, and replacement parts, are valued at cost, using the first-in, first-out (FIFO) method. The cost of an inventory item is recorded as an expense at the time of purchase. Inventories on hand at year end are physically counted and recorded as assets, reducing the appropriate expense account. Inventory recorded in the Central Cafeteria Fund consists of commodities granted by the United States Department of Agriculture (USDA), nonperishable food and nonfood supplies. Commodities are assigned values based on information provided by the USDA

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

1.) Summary of Significant Accounting Policies-(Continued)

Restricted Assets

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

Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost greater than \$5,000. Purchased or constructed capital assets (including infrastructure) are recorded at cost or estimated historical cost. Contributed capital assets are recorded at their acquisition value on the date contributed. Additions, improvements and other capital outlays that significantly extend the useful life of an asset in excess of one year are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Land and certain land improvements are inexhaustible capital assets and are not depreciated. Depreciation on depreciable capital assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings	25-50 years
Infrastructure (roads, bridges)	50 years
Distribution Systems	10-50 years
Equipment	3-10 years
Furniture and fixtures	3-10 years

Bond Discounts and Premiums

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

Fund Balance

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

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

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

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

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

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

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

1.) **Summary of Significant Accounting Policies-(Continued)**

Net Position

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has unearned and unavailable revenue related to property taxes that qualifies for reporting in this category. The City also has deferred inflows and outflows related to the recording of changes in its net pension asset. Certain changes in the net pension asset are recognized as pension expense over time instead of all being recognized in the year of occurrence. The City has deferred inflows and outflows related to OPEB. The deferred inflows and outflows are recognized as the following: unamortized portion of (1) under recognized in current expense. New layer with own amortization yearly; Unamortized portion of (2) under recognized in current expense. New layer with own amortization yearly; costs incurred subsequent to the measurement date related to the administration of OPEB; amounts paid by the employer for OPEB benefits as they came due subsequent to the measurement date of total OPEB liability and before the end of the reporting period should be reported as deferred outflows.

Revenues, Expenditures and Expenses

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

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

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

1.) Summary of Significant Accounting Policies-(Continued)

Property Taxes

Property taxes levied by the City are assessed by Coffee County and collected by the City. The tax rate for the 2025 fiscal year (2024 tax year) was \$1.5221 per \$100 of assessed valuation.

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

Lien date	January 1, 2024
Levy date	January 1, 2024
Tax bills mailed	October 1, 2024
Delinquency date	March 1, 2025

Grant Revenue

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

Compensated Absences

The liability for compensated absences is recorded when future payments for such absences have been earned by the employees. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave and accumulated sick pay with restrictions.

Interfund Transactions

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

Amounts owed to one fund by another are reported as due to/due from other funds. The interfund balances resulted from the time lag between the dates that; (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Amounts reported in the fund financial statements as due to/due from other funds are subject to elimination upon consolidation.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

1.) **Summary of Significant Accounting Policies-(Continued)**

Interfund Transactions-(Continued)

Any residual balance between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Estimates

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

OPEB Liability and Expenses/Expenditures

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

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

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

1.) **Summary of Significant Accounting Policies-(Continued)**

Leases

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

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

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

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

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

The City currently receives rent for various items, however, there is no formal agreement in place at year end that would require recognition.

2.) **Stewardship, Compliance and Accountability**

For the year ended June 30, 2025, the City expenditures did exceed appropriations in the General Fund.

3.) **Deposits and Investments**

Deposits

The City of Manchester participates in an internal cash and investment pool through the City Finance Director's office. The City Finance Director is responsible for receiving, disbursing, and investing most City funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Investment in Pooled Cash. Cash reflected on the balance sheets or statements of net position represents non-pooled amounts held separately by individual funds.

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105% of the average daily balance of public deposits held.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

3.) **Deposits and Investments-(Continued)**

Deposits-(Continued)

Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool.

The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105% of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the City.

Investments

TCRS Stabilization Trust

Legal Provisions. Manchester City Schools is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The School Department has placed funds into the irrevocable trust as authorized by statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of Manchester City Schools.

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

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

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2025, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

3.) **Deposits and Investments-(Continued)**

TCRS Stabilization Trust – (Continued)

Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.
- Level3-Valuations derived from valuation techniques in which significant inputs are unobservable

Investments where fair value is measured using the Net Asset Value (“NAV”) per share have no readily determinable fair value and have been determined to be calculated consistent with FASB principles for investment companies.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan’s custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes to be represented in the table below. Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

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

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

3.) Deposits and Investments-(Continued)

TCRS Stabilization Trust – (Continued)

Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute (“MAI”), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type. Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter’s NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

On June 30, 2025, Manchester City Schools had the following investments held by the trust on its behalf.

Investment	(days)	Maturities	Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 46,892
Canadian Equity	N/A	N/A	3,025
Developed Market International Equity	N/A	N/A	18,152
Emerging Market International Equity	N/A	N/A	6,051
U.S. Fixed Income	N/A	N/A	30,253
Real Estate	N/A	N/A	15,127
Short-term Securities	N/A	N/A	1,513
NAV - Private Equity and Strategic Lending	N/A	N/A	30,253
Total			<u>\$ 151,266</u>

Investment by Fair Value Level	Fair Value 6-30-25	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
U.S. Equity	\$ \$ 46,892	\$ \$ 46,892	\$ \$ -	\$ \$ -	-
Canadian Equity	3,025	3,025	-	-	-
Developed Market International Equity	18,152	18,152	-	-	-
Emerging Market International Equity	6,051	6,051	-	-	-
U.S. Fixed Income	30,253	-	30,253	-	-
Real Estate	15,127	-	-	15,127	-
Short-term Securities	1,513	-	1,513	-	-
Private Equity and Strategic Lending	30,253	-	-	-	30,253
Total	<u>\$ \$ 151,266</u>	<u>\$ \$ 74,120</u>	<u>\$ \$ 31,766</u>	<u>\$ \$ 15,127</u>	<u>\$ \$ 30,253</u>

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

3.) Deposits and Investments-(Continued)

Investment Policies

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

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

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

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

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the Manchester City School to pay retirement benefits of the School Department employees.

For further information concerning the Manchester City School's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag20045.pdf>.

4.) Capital Assets

Capital assets activity for the year ended June 30, 2025, was as follows:

<u>Governmental Activities</u>	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 6,671,446	\$ 1,469,300	\$ -	\$ 8,140,746
Construction in Progress	7,716,511	1,495,259	-	9,211,770
<u>Capital assets being depreciated:</u>				
Buildings	31,685,791	-	-	31,685,791
Improvements	403,668	-	-	403,668
Infrastructure	29,908,720	-	-	29,908,720
Machinery	9,923,448	480,627	(437,681)	9,966,395
Right of Use Asset - Equipment	60,156	81,832	-	141,988
Total capital assets being depreciated	<u>\$ 71,981,783</u>	<u>\$ 562,459</u>	<u>\$ (437,681)</u>	<u>\$ 72,106,561</u>

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

4.) Capital Assets-(Continued)

<u>Governmental Activities-(Continued)</u>	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>
Less: accumulated depreciation	46,666,827	1,685,458	(437,681)	47,914,604
accumulated depreciation-ROU Asset	51,863	35,570	-	87,433
Net capital assets being depreciated	25,263,093	(1,158,569)	-	24,104,524
Net Capital Assets	<u>\$ 39,651,050</u>	<u>\$ 1,805,990</u>	<u>\$ -</u>	<u>\$ 41,457,040</u>

Depreciation expense, including depreciation on assets acquired through leases was charged to functions programs of the primary government as follows:

Governmental	\$ 63,225
Public Safety	277,883
Public Works	407,195
Recreation	371,195
Education	601,530
Total	<u>\$1,721,028</u>

<u>Business-type Activities</u>	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2024</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 210,937	\$ -	\$ -	\$ 210,937
Construction in Progress	6,099,589	641,488	-	6,741,077
<u>Capital assets being depreciated:</u>				
Buildings	398,600	-	-	398,600
Infrastructure	57,521,495	-	-	57,521,495
Machinery	1,937,066	-	(53,540)	1,883,526
Total capital assets being depreciated	59,857,161	-	(53,540)	59,803,621
Less: accumulated depreciation	32,202,530	1,464,214	(53,540)	33,613,204
Net capital assets being depreciated	27,654,631	(1,464,214)	53,540	26,190,417
Net Capital Assets	<u>\$ 33,965,157</u>	<u>\$ (822,726)</u>	<u>\$ 53,540</u>	<u>\$ 33,142,431</u>

During 2025, depreciation in the amount of \$1,464,214 was charged to operations.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

5.) Interfund Transactions

The composition of interfund balances as of June 30, 2025, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds		
General Fund	\$ 104,010	\$ -
General Purpose School Fund	-	1,004
	<u>104,010</u>	<u>1,004</u>
Proprietary Funds		
Water and Sewer Fund	-	103,006
	<u>\$ 104,010</u>	<u>\$ 104,010</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances will be repaid within one year.

The composition of interfund transfers for the year ended June 30, 2025, is as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Recreation Fund	Fund Operations	\$1,800,000
General	Schools	Fund Operations	1,858,467
General	Debt Service	Fund Operations	1,171,625
Total			<u>\$4,830,092</u>

6.) Long-Term Obligations

Governmental Activities

General Obligation Bonds, Capital Outlay Notes, and Other Loans

The City issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government. General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 30 years for bonds and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2025, will be retired from the Debt Service Fund.

Business-type Activities

General Obligation and Revenue Bonds, and Other Loans

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

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

6.) Long-Term Obligations-(Continued)

General obligation, revenue bonds, and other loans are issued pledging the revenue of the Manchester Water and Sewer system and the full faith and credit of the government. These bonds and other loans outstanding were issued for original terms of up to 50 years for bonds and up to 30 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. These bonds as of June 30, 2025, will be retired from the Water and Sewer Fund.

Debt outstanding as of June 30, 2025, consisted of the following:

	Interest Rates	Maturity Date	Original Issue	June 30, 2025
Governmental Activities:				
Capital Outlay Note:				
Energy Efficient for Schools	0.50%	2033	\$ 610,502	\$ 391,277
General Obligation Bonds				
Series 2020A	3.00%	2038	17,115,000	13,050,000
Series 2020B	1.78%	2044	2,245,000	1,900,000
			<u>\$19,970,502</u>	<u>\$15,341,277</u>
Business-Type Activities:				
Bonds Payable:				
Refunding Bonds Series 20117	3.82%	2028	\$ 5,620,000	\$ 2,215,000
Refunding Bonds Series 2021A	1.93%	2037	9,510,000	6,880,000
(a) Public Improv Bonds, Series 2016A (DRUC)	4.74%	2038	3,231,000	2,945,000
(a) Public Improv Bonds, Series 2021B (DRUC)	2.06%	2031	4,100,000	2,810,000
			<u>43,632,658</u>	<u>14,850,000</u>
Total Governmental and Business			<u>\$63,603,160</u>	<u>\$30,191,277</u>

(a) See note on Duck River Utility Commission

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

Years Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 1,013,576	\$ 426,724	\$ 1,765,000	\$ 322,626
2027	1,033,816	397,534	1,780,000	287,476
2028	1,059,068	367,732	1,765,000	252,274
2029	1,084,308	337,192	1,200,000	217,213
2030	1,109,560	307,890	1,205,000	178,213
2031-2035	5,705,949	1,081,580	5,045,000	592,801
2036-2040	3,935,000	275,950	2,090,000	98,700
2041-2044	400,000	20,000	-	-
	<u>\$15,341,277</u>	<u>\$3,214,602</u>	<u>\$14,850,000</u>	<u>\$1,949,303</u>

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

6.) Long-Term Obligations-(Continued)

A summary of lease activity for the year ended June 30, 2025:

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2024	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2025
<u>LEASE PAYABLE</u>								
Recreation Cardio Equipment Lease	\$ 60,156	0.00%	11/4/2021	11/4/2024	\$ 8,293	\$ -	\$ (8,293)	\$ -
Recreation Cardio Equipment Lease	\$ 81,832	3.00%	1/1/2025	1/1/2028	-	81,832	(15,507)	66,325
					\$ 8,293	\$ 81,832	\$ (23,800)	\$ 66,325

Annual requirements for lease activity is as follows:

Years Ending June 30	Future Lease Payments	
	Principal	Interest
2026	\$ 26,864	\$ 1,622
2027	27,681	805
2028	11,780	89
	<u>\$ 66,325</u>	<u>\$ 2,516</u>

A summary of long-term liability activity, including debt, for the year ended June 30, 2025, is as follows:

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025	Amounts Due Within One Year
Governmental Activities					
Bonds	\$ 15,895,000	\$ -	\$ (945,000)	\$ 14,950,000	\$ 965,000
Lease	8,293	81,832	(23,800)	66,325	26,864
Capital Outlay Note	439,613	-	(48,336)	391,277	48,576
Premiums	1,486,185	-	(105,591)	1,380,594	105,591
Discounts	(83,520)	5,761	-	(77,759)	(5,761)
Compensated Absences*	2,376,381	-	(476,131)	1,900,250	570,075
OPEB	3,320,282	418,742	-	3,739,024	-
	<u>\$ 23,442,234</u>	<u>\$ 506,335</u>	<u>\$ (1,598,858)</u>	<u>\$ 22,349,711</u>	<u>\$ 1,710,345</u>
Business-Type Activities					
Refunding bonds, all series	\$ 10,455,000	\$ -	\$ (1,360,000)	\$ 9,095,000	\$ 1,290,000
Public Improvement Bonds	6,220,000	-	(465,000)	5,755,000	475,000
Premiums	408,103	-	(32,402)	375,701	32,402
Discounts	(34,482)	2,653	-	(31,829)	(2,653)
Compensated Absences*	244,702	45,057	-	289,759	86,928
	<u>\$ 17,293,323</u>	<u>\$ 47,710</u>	<u>\$ (1,857,402)</u>	<u>\$ 15,483,631</u>	<u>\$ 1,881,677</u>

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

6.) Long-Term Obligations-(Continued)

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

*Compensated absences presented as a net change.

Other Long-Term Debt - Duck River Utility Commission

The City issued \$4,100,000 in public building authority of Coffee County, TN-Utility revenue and tax bonds, series 2021B, with an interest rate of 1.6%, to be used by the Duck River Utility Commission (DRUC) to construct their facilities and improvements to their utility plant through an agreement between the City of Tullahoma and the City of Manchester.

The net proceeds were \$4,279,920 (including a \$179,920 premium and after payment of \$49,404 in underwriting fees and other issuance costs). As a result, the 2016 series bonds are considered defeased and the liability for those bonds have been removed from the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price by \$414,721. This amount is reported as a deferred inflow of resources and amortized over the remaining life of the refunded debt, which has the same remaining life as the refunded debt. The advance refunding reduced the City's total debt service payments by \$825,789 and resulted in a present value economic gain of \$200,762.

The City carries the long-term debt related to these bonds of \$2,810,000 and the existing series Z-1-B bonds in the amount of \$2,945,000, and a corresponding receivable from DRUC at June 30, 2025, of \$5,755,000.

7.) Pension Plans

A. Manchester City Schools Teacher Legacy Pension Plan

Plan description. The Tennessee Consolidated Retirement System (TCRS) was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-andGovernance/Reporting-and-Investment-Policies>.

Teachers employed by Manchester City Schools with membership in the TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014 but will continue providing benefits to existing members and retirees.

The Teacher Retirement Plan became effective July 1, 2014 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.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

7.) Pension Plans-(Continued)

A. Manchester City Schools Teacher Legacy Pension Plan -(Continued)

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

A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Manchester City Schools for the year ended June 30, 2025 to the Teacher Legacy Pension Plan were \$481,272 which is 6.29 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), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability (assets). At June 30, 2025, the Manchester City Schools reported a liability (asset) of (\$3,996,374) for its proportionate share of net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

Manchester City School's proportion of the net pension liability was based on Manchester City School's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2024, Manchester City School's proportion was 0.231961 percent. The proportion measured as of June 30, 2023 was 0.224686 percent.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

7.) Pension Plans-(Continued)

A. Manchester City Schools Teacher Legacy Pension Plan -(Continued)

Pension expense (negative pension expense). For the year ended June 30, 2025, Manchester City Schools recognized pension expense (negative pension expense) of \$725,197.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2025, Manchester City Schools reported deferred outflows of resources and deferred inflows of resources related to the Teacher Legacy Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 1,065,727	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	778,331
Changes in proportion of Net Pension Liability (Asset)	-	186,922
LEA's contributions subsequent to the Measurement date of June 30, 2024	481,272	(not applicable)
Total	<u>\$ 1,546,999</u>	<u>\$ 965,253</u>

Manchester City Schools employer contributions of \$481,272 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, 2026.

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:

2026	\$ (572,296)
2027	1,488,645
2028	(406,079)
2029	(409,796)
2030	-
Thereafter	-

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

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

7.) Pension Plans-(Continued)

A. Manchester City Schools Teacher Legacy Pension Plan -(Continued)

Actuarial assumptions. The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

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

The actuarial assumptions used in the June 30, 2024, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect the actual and expected future experience. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent.

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

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

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

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

7.) **Pension Plans-(Continued)**

A. **Manchester City Schools Teacher Legacy Pension Plan -(Continued)**

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Manchester City School's proportionate share of the net pension liability (asset)	\$5,076,780	\$(3,996,374)	\$(11,521,317)

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

Payable to the pension plan

At June 30, 2025, Manchester City School reported a payable of \$18,749 for the outstanding amount of contributions to the Teacher Legacy Pension Plan required at the year ended June 30, 2025.

B. **Teacher Retirement Plan – Manchester City Schools**

Plan description. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Teachers employed by Manchester City School with memberships in TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014 but will continue providing benefits to existing members and retirees.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

7.) Pension Plans-(Continued)

B. Teacher Retirement Plan – Manchester City Schools-(Continued)

The Teacher Retirement Plan became effective July 1, 2014 for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement.

A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid.

The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Manchester City School for the year ended June 30, 2025 to the Teacher Retirement Plan were \$67,973 which is 2.95 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability. Employer contributions to separately finance specific liabilities were \$24,013 for the year ended June 30, 2025. The contributions to separately finance specific liabilities were related to employees who have returned to work under a TCRS Return to Work program which requires employer contributions.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

7.) Pension Plans-(Continued)

C. Teacher Retirement Plan – Manchester City Schools-(Continued)

Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities (assets). At June 30, 2025, Manchester City Schools reported a liability (asset) of (\$53,940) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2024, and the total pension asset used to calculate the net pension liability (asset) was determined by an actuarial value as of that date. Manchester City School's proportion of the net pension liability (asset) was based on Manchester City School's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2024, Manchester City School's proportion was 0.075693 percent. The proportion measured as of June 30, 2023 was 0.069198 percent.

Pension Expense (negative pension expense). For the year ended June 30, 2025, Manchester City Schools recognized pension expense of \$44,009.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2025, Manchester City Schools reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 4,456	\$ 16,572
Net difference between projected and actual earnings on pension plan investments	-	9,099
Changes in assumptions	21,435	-
Changes in proportion of Net Pension Liability (Asset)	1,868	11,668
LEA's contributions subsequent to the Measurement date of June 30, 2024	67,973	(not applicable)
Total	<u>\$ 95,732</u>	<u>\$ 37,339</u>

Manchester City School's employer contributions of \$67,973 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, 2026.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

7.) Pension Plans-(Continued)

B. Teacher Retirement Plan – Manchester City Schools-(Continued)

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

Year Ended June 30:

2026	\$	(6,332)
2027		6,256
2028		(4,417)
2029		(4,367)
2030		88
Thereafter		(809)

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, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

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

The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

7.) Pension Plans-(Continued)

B. Teacher Retirement Plan – Manchester City Schools-(Continued)

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

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

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

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Manchester City School's proportionate share of the net pension liability (asset)	\$ 142,256	(\$53,940)	(\$199,950)

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

Payable to the Pension Plan

At June 30, 2025, Manchester City School reported no payable for the outstanding amount of contributions to the Teacher Retirement Plan required at the year ended June 30, 2025.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

7.) Pension Plans-(Continued)

C. TCRS Manchester General Government Retirement Plan

Plan description. Employees of the City 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 public ally available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reportingand-Investment-Policies>.

Benefits provided. Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's 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, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees or entitled to but not yet receiving benefits	201
Active employees	221
Total	<u>449</u>

Contributions. Contributions for employees are established in the statues 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, 2025, employer contributions for Manchester were \$516,940 at a base rate of 6.12 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.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

7.) **Pension Plans-(Continued)**

C. **TCRS Manchester General Government Retirement Plan -(Continued)**

The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Manchester's net pension liability (asset) was measured as of June 30, 2024, 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, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

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

The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

7.) Pension Plans-(Continued)

C. TCRS Manchester General Government Retirement Plan -(Continued)

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from 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 Financial Statements

For the Year Ended June 30, 2025

7.) Pension Plans-(Continued)

C. TCRS Manchester General Government Retirement Plan -(Continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/23	\$12,923,128	\$12,966,565	\$ (43,437)
Changes for the year:			
Service Cost	926,346		926,346
Interest	925,258		925,258
Differences between Expected and actual experience	1,344,437		1,344,437
Changes of Benefit Terms	-		-
Changes in assumptions	-		-
Contributions- employer		598,145	(598,145)
Contributions- employees		510,364	(510,364)
Net investments income		1,305,332	(1,305,332)
Benefits paid including refunds including refunds of employee contributions	(283,882)	(283,882)	-
Administrative expense		(15,616)	15,616
Other Changes		-	-
Net changes	2,912,159	2,114,343	797,816
Balance at 6/30/24	\$15,835,287	\$15,080,908	\$ 754,379

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Manchester calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Manchester's net pension liability (asset)	\$3,779,640	\$754,379	(\$1,598,546)

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense (negative pension expense). For the year ended June 30, 2025, Manchester recognized pension expense (negative pension expense) of \$664,369.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

7.) Pension Plans-(Continued)

C. TCRS Manchester General Government Retirement Plan -(Continued)

Deferred outflow of resources and inflow of resources. For the year ended June 30, 2025, 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	\$ 1,624,139	\$ 255,601
Net difference between projected and actual earnings on pension plan investments	-	153,399
Changes in Assumption	521,133	-
Contributions subsequent to the Measurement date of June 30, 2024	516,940	(not applicable)
Total	<u>\$ 2,662,212</u>	<u>\$ 409,000</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2024,” will be recognized (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:

2026	\$ 180,940
2027	476,762
2028	235,780
2029	252,202
2030	254,477
Thereafter	336,110

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

Payable to the Pension Plan

At June 30, 2025, Manchester reported a payable of \$91,869 for the outstanding amount of contributions to the public employee retirement plan required at the year ended June 30, 2025.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

7.) Pension Plans-(Continued)

D. Manchester Public Employee Retirement System (MPERS)

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

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

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

E. Deferred Compensation Plan

All employees of the City of Manchester may voluntarily participate in a 457(b)(6) deferred compensation plan administered by Nationwide Retirement. Under Section 457 of the Internal Revenue Code, an employee may defer certain allowable wages to the plan. Participation is handled through a payroll deduction, reducing employee federal taxes. Employees may increase, decrease, stop and restart contributions as they wish. The City does not contribute to the plan and does not recognize any expense related to the plan. The City's liability at June 30, 2025 is limited to employee payroll withholdings for the week not yet remitted to the administrator.

8.) Other Postemployment Benefits (OPEB)

A. Manchester City Schools - Closed Teacher Group Insurance Plan

Plan Description

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

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

8.) **Other Postemployment Benefits (OPEB)-(Continued)**

A. Manchester City Schools - Closed Teacher Group Insurance Plan-(Continued)

Benefits Provided

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

Employees covered by benefit terms

At July 1, 2024, the following employees of Manchester City Schools were covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	-
Active employees	145
Total	<u>157</u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Manchester City School paid \$130,165 to the TGOP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial assumptions. The collective total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

8.) Other Postemployment Benefits (OPEB)-(Continued)

A. Manchester City Schools - Closed Teacher Group Insurance Plan-(Continued)

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4.00 percent
Healthcare cost trend rates	10.68% for pre-65 in 2024, decreasing annually over a 13-year period to an ultimate rate of 4.50%. 13.44% for post-65 in 2024, decreasing annually over a 12 year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The pre-retirement mortality rates employed in this valuation are taken from the PUB-2010 Headcount-weighted Employee mortality table for Teacher Employees projected generationally with MP-2021 from 2010. Post-retirement tables are Headcount-weighted Teacher Below Median Healthy Annuitant and adjusted with a 19% load for males and an 18% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2021.

Discount rate. The discount rate used to measure the total OPEB liability was 3.93 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

8.) Other Postemployment Benefits (OPEB)-(Continued)

A. Manchester City Schools - Closed Teacher Group Insurance Plan-(Continued)

Changes in Collective Total OPEB Liability

TGOP

	<u>Total OPEB Liability</u>
Balances at June 30, 2023	\$ <u>4,859,285</u>
Charges for the year:	
Service cost	204,871
Interest	181,016
Change of benefit terms	-
Differences between expected and actual	321,890
Change in assumptions	90,834
Benefit payments	<u>(211,513)</u>
Net changes	<u>587,098</u>
Balances at June 30, 2024	\$ <u><u>5,446,383</u></u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 1,707,359
Employer's proportionate share of the collective total OPEB liability	\$ 3,739,024
Employer's proportion of the collective total OPEB liability	68.65%

The Manchester City School has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. Manchester City School's proportionate share of the collective total OPEB liability was based on a projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 0.32% from the prior measurement date. Manchester City School recognized \$191,408 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Manchester City School's retirees.

Changes in assumptions. The discount rate was changed from 3.65% as of the beginning of the measurement period to 3.93% as of June 30, 2024. This change in assumption decreased the total OPEB liability.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

8.) Other Postemployment Benefits (OPEB)-(Continued)

A. Manchester City Schools - Closed Teacher Group Insurance Plan-(Continued)

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate. The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93%) or 1-percentage-point higher (4.93%) than the current discount rate. (expressed in thousands)

	1% Decrease	Discount Rate	1% Increase
	(2.93%)	(3.93%)	(4.93%)
Proportionate share of collective total OPEB liability	\$ 4,023,864	\$ 3,739,024	\$ 3,468,618

Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate. The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (9.68%/12.44% decreasing to 3.50%) or 1-percentage-point higher (11.68%/14.44% decreasing to 5.50%) than the current healthcare cost trend rate.

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
	(9.68%/12.44% decreasing to 3.50%)	(10.68%/13.44% decreasing to 4.50%)	(11.68%/14.44% decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 3,360,171	\$ 3,739,024	\$ 4,175,856

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

OPEB Expense. For the fiscal year ended June 30, 2025, Manchester City School recognized OPEB expense of \$634,889.

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

8.) Other Postemployment Benefits (OPEB)-(Continued)

A. Manchester City Schools - Closed Teacher Group Insurance Plan-(Continued)

Deferred outflows of resources and deferred inflows of resources. For the fiscal year ended June 30, 2025, Manchester City Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

TGOP

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 801,557	\$ 98,159
Changes in assumptions	380,318	348,831
Changes in proportion and differences between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due.	92,937	92,410
Employer payments subsequent to the measurement date	130,165	-
Total	<u>\$ 1,404,977</u>	<u>\$ 539,400</u>

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

TGOP

Year Ended June 30:

2026	\$ 178,564
2027	180,706
2028	189,265
2029	71,867
2030	40,657
Thereafter	74,353

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

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

8.) **Other Postemployment Benefits (OPEB)-(Continued)**

B. Manchester City Schools-Closed Tennessee Plan

Plan Description

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

Benefits Provided

The state offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TN plan does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The state, as a governmental nonemployer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms

At June 30, 2024, the following employees of Manchester City Schools were covered by the benefit terms of the TNP:

Inactive employees currently receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	17
Active employees	113
Total	<u>176</u>

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

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

8.) Other Postemployment Benefits (OPEB)-(Continued)

B. Manchester City Schools-Closed Tennessee Plan-(Continued)

Total OPEB Liability

Actuarial assumptions. The collective total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4.00 percent
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2024, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the headcount-weighted below median teachers PUB-2010 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2021. Post-retirement tables are adjusted with a 19% load for males and a 18% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load with mortality improvement projected to all future years using Scale MP-2021.

Discount rate. The discount rate used to measure the total OPEB liability was 3.93 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

Changes in Collective Total OPEB Liability

TNP

		<u>Total OPEB Liability</u>
Balances at June 30, 2024	\$	468,622
Charges for the year:		
Service cost		6,929
Interest		16,928
Differences between expected and actual		5,585
Change in assumptions		(16,497)
Benefit payments		<u>(23,743)</u>
Net changes		<u>(10,798)</u>
Balances at June 30, 2025	\$	<u>457,824</u>

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

8.) **Other Postemployment Benefits (OPEB)-(Continued)**

B. Manchester City Schools-Closed Tennessee Plan-(Continued)

Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$	457,824
Employer's proportionate share of the collective total OPEB liability	\$	-
Employer's proportion of the collective total OPEB liability		0%

The Manchester City Schools has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. Manchester City School's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefits paid through the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The Manchester City School's proportion of 0% did not change from the prior measurement date. Manchester City Schools recognized \$13,139 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for Manchester City Schools retired employees.

Changes in assumptions. The discount rate was changed from 3.65% as of the beginning of the measurement period to 3.93% as of June 30, 2024. This change in assumption decreased the total OPEB liability.

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

OPEB Expense. For the fiscal year ended June 30, 2025, Manchester City Schools recognized OPEB expense of \$13,139.

9.) **Risk Management**

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

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

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

CITY OF MANCHESTER, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2025

10.) Commitments and Contingencies

Several lawsuits against the City are ongoing, many of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable; however, City officials believe that the outcome of these proceedings, either singularly or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

11.) Use of Estimates

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

12.) Correction of Error

Government-Wide

Governmental Activities- During FYE 6/30/2025, a correction to the beginning net position as an increase in the amount of \$739,475. This adjustment was made to reclassify fixed assets that were inappropriately accounted for in the prior year.

Business-Type Activities- During FYE 6/30/2025, a correction to the beginning net position as a decrease in the amount of \$197,150. This adjustment was made to reclassify expenses that were inappropriately included in the prior year.

Governmental Funds

Recreation Fund- During FYE 6/30/2025, the Recreation fund made a correction to its beginning net position, as an increase in the amount of \$91,957. This adjustment was made to reclassify expenses that were inappropriately included in the prior year.

Sanitation Fund- During FYE 6/30/2025, the Sanitation fund made a correction to its beginning net position, as a decrease in the amount of \$7,839. This adjustment was made to reclassify revenues that were inappropriately included in the prior year.

General Fund- During FYE 6/30/2025, the General fund made a correction to its beginning net position, as a decrease in the amount of \$136,350. This adjustment was made to reclassify liabilities that were misstated in the prior year.

13.) Subsequent Events

Subsequent events, which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. 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. Management evaluated the activity of the City through May 29, 2026 (the date the financial statements were available to be issued) and concluded that no events should be disclosed as a subsequent event.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANCHESTER, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30

Schedule of Changes in Proportionate Share of Collective OPEB Liability and Related Ratios

Closed Teacher Group OPEB Plan								
	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB Liability								
Service cost	\$ 159,634	\$ 147,249	\$ 114,911	\$ 160,702	\$ 219,725	\$ 226,184	\$ 187,948	\$ 204,871
Interest	103,722	123,011	90,502	136,720	100,837	100,597	158,488	181,016
Changes of benefit terms	-	(664,516)	-	-	-	-	-	-
Differences between expected and actual experience	-	(404,188)	1,659,747	138,751	246,480	219,070	(18,211)	321,890
Changes of assumptions	(152,751)	69,314	(287,283)	439,351	(212,066)	(431,892)	365,336	90,834
Benefit payments	(191,072)	(198,836)	(190,558)	(267,197)	(265,877)	(267,899)	(244,661)	(211,513)
Net change in total OPEB liability	\$ (80,467)	\$ (927,966)	\$ 1,387,319	\$ 608,327	\$ 89,099	\$ (153,940)	\$ 448,900	\$ 587,098
Total OPEB liability - beginning	3,488,013	3,407,546	2,479,580	3,866,899	4,475,226	4,564,325	4,410,385	4,859,285
Total OPEB liability - ending (a)	\$ 3,407,546	\$ 2,479,580	\$ 3,866,899	\$ 4,475,226	\$ 4,564,325	\$ 4,410,385	\$ 4,859,285	\$ 5,446,383
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 1,167,361	\$ 754,779	\$ 1,056,738	\$ 1,187,595	\$ 1,330,095	\$ 1,352,577	\$ 1,539,003	\$ 1,707,359
Employer's proportionate share of the collective total OPEB liability	\$ 2,240,185	\$ 1,727,801	\$ 2,810,161	\$ 3,287,632	\$ 3,234,230	\$ 3,057,808	\$ 3,320,282	\$ 3,739,024
Covered-employee payroll	6,454,473	6,781,547	6,581,248	7,542,138	9,141,344	9,345,627	10,557,580	10,690,331
Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	34.71%	25.48%	42.70%	43.59%	35.38%	32.72%	31.45%	34.98%

Notes to Schedule

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

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

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

Prior year numbers expressed in thousands. Beginning FY 2020, numbers will be expressed in whole.

**CITY OF MANCHESTER, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30**

Schedule of Changes in Proportionate Share of Collective OPEB Liability and Related Ratios

	Closed Tennessee Plan							
	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB Liability								
Service cost	\$ 8,545	\$ 6,934	\$ 6,503	\$ 8,006	\$ 12,008	\$ 9,873	\$ 6,657	\$ 6,929
Interest	15,362	17,195	15,801	18,378	13,515	10,715	15,322	16,928
Differences between expected and actual experience	-	(45,114)	75,963	(25,056)	(22,643)	29,859	37,019	5,585
Changes of assumptions	(43,796)	(3,357)	9,698	104,993	(94,864)	(88,832)	(5,178)	(16,497)
Benefit payments	(21,450)	(21,700)	(21,983)	(22,746)	(21,912)	(20,813)	(22,551)	(23,743)
Net change in total OPEB liability	\$ (41,339)	\$ (46,042)	\$ 85,982	\$ 83,575	\$ (113,896)	\$ (59,198)	\$ 31,269	\$ (10,798)
Total OPEB liability - beginning	528	486,932	440,890	526,872	610,447	496,551	437,353	468,622
Total OPEB liability - ending (a)	<u>\$486,932</u>	<u>\$440,890</u>	<u>\$ 526,872</u>	<u>\$ 610,447</u>	<u>\$ 496,551</u>	<u>\$ 437,353</u>	<u>\$ 468,622</u>	<u>\$ 457,824</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$486,932	\$440,890	\$ 526,872	\$ 610,447	\$ 496,551	\$ 437,353	\$ 468,622	\$ 457,824
Employer's proportionate share of the collective total OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	461,909	471,147	529,725	615,248	883,578	1,376,372	1,778,147	2,304,182
Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	0%	93.58%	99.46%	99.22%	56.20%	31.78%	26.35%	19.87%

Notes to Schedule

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

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

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

CITY OF MANCHESTER, TENNESSEE

Required Supplementary Information

Schedule of Changes of Net Pension Liability (Asset) and Related Ratios Based on Participation in the
Public Employee Pension Plan of TCRS
General Government Employees

Last Fiscal Year ending June 30

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Service Cost	\$ 409,021	\$ 428,731	\$ 465,708	\$ 541,855	\$ 595,405	\$ 637,796	\$ 621,838	\$ 783,105	\$ 836,099	\$ 926,346
Interest	241,631	286,230	345,901	407,433	471,675	534,081	590,217	692,094	797,597	925,258
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between actual and expected experience	(29,547)	86,361	63,102	(42,116)	(153,782)	(301,541)	(121,937)	239,967	394,979	1,344,437
Changes of assumptions	-	-	117,168	-	-	-	1,016,233	-	-	-
Benefit payments, including refunds of employee contributions	(79,607)	(12,722)	(72,644)	(47,907)	(101,349)	(88,490)	(71,666)	(238,930)	(171,393)	(283,882)
Net change in total pension liability	541,498	788,600	919,235	859,265	811,949	781,846	2,034,685	1,476,236	1,857,282	2,912,159
Total pension liability-beginning	2,852,532	3,394,030	4,182,630	5,101,865	5,961,130	6,773,079	7,554,925	9,589,610	11,065,846	12,923,128
Total pension liability-ending (a)	\$ 3,394,030	\$ 4,182,630	\$ 5,101,865	\$ 5,961,130	\$ 6,773,079	\$ 7,554,925	\$ 9,589,610	\$ 11,065,846	\$ 12,923,128	\$ 15,835,287
Plan fiduciary net position										
Contributions-employer	\$ 248,031	\$ 265,914	\$ 299,259	\$ 332,328	\$ 357,292	\$ 370,020	\$ 380,888	\$ 418,360	\$ 478,757	\$ 598,145
Contributions-employee	236,781	254,221	286,100	317,714	341,581	353,747	364,137	399,962	425,941	510,364
Net investment income	103,794	104,059	512,861	463,279	493,659	383,178	2,256,651	(444,328)	793,978	1,305,332
Benefit payments, including refunds of employee contributions	(79,607)	(12,722)	(72,644)	(47,907)	(101,349)	(88,490)	(71,666)	(238,930)	(171,393)	(283,882)
Administrative expense	(6,871)	(10,406)	(12,231)	(14,488)	(14,533)	(14,883)	(15,057)	(17,467)	(11,877)	(15,616)
Net change in plan fiduciary net positions	502,128	601,066	1,013,345	1,050,926	1,076,650	1,003,572	2,914,953	117,597	1,515,406	2,114,343
Plan fiduciary net position-beginning	3,170,922	3,673,050	4,274,116	5,287,461	6,338,387	7,415,037	8,418,609	11,333,562	11,451,159	12,966,565
Plan fiduciary net position-ending (b)	\$ 3,673,050	\$ 4,274,116	\$ 5,287,461	\$ 6,338,387	\$ 7,415,037	\$ 8,418,609	\$ 11,333,562	\$ 11,451,159	\$ 12,966,565	\$ 15,080,908
Net Pension Liability (asset)-ending (a)-(b)	\$ (279,020)	\$ (91,486)	\$ (185,596)	\$ (377,257)	\$ (641,958)	\$ (863,684)	\$ (1,743,952)	\$ (385,313)	\$ (43,437)	\$ 754,379
Plan fiduciary net position as a percentage of total pension liability	108.22%	102.19%	103.64%	106.33%	109.48%	111.43%	118.19%	103.48%	100.34%	95.24%
Covered-employee payroll	\$ 4,742,457	\$ 5,084,402	\$ 5,719,204	\$ 6,354,259	\$ 6,831,593	\$ 7,074,945	\$ 7,282,748	\$ 7,999,227	\$ 8,518,811	\$ 10,207,251
Net pension liability (asset) as a percentage of covered-employee payroll	-5.88%	-1.80%	-3.25%	-5.94%	-9.40%	-12.21%	-23.95%	-4.82%	-0.51%	7.39%

Changes of assumptions . In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

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

CITY OF MANCHESTER, TENNESSEE

Required Supplementary Information

Schedule of Contributions Based on Participation in the
Public Employee Pension Plan of TCRS
General Government Employees

Last Fiscal Year ending June 30

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	\$ 265,914	\$ 258,508	\$ 304,369	\$ 327,233	\$ 335,353	\$ 345,203	\$ 303,171	\$ 478,757	\$ 598,145	\$ 516,940
Contributions in reallion to the actuarially determined contribution	265,914	299,259	332,328	357,292	370,020	380,888	418,360	478,757	598,145	516,940
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (40,751)</u>	<u>\$ (27,959)</u>	<u>\$ (30,059)</u>	<u>\$ (34,667)</u>	<u>\$ (35,685)</u>	<u>\$ (115,189)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,084,402	\$ 5,719,204	\$ 6,354,259	\$ 6,831,593	\$ 7,074,945	\$ 7,282,748	\$ 7,999,227	\$ 8,518,811	\$ 10,207,251	\$ 8,446,736
Contributions as a percentage covered-employee payroll	5.23%	5.23%	5.23%	5.23%	5.23%	5.23%	5.23%	5.62%	5.86%	6.12%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68.

The information in this schedule is not required to be presented retroactively prior to the implementation date.

Please refer to previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2025 were calculated based on the June 30, 2023 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization metod	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined be experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.125 percent

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

CITY OF MANCHESTER, TENNESSEE

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability (Asset)
Teacher Retirement Plan of TCRS

Fiscal Year Ended June 30*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Manchester City Schools' proportion of the net pension liability (asset)	0.050259%	0.062277%	0.060186%	0.052857%	0.049303%	0.049381%	0.061223%	0.061940%	0.061980%	0.075693%
Manchester City Schools' proportionate share of the net pension liability (asset)	(\$2,022)	(\$6,483)	(\$15,879)	(\$23,972)	(\$27,831)	(\$28,080)	(\$66,317)	(\$18,763)	(\$29,342)	(\$53,940)
Manchester City Schools' covered payroll	\$104,427	\$247,023	\$446,187	\$461,909	\$521,716	\$623,156	\$883,578	\$1,057,742	\$1,376,372	\$1,778,147
Manchester City Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	1.94%	(-2.37%)	-3.56%	-5.19%	-5.33%	-4.51%	-7.51%	-1.77%	-2.13%	-3.03%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%	116.52%	121.53%	104.55%	104.97%	106.49%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68.

The information in this schedule is not required to be presented retroactively prior to the implementation date.

Please refer to previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

CITY OF MANCHESTER, TENNESSEE

Required Supplementary Information

Schedule of Contributions
Teacher Retirement Plan of TCRS

Fiscal Year ending June 30

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually Determined Contribution	\$ 6,859	\$ 15,801	\$ 7,533	\$ 10,121	\$ 12,650	\$ 17,848	\$ 21,261	\$ 39,502	\$ 52,455	\$ 67,973
Contribution in relation to the actuarially determined contribution	10,961	15,801	18,476	10,121	12,650	17,848	21,261	39,502	52,455	67,973
Contribution deficiency (excess)	<u>\$ (4,102)</u>	<u>\$ -</u>	<u>\$ (10,943)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Manchester City Schools' covered payroll	\$ 247,023	\$ 446,187	\$ 461,909	\$ 521,716	\$ 623,156	\$ 883,578	\$ 1,057,742	\$ 1,376,372	\$ 1,778,147	\$ 2,304,182
Contributions as a percentage of Manchester City Schools' covered payroll	4.00%	3.54%	4.00%	1.94%	2.03%	2.02%	2.01%	2.87%	2.95%	2.95%

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

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

Note: The school department placed the actuarially determined contribution rate of covered payroll into the pension plan and placed the remainder of the 4% contractually required contribution into the Pension Stabilization Reserve Trust (SRT).

CITY OF MANCHESTER, TENNESSEE

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability (Asset)
Teacher Legacy Pension Plan of TCRS

Fiscal Year Ended June 30

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Manchester City School's proportion of the net pension liability (asset)	\$ 75,665	\$ 1,099,287	\$ (60,213)	\$ (668,132)	\$ (1,994,161)	\$ (1,514,420)	\$ (8,923,706)	\$ (2,723,178)	\$ (2,648,992)	\$ (3,996,374)
Manchester City School's proportionate share of the net pension liability (asset)	0.184713%	0.175901%	0.184037%	0.189869%	0.193951%	0.198593%	0.206891%	0.222046%	0.224686%	0.231961%
Manchester City School's covered payroll	\$ 6,914,728	\$ 6,349,698	\$ 6,454,473	\$ 6,648,576	\$ 6,503,432	\$ 6,609,690	\$ 6,790,512	\$ 7,307,378	\$ 7,291,179	\$ 7,681,079
Manchester City School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	1.094253%	17.31%	-0.93%	10.05%	-30.66%	-22.91%	-131.41%	-37.27%	-36.33%	-52.03%
Plan fiduciary net position as a percentage of the total pension liability	99.81%	97.14%	100.14%	101.49%	104.28%	103.09%	116.13%	104.42%	104.11%	105.76%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68.

The information in this schedule is not required to be presented retroactively prior to the implementation date.

Please refer to previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

CITY OF MANCHESTER, TENNESSEE

Required Supplementary Information

Schedule of Contributions
Teacher Legacy Pension Plan of TCRS

Fiscal Year June 30 Ended

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually required	\$ 574,012	\$ 588,109	\$ 603,691	\$ 680,260	\$ 702,611	\$ 697,386	\$ 752,660	\$ 633,604	\$ 523,082	\$ 481,272
Contribution in relation to the contractually required contribution	574,012	588,109	603,691	680,260	702,611	697,386	752,660	633,604	523,082	481,272
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Manchester City School's covered payroll	\$ 6,349,698	\$ 6,454,473	\$ 6,648,576	\$ 6,503,432	\$ 6,609,690	\$ 6,790,512	\$ 7,307,378	\$ 7,291,179	\$ 7,681,079	\$ 7,654,267
Contributions as a percentage of Manchester City School's covered payroll	9.04%	9.11%	9.08%	10.46%	10.63%	10.27%	10.30%	8.69%	6.81%	6.29%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68.

The information in this schedule is not required to be presented retroactively prior to the implementation date.

Please refer to previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

OTHER SUPPLEMENTARY INFORMATION

City of Manchester, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds							Capital Projects		Total Nonmajor Governmental Funds
	Recreation	Tourism and Community Development	School Federal Projects	Central Cafeteria	Sanitation	Drug Control	Internal School	Capital Equipment Replacement	Education Capital Projects	
<u>ASSETS</u>										
Investment in pooled cash	\$ -	\$ 8,586	\$ 129,023	\$ 773,140	\$ 35,481	\$ 2,120	\$ -	\$ 771,122	\$ 477	\$ 1,719,949
Cash	843,835	467,336	-	-	956,705	328,460	240,153	-	-	2,836,489
Accounts receivable, net	182,400	32,953	45,221	-	-	-	-	-	-	260,574
Inventories	-	-	-	17,261	-	-	-	-	-	17,261
Total Assets	<u>\$ 1,026,235</u>	<u>\$ 508,875</u>	<u>\$ 174,244</u>	<u>\$ 790,401</u>	<u>\$ 992,186</u>	<u>\$ 330,580</u>	<u>\$ 240,153</u>	<u>\$ 771,122</u>	<u>\$ 477</u>	<u>\$ 4,834,273</u>
<u>LIABILITIES</u>										
Accounts Payable and accrued liabilities	\$ 78,993	\$ -	\$ -	\$ 4,206	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,199
Accrued Payroll	61,925	-	39,488	-	7,214	-	-	-	-	108,627
Other Payables	160	-	-	-	-	-	-	-	-	160
Judgements payable	46,500	-	-	-	-	-	-	-	-	46,500
Retainage Payable	-	-	-	-	-	-	-	-	-	-
Unearned Revenues	105,999	-	-	-	-	-	-	-	-	105,999
Total Liabilities	<u>\$ 293,577</u>	<u>\$ -</u>	<u>\$ 39,488</u>	<u>\$ 4,206</u>	<u>\$ 7,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 344,485</u>
<u>FUND BALANCES</u>										
Nonspendable	\$ -	\$ -	\$ -	\$ 17,261	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,261
Restricted	732,658	508,875	134,756	768,934	984,972	330,580	240,153	-	-	3,700,928
Assigned	-	-	-	-	-	-	-	771,122	477	771,599
Total Fund Balances	<u>732,658</u>	<u>508,875</u>	<u>134,756</u>	<u>786,195</u>	<u>984,972</u>	<u>330,580</u>	<u>240,153</u>	<u>771,122</u>	<u>477</u>	<u>4,489,788</u>
Total Liabilities and Fund Balances	<u>\$ 1,026,235</u>	<u>\$ 508,875</u>	<u>\$ 174,244</u>	<u>\$ 790,401</u>	<u>\$ 992,186</u>	<u>\$ 330,580</u>	<u>\$ 240,153</u>	<u>\$ 771,122</u>	<u>\$ 477</u>	<u>\$ 4,834,273</u>

City of Manchester, Tennessee
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds							Capital Projects		Total
		Tourism and Community Development	School Federal Projects	Central Cafeteria	Sanitation	Drug Control	Internal School	Capital Equipment Replacement	Education Capital Projects	Nonmajor Governmental Funds
Revenues-	Recreation									
Local Taxes	\$ 252,932	\$ 126,461	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 379,393
Charges for services	899,888	-	-	194,483	1,740,689	-	-	-	-	2,835,060
Fines and forfeitures	-	-	-	-	-	58,234	-	-	-	58,234
Other local revenues	-	-	-	-	-	228	304,641	-	-	304,869
Federal and State Grants	546,045	80,539	1,465,962	1,016,025	-	19,480	-	-	-	3,128,051
Investment earnings	-	-	-	6,639	-	-	-	-	-	6,639
Miscellaneous and contribution income	10,585	297	-	17,675	661	-	-	-	-	29,218
Total Revenues	\$ 1,709,450	\$ 207,297	\$ 1,465,962	\$ 1,234,822	\$ 1,741,350	\$ 77,942	\$ 304,641	\$ -	\$ -	\$ 6,741,464
Expenditures-										
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 754,650	\$ -	\$ 754,650
Public Safety	-	-	-	-	-	104,708	-	-	-	104,708
Public Works	-	-	-	-	1,536,374	-	-	-	-	1,536,374
Health, welfare, and recreation	3,870,032	-	-	-	-	-	-	44,089	-	3,914,121
Economic development and assistance	-	151,048	-	-	-	-	-	-	-	151,048
Education	-	-	1,469,909	1,501,768	-	-	308,252	-	-	3,279,929
Debt Service	23,800	-	-	-	-	-	-	-	-	23,800
Total Expenditures	\$ 3,893,832	\$ 151,048	\$ 1,469,909	\$ 1,501,768	\$ 1,536,374	\$ 104,708	\$ 308,252	\$ 798,739	\$ -	\$ 9,764,630
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,184,382)	56,249	(3,947)	(266,946)	204,976	(26,766)	(3,611)	(798,739)	-	(3,023,166)
Other Financing Sources (Uses)										
Proceeds from lease issued	\$ 81,832	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,832
Sale of Capital Assets	9,800	-	-	-	-	50,831	-	-	-	60,631
Transfers in (out)	1,800,000	-	-	-	-	-	-	-	-	1,800,000
Total Other Financing Sources (Uses)	\$ 1,891,632	\$ -	\$ -	\$ -	\$ -	\$ 50,831	\$ -	\$ -	\$ -	\$ 1,942,463
NET CHANGE IN FUND BALANCES	\$ (292,750)	\$ 56,249	\$ (3,947)	\$ (266,946)	\$ 204,976	\$ 24,065	\$ (3,611)	\$ (798,739)	\$ -	\$ (1,080,703)
FUND BALANCES - BEGINNING	933,451	452,626	138,703	1,053,141	787,835	306,515	243,764	1,569,861	477	5,486,373
Correction of Error (Note 12)	91,957	-	-	-	(7,839)	-	-	-	-	84,118
Fund Balances - beginning as restated	1,025,408	452,626	138,703	1,053,141	779,996	306,515	260,870	1,569,861	477	5,570,491
FUND BALANCES - ENDING	\$ 732,658	\$ 508,875	\$ 134,756	\$ 786,195	\$ 984,972	\$ 330,580	\$ 240,153	\$ 771,122	\$ 477	\$ 4,489,788

City of Manchester, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Recreation Fund
Year Ended June 30, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Local taxes	\$ 236,130	\$ 236,130	\$ 252,932	\$ 16,802
Charges for services	983,300	510,643	899,888	389,245
Federal and state grants	750,000	750,000	546,045	(203,955)
Miscellaneous and contribution income	10,000	10,000	10,585	585
Total Revenues	<u>1,979,430</u>	<u>1,506,773</u>	<u>1,709,450</u>	<u>202,677</u>
EXPENDITURES				
<u>Health, Welfare, and Recreation</u>				
Recreation Administration				
Personnel expenditures	266,408	266,408	270,416	(4,008)
Contractual services	8,200	8,200	2,654	5,546
Supplies	2,000	2,000	1,103	897
Fixed charges	4,500	4,500	5,860	(1,360)
Capital Outlay	60,000	-	55,712	(55,712)
Total recreation administration	<u>341,108</u>	<u>281,108</u>	<u>335,745</u>	<u>(54,637)</u>
Recreation Centers				
Personnel expenditures	808,768	808,768	868,927	(60,159)
Contractual services	1,110,600	1,110,600	693,563	417,037
Supplies	142,800	142,800	131,343	11,457
Fixed charges	34,000	34,000	43,856	(9,856)
Capital Outlay	45,052	45,052	8,051	37,001
Total recreation centers	<u>2,141,220</u>	<u>2,141,220</u>	<u>1,745,740</u>	<u>395,480</u>
Parks				
Personnel expenditures	203,428	203,428	267,572	(64,144)
Contractual services	169,250	169,250	177,418	(8,168)
Supplies	87,500	87,500	46,716	40,784
Fixed charges	12,500	12,500	23,233	(10,733)
Debt service	-	-	23,800	(23,800)
Capital Outlay	1,499,345	1,499,345	1,273,608	225,737
Total parks	<u>1,972,023</u>	<u>1,972,023</u>	<u>1,812,347</u>	<u>159,676</u>
Total Expenditures	<u>4,454,351</u>	<u>4,394,351</u>	<u>3,893,832</u>	<u>500,519</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(2,474,921)	(2,887,578)	(2,184,382)	(297,842)
Other Financing Sources (Uses)				
Lease Proceeds	-	-	81,832	(81,832)
Sale of Capital Assets	-	-	9,800	(9,800)
Transfers in (out)	1,800,000	1,800,000	1,800,000	-
Total Other Financing Sources (Uses)	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,891,632</u>	<u>(91,632)</u>
Net change in fund balances	<u>\$ (674,921)</u>	<u>\$ (1,087,578)</u>	<u>(292,750)</u>	<u>\$ (389,474)</u>
Fund Balances - beginning			<u>933,451</u>	
Correction of Error (Note 12)			<u>91,957</u>	
Fund Balances - beginning as restated			<u>1,025,408</u>	
Fund Balances - end			<u>\$ 732,658</u>	

City of Manchester, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Tourism and Community Development Fund
Year Ended June 30, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Local taxes	\$ 118,065	\$ 118,065	\$ 126,461	\$ 8,396
Federal and state grants	-	-	80,539	80,539
Miscellaneous and contribution income	-	-	297	297
Total Revenues	<u>118,065</u>	<u>118,065</u>	<u>207,297</u>	<u>89,232</u>
EXPENDITURES				
<u>Economic Development and Assistance</u>				
<u>Tourism and Community Development</u>				
Personnel expenditures	4,000	4,000	666	3,334
Contractual services	110,900	110,900	150,313	(39,413)
Supplies	100	100	69	31
Total Expenditures	<u>115,000</u>	<u>115,000</u>	<u>151,048</u>	<u>(36,048)</u>
Net change in fund balances	<u>\$ 3,065</u>	<u>\$ 3,065</u>	56,249	<u>\$ 125,280</u>
Fund Balances - beginning			<u>452,626</u>	
Fund Balances - end			<u>\$ 508,875</u>	

City of Manchester, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
School Federal Projects
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Federal and state grants	\$ 1,728,172	\$ 1,744,680	\$ 1,465,962	\$ (278,718)
Total Revenues	<u>1,728,172</u>	<u>1,744,680</u>	<u>1,465,962</u>	<u>(278,718)</u>
EXPENDITURES				
<u>Instruction</u>				
Regular instruction	533,919	544,127	524,497	19,630
Special education	545,415	552,947	374,731	178,216
<u>Support Services</u>				
Other student support	2,000	2,000	60	1,940
Regular instruction	267,271	249,354	226,928	22,426
Special education	25,296	24,232	11,821	12,411
Transportation	31,823	31,823	29,264	2,559
Community service	322,448	340,197	302,608	37,589
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,728,172</u>	<u>1,744,680</u>	<u>1,469,909</u>	<u>274,771</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	-	-	(3,947)	(553,489)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(3,947)	<u>\$ (553,489)</u>
Fund Balances - beginning			<u>138,703</u>	
Fund Balances - end			<u>\$ 134,756</u>	

City of Manchester, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Central Cafeteria Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Charges for services	\$ 208,280	\$ 208,280	\$ 194,483	\$ (13,797)
Federal and state grants	1,324,908	1,324,908	1,016,025	(308,883)
Investment earnings	500	500	6,639	6,139
Miscellaneous and contribution income	800	800	17,675	16,875
Total Revenues	<u>1,534,488</u>	<u>1,534,488</u>	<u>1,234,822</u>	<u>(299,666)</u>
EXPENDITURES				
<u>Operation of Non-instructional Services</u>				
Food service	<u>1,534,488</u>	<u>1,771,963</u>	<u>1,501,768</u>	<u>270,195</u>
Total Expenditures	<u>1,534,488</u>	<u>1,771,963</u>	<u>1,501,768</u>	<u>270,195</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	-	(237,475)	(266,946)	(569,861)
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (237,475)</u>	<u>(266,946)</u>	<u>\$ (569,861)</u>
Fund Balances - beginning			<u>1,053,141</u>	
Fund Balances - end			<u>\$ 786,195</u>	

City of Manchester, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Sanitation Fund
Year Ended June 30, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Charges for services	\$ 1,487,500	\$ 1,636,000	\$ 1,740,689	\$ 104,689
Miscellaneous and contribution income	-	-	661	661
Total Revenues	<u>1,487,500</u>	<u>1,636,000</u>	<u>1,741,350</u>	<u>105,350</u>
EXPENDITURES				
Public Works				
Personnel expenditures	387,293	387,293	312,199	75,094
Contractual services	1,106,000	1,106,000	1,201,955	(95,955)
Supplies	49,000	46,000	17,882	28,118
Fixed Charges	-	3,000	4,338	(1,338)
Total Expenditures	<u>1,542,293</u>	<u>1,542,293</u>	<u>1,536,374</u>	<u>5,919</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(54,793)	93,707	204,976	99,431
Other Financing Sources (Uses)				
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (54,793)</u>	<u>\$ 93,707</u>	204,976	<u>\$ 99,431</u>
Fund Balances- beginning			<u>787,835</u>	
Correction of Error (Note 12)			<u>(7,839)</u>	
Fund Balances - beginning as restated			<u>779,996</u>	
Fund Balances - end			<u>\$ 984,972</u>	

City of Manchester, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Drug Control Fund
Year Ended June 30, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Fines and forfeitures	\$ 38,500	\$ 38,500	\$ 58,234	\$ 19,734
Federal and state grants	-	-	19,480	19,480
Other Local Revenues	1,000	1,000	228	(772)
Total Revenues	<u>39,500</u>	<u>39,500</u>	<u>77,942</u>	<u>38,442</u>
EXPENDITURES				
<u>Public Safety</u>				
Personnel expenditures	7,410	7,410	3,480	3,930
Contractual services	17,700	17,700	2,042	15,658
Supplies	32,000	32,000	2,568	29,432
Capital Outlay	-	-	96,618	(96,618)
Total Expenditures	<u>57,110</u>	<u>57,110</u>	<u>104,708</u>	<u>(47,598)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,610)	(17,610)	(26,766)	86,040
Other Financing Sources (Uses)				
Sale of Capital Assets	52,500	52,500	50,831	1,669
Total Other Financing Sources (Uses)	<u>52,500</u>	<u>52,500</u>	<u>50,831</u>	<u>1,669</u>
Net change in fund balances	<u>\$ 34,890</u>	<u>\$ 34,890</u>	24,065	<u>\$ 87,709</u>
Fund Balances - beginning			<u>306,515</u>	
Fund Balances - end			<u><u>\$ 330,580</u></u>	

City of Manchester, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Capital Equipment Replacement Fund
Year Ended June 30, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Miscellaneous and contribution income	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
<u>General Government</u>				
General gov & buildings - capital outlay	774,807	774,807	754,650	20,157
<u>Public Safety</u>				
Fire - capital outlay	54,810	54,810	-	54,810
<u>Recreation</u>				
Recreation center - capital outlay	29,294	29,294	11,334	17,960
Park areas - capital outlay	16,311	16,311	32,755	(16,444)
Total Expenditures	<u>875,222</u>	<u>875,222</u>	<u>798,739</u>	<u>76,483</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(875,222)	(875,222)	(798,739)	(76,483)
Transfers in (out)	603,886	603,886	-	603,886
Total Other Financing Sources (Uses)	<u>603,886</u>	<u>603,886</u>	<u>-</u>	<u>603,886</u>
Net change in fund balances	<u>\$ (271,336)</u>	<u>\$ (271,336)</u>	<u>(798,739)</u>	<u>\$ 527,403</u>
Fund Balances - beginning			<u>1,569,861</u>	
Fund Balances - end			<u>\$ 771,122</u>	

City of Manchester, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Debt Service Fund
Year Ended June 30, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Investment earnings	20,000	20,000	-	(20,000)
Rental Income	23,500	23,500	21,400	2,100
Total Revenues	<u>43,500</u>	<u>43,500</u>	<u>21,400</u>	<u>(17,900)</u>
EXPENDITURES				
Debt Service	1,423,816	1,423,816	1,423,816	-
Total Expenditures	<u>1,423,816</u>	<u>1,423,816</u>	<u>1,423,816</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,380,316)	(1,380,316)	(1,402,416)	(17,900)
Other Financing Sources (Uses)				
Transfers in (out)	230,052	230,052	1,171,625	(941,573)
Total Other Financing Sources (Uses)	<u>230,052</u>	<u>230,052</u>	<u>1,171,625</u>	<u>(941,573)</u>
Net change in fund balances	<u>\$ (1,150,264)</u>	<u>\$ (1,150,264)</u>	(230,791)	<u>\$ (959,473)</u>
Fund Balances - beginning			<u>1,811,345</u>	
Fund Balances - end			<u>\$ 1,580,554</u>	

OTHER INFORMATION

CITY OF MANCHESTER, TENNESSEE
SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS

June 30, 2025

	<u>2024-2025</u>		<u>2023-2024</u>		<u>2022-2023</u>		<u>2021-2022</u>		<u>2020-2021</u>		<u>2019-2020</u>		<u>2018-2019</u>		<u>2017-2018</u>		<u>2016-2017</u>		<u>2015-2016</u>	
	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
<u>Within Corporate Limits</u>																				
Up to and including 2,000 gallons	\$ 10.97	\$ 13.78	\$ 10.97	\$ 13.78	\$ 8.86	\$ 11.14	\$ 8.86	\$ 11.14	\$ 8.86	\$ 11.14	\$ 8.86	\$ 11.14	\$ 8.86	\$ 11.14	\$ 8.60	\$ 10.82	\$ 8.60	\$ 10.82	\$ 8.60	\$ 10.82
Next 98,000 gallons per 1,000 gallons	\$ 5.49	\$ 6.89	\$ 5.49	\$ 6.89	\$ 4.43	\$ 5.57	\$ 4.43	\$ 5.57	\$ 4.43	\$ 5.57	\$ 4.43	\$ 5.57	\$ 4.43	\$ 5.57	\$ 4.30	\$ 5.41	\$ 4.30	\$ 5.41	\$ 4.30	\$ 5.41
All over the next 100,000 gallons per 1,000 gallons	\$ 4.36	\$ 5.49	\$ 4.36	\$ 5.49	\$ 3.52	\$ 4.43	\$ 3.52	\$ 4.43	\$ 3.52	\$ 4.43	\$ 3.52	\$ 4.43	\$ 3.52	\$ 4.43	\$ 3.42	\$ 4.30	\$ 3.42	\$ 4.30	\$ 3.42	\$ 4.30
Unmetered Residential Customers		\$ 32.81		\$ 32.81		\$ 26.51		\$ 26.51		\$ 26.51		\$ 26.51		\$ 26.51		\$ 25.74		\$ 25.74		\$ 25.74
 <u>Outside Corporate Limits</u>																				
One and one-half times inside rate - Industrial																				
Two times inside rate - Residential and Commercial																				
 <u>Number of Customers</u>																				
Total	7,386	5,048	8,450	5,847	8,364	5,767	8,069	5,517	7,893	5,380	7,278	5,092	7,478	5,091	6,922	4,783	7,070	4,836	7,070	4,836

CITY OF MANCHESTER, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GOVERNMENTAL ACTIVITIES
June 30, 2025

Year Ending June 30,	General Obligation Refunding Bond Series 2020A		General Obligation Bond Series 2020B		Energy Efficient Schools Initiative Capital Outlay Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 865,000	\$ 391,500	\$ 100,000	\$ 33,400	\$ 48,576	\$ 1,824	\$ 1,013,576	\$ 426,724
2027	885,000	365,550	100,000	30,400	48,816	1,584	1,033,816	397,534
2028	910,000	339,000	100,000	27,400	49,068	1,332	1,059,068	367,732
2029	935,000	311,700	100,000	24,400	49,308	1,092	1,084,308	337,192
2030	960,000	283,650	100,000	23,400	49,560	840	1,109,560	307,890
2031	955,000	254,850	100,000	22,400	49,800	600	1,104,800	277,850
2032	975,000	226,200	100,000	21,200	50,052	348	1,125,052	247,748
2033	1,000,000	196,950	100,000	20,000	46,097	82	1,146,097	217,032
2034	1,045,000	166,950	100,000	18,800	-	-	1,145,000	185,750
2035	1,085,000	135,600	100,000	17,600	-	-	1,185,000	153,200
2036	1,100,000	103,050	100,000	16,400	-	-	1,200,000	119,450
2037	1,160,000	70,050	100,000	15,200	-	-	1,260,000	85,250
2038	1,175,000	35,250	100,000	14,000	-	-	1,275,000	49,250
2039	-	-	100,000	12,000	-	-	100,000	12,000
2040	-	-	100,000	10,000	-	-	100,000	10,000
2041	-	-	100,000	8,000	-	-	100,000	8,000
2042	-	-	100,000	6,000	-	-	100,000	6,000
2043	-	-	100,000	4,000	-	-	100,000	4,000
2044	-	-	100,000	2,000	-	-	100,000	2,000
Total	<u>\$ 13,050,000</u>	<u>\$ 2,880,300</u>	<u>\$ 1,900,000</u>	<u>\$ 326,600</u>	<u>\$ 391,277</u>	<u>\$ 7,702</u>	<u>\$ 15,341,277</u>	<u>\$ 3,214,602</u>

CITY OF MANCHESTER, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
BUSINESS-TYPE ACTIVITIES

June 30, 2025

Year Ending June 30,	General Obligation		General Obligation		Local Government Public Improvement Bonds Series 2017 Z-1-DRUC		Water & Sewer Revenue & Tax Revenue & Tax Refunding GO Bonds Series 2021B-DRUC		Total	
	Refunding Bonds, Series 2017		Refunding Bonds, Series 2021A							
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 715,000	\$ 60,300	\$ 575,000	\$ 132,613	\$ 25,000	\$ 87,663	\$ 450,000	\$ 42,050	\$ 1,765,000	\$ 322,626
2027	740,000	46,200	560,000	121,113	25,000	87,163	455,000	33,000	1,780,000	287,476
2028	760,000	31,900	515,000	109,913	25,000	86,661	465,000	23,800	1,765,000	252,274
2029	-	17,100	700,000	99,613	25,000	86,100	475,000	14,400	1,200,000	217,213
2030	-	-	700,000	85,613	25,000	85,350	480,000	7,250	1,205,000	178,213
2031	-	-	695,000	71,613	25,000	84,600	485,000	2,425	1,205,000	158,638
2032	-	-	665,000	57,713	395,000	83,850	-	-	1,060,000	141,563
2033	-	-	660,000	49,400	400,000	72,000	-	-	1,060,000	121,400
2034	-	-	460,000	36,200	400,000	60,000	-	-	860,000	96,200
2035	-	-	460,000	27,000	400,000	48,000	-	-	860,000	75,000
2036	-	-	445,000	17,800	400,000	36,000	-	-	845,000	53,800
2037	-	-	445,000	8,900	400,000	24,000	-	-	845,000	32,900
2038	-	-	-	-	400,000	12,000	-	-	400,000	12,000
Total	<u>\$ 2,215,000</u>	<u>\$ 155,500</u>	<u>\$ 6,880,000</u>	<u>\$ 817,491</u>	<u>\$ 2,945,000</u>	<u>\$ 853,387</u>	<u>\$ 2,810,000</u>	<u>\$ 122,925</u>	<u>\$ 14,850,000</u>	<u>\$ 1,949,303</u>

CITY OF MANCHESTER, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2025

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2024	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2025
<u>Governmental Activities</u>								
<u>CAPITAL OUTLAY NOTE</u>								
Energy Efficient for Schools	\$ 610,502	0.50%	2020	2033	\$ 439,613	\$ -	\$ (48,336)	\$ 391,277
Total Capital Outlay					<u>\$ 439,613</u>	<u>\$ -</u>	<u>\$ (48,336)</u>	<u>\$ 391,277</u>
 <u>BONDS PAYABLE</u>								
General Obligation Refunding Bonds Series 2020A	\$ 17,115,000	3.00%	2020	2039	\$ 13,895,000	\$ -	\$ (845,000)	\$ 13,050,000
General Obligation Bonds Series 2020B	\$ 2,245,000	1.78%	2020	2044	<u>2,000,000</u>	<u>-</u>	<u>(100,000)</u>	<u>1,900,000</u>
Total Bonds Payable					<u>\$ 15,895,000</u>	<u>\$ -</u>	<u>\$ (945,000)</u>	<u>\$ 14,950,000</u>
 <u>Business-Type Activities</u>								
<u>BONDS PAYABLE</u>								
GO Refunding Bonds, Series 2017	\$ 8,870,000	2.32%	2017	2028	\$ 2,920,000	\$ -	\$ (705,000)	\$ 2,215,000
General Obligation Refunding Bond, Series 2021A	\$ 9,510,000	2.00%	2022	2037	<u>7,535,000</u>	<u>-</u>	<u>(655,000)</u>	<u>6,880,000</u>
Total Bonds Payable					<u>\$ 10,455,000</u>	<u>\$ -</u>	<u>\$ (1,360,000)</u>	<u>\$ 9,095,000</u>
 <u>OTHER LOAN PAYABLE</u>								
Public Building Authority of Coffee County, TN Series 2016A DRUC	\$ 9,180,000	4.74%	2016	2038	\$ 2,970,000	\$ -	\$ (25,000)	\$ 2,945,000
Public Building Authority of Coffee County, TN Series 2021B DRUC	\$ 4,100,000	2.00%	2022	2031	<u>3,250,000</u>	<u>-</u>	<u>(440,000)</u>	<u>2,810,000</u>
Total Other Loans Payable					<u>\$ 6,220,000</u>	<u>\$ -</u>	<u>\$ (465,000)</u>	<u>\$ 5,755,000</u>

CITY OF MANCHESTER, TENNESSEE
SCHEDULE OF ASSESSED PROPOERTY TAX VALUES,
PROPERTY TAX RATES AND CHANGES IN PROPERTY TAXES RECEIVABLE

For the year ended June 30, 2025

Tax Year	Tax Rate	Assessed Value	Original Levy	Balance July 1, 2024	Property Tax Levied	Abatements and Adjustments	Collections	Gross Receivable Balance June 30, 2024
2025				\$ -	\$ 5,430,324	\$ -	\$ -	\$ 5,430,324
2024	1.5221	339,392,812	5,430,324	5,430,324	(787)	-	(5,254,396)	175,141
2023	1.5221	339,392,812	4,987,997	249,315	-	-	(178,385)	70,930
2022	1.9316	257,969,197	4,982,933	90,223	-	-	(38,989)	51,234
2021	1.9316	237,401,977	4,696,366	66,122	-	-	(16,217)	49,905
2020	2.2999	237,401,977	4,933,336	25,410	-	-	(11,886)	13,524
2019	2.2999	238,463,091	4,845,752	7,925	-	-	(1,562)	6,363
2018	2.2999	210,695,655	4,725,424	7,593	-	-	(510)	7,083
2017	2.2999	205,498,253	4,648,498	7,096	-	-	(393)	6,703
2016 and Before				15,971	-	(2,331)	(845)	12,795
Total				<u>\$ 5,899,979</u>	<u>\$ 5,429,537</u>	<u>\$ (2,331)</u>	<u>\$ (5,503,183)</u>	<u>\$ 5,824,002</u>
Less: allowance for Doubtful Accounts								24,148
Net Property Taxes Receivable								<u>\$ 5,799,854</u>

NOTES: All uncollected taxes for years prior to 2022 were turned over to the Clerk and Master for collection

CITY OF MANCHESTER, TENNESSEE
SCHEDULE OF LEASE OBLIGATIONS, PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR
GOVERNMENTAL ACTIVITIES

June 30, 2025

Year Ending June 30,	Recreation Cardio Equipment Lease		Total	
	Principal	Interest	Principal	Interest
2026	\$ 26,864	\$ 1,622	\$ 26,864	\$ 1,622
2027	27,681	805	27,681	805
2028	11,780	89	11,780	89
Total	<u>\$ 66,325</u>	<u>\$ 2,516</u>	<u>\$ 66,325</u>	<u>\$ 2,516</u>

CITY OF MANCHESTER, TENNESSEE
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS

For the year ended June 30, 2025

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2024	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2025
<u>LEASE PAYABLE</u>								
Recreation Cardio Equipment Lease	\$ 60,156	0.00%	11/4/2021	11/4/2024	\$ 8,293	\$ -	\$ (8,293)	\$ -
Recreation Cardio Equipment Lease	\$ 81,832	3.00%	1/1/2025	1/1/2028	-	81,832	(15,507)	66,325
					<u>\$ 8,293</u>	<u>\$ 81,832</u>	<u>\$ (23,800)</u>	<u>\$ 66,325</u>

SINGLE AUDIT SECTION

CITY OF MANCHESTER, TENNESSEE

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal ALN Number	Contract Number	Expenditures
U.S. Department of Education			
Passed through Tennessee Department of Education			
Special Education (IDEA)- Cluster:			
IDEA, Part B	* 84.027	23--161000	\$ 385,200
IDEA, Preschool	* 84.173	23--161000	9,826
Total Special Education (IDEA)- Cluster			<u>395,026</u>
Department of Education Pass-Through			
Programs From:			
Title I, Part A	84.010 A	23-572-161000	377,844
Title II, Part A	84.367 A	23--161000	45,273
Title III, Part A	84.365 A	23--161000	33,989
Title V, Part A	84.358 A	23--161000	<u>37,494</u>
COVID 19 - Education Stabilization Fund -Elementary and Secondary			
School Emergency Relief Fund:			
Elementary and Secondary School Emergency Relief 3.0	84.425		<u>67,587</u>
Total COVID 19 - Education Stabilization Fund -Elementary and Secondary School Emergency Relief Fund			<u>67,587</u>
Total Department of Education			<u>957,213</u>
U.S. Department of Agriculture			
Passed through Tennessee Department of Education			
Child Nutrition- Cluster			
National School Breakfast Program	* 10.553		202,076
National School Lunch Program	* 10.555		585,055
Fresh Fruit and Vegetable Program	* 10.582		52,215
Summer Food Service Program - Lunch	* 10.559		85,334
Total Child Nutrition- Cluster			<u>924,680</u>
Food Distribution- Cluster			
Passed through Tennessee Department of Agriculture			
Commodity Supplemental Food Program	10.565		<u>83,019</u>
Total Department of Agriculture			<u>1,007,699</u>
National Highway Traffic Safety Administration			
Passed through Tennessee Department of Safety & Homeland Security			
Alcohol Open Container Requirements	20.607	Z24THS174	<u>21,717</u>
Total Department of Transportation			<u>21,717</u>
Appalachian Regional Commission			
Passed through Tennessee Department of Economic & Community Development			
Appalachian Regional Commission (ARC) Grant	23.002	N/A	11,125
U.S. Department of the Treasury			
Coronavirus State and Local Fiscal Recovery Funds	* 21.027	N/A	2,916,599
Passed through Tennessee Department of Economic & Community Development			
Coronavirus State and Local Fiscal Recovery Funds	* 21.027	32701-04830	48,547
Total Expenditures of Federal Awards			<u>\$ 4,962,900</u>
State Awards			
Tennessee Department of Education			
Local Parks and Recreation Fund (LPRF)	N/A	32701-04564	\$ 546,045
Statewide School Resource Officer (SRO) Grant Program	N/A	34901-01482	225,000
Tourism Cooperative Marketing Grant	N/A	32601-82662	80,539
Tennessee Law Enforcement Hiring, Training, & Recruitment	N/A	33501-2425111	18,000
Police In-Service	N/A	N/A	42,000
Fire In-Service	N/A	N/A	41,600
Innovative School Models Grant	N/A	N/A	143,711
Consolidated Admin Pool	N/A	N/A	103,260
Early Literacy Networks Grant	N/A	N/A	82,090
State Special Education Preschool Grant	N/A	N/A	71,005
Summer Learning Camps	N/A	N/A	210,135
CCLC Cohort 2022 Grant	N/A	N/A	285,953
Voluntary Pre-K	N/A	N/A	283,117
Lottery for Education: Afterschool Programs	N/A	N/A	524,818
Middle/High School Supplemental Award	N/A	N/A	<u>16,657</u>
Total Expenditures of State Awards			<u>\$ 2,673,930</u>
Total Expenditures of Federal and State Awards			<u><u>\$ 7,636,830</u></u>

* Major Program

See Independent Auditor's Report and Notes to the Schedule of Expenditures of Federal Awards.

CITY OF MANCHESTER, TENNESSEE

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

1.) Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state financial assistance activity of the City under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

2.) Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3.) Indirect Cost Rates

The City has elected not to use 10% *de minimis* indirect cost rate allowed under the Uniform Guidance.

THIS PAGE IS INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Board of Aldermen
City of Manchester, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of The City of Manchester, Tennessee (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise The City of Manchester, Tennessee's basic financial statements, and have issued our report thereon dated May 29, 2026. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City of Manchester, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as 2025-001.

City of Manchester, Tennessee's Response to Findings

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

Purpose of This Report

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



Matlock Clements, P.C.
Murfreesboro, Tennessee
May 29, 2026

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and Board of Alderman
City of Manchester, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Manchester, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Manchester, Tennessee's major federal programs for the year ended June 30, 2025. The City of Manchester, Tennessee's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Manchester, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Manchester, Tennessee's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

Eric Clements, CPA, CFE • Andy Matlock, CPA

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Manchester, Tennessee's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Manchester, Tennessee's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Manchester, Tennessee's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Manchester, Tennessee's internal control over compliance. Accordingly, no such opinion is expressed.

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

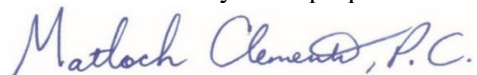
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



Matlock Clements, P.C.

May 29, 2026

CITY OF MANCHESTER, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2025

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major federal programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs:

Special Education (IDEA) Cluster

- FAL # 84.027 IDEA, Part B
- FAL # 84.173 IDEA, Preschool

Child Nutrition Cluster

- FAL # 10.553 National School Breakfast Program
- FAL # 10.555 National School Lunch Program
- FAL # 10.582 Fresh Fruit and Vegetable Program
- FAL # 10.559 Summer Food Service Program – Lunch

- FAL # 21.027 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
--	-----------

Auditee qualified as low-risk auditee?	No
--	----

CITY OF MANCHESTER, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

II. Financial Statement Findings – Required to be reported in Accordance With Government Auditing Standards.

(2025-001 – Expenditures Exceeded Budget)

Criteria:

Tennessee Code Annotated (TCA) Section 6-56-203 states that no municipality may expend any moneys regardless of their source...except in accordance with a budget ordinance...

Condition:

The city spent in excess of its budget in the following funds/categories:

General Fund

- City Court (General Government)
- Planning and Zoning (General Government)
- Fire Department (Public Safety)

Recreation Fund (Nonmajor special revenue fund)

- Recreation administration

Tourism and Community Development Fund (Nonmajor special revenue fund)

- Economic Development and Assistance

Drug Fund (Nonmajor special revenue fund)

- Public Safety

Cause:

The City's budget was not amended to account for all funds spent in the General Fund.

Effect:

Without following proper procedures, the City has failed to authorize all expenditures by the end of the fiscal year. It is recommended that policies and procedures be put in place to ensure that budgeted expenditures are not exceeded.

Management Response:

We concur. See Corrective Action Plan

III. Federal Award Findings – Required to be reported in Accordance with 2 CFR 200.516(a) of the Uniform Guidance

No matters were reported.

CITY OF MANCHESTER, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025

I. Prior Year Financial Statement Findings – Required to be reported in Accordance with Government Auditing Standards.

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2024-001	Expenditures Exceeded Budget (original finding # 2024-001)	Repeated/ 2025-001

II. Prior Year Federal Award Findings – Required to be reported in Accordance with 2 CFR 200.516(a) of the Uniform Guidance.

There were no prior findings reported.



City of Manchester
Finance Department
200 W. Fort Street
Manchester, Tennessee 37355

Management's Corrective Action Plan

The City of Manchester submits the following corrective action plan for the year ended June 30, 2025. The finding from the June 30, 2025 Schedule of Findings and Questioned Costs is discussed below:

Finding 2025-001 Expenditures Exceeded Budget

Contact Person: Anthony Burrows

Planned Corrective Action: Expenditures will be held to appropriations and amendments will be made as needed.

Anticipated Completion Date: June 30, 2026

Anthony Burrows
Finance Director