

TOWN OF MANCHESTER, MARYLAND

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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SUPPLEMENTARY INFORMATION

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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, 2021, 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, 2021, 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 42 and 43 and the Notes to the Required Supplementary Information on page 44 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 28, 2021

**TOWN OF MANCHESTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, 2021. 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 \$27.9 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 \$192,481 during the current fiscal year from \$1,138,120 to \$945,639, due to the Town making the required annual principal payments on the note payable.
- The General Fund on a current financial resource basis, reported expenditures in excess of revenues of \$73,880.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3.7 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, 2021

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 recreation. 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, 2021**

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 41 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 45 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 42 and 43 of this report and the notes to the required supplementary information is located on page 44 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 \$27.9 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 (70.2%) 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 15.1% 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, 2021 and 2020:

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2021	2020	2021	2020	2021	2020	
Current and Other Assets	\$ 4,877,995	\$ 4,892,697	\$ 5,091,378	\$ 5,142,105	\$ 9,969,373	\$ 10,034,802	(1)%
Capital Assets, Net	8,569,188	8,254,792	11,931,527	11,763,592	20,500,715	20,018,384	2.4
Total Assets	13,447,183	13,147,489	17,022,905	16,905,697	30,470,088	30,053,186	1.4
Total Deferred Outflows	338,519	225,353	176,441	110,037	514,960	335,390	53.5
Long-Term Liabilities	1,770,160	1,837,225	567,829	500,647	2,337,989	2,337,872	0.0
Other Liabilities	462,891	457,241	168,313	129,679	631,204	586,920	7.5
Total Liabilities	2,233,051	2,294,466	736,142	630,326	2,969,193	2,924,792	1.5
Total Deferred Inflows	93,235	93,063	48,594	45,443	141,829	138,506	2.4
Net Position:							
Capital Assets	7,669,188	7,184,792	11,885,888	11,695,472	19,555,076	18,880,264	3.6
Restricted	-	-	4,214,816	4,312,947	4,214,816	4,312,947	(2)
Unrestricted	3,790,228	3,800,521	313,906	331,546	4,104,134	4,132,067	(1)
Total Net Position	\$ 11,459,416	\$ 10,985,313	\$ 16,414,610	\$ 16,339,965	\$ 27,874,026	\$ 27,325,278	2.0

**TOWN OF MANCHESTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

The following table indicates the changes in net position for governmental and business-type activities at June 30, 2021 and 2020:

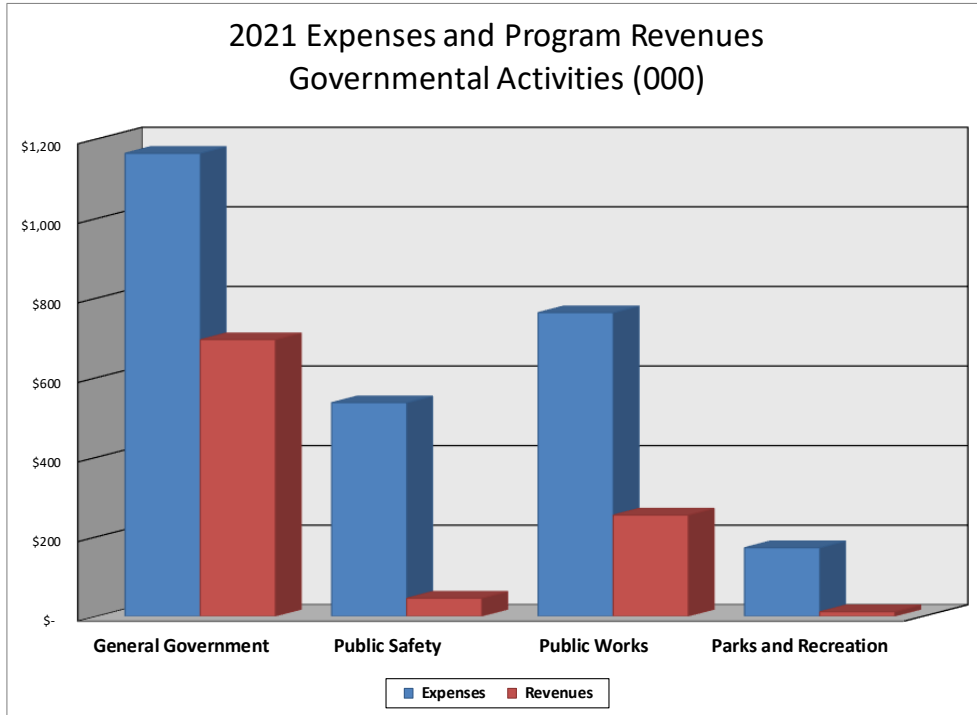
	Governmental Activities		Business-Type Activities		Total		Percent Change
	2021	2020	2021	2020	2021	2020	
Program Revenues							
Charges for Services	\$ 360,261	\$ 344,548	\$ 1,479,949	\$ 1,492,991	\$ 1,840,210	\$ 1,837,539	0 %
Operating Grants	646,186	266,130	-	-	646,186	266,130	142.8
Capital Grants and Contributions	-	-	297,378	-	297,378	-	-
General Revenues							
Property Taxes	1,167,066	1,123,961	-	-	1,167,066	1,123,961	3.8
Other Taxes	908,308	910,056	-	-	908,308	910,056	(0)
Investment Earnings and Other	27,823	47,701	49,069	66,067	76,892	113,768	(32)
Total Revenue	3,109,644	2,692,396	1,826,396	1,559,058	4,936,040	4,251,454	16.1
Program Expenses							
General Government	1,163,656	1,075,236	-	-	1,163,656	1,075,236	8.2
Public Safety	536,685	630,396	-	-	536,685	630,396	(15)
Public Works	762,950	790,197	-	-	762,950	790,197	(3)
Parks and Recreation	172,250	269,144	-	-	172,250	269,144	0
Utilities (Water and Sewer)	-	-	1,751,751	1,735,623	1,751,751	1,735,623	0.9
Total Program Expenses	2,635,541	2,764,973	1,751,751	1,735,623	4,387,292	4,500,596	(3)
INCREASE IN NET POSITION	474,103	(72,577)	74,645	(176,565)	548,748	(249,142)	(320)
Net Position - Beginning of Year	10,985,313	11,057,890	16,339,965	16,516,530	27,325,278	27,574,420	0
NET POSITION - END OF YEAR	\$ 11,459,416	\$ 10,985,313	\$ 16,414,610	\$ 16,339,965	\$ 27,874,026	\$ 27,325,278	2.0

Governmental activities. General revenues for the governmental activities were \$2.1 million, while total expenses, net of charges for services, grants and contributions, were \$1.6 million. The increase in net position for governmental activities was \$474,103, an increase of \$546,680 over the prior year, for which the majority of can be attributed to the following:

- Program revenue increased by \$395,766 or 64.8% primarily due to the receipt of CRF funding during the year.
- Program expenses decreased by \$129,432 or 4.9% primarily due to less activity due to COVID-19 and the Town implementing some cost saving measures.

**TOWN OF MANCHESTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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

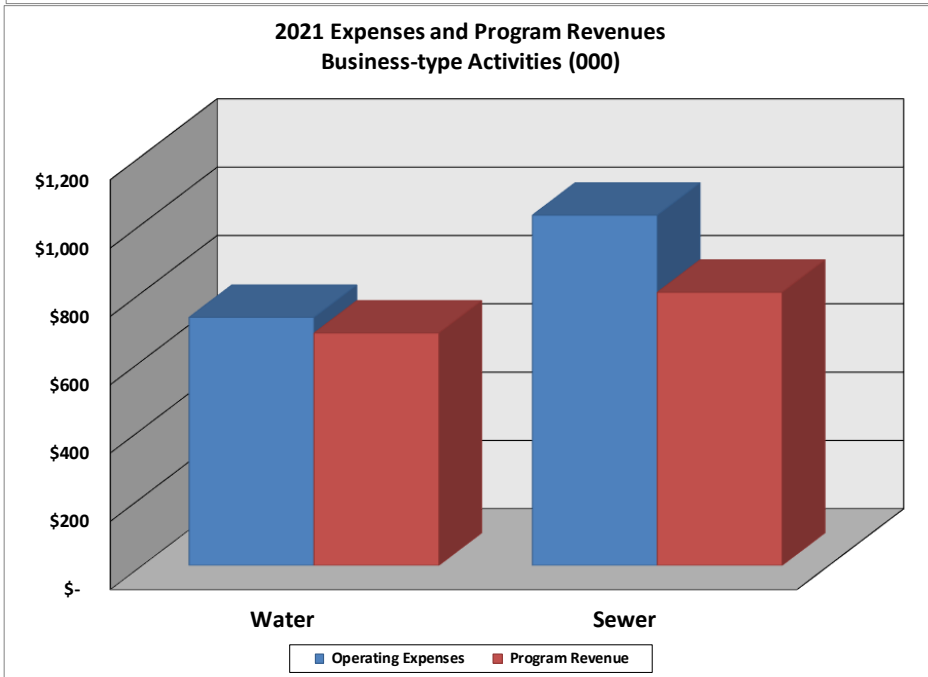
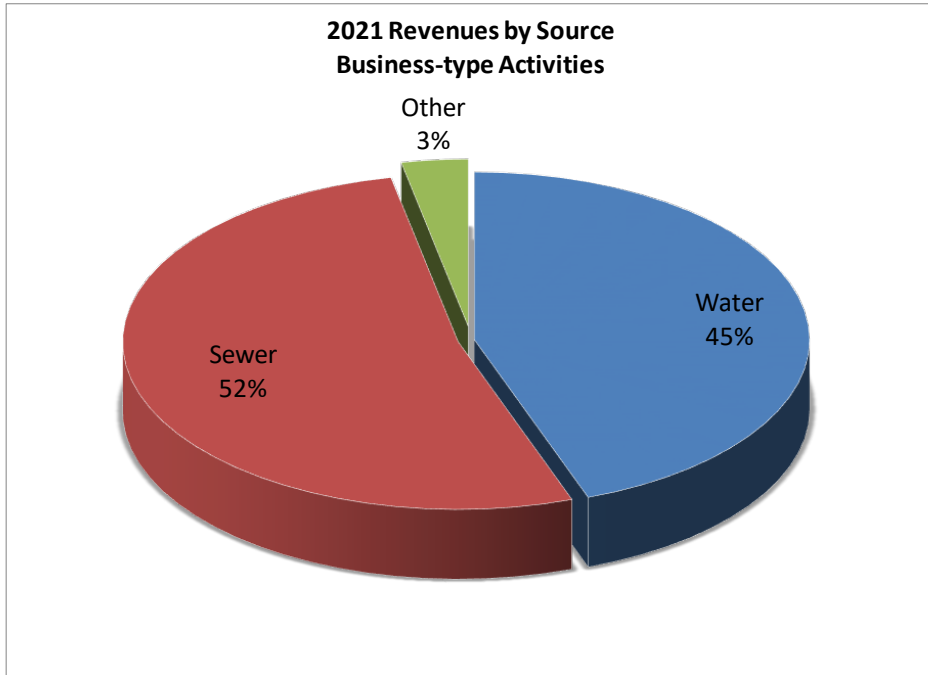


Business-type activities. Business-type activities increased the Town's net position by \$74,645, which was an increase of \$251,210 over the prior year. Key elements of this change are as follows:

- Business-type revenue increased \$267,338 or 17.1%. This is primarily due to capital contributions the Town received from a developer.

**TOWN OF MANCHESTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, 2021**

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, a decrease of \$73,880. Approximately 86.5% of this total amount (\$3.7 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 \$(190,139), safety service \$(319,884), road improvements \$(45,516), historic center \$(17,414), and other \$(8,140).

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 \$73,880 decrease 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 \$313,906. This amount consists of a \$364,125 deficit for the Water Fund and a \$678,031 surplus for the Sewer Fund. The total net position was increased by \$74,645. 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 one amendment during the year to the General Fund original budget in the amount of \$342,480. Revenues were higher than budgetary estimates by \$39,115 and expenditures were lower by \$621,095. 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, 2021**

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, 2021 amounts to \$20.5 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 increase in the Town's investment in capital assets for the current fiscal year was 2.4% (3.8% increase for governmental activities and a 1.4% increase for business-type activities).

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 768,410	\$ 768,410	\$ 1,551,289	\$ 1,551,289	\$ 2,319,699	\$ 2,319,699
Construction in Progress	-	99,396	7,834	7,834	7,834	107,230
Buildings and Improvements	2,323,691	2,418,179	28,364	32,265	2,352,055	2,450,444
Other Improvements	99,887	104,679	-	-	99,887	104,679
Machinery and Equipment	225,233	161,645	366,291	353,603	591,524	515,248
Furniture and Fixtures	311,457	2,899	-	-	311,457	2,899
Vehicles	71,146	56,244	7,763	23,558	78,909	79,802
Infrastructure	4,769,364	4,643,340	-	-	4,769,364	4,643,340
Water and Sewer Systems	-	-	9,969,986	9,795,043	9,969,986	9,795,043
Total	<u>\$ 8,569,188</u>	<u>\$ 8,254,792</u>	<u>\$ 11,931,527</u>	<u>\$ 11,763,592</u>	<u>\$ 20,500,715</u>	<u>\$ 20,018,384</u>

Capital Asset and Debt Administration

Major capital additions for the fiscal year ended June 30, 2021 included the following:

- Street paving totaling \$546,322
- Park Ave water tank rehabilitation totaling \$255,571
- LED lights on the baseball field totaling \$317,759

Additional information on the Town's capital assets can be found in Note 6, pages 33 and 34 of this report.

Debt Administration. At the end of the current fiscal year, the Town had total debt outstanding of \$945,639, 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 35 and 36 of this report.

**TOWN OF MANCHESTER, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Economic Factors and Next Year's Budgets and Rates

- 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 2022.
- Water and sewer rates as well as water and sewer unit charges remained unchanged for fiscal year 2022.
- Major capital asset additions planned for fiscal year 2022 include street paving, a new dump truck and refurbishing the salt bin.
- Due to COVID-19 the Town may see a decrease in income taxes received.

All of these factors were considered in preparing the Town's budget for fiscal 2022.

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, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Temporary Investments	\$ 4,466,234	\$ 269,202	\$ 4,735,436
Restricted Cash	-	4,214,816	4,214,816
Receivables, Net	623,762	350,600	974,362
Internal Balances, Net	(212,001)	212,001	-
Supply Inventory	-	44,759	44,759
Capital Assets, Not Being Depreciated	768,410	1,559,123	2,327,533
Capital Assets Being Depreciated, Net	7,800,778	10,372,404	18,173,182
Total Assets	13,447,183	17,022,905	30,470,088
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to Pension	338,519	176,441	514,960
LIABILITIES			
Accounts Payable	69,741	79,029	148,770
Accrued Liabilities	52,576	27,367	79,943
Deposits	28,984	-	28,984
Unearned Revenue	61,517	-	61,517
Compensated Absences Payable:			
Due Within One Year	75,073	39,211	114,284
Due in More Than One Year	134,223	70,099	204,322
Note/Bond Payable:			
Due Within One Year	175,000	22,706	197,706
Due in More Than One Year	725,000	22,933	747,933
Net Pension Liability	910,937	474,797	1,385,734
Total Liabilities	2,233,051	736,142	2,969,193
DEFERRED INFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to Pension	93,235	48,594	141,829
NET POSITION			
Net Investment in Capital Assets	7,669,188	11,885,888	19,555,076
Restricted for Capital Projects	-	4,214,816	4,214,816
Unrestricted	3,790,228	313,906	4,104,134
Total Net Position	\$ 11,459,416	\$ 16,414,610	\$ 27,874,026

See accompanying Notes to Financial Statements.

**TOWN OF MANCHESTER, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Positions Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 1,163,656	\$ 97,331	\$ 597,872	\$ -	\$ (468,453)	\$ -	\$ (468,453)
Public Safety	536,685	1,050	44,399	-	(491,236)	-	(491,236)
Public Works	762,950	250,529	3,915	-	(508,506)	-	(508,506)
Recreation	172,250	11,351	-	-	(160,899)	-	(160,899)
Total Governmental Activities	<u>2,635,541</u>	<u>360,261</u>	<u>646,186</u>	<u>-</u>	<u>(1,629,094)</u>	<u>-</u>	<u>(1,629,094)</u>
Business-Type Activities:							
Water	726,637	680,281	-	88,943	-	42,587	42,587
Sewer	1,025,114	799,668	-	208,435	-	(17,011)	(17,011)
Total Business-Type Activities	<u>1,751,751</u>	<u>1,479,949</u>	<u>-</u>	<u>297,378</u>	<u>-</u>	<u>25,576</u>	<u>25,576</u>
Total Governmental/Business-Type Activities	<u>\$ 4,387,292</u>	<u>\$ 1,840,210</u>	<u>\$ 646,186</u>	<u>\$ 297,378</u>	<u>(1,629,094)</u>	<u>25,576</u>	<u>(1,603,518)</u>
GENERAL REVENUES							
Taxes:							
Property Taxes					1,167,066	-	1,167,066
Income Taxes					908,221	-	908,221
Other Local Taxes					87	-	87
Investment Income					25,100	49,069	74,169
Other Revenue					2,723	-	2,723
Total General Revenues					<u>2,103,197</u>	<u>49,069</u>	<u>2,152,266</u>
CHANGE IN NET POSITION					474,103	74,645	548,748
Net Position - Beginning of Year					<u>10,985,313</u>	<u>16,339,965</u>	<u>27,325,278</u>
NET POSITION - END OF YEAR					<u>\$ 11,459,416</u>	<u>\$ 16,414,610</u>	<u>\$ 27,874,026</u>

See accompanying Notes to Financial Statements.

**TOWN OF MANCHESTER, MARYLAND
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General
ASSETS	
Cash and Cash Equivalents	\$ 4,466,234
Receivables, Net	623,762
Due from Other Funds	400,545
Total Assets	\$ 5,490,541
LIABILITIES	
Accounts Payable	\$ 69,741
Due to Other Funds	612,546
Accrued Liabilities	52,576
Deposits	28,984
Unearned Revenue	61,517
Total Liabilities	825,364
DEFERRED INFLOW OF RESOURCES	
Unavailable Revenue	374,798
FUND BALANCE	
Committed to:	
Park Service	190,139
Safety Service	319,884
Road Improvements	45,516
Historic Center	17,414
Other	8,140
Unassigned	3,709,286
Total Fund Balance	4,290,379
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 5,490,541

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, 2021**

Total Fund Balance - Governmental Funds	\$ 4,290,379
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.	8,569,188
Other long-term assets are not available to pay current-period expenditures and therefore are offset by unavailable revenue in the governmental funds.	374,798
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	(209,296)
Bonds Payable	(900,000)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(910,937)
Deferred outflows of resources related to pension	338,519
Deferred inflows of resources related to pension expense	<u>(93,235)</u>
Net Position of Governmental Activities	<u><u>\$ 11,459,416</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, 2021**

	General
REVENUES	
Local Property Taxes	\$ 1,167,066
Local Income Taxes	853,175
State Shared Taxes	250,616
Licenses and Permits	9,032
Intergovernmental	646,186
Service Charges	550
Interest	25,100
Rents and Concessions	100,150
Miscellaneous	2,723
Total Revenues	3,054,598
EXPENDITURES	
General Government	644,824
Public Safety	603,907
Public Works	1,008,008
Recreation	358,443
Miscellaneous	324,052
Debt Service:	
Principal	170,000
Interest	19,244
Total Expenditures	3,128,478
NET CHANGE IN FUND BALANCE	(73,880)
Fund Balance - Beginning of Year	4,364,259
FUND BALANCE - END OF YEAR	\$ 4,290,379

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, 2021**

Net Changes in Fund Balances - Total Governmental Funds \$ (73,880)

Amounts reported for governmental activities in the statement of activities

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.

Capital outlay	998,761	
Depreciation expense	(684,365)	
Capital outlay exceed depreciation expense in the current period by:		314,396

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

Change in unavailable local income tax revenue		55,046
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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.

Change in compensated absences		49,997
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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.

Principal payments of bonds		170,000
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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.

(41,456)

Change in Net Position of Governmental Activities		<u><u>\$ 474,103</u></u>
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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, 2021

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES				
Local Property Taxes	\$ 1,118,070	\$ 1,118,070	\$ 1,167,066	\$ 48,996
Local Income Taxes	700,000	700,000	853,175	153,175
State Shared Taxes	274,184	274,184	250,616	(23,568)
Licenses and Permits	6,450	6,450	9,032	2,582
Intergovernmental	567,642	910,122	421,583	(488,539)
Town/County Agreement	225,244	225,244	224,603	(641)
Service Charges	1,650	1,650	550	(1,100)
Interest	25,000	25,000	25,100	100
Rents and Concessions	90,243	90,243	100,150	9,907
Miscellaneous	7,000	7,000	2,723	(4,277)
Total Revenues	<u>3,015,483</u>	<u>3,357,963</u>	<u>3,054,598</u>	<u>(303,365)</u>
EXPENDITURES				
General Government	930,247	1,272,727	644,824	627,903
Public Safety	604,026	604,026	603,907	119
Public Works	1,103,135	1,103,135	1,008,008	95,127
Recreation	502,208	502,208	358,443	143,765
Miscellaneous	420,713	420,713	324,052	96,661
Total Expenditures	<u>3,560,329</u>	<u>3,902,809</u>	<u>2,939,234</u>	<u>963,575</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES				
	(544,846)	(544,846)	115,364	660,210
OTHER FINANCING SOURCES				
Transfers from Funds	167,000	167,000	-	(167,000)
Principal, Interest, and Issuance Cost	-	-	(189,244)	(189,244)
Transfer from Money Market	190,846	190,846	-	(190,846)
Encumbrances	187,000	187,000	-	(187,000)
Total Other Financing Sources	<u>444,846</u>	<u>444,846</u>	<u>(73,880)</u>	<u>(73,880)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ -</u>	<u>\$ -</u>	<u>(73,880)</u>	<u>\$ (73,880)</u>
Fund Balance - Beginning of Year			<u>4,364,259</u>	
FUND BALANCE - END OF YEAR			<u>\$ 4,290,379</u>	

See accompanying Notes to Financial Statements.

TOWN OF MANCHESTER, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 269,202	\$ 269,202
Restricted Cash	2,152,843	2,061,973	4,214,816
Receivables, Net	156,011	194,589	350,600
Due from Other Funds	64,247	607,335	671,582
Inventory	44,759	-	44,759
Capital Assets, Net of Accumulated Depreciation	5,048,778	6,882,749	11,931,527
Total Assets	<u>7,466,638</u>	<u>10,015,848</u>	<u>17,482,486</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to Pension	<u>93,739</u>	<u>82,702</u>	<u>176,441</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 7,560,377</u>	<u>\$ 10,098,550</u>	<u>\$ 17,658,927</u>
LIABILITIES			
Accounts Payable	\$ 27,507	\$ 51,522	\$ 79,029
Due to Other Funds	345,715	113,866	459,581
Accrued Expenses	14,525	12,842	27,367
Compensated Absences:			
Due Within One Year	20,468	18,743	39,211
Due in More Than One Year	36,600	33,499	70,099
Note Payable:			
Due Within One Year	22,706	-	22,706
Due in More Than One Year	22,933	-	22,933
Net Pension Liability	252,249	222,548	474,797
Total Liabilities	<u>742,703</u>	<u>453,020</u>	<u>1,195,723</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources Related to Pension	<u>25,817</u>	<u>22,777</u>	<u>48,594</u>
NET POSITION			
Net Investment in Capital Assets	5,003,139	6,882,749	11,885,888
Restricted for Capital Projects	2,152,843	2,061,973	4,214,816
Unrestricted	(364,125)	678,031	313,906
Total Net Position	<u>6,791,857</u>	<u>9,622,753</u>	<u>16,414,610</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 7,560,377</u>	<u>\$ 10,098,550</u>	<u>\$ 17,658,927</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, 2021

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES			
Charges for Services	\$ 338,332	\$ 509,176	\$ 847,508
Unit Charges	233,593	273,382	506,975
Excise Taxes	2,550	2,250	4,800
Area Service Charges	2,500	2,500	5,000
Miscellaneous	103,306	12,360	115,666
Total Operating Revenues	<u>680,281</u>	<u>799,668</u>	<u>1,479,949</u>
OPERATING EXPENSES			
Salaries and Fringe Benefits	430,094	348,602	778,696
Operating Expenses	78,795	371,431	450,226
Depreciation Expense	217,179	305,081	522,260
Total Operating Expenses	<u>726,068</u>	<u>1,025,114</u>	<u>1,751,182</u>
OPERATING LOSS	<u>(45,787)</u>	<u>(225,446)</u>	<u>(271,233)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	24,583	24,486	49,069
Interest Expense	(569)	-	(569)
Total Nonoperating Revenues	<u>24,014</u>	<u>24,486</u>	<u>48,500</u>
Income (Loss) Before Contributions	<u>(21,773)</u>	<u>(200,960)</u>	<u>(222,733)</u>
Capital Contributions	<u>88,943</u>	<u>208,435</u>	<u>297,378</u>
CHANGE IN NET POSITION	67,170	7,475	74,645
Total Net Position - Beginning of Year	<u>6,724,687</u>	<u>9,615,278</u>	<u>16,339,965</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 6,791,857</u>	<u>\$ 9,622,753</u>	<u>\$ 16,414,610</u>

See accompanying Notes to Financial Statements.

TOWN OF MANCHESTER, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 682,220	\$ 802,884	\$ 1,485,104
Cash Paid to Suppliers for Goods and Services	(59,820)	(360,905)	(420,725)
Cash Paid to Employees for Services	(410,998)	(336,869)	(747,867)
Net Cash Provided by Operating Activities	<u>211,402</u>	<u>105,110</u>	<u>316,512</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	24,583	24,486	49,069
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(338,053)	(54,765)	(392,818)
Principal Paid on Bond and Notes Maturities	(22,481)	-	(22,481)
Interest Paid	(569)	-	(569)
Net Cash Used by Capital and Related Financing Activities	<u>(361,103)</u>	<u>(54,765)</u>	<u>(415,868)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(125,118)	74,831	(50,287)
Cash and Cash Equivalents - Beginning of Year	<u>2,277,961</u>	<u>2,256,343</u>	<u>4,534,304</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,152,843</u>	<u>\$ 2,331,174</u>	<u>\$ 4,484,017</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Loss	\$ (45,787)	\$ (225,446)	\$ (271,233)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:			
Depreciation	217,179	305,081	522,260
Effects of Changes in Operating Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Accounts Receivable	2,927	4,442	7,369
Inventory	(4,867)	-	(4,867)
Interfund Receivables	(988)	(1,226)	(2,214)
Accounts Payable	24,678	9,537	34,215
Interfund Payables	(836)	989	153
Accrued Expenses	1,207	981	2,188
Deferred Outflows Related to Pension Amounts	(35,278)	(31,126)	(66,404)
Deferred Inflows Related to Pension Amounts	1,674	1,477	3,151
Net Pension Liability	56,002	49,412	105,414
Compensated Absences	(4,509)	(9,011)	(13,520)
Net Cash Provided by Operating Activities	<u>\$ 211,402</u>	<u>\$ 105,110</u>	<u>\$ 316,512</u>

See accompanying Notes to Financial Statements.

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 (U.S. 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: general government, public works, public safety, recreation, and water and sewer.

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, 2021

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, 2021

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.

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, 2021**

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, 2021

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 governmental activities, business-type activities and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statements 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. During 2021, the Town passed resolution 01-2021, which modified emergency leave earned during COVID to be carried forward to June 30, 2022.

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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.

Interfund Balances

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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, 2021, fund balances of the governmental funds are classified as follows:

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (Continued)

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, 2021.

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, 2021.

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 expense/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.

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2021. There were no reconciling differences between GAAP and non-GAAP budgetary basis presentations for the year ended June 30, 2021.

**TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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	\$ 8,903,400
Carrying Amounts of Temporary Investments	<u>46,852</u>
Total Cash, Cash Equivalents, and Temporary Investments per Statement of Net Position	<u><u>\$ 8,950,252</u></u>

Deposits

At year-end, the carrying amount of the Town's deposits (including cash on hand of \$250) was \$8,903,400 and the bank balance was \$9,089,308. 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.

Investments

At June 30, 2021, the Town's investments totaling \$46,852 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, 2021, met the Town's investment policy as of that date. Investment income for the year ended June 30, 2021 was \$74,169, comprised entirely of interest and dividends on investments and cash deposits.

**TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2021.

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, 2021.

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, 2021, property taxes receivable amounted to \$7,610.

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	\$ 109,530	\$ -	\$ -	\$ -	\$ 109,530
Accounts	-	156,011	194,589	350,600	350,600
Due from Other Governments	514,232	-	-	-	514,232
Net Receivables	<u>\$ 623,762</u>	<u>\$ 156,011</u>	<u>\$ 194,589</u>	<u>\$ 350,600</u>	<u>\$ 974,362</u>

**TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021 consisted solely of revenue deemed unavailable in the amount of \$374,798, which is reported on as deferred inflow of resources.

NOTE 5 INTERFUND BALANCES

The composition of interfund balances as of June 30, 2021 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 400,545	\$ 612,546
Water Fund	64,247	345,715
Sewer Fund	607,335	113,866
Total	<u>\$ 1,072,127</u>	<u>\$ 1,072,127</u>

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

	<u>Due From</u>	<u>Due To</u>
Balance Sheet - Governmental Funds Statements (page 14)	\$ 400,545	\$ 612,546
Statement of Net Position - Proprietary Funds (page 19)	671,582	459,581
Total	<u>\$ 1,072,127</u>	<u>\$ 1,072,127</u>

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 CHANGES IN CAPITAL ASSETS

Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Transfers and Deletions	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 768,410	\$ -	\$ -	\$ 768,410
Construction in Progress	99,396	-	(99,396)	-
Total Capital Assets, Not Being Depreciated	<u>867,806</u>	<u>-</u>	<u>(99,396)</u>	<u>768,410</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,210,871	-	-	3,210,871
Other Improvements	348,167	6,540	-	354,707
Machinery and Equipment	633,014	107,701	-	740,715
Furniture and Fixtures	37,966	317,759	-	355,725
Vehicles	729,774	44,009	-	773,783
Infrastructure	9,882,196	622,148	-	10,504,344
Total Capital Assets, Being Depreciated	<u>14,841,988</u>	<u>1,098,157</u>	<u>-</u>	<u>15,940,145</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(792,692)	(94,488)	-	(887,180)
Other Improvement	(243,488)	(11,332)	-	(254,820)
Machinery and Equipment	(471,369)	(44,113)	-	(515,482)
Furniture and Fixtures	(35,067)	(9,201)	-	(44,268)
Vehicles	(673,530)	(29,107)	-	(702,637)
Infrastructure	(5,238,856)	(496,124)	-	(5,734,980)
Total Accumulated Depreciation	<u>(7,455,002)</u>	<u>(684,365)</u>	<u>-</u>	<u>(8,139,367)</u>
Capital Assets Being Depreciated, Net	<u>7,386,986</u>	<u>413,792</u>	<u>-</u>	<u>7,800,778</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,254,792</u>	<u>\$ 413,792</u>	<u>\$ (99,396)</u>	<u>\$ 8,569,188</u>

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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	1,474,248	92,278	(11,899)	1,554,627
Vehicles	251,203	-	-	251,203
Sewer System	12,670,558	233,459	-	12,904,017
Water System	6,913,284	361,599	-	7,274,883
Total Capital Assets, Being Depreciated	<u>21,388,316</u>	<u>687,336</u>	<u>(11,899)</u>	<u>22,063,753</u>
Less Accumulated Depreciation:				
Buildings	(46,758)	(3,901)	-	(50,659)
Machinery and Equipment	(1,120,638)	(79,597)	11,899	(1,188,336)
Vehicles	(227,645)	(15,795)	-	(243,440)
Sewer System	(6,951,043)	(250,173)	-	(7,201,216)
Water System	(2,834,904)	(172,794)	-	(3,007,698)
Total Accumulated Depreciation	<u>(11,180,988)</u>	<u>(522,260)</u>	<u>11,899</u>	<u>(11,691,349)</u>
Capital Assets Being Depreciated, Net	<u>10,207,328</u>	<u>165,076</u>	<u>-</u>	<u>10,372,404</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,766,451</u>	<u>\$ 165,076</u>	<u>\$ -</u>	<u>\$ 11,931,527</u>

Depreciation Expense

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

Governmental Activities:

General Government	\$ 411,886
Public Safety	38,402
Public Works	200,266
Parks and Recreation	33,811
Total Depreciation - Governmental Activities	<u>\$ 684,365</u>

Business-Type Activities:

Water	\$ 217,179
Sewer	305,081
Total Depreciation - Business-Type Activities	<u>\$ 522,260</u>

**TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 finance 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>
2022	\$ 175,000	\$ 16,425	\$ 191,425
2023	175,000	13,765	188,765
2024	180,000	10,843	190,843
2025	185,000	7,567	192,567
2026	185,000	3,922	188,922
Total	<u>\$ 900,000</u>	<u>\$ 52,522</u>	<u>\$ 952,522</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>
2022	\$ 22,706	\$ 457	\$ 23,163
2023	22,933	230	23,163
Total	<u>\$ 45,639</u>	<u>\$ 687</u>	<u>\$ 46,326</u>

**TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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	\$ 1,070,000	\$ -	\$ 170,000	\$ 900,000	\$ 175,000
Net Pension	756,487	154,450	-	910,937	-
Compensated Absences	259,293	-	49,997	209,296	75,073
Government Activities Long-Term Liabilities	<u>\$ 2,085,780</u>	<u>\$ 154,450</u>	<u>\$ 219,997</u>	<u>\$ 2,020,233</u>	<u>\$ 250,073</u>
Business-Type Activities					
Loan Payable	\$ 68,120	\$ -	\$ 22,481	\$ 45,639	\$ 22,706
Net Pension	369,383	105,414	-	474,797	-
Compensated Absences	122,830	-	13,520	109,310	39,211
Business-Type Activities Long-Term Liabilities	<u>\$ 560,333</u>	<u>\$ 105,414</u>	<u>\$ 36,001</u>	<u>\$ 629,746</u>	<u>\$ 61,917</u>

NOTE 8 NET POSITION – PROPRIETARY FUNDS

Restricted net position at June 30, 2021 as follows:

	Funds		Total
	Water	Sewer	
Purpose:			
Capital Projects	<u>\$ 2,152,843</u>	<u>\$ 2,061,973</u>	<u>\$ 4,214,816</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 members 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 publicly available financial report that can be obtained at <http://www.sra.maryland.gov>.

TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 benefit 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, 2021**

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, 2021, 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, 2021 of \$149,940.

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

At June 30, 2021, the Town reported a liability of \$1,385,734 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2020, 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, 2020. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the state of Maryland. As of June 30, 2021, the Town's proportionate share was 0.0041192% a decrease of 0.00013394% from the prior year.

For the year ended June 30, 2021, the Town recognized pension expense of \$84,458. At June 30, 2021, 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	\$ 5,280	\$ 24,099
Differences Between Expected and Actual Experience	-	45,483
Change in Proportion	254,287	41,304
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	104,962	-
Changes in Proportionate Share of Contributions	491	30,943
Town Contributions Subsequent to the Measurement Date	149,940	-
Total	<u>\$ 514,960</u>	<u>\$ 141,829</u>

**TOWN OF MANCHESTER, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 PENSION PLAN (CONTINUED)

General Information about the Plan (Continued)

\$149,940 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, 2022. 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>
2022	\$ 39,662
2023	57,812
2024	68,215
2025	49,704
2026	7,798

Actuarial assumptions. The total pension liability in the June 30, 2020 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 11.60
Investment rate of return	7.40%

Mortality rates were based on Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale.

The economic and demographic actuarial assumptions used in the June 30, 2020 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2014-2018, after completion of the June 30, 2018 valuation. 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, 2019. As a result, an investment return assumption of 7.40% and an inflation assumption of 2.60% were used in the June 30, 2020 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, 2021

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 %	5.20 %
Private Equity	13	6.50
Rate Sensitive	19	(0.30)
Credit Opportunity	09	2.80
Real Assets	14	4.30
Absolute Return	08	1.80
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, 2020.

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 3.50%. 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 7.40%. This single discount rate was based on the expected rate of return on pension plan investments of 7.40%. 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 plan's 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 7.40%, 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 (6.40%)</u>	<u>Current Discount Rate (7.40%)</u>	<u>1% Increase (8.40%)</u>
Town's Proportionate Share of the Net Pension Liability	\$ 1,972,818	\$ 1,385,734	\$ 896,750

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, 2021**

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, 2021

<u>Employees' Retirement and Pension System:</u>	Measurement Date						
	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability	0.0041192%	0.0054586%	0.0048274%	0.0043291%	0.0044621%	0.0045820%	0.0036002%
Town's proportionate share of the net pension liability	\$ 1,385,734	\$ 1,125,870	\$ 1,012,867	\$ 936,107	\$ 1,052,785	\$ 952,226	\$ 638,920
Town's covered payroll	\$ 1,215,341	\$ 1,252,714	\$ 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	114.02%	89.87%	82.48%	86.70%	103.53%	99.17%	74.27%
Plan fiduciary net position as a percentage of the total pension liability	66.29%	67.98%	68.36%	66.71%	62.97%	66.26%	69.53%

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

See Notes to the Required Supplementary Information.

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 149,940	\$ 92,862	\$ 112,092	\$ 96,262	\$ 88,112	\$ 86,925	\$ 86,576	\$ 83,898	\$ 74,464	\$ 90,218
Contributions in relation to the contractually required contribution	(149,940)	(92,862)	(112,092)	(96,262)	(88,112)	(86,925)	(86,576)	(83,898)	(74,464)	(90,218)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 1,129,951	\$ 1,215,341	\$ 1,252,714	\$ 1,228,030	\$ 1,079,668	\$ 1,016,852	\$ 960,225	\$ 860,225	\$ 796,543	\$ 798,265
Contributions as a percentage of covered payroll	13.27%	7.64%	8.95%	7.84%	8.16%	8.55%	9.02%	9.75%	9.35%	11.30%

See Notes to the Required Supplementary Information.

TOWN OF MANCHESTER, MARYLAND
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
STATE OF MARYLAND RETIREMENT AND PENSION SYSTEM
JUNE 30, 2021

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the years 2015 to 2020.

NOTE 2 CHANGES IN ASSUMPTIONS

- Inflation assumption changed as follows:
 - 6/30/2020 2.60%
 - 6/30/2019 2.60%
 - 6/30/2018 2.60%
 - 6/30/2017 2.65%
 - 6/30/2016 2.70%
 - 6/30/2015 2.70%
- Investment return assumption changed as follows:
 - 6/30/2020 7.40%
 - 6/30/2019 7.40%
 - 6/30/2018 7.50%
 - 6/30/2017 7.50%
 - 6/30/2016 7.55%
 - 6/30/2015 7.65%

**TOWN OF MANCHESTER, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES —
BUDGET AND ACTUAL — GENERAL FUND
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance Positive/ (Negative)
REVENUES			
Taxes			
Local Property Taxes:			
Real Property	\$ 1,081,070	\$ 1,114,861	\$ 33,791
Personal Property	400	224	(176)
Railroads and Public Utilities	20,000	26,311	6,311
Ordinary Business Corporations	13,000	20,646	7,646
Penalties and Interest - Delinquent Taxes	3,600	5,024	1,424
Net Property Taxes	<u>1,118,070</u>	<u>1,167,066</u>	<u>48,996</u>
Local Income Taxes	700,000	853,175	153,175
State Shared Taxes:			
Alcoholic Beverages	625	-	(625)
Admission	18,000	87	(17,913)
Highway	255,559	250,529	(5,030)
Total State Shared Taxes	<u>274,184</u>	<u>250,616</u>	<u>(23,568)</u>
Total Taxes	<u>2,092,254</u>	<u>2,270,857</u>	<u>178,603</u>
Licenses and Permits			
Traders	4,000	4,547	547
Building Permits	2,150	3,562	1,412
Rental Housing	100	300	200
Zoning Fees	200	623	423
Total Licenses and Permits	<u>6,450</u>	<u>9,032</u>	<u>2,582</u>
Intergovernmental			
Grants from Other Governments			
Police Protection	46,162	44,399	(1,763)
COVID-19 Grants	342,480	292,184	(50,296)
Program Open Space Grant	179,000	85,000	(94,000)
Total Grants from Other Governments	<u>567,642</u>	<u>421,583</u>	<u>(146,059)</u>
Grants from County Government:			
State Road Grant	3,915	3,915	-
Financial Corporations	655	655	-
Planning Functions	220,674	220,033	(641)
Total Grants from County Government	<u>225,244</u>	<u>224,603</u>	<u>(641)</u>
Total Intergovernmental	<u>792,886</u>	<u>646,186</u>	<u>(146,700)</u>
Service Charges			
Public Safety Charges:			
Safety Service Fee	1,050	350	(700)
Recreation Charges:			
Park Service Fee	600	200	(400)
Total Service Charges	<u>1,650</u>	<u>550</u>	<u>(1,100)</u>

**TOWN OF MANCHESTER, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES —
BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
(Continued)			
Rents and Concessions			
Rents and Concessions	\$ 37,993	\$ 43,983	\$ 5,990
Cable TV Franchise Fees	42,500	44,316	1,816
Recreation Charges:			
Rentals	9,000	11,151	2,151
Public Safety Charges:			
Police Fines/Fees	750	700	(50)
Total Rent and Concessions	<u>90,243</u>	<u>100,150</u>	<u>9,907</u>
Miscellaneous Revenue			
Interest	25,000	25,100	100
Other	7,000	2,723	(4,277)
Total Miscellaneous Revenue	<u>32,000</u>	<u>27,823</u>	<u>(4,177)</u>
 Total Revenues	 <u>\$ 3,015,483</u>	 <u>\$ 3,054,598</u>	 <u>\$ 39,115</u>

**TOWN OF MANCHESTER, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES —
BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General Government			
Legislative:			
<u>Council</u>			
Salaries	\$ 8,000	\$ 8,000	\$ -
Operating Expenses	40,600	16,961	23,639
<u>Administration</u>			
Salary	110,161	117,535	(7,374)
Operating Expenses	58,660	43,402	15,258
Capital Outlay	194,200	-	194,200
Executive:			
<u>Mayor</u>			
Salary	10,000	10,000	-
Financial Administration:			
<u>Independent Accounting and Auditing</u>			
Operating Expenses	22,000	21,735	265
Law:			
<u>Legal Counsel</u>			
Operating Expenses	11,000	11,252	(252)
Planning and Zoning:			
<u>Planning Commission</u>			
Salaries	67,856	71,035	(3,179)
Operating Expenses	23,950	15,103	8,847
General Services:			
<u>Postal Park</u>			
Operating Expenses	3,350	856	2,494
<u>Data Processing</u>			
Computer Operating Expenses	8,000	22,610	(14,610)
<u>Other General Services</u>			
Historical Association	19,840	6,655	13,185
COVID-19 Expenses	342,480	292,184	50,296
Community Projects	5,150	2,450	2,700
Liability Insurance	5,000	5,046	(46)
Total General Government	<u>930,247</u>	<u>644,824</u>	<u>285,423</u>
Public Safety			
Police Department:			
<u>Patrol and Investigation</u>			
Salaries	423,000	443,472	(20,472)
Operating Expenses	72,996	65,049	7,947
Capital Outlay	75,000	62,136	12,864
Fire Department:			
<u>Volunteer Company</u>			
Operating Expenses	33,030	33,250	(220)
Total Public Safety	<u>604,026</u>	<u>603,907</u>	<u>119</u>

**TOWN OF MANCHESTER, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES —
BUDGET AND ACTUAL — GENERAL FUND (CONTINUED)
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued)			
Public Works			
Highways and Street:			
<u>Streets, Roadways and Alleys:</u>			
Salaries and Overtime	\$ 152,856	\$ 153,679	\$ (823)
Operating Expenses	70,900	47,819	23,081
Capital Outlay	420,120	338,125	81,995
<u>Snow and Ice Removal:</u>			
Salaries	15,000	28,351	(13,351)
Operating Expenses	21,000	20,297	703
<u>Street Lighting:</u>			
Operating Expenses	33,600	24,784	8,816
<u>Stormwater Management:</u>			
Operating Expenses	74,400	66,474	7,926
<u>Sanitation and Waste Removal:</u>			
Waste - Collection and Disposal:			
Operating Expenses	315,259	328,479	(13,220)
Total Public Works	<u>1,103,135</u>	<u>1,008,008</u>	<u>95,127</u>
Recreation			
Parks:			
Salaries	105,387	107,991	(2,604)
Operating Expenses	86,821	26,404	60,417
Capital Outlay	310,000	224,048	85,952
Total Recreation	<u>502,208</u>	<u>358,443</u>	<u>143,765</u>
Miscellaneous			
Workmen's Compensation Insurance	45,402	26,201	19,201
Health and Accident Insurance	146,102	118,949	27,153
Social Security Contributions	68,257	79,186	(10,929)
Pension Plan Expense	160,952	98,176	62,776
Miscellaneous	-	1,540	(1,540)
Total Miscellaneous	<u>420,713</u>	<u>324,052</u>	<u>96,661</u>
Total Expenditures	<u>3,560,329</u>	<u>2,939,234</u>	<u>621,095</u>
Excess (Deficiency) of Expenditures Over			
Revenues Before Other Financing Sources	(544,846)	115,364	660,210
OTHER FINANCING SOURCES			
Transfers from Funds	167,000	-	(167,000)
Principal, Interest and Issuance Cost	-	(189,244)	(189,244)
Transfer from Money Market	190,846	-	(190,846)
Encumbrances	187,000	-	(187,000)
Total Other Financing Sources	<u>544,846</u>	<u>(189,244)</u>	<u>(734,090)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (73,880)</u>	<u>\$ (73,880)</u>

TOWN OF MANCHESTER, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES —
BUDGET AND ACTUAL — ENTERPRISE FUND
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021

	Water Fund			Sewer Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
			Positive (Negative)			Positive (Negative)
OPERATING REVENUES						
Charges for Services	\$ 308,000	\$ 338,332	\$ 30,332	\$ 504,000	\$ 509,176	\$ 5,176
Unit Charges	225,612	233,593	7,981	263,808	273,382	9,574
Excise Taxes	7,650	2,550	(5,100)	6,750	2,250	(4,500)
Area Service Charges	7,500	2,500	(5,000)	7,500	2,500	(5,000)
Miscellaneous	94,038	103,306	9,268	14,275	12,360	(1,915)
Total Operating Revenues	642,800	680,281	37,481	796,333	799,668	3,335
OPERATING EXPENSES						
Salaries and Fringe Benefits	413,700	407,696	6,004	349,848	328,839	21,009
Operating Expenses	204,600	78,795	125,805	352,610	374,291	(21,681)
Capital Outlay	439,000	426,996	12,004	161,375	260,341	(98,966)
Total Operating Expenses	1,057,300	913,487	143,813	863,833	963,471	(99,638)
Operating Loss	(414,500)	(233,206)	181,294	(67,500)	(163,803)	(96,303)
REVENUES (EXPENSES)						
Payments on Notes	(12,100)	(22,481)	(10,381)	-	-	-
Interest Revenue	22,200	24,583	2,383	15,000	24,486	9,486
Debt Service Interest	-	(569)	(569)	-	-	-
Bay Restoration Fees Revenue	-	-	-	112,800	113,036	236
Bay Restoration Fees Remitted to the State	-	-	-	(112,800)	(113,036)	(236)
Withdrawal from Sewer/Water Area Service Savings	404,400	-	(404,400)	52,500	-	(52,500)
Total Nonoperating Income (Loss)	414,500	1,533	(412,967)	67,500	24,486	(43,014)
Net Loss - Budgetary Basis	\$ -	(231,673)	\$ (231,673)	\$ -	(139,317)	\$ (139,317)
Capital Outlay		426,996			260,341	
Capital Contributions		88,943			208,435	
Payments on Notes		22,481			-	
Pension Expense		(22,398)			(16,902)	
Depreciation Expense		(217,179)			(305,082)	
Change in Net Position - GAAP Basis		\$ 67,170			\$ 7,475	