

TOWN OF MANCHESTER, MARYLAND

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**TOWN OF MANCHESTER, MARYLAND
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YEAR ENDED JUNE 30, 2019**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the Town Council
Town of Manchester, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Manchester, Maryland (the Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Honorable Mayor and
Members of the Town Council
Town of Manchester, Maryland

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town as of June 30, 2019, and the respective changes in financial position, the respective budgetary comparison for the general fund, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the schedule of the Town's proportionate share of the net pension liability and schedule of Town contributions on pages 41 and 42 and the Notes to the Required Supplementary Information on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 30, 2019

**TOWN OF MANCHESTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Introduction

As management of the Town of Manchester, Maryland (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. The MD&A is best understood if read in conjunction with the Town's basic financial statements.

Financial Highlights

- The Town's assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by \$27.6 million (net position). Of this amount, \$4.1 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's note/bond payable decreased by \$192,038 during the current fiscal year from \$1,522,417 to \$1,330,379, due to the Town making the required annual principal payments on the note payable.
- The General Fund on a current financial resource basis, reported revenues and other financial sources and uses in excess of expenditures of \$151,527.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3.8 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required 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 Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets, liabilities and deferred inflows/outflows of financial resources, with the difference between reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position and condition of the Town 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

**TOWN OF MANCHESTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Both of the government-wide financial statements distinguish functions of the Town 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 Town include general government, public safety, public works, and recreations. The business-type activities of the Town include water and sewer operations.

The government-wide financial statements include only the Town of Manchester because the Town has no component unit relationships with any other agency. The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town 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 Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are 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, governmental 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 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 so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and 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 Town has only one governmental fund, the general fund. Information is presented for the General Fund in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The Town adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report. The budgetary comparison statement for the general fund can be found on page 18.

Proprietary funds. The Town maintains Enterprise funds, which are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its Water and Sewer operations, which are major funds. The basic proprietary fund financial statements can be found on pages 19 through 21 of this report.

**TOWN OF MANCHESTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Notes to the financial statements. The summary of significant accounting policies and notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are part of the basic financial statements and can be found on pages 22 through 40 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents supplementary information which details the Town's general fund budgetary comparison at a more detailed level and the Enterprise funds' budgetary comparisons. The supplementary information can be found beginning on page 44 of this report.

Required Supplemental Information. The financial statements also contain required supplementary information in addition to the basic financial statements themselves. This information includes tables related to the Town's proportionate share of pension liability and schedule of the Town contributions. The required supplementary information is located on pages 41 and 42 of this report and the notes to the required supplementary information is located on page 43 of this report.

Government-wide financial analysis. As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the Town, assets and deferred outflows of financial resources exceeded liabilities and deferred inflows of financial resources by \$27.6 million at the close of the current fiscal year. The Town's net position is divided into three categories – net investment in capital assets, restricted net position, and unrestricted net position. The largest portion of the Town's net position (69.9%) reflects its net investment in capital assets (e.g., land and improvements, buildings, machinery, equipment, infrastructure, and improvements), less any unmatured debt used to acquire those assets. The Town uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

Restricted net position represents 15.4% of total net position. Restricted net position includes resources that are subject to external restrictions on how they may be used.

Unrestricted net position of the Town has a balance of approximately \$4.1 million (14.7% of total net position), which may be used to meet the Town's ongoing obligations to citizens and creditors.

The following table summarizes the net position for governmental and business-type activities at June 30, 2019 and 2018:

| | Governmental Activities | | Business-Type Activities | | Total | | Percent Change |
|---------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | |
| Current and Other Assets | \$ 4,704,444 | \$ 4,515,531 | \$ 4,803,471 | \$ 4,739,363 | \$ 9,507,915 | \$ 9,254,894 | 3 % |
| Capital Assets, Net | 8,387,942 | 8,532,613 | 12,229,146 | 12,642,775 | 20,617,088 | 21,175,388 | (3) |
| Total Assets | \$ 13,092,386 | \$ 13,048,144 | \$ 17,032,617 | \$ 17,382,138 | \$ 30,125,003 | \$ 30,430,282 | (1) |
| Total Deferred Outflows | \$ 205,058 | \$ 179,884 | \$ 114,922 | \$ 110,791 | \$ 319,980 | \$ 290,675 | 10.1 |
| Long-Term Liabilities | \$ 1,799,531 | \$ 1,892,235 | \$ 471,449 | \$ 481,220 | \$ 2,270,980 | \$ 2,373,455 | (4) |
| Other Liabilities | 370,484 | 376,254 | 120,587 | 148,145 | 491,071 | 524,399 | (6) |
| Total Liabilities | \$ 2,170,015 | \$ 2,268,489 | \$ 592,036 | \$ 629,365 | \$ 2,762,051 | \$ 2,897,854 | (5) |
| Total Deferred Inflows | \$ 69,539 | \$ 66,192 | \$ 38,973 | \$ 40,767 | \$ 108,512 | \$ 106,959 | 1.5 |
| Net Position: | | | | | | | |
| Capital Assets | \$ 7,147,942 | \$ 7,122,613 | \$ 12,138,767 | \$ 12,530,358 | \$ 19,286,709 | \$ 19,652,971 | (2) |
| Restricted | - | - | 4,234,926 | 4,147,686 | 4,234,926 | 4,147,686 | 2.1 |
| Unrestricted | 3,909,948 | 3,770,734 | 142,837 | 144,753 | 4,052,785 | 3,915,487 | 3.5 |
| Total Net Position | \$ 11,057,890 | \$ 10,893,347 | \$ 16,516,530 | \$ 16,822,797 | \$ 27,574,420 | \$ 27,716,144 | (1) |

**TOWN OF MANCHESTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The following table indicates the changes in net position for governmental and business-type activities at June 30, 2019 and 2018:

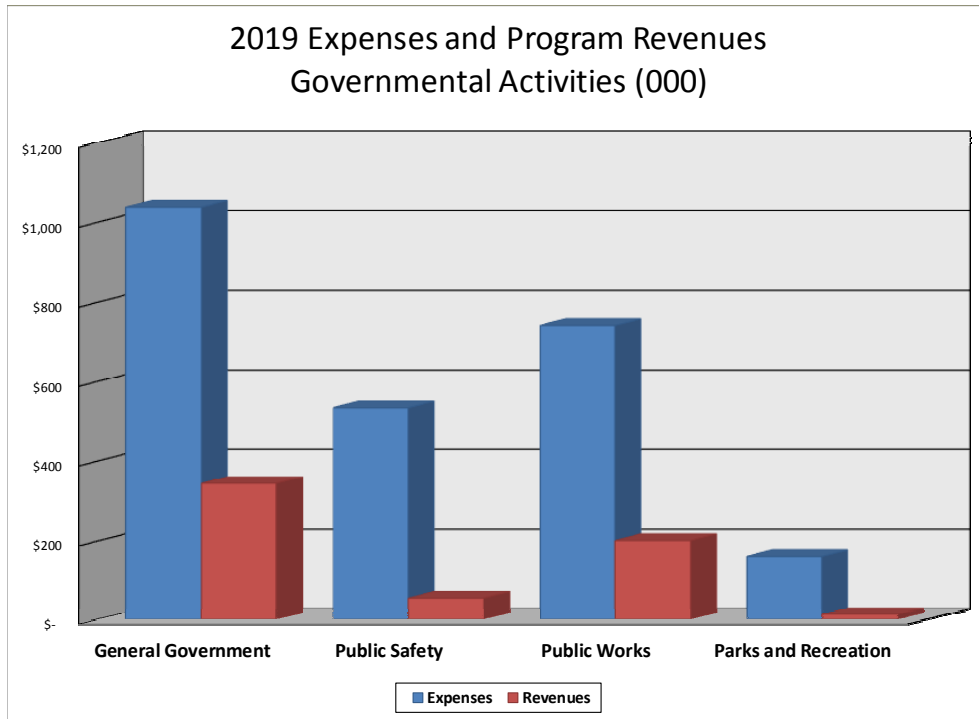
| | Governmental Activities | | Business-Type Activities | | Total | | Percent Change |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | |
| Program Revenues | | | | | | | |
| Charges for Services | \$ 308,078 | \$ 297,968 | \$ 1,380,549 | \$ 1,325,285 | \$ 1,688,627 | \$ 1,623,253 | 4 % |
| Operating Grants | 305,859 | 336,179 | - | - | 305,859 | 336,179 | (9) |
| Capital Grants and Contributions | - | - | - | - | - | - | - |
| General Revenues | | | | | | | |
| Property Taxes | 1,094,815 | 1,062,302 | - | - | 1,094,815 | 1,062,302 | 3.1 |
| Other Taxes | 864,938 | 852,276 | - | - | 864,938 | 852,276 | 1.5 |
| Investment Earnings and Other | 65,375 | 63,273 | 73,625 | 38,903 | 139,000 | 102,176 | 36.0 |
| Total Revenue | <u>2,639,065</u> | <u>2,611,998</u> | <u>1,454,174</u> | <u>1,364,188</u> | <u>4,093,239</u> | <u>3,976,186</u> | 2.9 |
| Program Expenses | | | | | | | |
| General Government | 1,039,198 | 1,036,987 | - | - | 1,039,198 | 1,036,987 | 0.2 |
| Public Safety | 534,948 | 540,125 | - | - | 534,948 | 540,125 | (1) |
| Public Works | 740,635 | 767,244 | - | - | 740,635 | 767,244 | (3) |
| Parks and Recreation | 159,741 | 165,544 | - | - | 159,741 | 165,544 | 0 |
| Utilities (Water and Sewer) | - | - | 1,760,441 | 1,758,067 | 1,760,441 | 1,758,067 | 0.1 |
| Total Program Expenses | <u>2,474,522</u> | <u>2,509,900</u> | <u>1,760,441</u> | <u>1,758,067</u> | <u>4,234,963</u> | <u>4,267,967</u> | (1) |
| INCREASE IN NET POSITION | 164,543 | 102,098 | (306,267) | (393,879) | (141,724) | (291,781) | (51) |
| Net Position - Beginning of Year | <u>10,893,347</u> | <u>10,791,249</u> | <u>16,822,797</u> | <u>17,216,676</u> | <u>27,716,144</u> | <u>28,007,925</u> | 0 |
| NET POSITION - END OF YEAR | <u>\$ 11,057,890</u> | <u>\$ 10,893,347</u> | <u>\$ 16,516,530</u> | <u>\$ 16,822,797</u> | <u>\$ 27,574,420</u> | <u>\$ 27,716,144</u> | (1) |

Governmental activities. General revenues for the governmental activities were \$2.0 million, while total expenses, net of charges for services, grants and contributions, were \$1.9 million. The increase in net position for governmental activities was \$164,543, an increase of \$62,445 over the prior year, for which the majority of can be attributed to the following:

- General revenue increased by \$47,277 or 2.4% primarily due to an increase in property tax values during the year.
- Program expenses decreased by \$35,378 or 1.4% primarily due to a decrease in public works expenses. This decrease is primarily related to less snow removal costs during the current year.

**TOWN OF MANCHESTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The following charts compare the Expenses and Program Revenues of the Town's governmental activities:

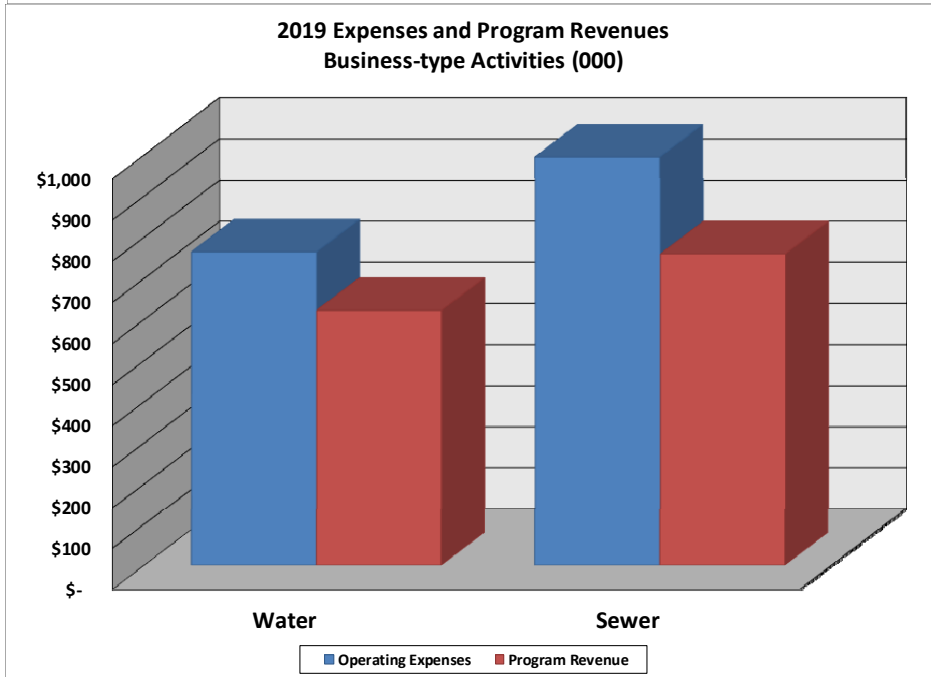
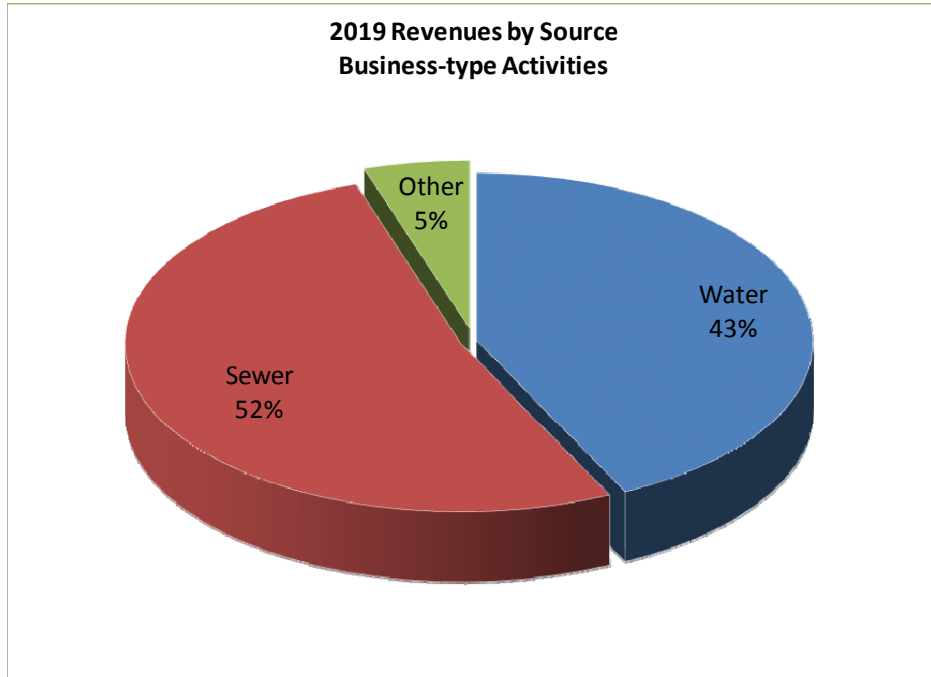


Business-type activities. Business-type activities decreased the Town's net position by \$306,267, which was an increase of \$87,612 over the prior year. Key elements of this change are as follows:

- Business-type revenue increased \$89,986 or 6.6%. This is primarily due to an increase in the water and sewer unit charges.

**TOWN OF MANCHESTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The following charts compare the Operating Expenses and Program Revenues of the Town's business-type activities:



**TOWN OF MANCHESTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Financial Analysis of the Government's Funds

As noted earlier, the Town of Manchester uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town'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.

The General Fund is the only governmental fund of the Town. At the end of the current fiscal year, the General Fund reported an ending fund balance of \$4.3 million, an increase of \$151,527. Approximately 86.8% of this total amount (\$3.8 million) constitutes unassigned fund balance, which represents working capital available to support governmental operating needs and future years' expenditures. The remainder of fund balance is committed to indicate that it is not available for new spending because it has already been committed as follows: park service \$(186,612), safety service \$(314,538), road improvements \$(45,052), historic center \$(17,197), and other \$(8,046).

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Currently, this comparison indicates that the Town has sufficient fund balance to meet the financial needs of the upcoming fiscal year based on the Town's expectations.

The key elements of the \$151,527 increase to the Town's General Fund's fund balance were addressed in the discussion of the Town's governmental activities. However, the increase in net position of governmental activities differs due to the adjustments required by GASB No. 34. These adjustments are shown in detail on page 17 of this report.

Proprietary funds. The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the two funds at the end of the year amounted to \$142,837. This amount consists of a \$316,141 deficit for the Water Fund and a \$458,978 surplus for the Sewer Fund. The total net position was decreased by \$306,267. Other factors concerning these funds' finances have been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The Town made no amendments or adjustments during the year to the General Fund original budget. Revenues were higher than budgetary estimates by \$174,351 and expenditures were lower by \$394,986. A detailed analysis of the budget and actual revenues and expenditures for the General Fund can be found on page 18 of this report.

**TOWN OF MANCHESTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2019 amounts to \$20.6 million. This investment in capital assets includes land, buildings, machinery, and equipment (including vehicles) and infrastructure (including park facilities, roads, water system, and sewer system). The total decrease in the Town's investment in capital assets for the current fiscal year was 2.6% (1.7% decrease for governmental activities and a 3.3% decrease for business-type activities).

**Town of Manchester's Capital Assets
(Net of Depreciation)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | \$ 768,410 | \$ 768,410 | \$ 1,551,289 | \$ 1,551,289 | \$ 2,319,699 | \$ 2,319,699 |
| Construction in Progress | - | - | 7,834 | 7,834 | 7,834 | 7,834 |
| Buildings and Improvements | 2,492,131 | 2,579,279 | 36,397 | 40,529 | 2,528,528 | 2,619,808 |
| Other Improvements | 108,810 | 120,766 | - | - | 108,810 | 120,766 |
| Machinery and Equipment | 181,483 | 185,790 | 396,056 | 359,323 | 577,539 | 545,113 |
| Furniture and Fixtures | 3,494 | 4,089 | - | - | 3,494 | 4,089 |
| Vehicles | 93,148 | 108,752 | 42,630 | 66,906 | 135,778 | 175,658 |
| Infrastructure | 4,740,466 | 4,765,527 | - | - | 4,740,466 | 4,765,527 |
| Water and Sewer Systems | - | - | 10,194,940 | 10,616,894 | 10,194,940 | 10,616,894 |
| Total | <u>\$ 8,387,942</u> | <u>\$ 8,532,613</u> | <u>\$ 12,229,146</u> | <u>\$ 12,642,775</u> | <u>\$ 20,617,088</u> | <u>\$ 21,175,388</u> |

Capital Asset and Debt Administration

Major capital additions for the fiscal year ended June 30, 2019 included the following:

- Street paving totaling \$401,178
- Kubota Tractor totaling \$51,754
- Motorola Portable Radios (4) totaling \$20,950

Additional information on the Town's capital assets can be found in Note 6, pages 32 and 33 of this report.

Debt Administration. At the end of the current fiscal year, the Town had total debt outstanding of \$1,330,379, which is recorded in the business-type activities (Water Fund) and governmental activities. This balance comprised of a note payable to the Maryland Department of the Environment and a municipal bond. Additional information on the Town's long-term debt can be found in Note 7 on page 34 and 35 of this report.

**TOWN OF MANCHESTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Economic Factors and Next Year's Budgets and Rates

- The Town anticipates that 3 new residential homes will be constructed within the Town during fiscal year 2020.
- The employment situation in the Town, with respect to no lay-offs or furloughs has been stable and is expected to continue.
- The tax rate remained unchanged for fiscal year 2020.
- Water and sewer rates remained unchanged for fiscal year 2020. Water unit charges will increase from \$22 to \$27 and sewer unit charges will increase from \$29 to \$36 for fiscal year 2020.
- Major capital asset additions planned for fiscal year 2020 include replacement of lights on field, street paving, rehab Park Ave tank, new street SIPP, and the replacement of tractor.

All of these factors were considered in preparing the Town's budget for fiscal 2020.

Requests for Information

This financial report is designed to provide a general overview of the Town of Manchester'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 information should be addressed to the Department of Finance, Town of Manchester, P.O. Box 830, Manchester, Maryland, 21102, or by telephone at (410) 239-3200.

TOWN OF MANCHESTER, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2019

| | Primary Government | | Total |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | |
| ASSETS | | | |
| Cash and Temporary Investments | \$ 4,535,869 | \$ 23,555 | \$ 4,559,424 |
| Restricted Cash | - | 4,234,926 | 4,234,926 |
| Receivables, Net | 376,501 | 309,117 | 685,618 |
| Internal Balances, Net | (207,926) | 207,926 | - |
| Inventory | - | 27,947 | 27,947 |
| Capital Assets, Not Being Depreciated | 768,410 | 1,559,123 | 2,327,533 |
| Capital Assets Being Depreciated, Net | 7,619,532 | 10,670,023 | 18,289,555 |
| Total Assets | 13,092,386 | 17,032,617 | 30,125,003 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows of Resources Related to Pension | 205,058 | 114,922 | 319,980 |
| LIABILITIES | | | |
| Accounts Payable | 87,688 | 55,664 | 143,352 |
| Accrued Liabilities | 37,781 | 19,877 | 57,658 |
| Deposits | 28,688 | - | 28,688 |
| Compensated Absences Payable: | | | |
| Due Within One Year | 46,327 | 22,787 | 69,114 |
| Due in More Than One Year | 80,439 | 39,554 | 119,993 |
| Note/Bond Payable: | | | |
| Due Within One Year | 170,000 | 22,259 | 192,259 |
| Due in More Than One Year | 1,070,000 | 68,120 | 1,138,120 |
| Net Pension Liability | 649,092 | 363,775 | 1,012,867 |
| Total Liabilities | 2,170,015 | 592,036 | 2,762,051 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Outflows of Resources Related to Pension | 69,539 | 38,973 | 108,512 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 7,147,942 | 12,138,767 | 19,286,709 |
| Restricted for Capital Projects | - | 4,234,926 | 4,234,926 |
| Unrestricted | 3,909,948 | 142,837 | 4,052,785 |
| Total Net Position | \$ 11,057,890 | \$ 16,516,530 | \$ 27,574,420 |

See accompanying Notes to Financial Statements.

**TOWN OF MANCHESTER, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Positions Primary Government | | |
|---|---------------------|-------------------------|--|--|-----------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | |
| General Government | \$ 1,039,198 | \$ 93,184 | \$ 250,681 | \$ (695,333) | \$ - | \$ (695,333) |
| Public Safety | 534,948 | 3,919 | 51,263 | (479,766) | - | (479,766) |
| Public Works | 740,635 | 197,178 | 3,915 | (539,542) | - | (539,542) |
| Recreation | 159,741 | 13,797 | - | (145,944) | - | (145,944) |
| Total Governmental Activities | <u>2,474,522</u> | <u>308,078</u> | <u>305,859</u> | <u>(1,860,585)</u> | <u>-</u> | <u>(1,860,585)</u> |
| Business-Type Activities: | | | | | | |
| Water | 766,289 | 621,597 | - | - | (144,692) | (144,692) |
| Sewer | 994,152 | 758,952 | - | - | (235,200) | (235,200) |
| Total Business-Type Activities | <u>1,760,441</u> | <u>1,380,549</u> | <u>-</u> | <u>-</u> | <u>(379,892)</u> | <u>(379,892)</u> |
| Total Governmental/Business-Type Activities | <u>\$ 4,234,963</u> | <u>\$ 1,688,627</u> | <u>\$ 305,859</u> | <u>(1,860,585)</u> | <u>(379,892)</u> | <u>(2,240,477)</u> |
| GENERAL REVENUES | | | | | | |
| Taxes: | | | | | | |
| Property Taxes | | | | 1,094,815 | - | 1,094,815 |
| Income Taxes | | | | 846,930 | - | 846,930 |
| Other Local Taxes | | | | 18,008 | - | 18,008 |
| Investment Income | | | | 53,213 | 73,625 | 126,838 |
| Other Revenue | | | | 12,162 | - | 12,162 |
| Total General Revenues | | | | <u>2,025,128</u> | <u>73,625</u> | <u>2,098,753</u> |
| CHANGE IN NET POSITION | | | | | | |
| | | | | 164,543 | (306,267) | (141,724) |
| Net Position - Beginning of Year | | | | <u>10,893,347</u> | <u>16,822,797</u> | <u>27,716,144</u> |
| NET POSITION - END OF YEAR | | | | | | |
| | | | | <u>\$ 11,057,890</u> | <u>\$ 16,516,530</u> | <u>\$ 27,574,420</u> |

See accompanying Notes to Financial Statements.

**TOWN OF MANCHESTER, MARYLAND
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2019**

| | General |
|--|--------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 4,535,869 |
| Receivables, Net | 376,501 |
| Due from Other Funds | 402,194 |
| Total Assets | \$ 5,314,564 |
| LIABILITIES | |
| Accounts Payable | \$ 87,688 |
| Due to Other Funds | 610,120 |
| Accrued Liabilities | 37,781 |
| Deposits | 28,688 |
| Total Liabilities | 764,277 |
| DEFERRED INFLOW OF RESOURCES | |
| Unavailable Revenue | 218,749 |
| FUND BALANCE | |
| Committed to: | |
| Park Service | 186,612 |
| Safety Service | 314,538 |
| Road Improvements | 45,052 |
| Historic Center | 17,197 |
| Other | 8,046 |
| Unassigned | 3,760,093 |
| Total Fund Balance | 4,331,538 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 5,314,564 |

See accompanying Notes to Financial Statements.

**TOWN OF MANCHESTER, MARYLAND
RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

| | |
|--|------------------------------------|
| Total Fund Balance - Governmental Funds | \$ 4,331,538 |
| Adjustments to Reconcile to the Government-wide Statement of Net Position: | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. | 8,387,942 |
| Other long-term assets are not available to pay current-period expenditures and therefore are offset by unavailable revenue in the governmental funds. | 218,749 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | |
| Compensated Absences | (126,766) |
| Bonds Payable | (1,240,000) |
| Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds. | (649,092) |
| Deferred outflows of resources related to pension | 205,058 |
| Deferred inflows of resources related to pension expense | <u>(69,539)</u> |
| Net Position of Governmental Activities | <u><u>\$ 11,057,890</u></u> |

See accompanying Notes to Financial Statements.

**TOWN OF MANCHESTER, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

| | General |
|-----------------------------------|---------------------|
| REVENUES | |
| Local Property Taxes | \$ 1,094,815 |
| Local Income Taxes | 807,459 |
| State Shared Taxes | 215,849 |
| Licenses and Permits | 10,907 |
| Intergovernmental | 305,859 |
| Service Charges | 2,200 |
| Interest | 53,213 |
| Rents and Concessions | 97,130 |
| Miscellaneous | 12,162 |
| Total Revenues | 2,599,594 |
| EXPENDITURES | |
| General Government | 295,886 |
| Public Safety | 480,093 |
| Public Works | 1,041,782 |
| Recreation | 137,490 |
| Miscellaneous | 306,649 |
| Debt Service: | |
| Principal | 170,000 |
| Interest | 16,167 |
| Total Expenditures | 2,448,067 |
| NET CHANGE IN FUND BALANCE | 151,527 |
| Fund Balance - Beginning of Year | 4,180,011 |
| FUND BALANCE - END OF YEAR | \$ 4,331,538 |

See accompanying Notes to Financial Statements.

**TOWN OF MANCHESTER, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

| | | |
|---|-----------|-----------------------|
| Net Changes in Fund Balances - Total Governmental Funds | \$ | 151,527 |
| <p>Amounts reported for governmental activities in the statement of activities</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of capital assets are allocated over their useful lives and reported as a depreciation expense.</p> | | |
| Capital outlay | 491,943 | |
| Depreciation expense | (636,613) | |
| Depreciation expense exceeded capital outlay in the current period by: | | (144,670) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p> | | |
| Change in unavailable local income tax revenue | | 39,471 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.</p> | | |
| Change in compensated absences | | (3,831) |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds.</p> | | |
| Principal payments of bonds | | 170,000 |
| <p>Governmental funds report Town pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employer contributions is reported as pension expense.</p> | | |
| | | <u>(47,954)</u> |
| Change in Net Position of Governmental Activities | \$ | <u>164,543</u> |

See accompanying Notes to Financial Statements.

TOWN OF MANCHESTER, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2019

| | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|---|---|
| REVENUES | | | | |
| Local Property Taxes | \$ 1,179,646 | \$ 1,179,646 | \$ 1,094,815 | \$ (84,831) |
| Local Income Taxes | 620,000 | 620,000 | 807,459 | 187,459 |
| State Shared Taxes | 211,608 | 211,608 | 215,849 | 4,241 |
| Licenses and Permits | 6,350 | 6,350 | 10,907 | 4,557 |
| Intergovernmental | 51,393 | 51,393 | 51,263 | (130) |
| Town/County Agreement | 254,596 | 254,596 | 254,596 | - |
| Service Charges | 1,650 | 1,650 | 2,200 | 550 |
| Interest | 9,500 | 9,500 | 53,213 | 43,713 |
| Rents and Concessions | 89,500 | 89,500 | 97,130 | 7,630 |
| Miscellaneous | 1,000 | 1,000 | 12,162 | 11,162 |
| Total Revenues | <u>2,425,243</u> | <u>2,425,243</u> | <u>2,599,594</u> | <u>174,351</u> |
| EXPENDITURES | | | | |
| General Government | 369,227 | 369,227 | 295,886 | 73,341 |
| Public Safety | 516,153 | 516,153 | 480,093 | 36,060 |
| Public Works | 1,211,570 | 1,211,570 | 1,041,782 | 169,788 |
| Recreation | 169,527 | 169,527 | 137,490 | 32,037 |
| Miscellaneous | 390,409 | 390,409 | 306,649 | 83,760 |
| Total Expenditures | <u>2,656,886</u> | <u>2,656,886</u> | <u>2,261,900</u> | <u>394,986</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES | | | | |
| | (231,643) | (231,643) | 337,694 | 569,337 |
| OTHER FINANCING SOURCES | | | | |
| Transfers from Funds | 6,500 | 6,500 | - | (6,500) |
| Principal, Interest, and Issuance Cost | (192,190) | (192,190) | (186,167) | 6,023 |
| Transfer from Money Market | 192,190 | 192,190 | - | (192,190) |
| Encumbrances | 225,143 | 225,143 | - | (225,143) |
| Total Other Financing Sources | <u>225,143</u> | <u>225,143</u> | <u>-</u> | <u>(225,143)</u> |
| NET CHANGE IN FUND BALANCE | | | | |
| | <u>\$ -</u> | <u>\$ -</u> | 151,527 | <u>\$ 151,527</u> |
| Fund Balance - Beginning of Year | | | <u>4,180,011</u> | |
| FUND BALANCE - END OF YEAR | | | | |
| | | | <u>\$ 4,331,538</u> | |

See accompanying Notes to Financial Statements.

TOWN OF MANCHESTER, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

| | Business-Type Activities - Enterprise Funds | | |
|---|---|----------------------|----------------------|
| | Water | Sewer | Total |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ - | \$ 23,555 | \$ 23,555 |
| Restricted Cash | 2,189,766 | 2,045,160 | 4,234,926 |
| Receivables, Net | 139,669 | 169,448 | 309,117 |
| Due from Other Funds | 61,535 | 604,907 | 666,442 |
| Inventory | 27,947 | - | 27,947 |
| Capital Assets, Net of Accumulated Depreciation | 5,026,277 | 7,202,869 | 12,229,146 |
| Total Assets | <u>7,445,194</u> | <u>10,045,939</u> | <u>17,491,133</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows of Resources Related to Pension | <u>57,684</u> | <u>57,238</u> | <u>114,922</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 7,502,878</u> | <u>\$ 10,103,177</u> | <u>\$ 17,606,055</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 11,664 | \$ 44,000 | \$ 55,664 |
| Due to Other Funds | 347,364 | 111,152 | 458,516 |
| Accrued Expenses | 9,972 | 9,905 | 19,877 |
| Compensated Absences: | | | |
| Due Within One Year | 11,632 | 11,155 | 22,787 |
| Due in More Than One Year | 20,188 | 19,366 | 39,554 |
| Note Payable: | | | |
| Due Within One Year | 22,259 | - | 22,259 |
| Due in More Than One Year | 68,120 | - | 68,120 |
| Net Pension Liability | 182,594 | 181,181 | 363,775 |
| Total Liabilities | <u>673,793</u> | <u>376,759</u> | <u>1,050,552</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflows of Resources Related to Pension | <u>19,562</u> | <u>19,411</u> | <u>38,973</u> |
| NET POSITON | | | |
| Net Investment in Capital Assets | 4,935,898 | 7,202,869 | 12,138,767 |
| Restricted for Capital Projects | 2,189,766 | 2,045,160 | 4,234,926 |
| Unrestricted | (316,141) | 458,978 | 142,837 |
| Total Net Position | <u>6,809,523</u> | <u>9,707,007</u> | <u>16,516,530</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 7,502,878</u> | <u>\$ 10,103,177</u> | <u>\$ 17,606,055</u> |

See accompanying Notes to Financial Statements.

TOWN OF MANCHESTER, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

| | Business-Type Activities - Enterprise Funds | | |
|---|---|---------------------|----------------------|
| | Water | Sewer | Total |
| OPERATING REVENUES | | | |
| Charges for Services | \$ 321,687 | \$ 483,676 | \$ 805,363 |
| Unit Charges | 184,132 | 212,002 | 396,134 |
| Excise Taxes | 4,800 | 4,000 | 8,800 |
| Area Service Charges | 8,747 | 8,750 | 17,497 |
| Miscellaneous | 102,231 | 50,524 | 152,755 |
| Total Operating Revenues | <u>621,597</u> | <u>758,952</u> | <u>1,380,549</u> |
| OPERATING EXPENSES | | | |
| Salaries and Fringe Benefits | 362,795 | 392,608 | 755,403 |
| Operating Expenses | 180,449 | 276,161 | 456,610 |
| Depreciation Expense | 220,309 | 325,383 | 545,692 |
| Total Operating Expenses | <u>763,553</u> | <u>994,152</u> | <u>1,757,705</u> |
| OPERATING LOSS | <u>(141,956)</u> | <u>(235,200)</u> | <u>(377,156)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest Income | 37,916 | 35,709 | 73,625 |
| Interest Expense | <u>(2,736)</u> | <u>-</u> | <u>(2,736)</u> |
| Total Nonoperating Revenues | <u>35,180</u> | <u>35,709</u> | <u>70,889</u> |
| CHANGE IN NET POSITION | (106,776) | (199,491) | (306,267) |
| Total Net Position - Beginning of Year | <u>6,916,299</u> | <u>9,906,498</u> | <u>16,822,797</u> |
| TOTAL NET POSITION - END OF YEAR | <u>\$ 6,809,523</u> | <u>\$ 9,707,007</u> | <u>\$ 16,516,530</u> |

See accompanying Notes to Financial Statements.

TOWN OF MANCHESTER, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

| | Business-Type Activities - Enterprise Funds | | |
|---|---|---------------------|---------------------|
| | Water | Sewer | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Received from Customers | \$ 612,045 | \$ 751,083 | \$ 1,363,128 |
| Cash Paid to Suppliers for Goods and Services | (174,930) | (296,398) | (471,328) |
| Cash Paid to Employees for Services | (361,941) | (387,307) | (749,248) |
| Net Cash Provided by Operating Activities | <u>75,174</u> | <u>67,378</u> | <u>142,552</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest Income | 37,916 | 35,709 | 73,625 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and Construction of Capital Assets | (41,106) | (90,953) | (132,059) |
| Principal Paid on Bond and Notes Maturities | (22,038) | - | (22,038) |
| Interest Paid | (2,736) | - | (2,736) |
| Net Cash Used by Capital and Related Financing Activities | <u>(65,880)</u> | <u>(90,953)</u> | <u>(156,833)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 47,210 | 12,134 | 59,344 |
| Cash and Cash Equivalents - Beginning of Year | <u>2,142,556</u> | <u>2,056,581</u> | <u>4,199,137</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 2,189,766</u> | <u>\$ 2,068,715</u> | <u>\$ 4,258,481</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating Loss | \$ (141,956) | \$ (235,200) | \$ (377,156) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities: | | | |
| Depreciation | 220,309 | 325,383 | 545,692 |
| Effects of Changes in Operating Assets and Liabilities: | | | |
| Accounts Receivable | (8,386) | (6,662) | (15,048) |
| Inventory | 12,290 | - | 12,290 |
| Interfund Receivables | (1,161) | (1,197) | (2,358) |
| Accounts Payable | (5,961) | (21,395) | (27,356) |
| Interfund Payables | (810) | 1,158 | 348 |
| Accrued Expenses | 102 | 29 | 131 |
| Deferred Outflows Related to Pension Amounts | (1,948) | (2,183) | (4,131) |
| Deferred Inflows Related to Pension Amounts | (947) | (847) | (1,794) |
| Net Pension Liability | 3,095 | 3,885 | 6,980 |
| Compensated Absences | 547 | 4,407 | 4,954 |
| Net Cash Provided by Operating Activities | <u>\$ 75,174</u> | <u>\$ 67,378</u> | <u>\$ 142,552</u> |

See accompanying Notes to Financial Statements.

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Manchester, Maryland (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting principles are described below. These policies should be recognized by the reader as integral to the preparation and use of the accompanying general purpose financial statements.

Reporting Entity

The Town was incorporated in March of 1834 under the provisions of the State of Maryland Public Local Law, Article 17, Section 631, Chapter 532 as amended by Section 1, 1949, Chapter 583. The Town operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety, highways and streets, water and sewer, culture and recreation, public improvements, planning and zoning, and general administrative services.

For financial reporting purposes, in conformance with accounting principles generally accepted in the United States of America, the reporting entity includes the Mayor and Town Council of Manchester, which represents the primary government.

Government-Wide and Fund Financial Statements

The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the Town. Eliminations have been made to remove the effect of interfund activity from these statements. Governmental activities, which are supported by taxes and intergovernmental activities, are reported separately from business-type activities that are supported by customer service charges.

The statement of activities presents a comparison between direct expenses and program revenues for each of the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those specifically associated with a program or function. Program revenues include charges to customers and grants and contributions restricted to the capital or operational requirements of particular programs. Revenues that are not classified as program revenues, such as taxes, are reported as general revenues.

Separate financial statements are shown 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.

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year of levy.

Grants are recognized as revenue when all eligibility requirements are met.

Governmental fund statements are presented using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within 60 days of year-end. Expenditures are recorded when the related liability is incurred as under accrual accounting. Expenditures for compensated absences are recorded when the payments are due.

Those revenues susceptible to accrual are property taxes, taxes collected by the state and county on behalf of the Town, franchise taxes, special assessments, revenue from other agencies, interest revenue, and charges for services. Fines and forfeitures, licenses, permits, penalties and interest (on property taxes), and other revenues become measurable and available when cash is received by the Town and are recognized as revenue at that time.

The Town has one major governmental fund: the general fund. The general fund is used to account for all activities of the government not accounted for in some other fund. It accounts for the normal recurring activities of the Town such as police, public works, parks and recreation, general government, etc. These activities are financed primarily by property taxes, other taxes, service charges, and grants from other governmental units.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Operating revenues and expenses result from providing services and delivering goods in connection with the fund's principal ongoing operations such as charges to customers for sales and services and expenses such as salaries, product costs, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town has two major proprietary funds. The Water Fund operates the water treatment plants and distribution system. The Sewer Fund operates the sewage treatment plant, pumping stations, and collection system.

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The effect of interfund activity has been eliminated from the government-wide financial statements except for charges between the water and sewer funds and the general fund for direct services. Elimination of these charges would distort the direct costs and program revenues reported for the various services. Amounts reported as program revenues include charges to customers for goods and services, operating grants and contributions and capital grants. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets 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.

Equity in Pooled Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months at the time of purchase. Cash deposits of the Town are made in accordance with the Annotated Code of Maryland (the Code), which requires depositories to give security in the form of collateral as provided for in the Code, for the safekeeping and forthcoming, when required, of these deposits.

Excess funds are also permitted to be invested either in bonds or other obligations for the payment of principal and interest of which the full faith and credit of the United States of America are pledged, or in obligations of Federal government agencies issued pursuant to acts of Congress, or in the local government investment pool created by the State of Maryland.

For the purposes of the statement of cash flows, the Town considers all highly liquid investments with an original maturity date of three months or less at the time of purchase to be cash equivalents. Cash resources of each of the individual funds, except cash required to be segregated by law or policy, are combined to form a pool of cash and investments to maximize interest earnings. Income from pooled investments are allocated to funds on the basis of their equity in pooled cash.

The investments in the Maryland Local Government Pool are valued on an amortized cost basis.

**TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Property taxes are reported at their estimated collectible value. The following summarizes the property tax calendar:

| | <u>Real</u> | <u>Personal and Corporate</u> |
|--|---------------------------|-------------------------------|
| Assessment Roll Validated: | December 31 | January 1 |
| Tax Rate Ordinance Approved: | June 30 | June 30 |
| Beginning of fiscal year for which taxes have been levied: | July 1 | July 1 |
| Tax bills Rendered and Due: | July 1 | On State Notification |
| Owner-occupied Residential: | July 1 and Jan 1 | On State Notification |
| Property Taxes Receivable: | | |
| Delinquent Terms | Oct. 1, Feb. 1 60 days | After 30 days 30 days |
| Delinquent Interest Rate | 18% | 18% |

Information presented is for "full year" levy. "Half year" levy dates are each six months later, and relate to new construction in the first six months of the calendar year. A lien is attached to the property on the billing date, becomes delinquent October 1, and is sold at tax sale by the end of 18 months.

Allowances for uncollectible accounts, if any, are maintained on all types of receivables that historically experience bad debt. Receivables are shown net of such an allowance for uncollectibles for all funds. Real property taxes are generally fully collectible. Receivables shown in the water and sewer funds represents amounts due from customers for charges for service.

Inventory

Inventory is stated at the lower of cost or market on the FIFO basis and consists of general supplies and equipment and supplies used in the operation of the municipal water system.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure such as roads, storm drains, and pipe systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets, which individually cost more than \$2,500 and have an estimated useful life in excess of two years. Land is not depreciated as it is assumed to have an indefinite useful life. Construction in progress is not depreciated until the asset is placed into service. In the enterprise funds, fixed assets are recorded at cost.

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

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Expenditures for major assets and improvements are capitalized as projects are constructed. Interest on debt during the construction period is capitalized. The amount of interest to be capitalized is offset by interest income earned on invested unused debt proceeds over the same period. Exhaustible capital assets of the governmental and business-type activities and proprietary funds are depreciated, which is charged as an expense against their operations. Accumulated depreciation is reported in the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method.

Estimated useful lives are generally as follows:

| | |
|----------------------------|----------------|
| Water and Sewer Systems | 40 to 50 Years |
| Vehicles | 5 to 10 Years |
| Machinery and Equipment | 3 to 15 Years |
| Buildings and Improvements | 15 to 40 Years |
| Infrastructure | 20 to 50 Years |
| Other Improvements | 7 to 20 Years |
| Furniture and Fixtures | 5 to 10 Years |

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The Town recognizes deferred outflows related to pensions.

Long-Term Obligations

In the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, or proprietary fund statement of net position.

Compensated Absences

Vacation benefits are earned by employees of the Town based upon time in service. The rights to such benefits are vested immediately. A maximum of 240 hours of accumulated vacation leave may be carried forward into the next year. Employees accumulate comp-time for overtime hours worked at 1.5 hours per each hour of overtime. A maximum of 80 hours of accumulated comp-time may be carried forward into the next year. Upon termination of employment, the Town pays the employee for accumulated vacation leave up to 240 hours and accumulated comp-time up to 80 hours. The Town records vacation leave and comp-time benefits as earned. The vested benefits as of year-end are included as "compensated absences" on the statement of net position.

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period. The Town recognizes deferred inflows related to pensions. The Town's general fund has unavailable revenue related to receivables for revenues that are not considered to be available to liquidate liabilities of the current period such as income taxes not collected within 60 days after fiscal year-end.

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

Net Position/Fund Balance

The government-wide financial statements utilize a net position presentation. The proprietary funds use a balance sheet approach, but utilize the same net position categorization as the government-wide statements. Net Position is categorized as net investment in capital assets, restricted, and unrestricted.

- **Net investment in capital assets** – This category groups all capital assets including infrastructure into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- **Restricted net position** – This category presents net position with external restrictions imposed by creditors, grantors, or laws and regulations of other governments.
- **Unrestricted net position** – This category presents the net position of the Town, not restricted for any purpose.

In the fund financial statements, governmental funds report classifications of fund balance in a hierarchy based primarily on the extent of constraints on the related funding sources. As of June 30, 2019, fund balances of the governmental funds are classified as follows:

Nonspendable

Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact (e.g., inventory). There were no nonspendable fund balances at June 30, 2019.

**TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (Continued)

Restricted

Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. There were no restricted fund balances at June 30, 2019.

Committed

Amounts that can be used only for specific purposes determined by a formal action of the Town Council. The Town Council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances approved by the Town Council.

Assigned

Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town's adopted policy, assignment of funds can be recommended by the Director of Finance but all assignments must be approved by the Town Council.

Unassigned

All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted funds are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned funds are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Town Council or the Director of Finance has provided otherwise in its commitment or assignment actions.

Stewardship, Compliance, and Accountability

Budgetary Information

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted after two weeks' notice is given in a local newspaper.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. Any transfer of funds between major appropriations for different purposes must be approved by the Council by a three-fifths (3/5) vote before becoming effective.

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stewardship, Compliance, and Accountability (Continued)

Budgetary Information (Continued)

The Town's budget for the Water and Sewer funds is not legally adopted, and is for management's use only.

5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) except for the following two items if applicable:
 - a. Capital contributions are not budgeted and are not included in the non-GAAP budgetary statements.
 - b. The use of prior year fund balance is budgeted for and is included in the non-GAAP budgetary statements.

Budgetary comparisons presented for the General Fund are on this non-GAAP basis.

6. Appropriations which are not expended lapse at the end of the fiscal year.

Budgeted amounts are adopted on a non-GAAP basis and are shown as originally adopted by the Town Council for the General Fund. Expenditures may not legally exceed appropriations at the fund level. The General Fund did not exceed their appropriated expenditure budget at the fund level for the year ended June 30, 2019. There were no reconciling differences between GAAP and non-GAAP budgetary basis presentations for the year ended June 30, 2019.

NOTE 2 DEPOSITS AND INVESTMENTS

Reconciliation of cash and temporary investments as shown on the statement of net position is as follows:

| | |
|--|----------------------------|
| Carrying Amount of Deposits | \$ 8,748,319 |
| Carrying Amounts of Temporary Investments | <u>46,031</u> |
| Total Cash, Cash Equivalents, and Temporary Investments per Statement of Net Position | <u><u>\$ 8,794,350</u></u> |

Deposits

At year-end, the carrying amount of the Town's deposits (including cash on hand of \$250) was \$8,794,350 and the bank balance was \$8,809,411. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town follows the State mandated deposit policy for custodial credit risk requiring all deposits to be collateralized for amounts in excess of FDIC limits. At year-end, the Town was in compliance with the State's deposit policy, and all deposits in excess of FDIC limits were covered by collateral held by the Bank's trust department in the name of the Town.

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

At June 30, 2019, the Town's investments totaling \$46,031 were entirely in the State-created Maryland Local Government Investment Pool (MLGIP). The State Legislature created MLGIP under the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, is managed by a single Baltimore-based financial institution, PNC. The pool is a 2a7 like pool, which is not registered with the Security and Exchange Commission (SEC) but generally operates in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940 (Rule 2a7). Unit value is computed using the amortized cost method and maintains a \$1 per share value.

Investment Rate Risk

Fair value fluctuates with interest, and increasing interest rates could cause fair value to decline below original cost. To limit the Town's exposure to fair value losses arising from increasing interest rates, the Town's investment policy limits the term of investment maturities between 30 days to one year in order to remain sufficiently liquid to enable the Town to meet all operating requirements which might be reasonably anticipated. Town management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Town from having to sell investments below original cost for that purpose.

The investments at June 30, 2019, met the Town's investment policy as of that date. Investment income for the year ended June 30, 2019 was \$126,838, comprised entirely of interest and dividends on investments and cash deposits.

Credit Risk

The investment policy of the Town permits investments in the following types of investments as authorized by the State of Maryland: direct U.S. obligations, U.S. agency obligations, repurchase agreements, bankers' acceptances, municipal securities, commercial paper, money market mutual funds, and the MLGIP. The MLGIP is established under the Annotated Code of Maryland and is under the administration of the State Treasurer. It is rated AAAM by Standard & Poor's, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Custodial Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Town will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The investments of the Town were not exposed to custodial risk at June 30, 2019.

Foreign Currency Risk

The Town's investment policy does not allow for investments denominated in foreign currencies and the Town was in compliance with this policy during the year ended June 30, 2019.

**TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 RECEIVABLES

Property Taxes Receivable

Property taxes are reported at their estimated collectible value. The Town's real property tax rate was \$0.216 per \$100 of assessed value. The Town's tax rate for personal and corporate property was \$0.46 per \$100 of assessed value. As of June 30, 2019, property taxes receivable amounted to \$5,155.

Summary of Receivables

Receivables as of year-end for the government's major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

| | Governmental Activities | Business-Type Activities | | Business Type Activities | Total |
|----------------------------|----------------------------|--------------------------|-------------------|--------------------------------|-------------------|
| | | Water | Sewer | | |
| Receivables | | | | | |
| Taxes | \$ 102,835 | \$ - | \$ - | \$ - | \$ 102,835 |
| Accounts | 12,020 | 139,669 | 169,448 | 309,117 | 321,137 |
| Due from Other Governments | 261,646 | - | - | - | 261,646 |
| Net Receivables | <u>\$ 376,501</u> | <u>\$ 139,669</u> | <u>\$ 169,448</u> | <u>\$ 309,117</u> | <u>\$ 685,618</u> |

NOTE 4 UNAVAILABLE REVENUE

Governmental funds report unavailable revenue in relation to receivables for revenues that are not considered to be available to liquidate liabilities of the current period such as income taxes not collected within 60 days after fiscal year-end. Unavailable revenue for the general fund at June 30, 2019 consisted solely of revenue deemed unavailable in the amount of \$218,749, which is reported on as deferred inflow of resources.

**TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 INTERFUND BALANCES

The composition of interfund balances as of June 30, 2019 is as follows:

| | Due From Other Funds | Due To Other Funds |
|--------------|-------------------------|-----------------------|
| General Fund | \$ 402,194 | \$ 610,120 |
| Water Fund | 61,535 | 347,364 |
| Sewer Fund | 604,907 | 111,152 |
| Total | \$ 1,068,636 | \$ 1,068,636 |

These interfund balances are presented in the accompanying financial statements as follows:

| | Due From | Due To |
|---|--------------|--------------|
| Balance Sheet - Government-Wide Financial Statements (page 14) | \$ 402,194 | \$ 610,120 |
| Statement of Net Position - Proprietary Funds (page 19) | 666,442 | 458,516 |
| Total | \$ 1,068,636 | \$ 1,068,636 |

NOTE 6 CHANGES IN CAPITAL ASSETS

Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

| | Beginning Balance | Additions | Transfers and Deletions | Ending Balance |
|---|----------------------|--------------|-------------------------------|-------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 768,410 | \$ - | \$ - | \$ 768,410 |
| Total Capital Assets, Not Being Depreciated | 768,410 | - | - | 768,410 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings and Improvements | 3,185,947 | 5,800 | - | 3,191,747 |
| Other Improvements | 341,282 | - | - | 341,282 |
| Machinery and Equipment | 586,882 | 29,462 | - | 616,344 |
| Furniture and Fixtures | 37,966 | - | - | 37,966 |
| Vehicles | 701,827 | 27,947 | - | 729,774 |
| Infrastructure | 9,057,632 | 428,734 | - | 9,486,366 |
| Total Capital Assets, Being Depreciated | 13,911,536 | 491,943 | - | 14,403,479 |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | (606,668) | (92,948) | - | (699,616) |
| Other Improvement | (220,516) | (11,956) | - | (232,472) |
| Machinery and Equipment | (401,092) | (33,769) | - | (434,861) |
| Furniture and Fixtures | (33,877) | (595) | - | (34,472) |
| Vehicles | (593,075) | (43,551) | - | (636,626) |
| Infrastructure | (4,292,106) | (453,794) | - | (4,745,900) |
| Total Accumulated Depreciation | (6,147,334) | (636,613) | - | (6,783,947) |
| Capital Assets Being Depreciated, Net | 7,764,202 | (144,670) | - | 7,619,532 |
| Governmental Activities Capital Assets, Net | \$ 8,532,612 | \$ (144,670) | \$ - | \$ 8,387,942 |

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 CHANGES IN CAPITAL ASSETS (CONTINUED)

Capital Assets (Continued)

| | Beginning Balance | Additions | Transfers and Deletions | Ending Balance |
|--|----------------------|---------------------|-------------------------------|----------------------|
| Business-Type Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 1,551,289 | \$ - | \$ - | \$ 1,551,289 |
| Construction in Progress | 7,834 | - | - | 7,834 |
| Total Capital Assets, Not Being Depreciated | <u>1,559,123</u> | <u>-</u> | <u>-</u> | <u>1,559,123</u> |
| Capital Assets, Being Depreciated: | | | | |
| Buildings | 79,023 | - | - | 79,023 |
| Machinery and Equipment | 1,340,118 | 117,348 | (11,743) | 1,445,723 |
| Vehicles | 251,203 | - | - | 251,203 |
| Sewer System | 12,667,662 | - | - | 12,667,662 |
| Water System | 6,876,454 | 14,715 | - | 6,891,169 |
| Total Capital Assets, Being Depreciated | <u>21,214,460</u> | <u>132,063</u> | <u>(11,743)</u> | <u>21,334,780</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | (38,494) | (4,132) | - | (42,626) |
| Machinery and Equipment | (980,795) | (80,615) | 11,743 | (1,049,667) |
| Vehicles | (184,297) | (24,276) | - | (208,573) |
| Sewer System | (6,440,095) | (262,716) | - | (6,702,811) |
| Water System | (2,487,127) | (173,953) | - | (2,661,080) |
| Total Accumulated Depreciation | <u>(10,130,808)</u> | <u>(545,692)</u> | <u>11,743</u> | <u>(10,664,757)</u> |
| Capital Assets Being Depreciated, Net | <u>11,083,652</u> | <u>(413,629)</u> | <u>-</u> | <u>10,670,023</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 12,642,775</u> | <u>\$ (413,629)</u> | <u>\$ -</u> | <u>\$ 12,229,146</u> |

Depreciation Expense

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|-------------------|
| Governmental Activities: | |
| General Government | \$ 407,128 |
| Public Safety | 51,866 |
| Public Works | 153,643 |
| Parks and Recreation | 23,976 |
| Total Depreciation - Governmental Activities | <u>\$ 636,613</u> |
| Business-Type Activities: | |
| Water | \$ 220,309 |
| Sewer | 325,383 |
| Total Depreciation - Business-Type Activities | <u>\$ 545,692</u> |

**TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 LONG-TERM DEBT

Bond Payable

On August 17, 2016, the Town issued \$1,700,000 of Local Government Infrastructure Bonds, Series 2016A. The proceeds of the 2016A Local Government Infrastructure Bonds were used to financing the new Town Hall and Police Station. The Series 2016A Local Government Infrastructure Bonds were issued with a variable interest rate with interest being payable on June 1 and December 1 of each year. Principal amounts of between \$120,000 and \$185,000 are payable on June 1, with a final maturity on the debt due on June 1, 2026.

The annual debt service requirements to maturity are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|------------------|---------------------|
| 2020 | \$ 170,000 | \$ 20,318 | \$ 190,318 |
| 2021 | 170,000 | 18,584 | 188,584 |
| 2022 | 175,000 | 16,425 | 191,425 |
| 2023 | 175,000 | 13,765 | 188,765 |
| Thereafter | 550,000 | 22,331 | 572,331 |
| Total | <u>\$ 1,240,000</u> | <u>\$ 91,423</u> | <u>\$ 1,331,423</u> |

Note Payable

During fiscal year 2004, the Town borrowed \$400,000 from the Maryland Department of the Environment to assist in the financing of the Route 30 Water Main project. The agreement requires annual payments of principal and interest of \$23,163 at an interest rate of 1%. The final payment is due on February 1, 2023.

The annual debt service requirements to maturity are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|------------------|-----------------|------------------|
| 2020 | \$ 22,259 | \$ 904 | \$ 23,163 |
| 2021 | 22,482 | 681 | 23,163 |
| 2022 | 22,706 | 457 | 23,163 |
| 2023 | 22,932 | 231 | 23,163 |
| Total | <u>\$ 90,379</u> | <u>\$ 2,273</u> | <u>\$ 92,652</u> |

**TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|------------------|-------------------|---------------------|------------------------|
| Government Activities | | | | | |
| Bond Payable | \$ 1,410,000 | \$ - | \$ 170,000 | \$ 1,240,000 | \$ 170,000 |
| Net Pension | 579,312 | 69,780 | - | 649,092 | - |
| Compensated Absences | 122,935 | 3,831 | - | 126,766 | 46,327 |
| Government Activities Long-Term Liabilities | <u>\$ 2,112,247</u> | <u>\$ 73,611</u> | <u>\$ 170,000</u> | <u>\$ 2,015,858</u> | <u>\$ 216,327</u> |
| Business-Type Activities | | | | | |
| Loan Payable | \$ 112,417 | \$ - | \$ 22,038 | \$ 90,379 | \$ 22,259 |
| Net Pension | 356,795 | 6,980 | - | 363,775 | - |
| Compensated Absences | 57,387 | 4,954 | - | 62,341 | 22,787 |
| Business-Type Activities Long-Term Liabilities | <u>\$ 526,599</u> | <u>\$ 11,934</u> | <u>\$ 22,038</u> | <u>\$ 516,495</u> | <u>\$ 45,046</u> |

NOTE 8 NET POSITION – PROPRIETARY FUNDS

Restricted net position at June 30, 2019 as follows:

| Purpose: | Funds | | Total |
|------------------|---------------------|---------------------|---------------------|
| | Water | Sewer | |
| Capital Projects | <u>\$ 2,189,766</u> | <u>\$ 2,045,160</u> | <u>\$ 4,234,926</u> |

The restriction of net position in the enterprise fund was established by an ordinance adopted by the Mayor and Town Council. It provides that all sanitary sewer capital connection charges shall be used for the construction, extension, improvement, and maintenance of the sanitary system and wastewater treatment plant.

NOTE 9 PENSION PLAN

General Information about the Plan

Plan description. The employees of the Town are covered by the Maryland State Retirement and Pension System (the System), which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, employees of the Town are a member of the Employees' Retirement and Pension Systems. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publically available financial report that can be obtained at <http://www.sra.state.md.us>.

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 PENSION PLAN (CONTINUED)

General Information about the Plan (Continued)

Benefits provided. The System provides retirement allowances and other benefits to State employees of participating governmental units, among others. For individuals who become members of the Employees' Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the Employees' Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefits allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's average final compensation (AFC) multiplied by the number of years of accumulated creditable service.

A member of the Employees' Pension System on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the members' combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from the Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the members AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.4% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998 plus 1.8% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. Beginning in July 1, 2011, any new member of the Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Employees' Pension System.

Contributions. The Town and covered members are required by State statute to contribute to the System. Members of the Employees' Pension System are required to contribute 7% annually. Members of the Employees' Retirement System are required to contribute 5-7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the System.

**TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 PENSION PLAN (CONTINUED)

General Information about the Plan (Continued)

The Town's contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2019, was 6.75% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town made its share of the required contributions during the year ended June 30, 2019 of \$112,092.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Town reported a liability of \$1,012,867 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2018. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2019, the Town's proportionate share was 0.0048274% a decrease of 0.0004983% from the prior year.

For the year ended June 30, 2019, the Town recognized pension expense of \$161,100. At June 30, 2019, the Town 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 |
|--|--------------------------------------|-------------------------------------|
| Changes in Assumptions | \$ 28,136 | \$ - |
| Differences Between Expected and Actual Experience | - | 76,883 |
| Change in Proportion | 139,729 | 31,593 |
| Net Differences Between Projected and Actual Earnings on Pension Plan Investments | 34,923 | - |
| Changes in Proportionate Share of Contributions | 5,100 | 36 |
| Town Contributions Subsequent to the Measurement Date | 112,092 | - |
| Total | <u>\$ 319,980</u> | <u>\$ 108,512</u> |

**TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 PENSION PLAN (CONTINUED)

General Information about the Plan (Continued)

\$112,092 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | <u>Amount</u> |
|----------------------------|---------------|
| 2019 | \$ 65,662 |
| 2020 | 39,978 |
| 2021 | (16,896) |
| 2022 | 605 |
| 2023 | 10,027 |
| Thereafter | - |

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-------------------------------------|
| Inflation | 2.60% general, 3.10% wage |
| Salary increases | 3.10% to 9.10%, including inflation |
| Investment rate of return | 7.45% |

Mortality rates were based on RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to the System's experience.

The economic and demographic actuarial assumptions used in the June 30, 2018 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2010-2014, which was completed during FY 2014. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates, and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2015. As a result, an investment return assumption of 7.45% and an inflation assumption of 2.60% were used in the June 30, 2018 valuation.

The long term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s).

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 PENSION PLAN (CONTINUED)

General Information about the Plan (Continued)

For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|--------------------|------------------------------|---|
| Public Equity | 37 % | 5.80 % |
| Private Equity | 13 | 6.70 |
| Rate Sensitive | 19 | 1.10 |
| Credit Opportunity | 09 | 3.60 |
| Real Assets | 14 | 4.80 |
| Absolute Return | 08 | 3.20 |
| Total | <u>100 %</u> | |

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2018.

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 8.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The single discount rate used to measure the total pension liability was 7.45%. This single discount rate was based on the expected rate of return on pension plan investments of 7.45%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan 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 net pension liability. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Town's net pension liability, calculated using a single discount rate of 7.45%, as well as what the Town's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

| | <u>1% Decrease (6.45%)</u> | <u>Current Discount Rate (7.45%)</u> | <u>1% Increase (8.45%)</u> |
|---|--------------------------------|--|--------------------------------|
| Town's Proportionate Share of the Net Pension Liability | \$ 1,458,874 | \$ 1,012,867 | \$ 642,711 |

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

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 OTHER INFORMATION

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident; and natural disasters. The Town purchases commercial insurance to protect its interest in its property and equipment, insurance against employee dishonesty and liability protection. Settled claims have not exceeded these coverage's for the past three fiscal years.

TOWN OF MANCHESTER, MARYLAND
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY —
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
YEAR ENDED JUNE 30, 2019

| <u>Employees' Retirement and Pension System:</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|-------------|-------------|
| Town's proportion of the net pension liability | 0.0048274% | 0.0043291% | 0.0044621% | 0.0045820% | 0.0036002% |
| Town's proportionate share of the net pension liability | \$ 1,012,867 | \$ 936,107 | \$ 1,052,785 | \$ 952,226 | \$ 638,920 |
| Town's covered payroll | \$ 1,228,030 | \$ 1,079,668 | \$ 1,016,852 | \$ 960,225 | \$ 860,225 |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 82.48% | 86.70% | 103.53% | 99.17% | 74.27% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.36% | 66.71% | 62.97% | 66.26% | 69.53% |

The Town implemented GASB 68 during fiscal year 2015. As such, only five years of information is available.

**TOWN OF MANCHESTER, MARYLAND
SCHEDULE OF THE TOWN CONTRIBUTIONS —
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
LAST TEN FISCAL YEARS**

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|--------------|--------------|--------------|--------------|------------|------------|------------|------------|------------|------------|
| Contractually required contribution | \$ 112,092 | \$ 96,262 | \$ 88,112 | \$ 86,925 | \$ 86,576 | \$ 83,898 | \$ 74,464 | \$ 90,218 | \$ 95,370 | \$ 64,225 |
| Contributions in relation to the contractually required contribution | (112,092) | (96,262) | (88,112) | (86,925) | (86,576) | (83,898) | (74,464) | (90,218) | (95,370) | (64,225) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Town's covered payroll | \$ 1,252,714 | \$ 1,228,030 | \$ 1,079,668 | \$ 1,016,852 | \$ 960,225 | \$ 860,225 | \$ 796,543 | \$ 798,265 | \$ 854,773 | \$ 812,935 |
| Contributions as a percentage of covered payroll | 8.95% | 7.84% | 8.16% | 8.55% | 9.02% | 9.75% | 9.35% | 11.30% | 11.16% | 7.90% |

**TOWN OF MANCHESTER, MARYLAND
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
STATE OF MARYLAND RETIREMENT AND PENSION SYSTEM
JUNE 30, 2019**

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the years 2015 to 2019

NOTE 2 CHANGES IN ASSUMPTIONS

- Inflation assumption changed as follows:
 - 6/30/2019 2.60%
 - 6/30/2018 2.65%
 - 6/30/2017 2.70%
 - 6/30/2016 2.70%
- Investment return assumption changed as follows:
 - 6/30/2019 7.50%
 - 6/30/2018 7.50%
 - 6/30/2017 7.55%
 - 6/30/2016 7.65%

**TOWN OF MANCHESTER, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES —
BUDGET AND ACTUAL — GENERAL FUND
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

| | Final Budget | Actual | Variance Positive/ (Negative) |
|---|------------------|------------------|-------------------------------------|
| REVENUES | | | |
| Taxes | | | |
| Local Property Taxes: | | | |
| Real Property | \$ 1,144,646 | \$ 1,055,071 | \$ (89,575) |
| Personal Property | 500 | 236 | (264) |
| Railroads and Public Utilities | 20,000 | 23,795 | 3,795 |
| Ordinary Business Corporations | 11,000 | 10,491 | (509) |
| Penalties and Interest - Delinquent Taxes | 3,500 | 5,222 | 1,722 |
| Net Property Taxes | <u>1,179,646</u> | <u>1,094,815</u> | <u>(84,831)</u> |
| Local Income Taxes | 620,000 | 807,459 | 187,459 |
| State Shared Taxes: | | | |
| Alcoholic Beverages | 588 | 663 | 75 |
| Admission | 15,000 | 18,008 | 3,008 |
| Highway | 196,020 | 197,178 | 1,158 |
| Total State Shared Taxes | <u>211,608</u> | <u>215,849</u> | <u>4,241</u> |
| Total Taxes | <u>2,011,254</u> | <u>2,118,123</u> | <u>106,869</u> |
| Licenses and Permits | | | |
| Traders | 4,000 | 4,703 | 703 |
| Building Permits | 2,150 | 3,996 | 1,846 |
| Rental Housing | - | 440 | 440 |
| Zoning Fees | 200 | 1,768 | 1,568 |
| Total Licenses and Permits | <u>6,350</u> | <u>10,907</u> | <u>4,557</u> |
| Intergovernmental | | | |
| Grants from Other Governments | | | |
| Police Protection | 51,393 | 51,263 | (130) |
| Grants from County Government: | | | |
| State Road Grant | 3,915 | 3,915 | - |
| Financial Corporations | 655 | 655 | - |
| Planning Functions | 250,026 | 250,026 | - |
| Total Intergovernmental | <u>305,989</u> | <u>305,859</u> | <u>(130)</u> |
| Service Charges | | | |
| Public Safety Charges: | | | |
| Safety Service Fee | 1,050 | 1,400 | 350 |
| Recreation Charges: | | | |
| Park Service Fee | 600 | 800 | 200 |
| Total Service Charges | <u>1,650</u> | <u>2,200</u> | <u>550</u> |

**TOWN OF MANCHESTER, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES —
BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

(Continued)

Rents and Concessions

| | | | |
|----------------------------|---------------|---------------|--------------|
| Rents and Concessions | \$ 38,000 | \$ 38,000 | \$ - |
| Cable TV Franchise Fees | 42,000 | 43,614 | 1,614 |
| Recreation Charges: | | | |
| Rentals | 9,000 | 12,997 | 3,997 |
| Public Safety Charges: | | | |
| Police Fines/Fees | 500 | 2,519 | 2,019 |
| Total Rent and Concessions | <u>89,500</u> | <u>97,130</u> | <u>7,630</u> |

Miscellaneous Revenue

| | | | |
|-----------------------------|-------------------------|-------------------------|-----------------------|
| Interest | 9,500 | 53,213 | 43,713 |
| Other | 1,000 | 12,162 | 11,162 |
| Total Miscellaneous Revenue | <u>10,500</u> | <u>65,375</u> | <u>54,875</u> |
| Total Revenues | <u>\$ 2,425,243</u> | <u>\$ 2,599,594</u> | <u>\$ 174,351</u> |

**TOWN OF MANCHESTER, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES —
BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|---------------------|----------------|---|
| EXPENDITURES | | | |
| General Government | | | |
| Legislative: | | | |
| <u>Council</u> | | | |
| Salaries | \$ 6,000 | \$ 6,000 | \$ - |
| Operating Expenses | 25,310 | 20,285 | 5,025 |
| <u>Administration</u> | | | |
| Salary | 109,243 | 101,284 | 7,959 |
| Operating Expenses | 47,800 | 40,887 | 6,913 |
| Capital Outlay | - | 508 | (508) |
| Executive: | | | |
| <u>Mayor</u> | | | |
| Salary | 8,400 | 9,424 | (1,024) |
| Financial Administration: | | | |
| <u>Independent Accounting and Auditing</u> | | | |
| Operating Expenses | 20,000 | 20,500 | (500) |
| Law: | | | |
| <u>Legal Counsel</u> | | | |
| Operating Expenses | 10,000 | 9,773 | 227 |
| Planning and Zoning: | | | |
| <u>Planning Commission</u> | | | |
| Salaries | 69,034 | 57,945 | 11,089 |
| Operating Expenses | 23,450 | 12,446 | 11,004 |
| General Services: | | | |
| <u>Postal Park</u> | | | |
| Operating Expenses | 3,700 | 967 | 2,733 |
| <u>Data Processing</u> | | | |
| Computer Operating Expenses | 8,000 | 4,793 | 3,207 |
| <u>Other General Services</u> | | | |
| Historical Association | 18,540 | 8,207 | 10,333 |
| Community Projects | 6,250 | 3,449 | 2,801 |
| Liability Insurance | 13,500 | (582) | 14,082 |
| Total General Government | <u>369,227</u> | <u>295,886</u> | <u>73,341</u> |
| Public Safety | | | |
| Police Department: | | | |
| <u>Patrol and Investigation</u> | | | |
| Salaries | 403,413 | 358,077 | 45,336 |
| Operating Expenses | 78,640 | 58,558 | 20,082 |
| Capital Outlay | 1,200 | 30,858 | (29,658) |
| Fire Department: | | | |
| <u>Volunteer Company</u> | | | |
| Operating Expenses | 32,900 | 32,600 | 300 |
| Total Public Safety | <u>516,153</u> | <u>480,093</u> | <u>36,060</u> |

**TOWN OF MANCHESTER, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES —
BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

| | Final Budget | Actual | Variance Positive (Negative) |
|---|------------------|-------------------|------------------------------------|
| EXPENDITURES (Continued) | | | |
| Public Works | | | |
| Highways and Street: | | | |
| <u>Streets, Roadways and Alleys:</u> | | | |
| Salaries and Overtime | \$ 150,294 | \$ 156,649 | \$ (6,355) |
| Operating Expenses | 68,900 | 58,264 | 10,636 |
| Capital Outlay | 553,893 | 429,187 | 124,706 |
| <u>Snow and Ice Removal:</u> | | | |
| Salaries | 15,000 | 18,009 | (3,009) |
| Operating Expenses | 21,000 | 21,198 | (198) |
| <u>Street Lighting:</u> | | | |
| Operating Expenses | 33,600 | 22,372 | 11,228 |
| <u>Stormwater Management:</u> | | | |
| Operating Expenses | 64,900 | 34,324 | 30,576 |
| <u>Sanitation and Waste Removal:</u> | | | |
| Waste - Collection and Disposal: | | | |
| Operating Expenses | 303,983 | 301,779 | 2,204 |
| Total Public Works | <u>1,211,570</u> | <u>1,041,782</u> | <u>169,788</u> |
| Recreation | | | |
| Parks: | | | |
| Salaries | 104,172 | 96,355 | 7,817 |
| Operating Expenses | 35,305 | 25,066 | 10,239 |
| Capital Outlay | 30,050 | 16,069 | 13,981 |
| Total Recreation | <u>169,527</u> | <u>137,490</u> | <u>32,037</u> |
| Miscellaneous | | | |
| Workmen's Compensation Insurance | 78,356 | 48,247 | 30,109 |
| Health and Accident Insurance | 158,011 | 119,780 | 38,231 |
| Social Security Contributions | 66,255 | 59,476 | 6,779 |
| Pension Plan Expense | 87,787 | 76,667 | 11,120 |
| Unemployment Insurance | - | - | - |
| Miscellaneous | - | 2,479 | (2,479) |
| Total Miscellaneous | <u>390,409</u> | <u>306,649</u> | <u>83,760</u> |
| Total Expenditures | <u>2,656,886</u> | <u>2,261,900</u> | <u>394,986</u> |
| Excess (Deficiency) of Expenditures Over Revenues Before Other Financing Sources | (231,643) | 337,694 | (220,635) |
| OTHER FINANCING SOURCES | | | |
| Transfers from Funds | 6,500 | - | (6,500) |
| Transfer from Safety Service for LEOPS Study | - | - | - |
| Principal, Interest and Issuance Cost | (192,190) | (186,167) | 6,023 |
| Transfer from Money Market | 192,190 | - | (192,190) |
| Encumbrances | 225,143 | - | (225,143) |
| Total Other Financing Sources | <u>231,643</u> | <u>(186,167)</u> | <u>(417,810)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ 151,527</u> | <u>\$ (638,445)</u> |

TOWN OF MANCHESTER, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES —
BUDGET AND ACTUAL — ENTERPRISE FUND
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019

| | Water Fund | | | Sewer Fund | | |
|---|------------|--------------|------------------------------------|------------|--------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| OPERATING REVENUES | | | | | | |
| Charges for Services | \$ 336,000 | \$ 321,687 | \$ (14,313) | \$ 520,800 | \$ 483,676 | \$ (37,124) |
| Unit Charges | 183,832 | 184,132 | 300 | 212,512 | 212,002 | (510) |
| Excise Taxes | 7,650 | 4,800 | (2,850) | 6,750 | 4,000 | (2,750) |
| Area Service Charges | 7,500 | 8,747 | 1,247 | 7,500 | 8,750 | 1,250 |
| Miscellaneous | 93,962 | 102,231 | 8,269 | 44,275 | 50,524 | 6,249 |
| Total Operating Revenues | 628,944 | 621,597 | (7,347) | 791,837 | 758,952 | (32,885) |
| OPERATING EXPENSES | | | | | | |
| Salaries and Fringe Benefits | 394,994 | 362,595 | 32,399 | 382,165 | 391,753 | (9,588) |
| Operating Expenses | 196,950 | 180,449 | 16,501 | 355,672 | 276,161 | 79,511 |
| Capital Outlay | 359,500 | 41,109 | 318,391 | 134,500 | 84,523 | 49,977 |
| Total Operating Expenses | 951,444 | 584,153 | 367,291 | 872,337 | 752,437 | 119,900 |
| Operating Loss | (322,500) | 37,444 | 359,944 | (80,500) | 6,515 | 87,015 |
| REVENUES (EXPENSES) | | | | | | |
| Payments on Notes | (22,400) | (22,038) | 362 | - | - | - |
| Interest Revenue | 14,900 | 37,916 | 23,016 | 15,000 | 35,709 | 20,709 |
| Debt Service Interest | - | (2,736) | (2,736) | - | - | - |
| Bay Restoration Fees Revenue | - | - | - | 96,000 | 112,226 | 16,226 |
| Bay Restoration Fees Remitted to the State | - | - | - | (96,000) | (112,226) | (16,226) |
| Withdrawal from Sewer/Water Area Service Savings | 330,000 | - | (330,000) | 65,500 | - | (65,500) |
| Total Nonoperating Income (Loss) | 322,500 | 13,142 | (309,358) | 80,500 | 35,709 | (44,791) |
| Net Loss - Budgetary Basis | \$ - | 50,586 | \$ 50,586 | \$ - | 42,224 | \$ 42,224 |
| Capital Outlay | | 41,109 | | | 84,523 | |
| Payments on Notes | | 22,038 | | | - | |
| Pension Expense | | (200) | | | (855) | |
| Depreciation Expense | | (220,309) | | | (325,384) | |
| Change in Net Position - GAAP Basis | | \$ (106,776) | | | \$ (199,492) | |