

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of City Council
City of Manassas, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manassas, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity 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 and the other required supplementary information, as listed in the table of contents, 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 City's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance and should be considered in assessing the results of our audit.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 25, 2019

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2019

As management of the City of Manassas, Virginia (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii - vi of this report, and the Notes to the Financial Statements, on pages 17 - 85. Throughout this section, information is presented about the City, the primary government. We have also included information about the "Total Reporting Unit", which is the total of the City and its primary component unit, the Manassas City Public Schools (MCPS). Due to the material relationship between the City and MCPS, we believe that Total Reporting Unit information more accurately reflects the financial condition of the City of Manassas.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Total Reporting Unit including Component Units exceeded its liabilities and deferred inflows of resources at June 30, 2019 by \$391,042,524 (net position). The Total Reporting Unit's net position invested in capital assets is \$353,724,897 and \$2,176,792 is restricted in its use. The remaining net position, \$35,140,835, is unrestricted.
- The assets and deferred outflows of resources for the City (Governmental and Business Activities) exceeded its liabilities and deferred inflows of resources at June 30, 2019 by \$401,720,072 (net position). The City's net position invested in capital assets is \$332,342,069, with \$1,072,787 restricted in its use, and the remaining balance of \$68,305,216 is unrestricted. The unrestricted net position of the Governmental Activities includes bonds issued by the City for MCPS. This debt is reflected as a liability of the City; however, the schools that are built with the bond proceeds are shown as assets of MCPS. At year-end, the City has \$49,756,240 of debt outstanding relating to MCPS.
- The unassigned fund balance for the City's general fund at June 30, 2019 was \$18,190,341. This amount is 15% of total general fund actual operating revenues of \$121,268,832 for fiscal year 2019. The City Council established a policy in June 2017 to maintain the general fund unassigned fund balance at 15% of the greater of actual current year general fund revenues excluding other financing sources, or budgeted next year general fund revenues excluding other financing sources. General fund unassigned fund balance as a percent of general fund revenues is in accordance with the City's Unassigned Fund Balance Policy.
- The fund balance of the general fund increased \$5,126,028 over the prior year, a 15% increase. The increase is primarily due an increase in sales tax due to strong local sales coupled with a one-time State refund of \$1 million recorded in FY 2018, additional investment income due to a rise in interest rates, invested balances and market performance, and an increase in meals and business license taxes due to a strong local economy and successful marketing efforts and community events drawing more visitors to Historic Manassas. Property taxes increased as anticipated. In addition, general fund expenditure savings were incurred due to staff vacancies and the timing of certain project and service payments.
- The City issued \$55.5 million in bonds in FY 2019 to fund infrastructure and public safety improvements. The bonds are shown as liabilities on the accrual basis government wide statements, and are recorded as other financing sources on the modified accrual basis governmental fund statements.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The comprehensive annual financial report (CAFR) also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances using the economic resources measurement focus and the accrual basis of accounting, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Additionally, to assess the overall financial health of the City one must also consider non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, health and human services, and culture, recreation, community and economic development. The business-type activities of the City include electric, water, sewer and stormwater utilities, solid waste collection and a regional airport.

The government-wide financial statements include not only the City (known as the *primary government*), but also a legally separate school district, Manassas City Public Schools (MCPS), for which the City is financially accountable, and a legally separate economic development authority (EDA). Financial information for the two component units (MCPS and EDA) are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 5-6 of this report.

Fund Financial Statements

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

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Fund Financial Statements: (Continued)

Governmental Funds – Most of the City's basic services are included in governmental funds. These 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 doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These funds are reported on the modified accrual basis of accounting, which measures cash and other liquid assets that can be readily converted to cash.

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major general fund. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the annual appropriated budget. The City also adopts annual appropriated budgets for five non-major governmental funds – Social Services, PEG, Owens Brooke district, Fire and Rescue, and Speiden Carper house. Budgetary comparisons for these funds have also been provided.

The basic governmental fund financial statements can be found on pages 7-12 of this report.

Proprietary Funds - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer and stormwater utilities, solid waste collection and regional airport.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for maintaining its fleet of vehicles, building and grounds maintenance, and its information technology systems. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Proprietary funds provide the same type of information as business-type activities in the government-wide financial statements, only in more detail. Proprietary funds are reported using the full accrual basis of accounting method. The proprietary fund financial statements provide separate information for the electric, water, sewer and stormwater utilities and regional airport which are considered to be major funds of the City. The other enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements. As there is currently only one non-major enterprise fund, solid waste collection, the combining statement shown represents its information. The internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 13-16 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-85 of this report.

Other Information - In addition to the basic financial statements, this report also presents certain required supplementary information (RSI) concerning the City's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to its employees. These schedules for the City's defined benefit pension and OPEB plans are provided on pages 86-94 of this report. The combining statements referred to earlier in connection with non-major governmental and enterprise funds and internal service funds are presented immediately following the RSI. Combining and individual fund statements and schedules can be found on pages 99-113 of this report.

The City's component units do not issue separate financial statements. Therefore, you will find fund statements for MCPS on pages 115-123 of this report, and fund statements for the EDA on pages 125-127 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

An analysis of the City's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the City's net position and changes therein. It should be noted that the City's financial position can also be affected by non-financial factors, including economic conditions, population growth and new regulations.

The City's governmental activities' net position increased by \$24,591,387 in fiscal year 2019. Significant changes in net position include an anticipated increase of \$3 million in property tax revenue, \$1.7 million in other taxes from increased sales, meals, and business license taxes, \$6.7 million of other revenue, including investment earnings and revenue recognized from the sale of land for development, and a \$1.5 million increase in capital grants received for transportation projects. Proffers received in FY 2019 were \$1.3 million greater than budgeted due to timing of developer payments on significant projects. Governmental activity expenditures were \$10.4 million less than budgeted due primarily to delayed timing of capital project and community investment expenditures and personnel vacancies. Increases to residential assessed values and business license tax provides evidence of continued economic growth in the City, and as noted earlier, increases to meals tax is an indicator of successful economic development efforts resulting in more visitors.

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

The net position of the business-type activities increased \$9,697,406 in fiscal year 2019. Total revenues for the electric, water, sewer, and stormwater utilities, and airport and solid waste funds exceeded expenses by \$12.6 million, and the business activities transferred \$2.9 million to the governmental activities, to fund utility portions of transportation capital projects, payment in lieu of taxes, and vehicle purchases. There was little change in business activities' total revenues and expenses from FY 2018.

The net position of MCPS has increased \$5,087,485 in fiscal year 2019. MCPS saw a \$1.6 million increase in State and Federal funding and a \$1.7 million increase in local funding. The local increase is due to the funding agreement between the City and MCPS and a \$260K increase in proffers transferred. MCPS also had a \$1.6 million decrease in payment in lieu of debt service as bonds held by the City have matured.

The following tables summarize the Statement of Net Position for the reporting unit as of June 30, 2019.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Current assets	\$ 133,852,693	\$ 86,214,410	\$ 102,879,367	\$ 73,859,923	\$ 236,732,060	\$ 160,074,333
Capital assets	243,805,174	242,791,310	133,944,664	131,949,717	377,749,838	374,741,027
Total assets	<u>\$ 377,657,867</u>	<u>\$ 329,005,720</u>	<u>\$ 236,824,031</u>	<u>\$ 205,809,640</u>	<u>\$ 614,481,898</u>	<u>\$ 534,815,360</u>
Deferred outflows of resources	\$ 6,614,600	\$ 4,117,833	\$ 2,163,603	\$ 1,681,885	\$ 8,778,203	\$ 5,799,718
Current liabilities	\$ 9,977,415	\$ 8,423,666	\$ 4,897,450	\$ 5,422,715	\$ 14,874,865	\$ 13,846,381
Long-term liabilities	141,776,939	114,739,008	60,280,908	37,373,386	202,057,847	152,112,394
Total liabilities	<u>\$ 151,754,354</u>	<u>\$ 123,162,674</u>	<u>\$ 65,178,358</u>	<u>\$ 42,796,101</u>	<u>\$ 216,932,712</u>	<u>\$ 165,958,775</u>
Deferred inflows of resources	\$ 3,646,342	\$ 5,680,495	\$ 960,975	\$ 1,544,529	\$ 4,607,317	\$ 7,225,024
Net position:						
Net Investment						
in capital assets	\$ 224,763,548	\$ 225,362,179	\$ 107,578,521	\$ 105,057,529	\$ 332,342,069	\$ 330,419,708
Restricted	252,492	244,257	820,295	2,017,150	1,072,787	2,261,407
Unrestricted (deficit)	3,855,731	(21,326,052)	64,449,485	56,076,216	68,305,216	34,750,164
Total net position	<u>\$ 228,871,771</u>	<u>\$ 204,280,384</u>	<u>\$ 172,848,301</u>	<u>\$ 163,150,895</u>	<u>\$ 401,720,072</u>	<u>\$ 367,431,279</u>

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

	MCPS		EDA		Total Reporting Unit	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Current assets	\$ 27,537,441	\$ 24,274,824	\$ 2,980,790	\$ 1,617,530	\$ 267,250,291	\$ 185,966,687
Capital assets	80,266,511	79,469,142	-	-	458,016,349	454,210,169
Total assets	<u>\$ 107,803,952</u>	<u>\$ 103,743,966</u>	<u>\$ 2,980,790</u>	<u>\$ 1,617,530</u>	<u>\$ 725,266,640</u>	<u>\$ 640,176,856</u>
Deferred outflows of resources	\$ 11,830,183	\$ 12,907,063	\$ -	\$ -	\$ 20,608,386	\$ 18,706,781
Current liabilities	\$ 13,345,020	\$ 14,374,253	\$ 2,487,859	\$ 1,085,625	\$ 30,707,744	\$ 29,306,259
Long-term liabilities	100,305,521	104,470,768	-	-	302,363,368	256,583,162
Total liabilities	<u>\$ 113,650,541</u>	<u>\$ 118,845,021</u>	<u>\$ 2,487,859</u>	<u>\$ 1,085,625</u>	<u>\$ 333,071,112</u>	<u>\$ 285,889,421</u>
Deferred inflows of resources	\$ 17,154,073	\$ 14,063,972	\$ -	\$ -	\$ 21,761,390	\$ 21,288,996
Net position:						
Net Investment						
in capital assets	\$ 74,572,858	\$ 78,653,662	\$ -	\$ -	\$ 353,724,897	\$ 352,328,218
Restricted	1,104,005	1,400,803	-	-	2,176,792	3,662,210
Unrestricted (deficit)	(86,847,342)	(96,312,429)	492,931	531,905	35,140,835	(4,285,208)
Total net position	<u>\$ (11,170,479)</u>	<u>\$ (16,257,964)</u>	<u>\$ 492,931</u>	<u>\$ 531,905</u>	<u>\$ 391,042,524</u>	<u>\$ 351,705,220</u>

The sum of net investment in capital assets of the primary government and the component unit does not equal net investment in capital assets of the total reporting unit, because the debt related to the component unit is reflected in the primary government's general governmental activities reducing unrestricted net position. The assets are reflected in the component unit as net investment in capital assets. The total reporting unit matches the assets with the debt and reports the net amount of the net investment in capital assets. The total adjustment was \$53,190,030 in FY 2019 and \$56,745,152 in FY 2018.

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2019**

The following tables summarize the changes in net position for the reporting unit for the year ended June 30, 2019.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Revenues:						
Program revenues:						
Charges for services	\$ 4,839,611	\$ 4,605,727	\$ 77,319,507	\$ 77,789,611	\$ 82,159,118	\$ 82,395,338
Operating grants, contributions	8,774,906	8,797,776	94,763	88,789	8,869,669	8,886,565
Capital grants, contributions	3,663,593	2,159,714	2,241,678	2,774,579	5,905,271	4,934,293
General Revenues:						
Property Taxes	86,061,837	83,090,745	-	-	86,061,837	83,090,745
Other Taxes	21,691,373	19,038,693	-	-	21,691,373	19,038,693
Unrestricted grants	7,837,841	7,980,187	-	-	7,837,841	7,980,187
City appropriation to component unit	-	-	-	-	-	-
Other	18,955,811	12,310,688	995,561	576,866	19,951,372	12,887,554
Total revenues	\$ 151,824,972	\$ 137,983,530	\$ 80,651,509	\$ 81,229,845	\$ 232,476,481	\$ 219,213,375
Expenses:						
General government	\$ 9,436,777	\$ 9,113,451	\$ -	\$ -	\$ 9,436,777	\$ 9,113,451
Public safety	31,294,979	30,135,534	-	-	31,294,979	30,135,534
Public works	12,544,115	12,362,448	-	-	12,544,115	12,362,448
Health and human services	8,504,736	8,416,497	-	-	8,504,736	8,416,497
Culture, rec, development	7,335,760	7,507,275	-	-	7,335,760	7,507,275
Interest on long-term debt	2,637,240	2,801,905	-	-	2,637,240	2,801,905
Bond issuance costs	181,966	-	-	-	181,966	-
Electric	-	-	38,196,702	37,636,140	38,196,702	37,636,140
Water	-	-	7,800,929	8,031,152	7,800,929	8,031,152
Sewer	-	-	13,125,506	12,653,486	13,125,506	12,653,486
Airport	-	-	4,240,422	3,990,689	4,240,422	3,990,689
Stormwater	-	-	1,603,506	1,766,011	1,603,506	1,766,011
Solid Waste	-	-	3,072,480	2,879,907	3,072,480	2,879,907
Education	58,212,570	56,477,145	-	-	58,212,570	56,477,145
Economic Development	-	-	-	-	-	-
Total expenses	\$ 130,148,143	\$ 126,814,255	\$ 68,039,545	\$ 66,957,385	\$ 198,187,688	\$ 193,771,640
Increase (decrease) in net position before transfers	\$ 21,676,829	\$ 11,169,275	\$ 12,611,964	\$ 14,272,460	\$ 34,288,793	\$ 25,441,735
Transfers	2,914,558	4,351,560	(2,914,558)	(4,351,560)	-	-
Change in net position	\$ 24,591,387	\$ 15,520,835	\$ 9,697,406	\$ 9,920,900	\$ 34,288,793	\$ 25,441,735
Net position beginning	204,280,384	188,759,549	163,150,895	153,229,995	367,431,279	341,989,544
Net position ending	\$ 228,871,771	\$ 204,280,384	\$ 172,848,301	\$ 163,150,895	\$ 401,720,072	\$ 367,431,279

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	MCPS		EDA		Total Reporting Unit	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Program revenues:						
Charges for services	\$ 1,239,334	\$ 1,261,037	\$ 6,472	\$ 6,624	\$ 83,404,924	\$ 83,662,999
Operating grants, contributions	57,744,118	56,195,657	-	-	66,613,787	65,082,222
Capital grants, contributions	-	-	272,151	-	6,177,422	4,934,293
General Revenues:						
Property Taxes	-	-	-	-	86,061,837	83,090,745
Other Taxes	-	-	-	-	21,691,373	19,038,693
Unrestricted grants	-	-	-	-	7,837,841	7,980,187
City appropriation to component unit	58,212,570	56,477,145	-	-	58,212,570	56,477,145
Other	269,359	171,757	6,166,784	7,236	26,387,515	13,066,547
Total revenues	\$ 117,465,381	\$ 114,105,596	\$ 6,445,407	\$ 13,860	\$ 356,387,269	\$ 333,332,831
Expenses:						
General government	\$ -	\$ -	\$ -	\$ -	\$ 9,436,777	\$ 9,113,451
Public safety	-	-	-	-	31,294,979	30,135,534
Public works	-	-	-	-	12,544,115	12,362,448
Health and human services	-	-	-	-	8,504,736	8,416,497
Culture, rec, development	-	-	-	-	7,335,760	7,507,275
Interest on long-term debt	-	-	-	-	2,637,240	2,801,905
Bond issuance costs	-	-	-	-	181,966	-
Electric	-	-	-	-	38,196,702	37,636,140
Water	-	-	-	-	7,800,929	8,031,152
Sewer	-	-	-	-	13,125,506	12,653,486
Airport	-	-	-	-	4,240,422	3,990,689
Stormwater	-	-	-	-	1,603,506	1,766,011
Solid Waste	-	-	-	-	3,072,480	2,879,907
Education	112,377,896	113,721,402	-	-	170,590,466	170,198,547
Economic Development	-	-	6,484,381	73,669	6,484,381	73,669
Total expenses	\$ 112,377,896	\$ 113,721,402	\$ 6,484,381	\$ 73,669	\$ 317,049,965	\$ 307,566,711
Increase (decrease) in net position before transfers	\$ 5,087,485	\$ 384,194	\$ (38,974)	\$ (59,809)	\$ 39,337,304	\$ 25,766,120
Transfers	-	-	-	-	-	-
Change in net position	\$ 5,087,485	\$ 384,194	\$ (38,974)	\$ (59,809)	\$ 39,337,304	\$ 25,766,120
Net position beginning	(16,257,964)	(16,642,158)	531,905	591,714	351,705,220	325,939,100
Net position ending	\$ (11,170,479)	\$ (16,257,964)	\$ 492,931	\$ 531,905	\$ 391,042,524	\$ 351,705,220

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

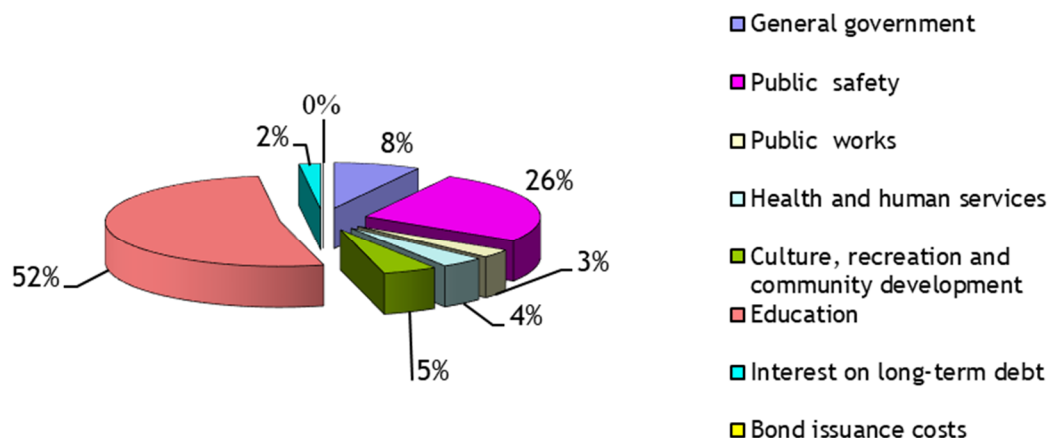
Governmental Activities

The table below details the governmental activities' expenses and program revenues showing the net cost by program/function. The total governmental activities' net program/function costs were \$112,870,033, an increase of \$1,618,995 over last fiscal year. The increase is primarily due to an increase in net education expenses of \$1.7 million, from the standard transfer increase of 2.625% per the 2016 joint budget agreement. Public works had decreased net program costs due to an increase in State and Federal funding for transportation projects, offset by increased public safety net program costs primarily due to increased internal service costs and personnel costs.

Governmental Activities Expenses and Program Revenues

	Program Expenses FY 2019	Program Revenues FY 2019	Net Program Cost FY 2019	Net Program Cost FY 2018
General government	\$ 9,436,777	\$ 431,433	\$ 9,005,344	\$ 8,599,570
Public safety	31,294,979	2,479,089	28,815,890	27,694,709
Public works	12,544,115	9,082,014	3,462,101	4,826,577
Health and human services	8,504,736	3,778,403	4,726,333	4,578,967
Culture, recreation and community development	7,335,760	1,507,171	5,828,589	6,272,165
Education	58,212,570	-	58,212,570	56,477,145
Interest on long-term debt	2,637,240	-	2,637,240	2,801,905
Bond issuance costs	181,966	-	181,966	-
Total	<u>\$ 130,148,143</u>	<u>\$ 17,278,110</u>	<u>\$ 112,870,033</u>	<u>\$ 111,251,038</u>

Governmental Activities Net Program Costs



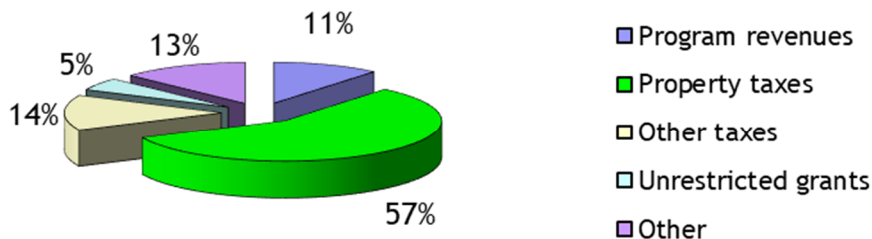
CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

In addition to program revenues of \$17,278,110, there are also general revenues in the governmental activities, which are revenues that are not attributed to any specific program/function. The total general revenues in fiscal year 2019 are \$134,546,862 for total governmental activities revenues of \$151,824,972. Governmental activities' revenues in fiscal year 2019 are \$13,841,442 more than fiscal year 2018, due mostly to an increase in property taxes, sales taxes, business license and meals taxes, investment earnings and revenue from land sales for development, as previously discussed. The chart below indicates that the property taxes continue to be the largest source of revenue for the governmental activities.

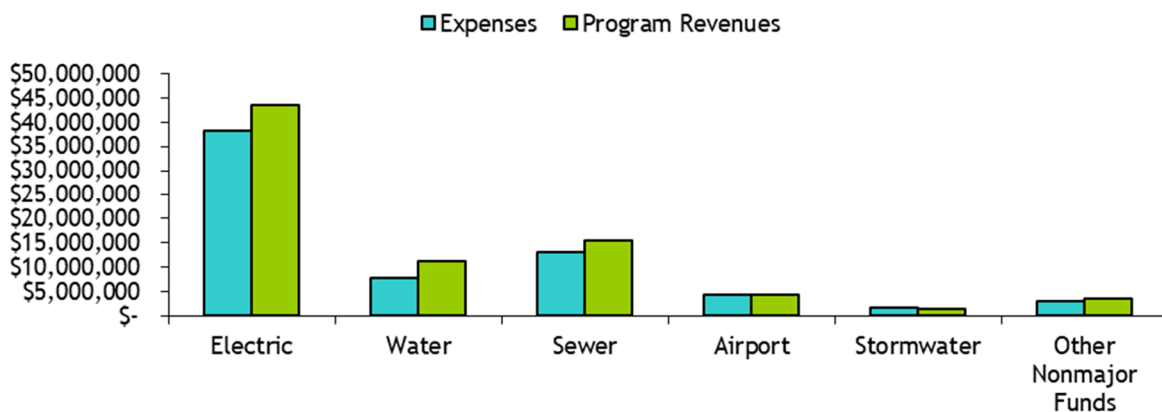
Governmental Activities Revenues



Business-type Activities

For the City's business-type activities, total net position increased \$9.7 million to \$173 million for the year. The net (expenses)/revenues for total business type activities were positive with program revenues of \$79.7 million exceeding expenses of \$68 million by \$11.6 million, indicating healthy business activities for the City. As depicted in the chart below, program revenues offset the cost of doing business for all funds except Stormwater, which was established as an enterprise fund in 2015, and will develop positive operating income over time. The Airport Fund received capital grants of \$991,471 that are reflected as revenues.

Business-type Activities Expenses and Program Revenues



CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and financial reporting focuses on short-term spendable resources and balances of spendable resources available at year end.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of fiscal year 2019, the City's governmental funds reported combined ending fund balances of \$116,120,888 an increase of \$44,822,103 from fiscal year 2018. As detailed in the Financial Highlights section, the fund balance of the general fund increased \$5,126,028. The fund balance of other governmental funds increased \$39,696,075, primarily due to the issuance of \$26,550,000 of general obligation bonds for the funding of capital projects, \$5,390,595 of land sales for development, \$3,902,985 from schedule changes for the timing of NVT A capital projects, and \$2,936,312 debt service reserve established for future capacity.

The general fund is the main operating fund of the City. At the end of fiscal year 2019 total fund balance of the general fund was \$39,076,096 and the unassigned fund balance \$18,190,341. As noted in the beginning of this document, per City policy, the unassigned fund balance represents 15% of total 2019 general fund revenues of \$121,268,832. The remainder of fund balance is either nonspendable, restricted, committed or assigned to indicate that it is 1) not in spendable form (\$304,439), 2) legally required to be maintained intact, 3) restricted for particular purposes (\$710,692), 4) committed for particular purposes (\$14,872,919), or 5) assigned for particular purposes (\$4,997,705).

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The total of net position at the end of fiscal year 2019 for the Electric, Water, Sewer, Airport, Stormwater, and the only non-major enterprise fund, Solid Waste, was \$172,848,301. The \$64,449,485 unrestricted portion of net position increased \$9,697,406 from FY 2018. The remaining \$107,578,521 is invested in capital assets net of related debt, and \$820,295 is restricted for capital projects. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

In fiscal year 2019, the City's general fund revenues exceeded the revised revenue budget by \$6,484,530. Total expenditures ended the year under the revised budget by \$4,438,708, and other financing sources were under the revised budget by \$250,884. The net change in general fund balance was \$5,126,028. Details of the budget results can be seen in Exhibit 7 on page 11 of this report.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Some of the highlights of comparing the final budget to actual for the fiscal year include the following, many of which have been previously discussed:

- Total departmental expenditures were \$3,341,499 less than budget largely related to staff vacancies and employee benefit choices, delayed timing of paving projects, fewer information technology and motor vehicle purchases required than anticipated, and timing of the pay classification plan, GMU Freedom Center charges, and shared services charges from Prince William County.
- Other taxes exceeded budget by \$1,750,072, primarily due to increased business license tax, sales tax and meals tax. Revenues from the use of money and property exceeded budget by \$2,157,951 due to interest rate increases and strong market performance coupled with higher investment balances. Proffers exceeded budget by \$1,330,054 primarily due to the timing of receipts for The Landing at Cannon Branch (Gateway) and Old Town Heights development projects, net of a \$1,035,410 increase in Education expenditures for excess proffers transferred to MCPS. General property taxes exceeded budgeted amounts by \$1,235,766, a 1.6% variance.
- The City's 2016 funding agreement with the MCPS provided an additional \$1.46 million in funding to the schools in 2019, for a total of \$57,077,160. In addition, \$1,135,410 of proffers were transferred to the schools for expenditures related to capital improvements, in excess of the \$100,000 that was budgeted.
- An additional \$4.3 million was placed in the general fund balance committed for capital projects, in accordance with the City's fund balance policy.
- The City has completed phases 1 through 5 of the implementation of a new ERP financial management system with Tyler Technologies (Financials, Revenue/Tax, Payroll, Work Orders, EnerGov). Phase 6 (Utility Billing) is anticipated in late fiscal year 2020 or early 2021.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2019 is \$332,342,069, an increase of \$1,922,361 from June 30, 2018. Net investment in capital assets is calculated as net capital assets minus outstanding bonds for capital improvements and the associated unamortized bond premiums, plus the associated unamortized deferred charges on bond refundings, and plus any unspent bond proceeds. The most significant changes in net investment in capital assets for the year includes the increases to construction-in-progress for ongoing projects like the new fire station and public safety building, Prince William Street improvements, and city-wide traffic improvements, coupled with the completion of undergrounding the utilities on Fairview Ave and Tudor Lane, as well as Liberia renovations.

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2019**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

The following tables summarize the capital assets of the City and MCPS. Additional information on the capital assets is found in Note 6 on pages 32-35 of this report.

	Capital Assets FY 2019	Accumulated Depreciation FY 2019	Capital Assets net of Accumulated Depreciation		Net Increase (Decrease) Capital Assets
	FY 2019	FY 2019	FY 2019	FY 2018	
Governmental Activities					
Land	\$ 116,748,485	\$ -	\$ 116,748,485	\$ 116,766,034	\$ (17,549)
Construction in progress	9,434,787	-	9,434,787	5,334,143	4,100,644
Buildings and improvements	40,722,789	(30,262,817)	10,459,972	10,493,477	(33,505)
Machinery and equipment	27,864,868	(15,708,832)	12,156,036	11,607,569	548,467
Infrastructure	188,365,694	(93,359,800)	95,005,894	98,590,087	(3,584,193)
Total	<u>\$ 383,136,623</u>	<u>\$ (139,331,449)</u>	<u>\$ 243,805,174</u>	<u>\$ 242,791,310</u>	<u>\$ 1,013,864</u>
Business-type Activities					
Land	\$ 14,777,255	\$ -	\$ 14,777,255	\$ 14,760,959	\$ 16,296
Construction in progress	5,907,817	-	5,907,817	4,668,655	1,239,162
Investment in Plant	241,065,848	(153,846,895)	87,218,953	85,504,212	1,714,741
Infrastructure	28,492,677	(10,790,993)	17,701,684	18,403,452	(701,768)
Machinery and equipment	5,409,554	(3,871,663)	1,537,891	961,244	576,647
Purchased capacity	27,153,050	(20,351,986)	6,801,064	7,651,195	(850,131)
Total	<u>\$ 322,806,201</u>	<u>\$ (188,861,537)</u>	<u>\$ 133,944,664</u>	<u>\$ 131,949,717</u>	<u>\$ 1,994,947</u>
Total Primary Government					
Land	\$ 131,525,740	\$ -	\$ 131,525,740	\$ 131,526,993	\$ (1,253)
Construction in progress	15,342,604	-	15,342,604	10,002,798	5,339,806
Buildings and improvements	40,722,789	(30,262,817)	10,459,972	10,493,477	(33,505)
Investment in Plant	241,065,848	(153,846,895)	87,218,953	85,504,212	1,714,741
Machinery and equipment	33,274,422	(19,580,495)	13,693,927	12,568,813	1,125,114
Infrastructure	216,858,371	(104,150,793)	112,707,578	116,993,539	(4,285,961)
Purchased capacity	27,153,050	(20,351,986)	6,801,064	7,651,195	(850,131)
Total	<u>\$ 705,942,824</u>	<u>\$ (328,192,986)</u>	<u>\$ 377,749,838</u>	<u>\$ 374,741,027</u>	<u>\$ 3,008,811</u>
MCPS					
Land	\$ 2,336,649	\$ -	\$ 2,336,649	\$ 2,336,649	\$ -
Construction in progress	411,620	-	411,620	2,029,391	(1,617,771)
Buildings and improvements	187,680,371	(114,302,471)	73,377,900	71,825,662	1,552,238
Machinery and equipment	10,171,668	(6,031,326)	4,140,342	3,277,440	862,902
Total	<u>\$ 200,600,308</u>	<u>\$ (120,333,797)</u>	<u>\$ 80,266,511</u>	<u>\$ 79,469,142</u>	<u>\$ 797,369</u>

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2019**

CAPITAL ASSET AND DEBT ADMINISTRATION: (CONTINUED)

Long-Term Obligations

The following tables summarize the long-term debt of the City and MCPS. Additional information on long-term debt is found in Note 8 on pages 37-41 of this report.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
General obligation bonds	\$ 98,142,320	\$ 76,674,475	\$ 47,060,037	\$ 27,149,734	\$ 145,202,357	\$ 103,824,209
Premium on bonds	10,303,013	7,798,810	4,625,470	2,318,623	14,928,483	10,117,433
Capital leases	50,561	100,024	-	-	50,561	100,024
Compensated absences	2,968,001	2,823,191	903,271	905,236	3,871,272	3,728,427
Net OPEB liability	12,934,675	11,997,677	2,440,074	2,282,798	15,374,749	14,280,475
Net Pension liability	17,378,369	15,344,831	5,252,056	4,716,995	22,630,425	20,061,826
Total	<u>\$ 141,776,939</u>	<u>\$ 114,739,008</u>	<u>\$ 60,280,908</u>	<u>\$ 37,373,386</u>	<u>\$ 202,057,847</u>	<u>\$ 152,112,394</u>

	MCPS		Total Reporting Unit	
	FY 2019	FY 2018	FY 2019	FY 2018
General obligation bonds	\$ -	\$ -	\$ 145,202,357	\$ 103,824,209
Premium on bonds	-	-	14,928,483	10,117,433
Capital leases	5,462,989	94,028	5,513,550	194,052
Compensated absences	2,254,073	2,082,776	6,125,345	5,811,203
Net OPEB liability	15,091,408	15,932,640	30,466,157	30,213,115
Net Pension liability	77,497,051	86,361,324	100,127,476	106,423,150
Total	<u>\$ 100,305,521</u>	<u>\$ 104,470,768</u>	<u>\$ 302,363,368</u>	<u>\$ 256,583,162</u>

The City's long-term obligations of \$202 million include outstanding general obligation (GO) bonds of \$145,202,357 and bond premiums of \$14,928,483. The total reflects an increase of \$46,186,198 from the prior year, primarily due to the issuance of \$55.5 in GO bonds, offset by annual debt service payments and premium amortization and the early payoff and pay-down of airport bonds. The decrease in capital lease obligation is due to annual amortization. OPEB obligation payable saw an increase of \$1 million in FY 2019, primarily due to obligations of the City's local OPEB plan and the Virginia Retirement System (VRS) Line of Duty Act plan. Based upon actuarial reports received from VRS, the City's net pension liability increased by \$2,568,599. The net decrease to the MCPS total long-term obligations is \$9,252,198. This decrease is primarily the result of a \$8.9 million decrease in net pension liability.

In April 2019, Standard & Poor's affirmed the City's bond rating of AAA and assigned a stable outlook, and Moody's affirmed the City's Aa1 bond rating. This reflects the City's solid financial position and prudent fiscal management.

The Code of the Commonwealth of Virginia, as amended, (Virginia Code) limits the amount of general obligation debt the City may issue to 10% of the assessed valuation of the real estate subject to taxation. The assessed valuation of the real estate subject to taxation in the City as of January 1, 2018 was \$4,889,020,400, making the 2019 legal debt limitation of the City \$488,902,040. The City's general obligation debt applicable to the limit is \$160,130,840, leaving a legal debt margin for creation of additional debt of \$328,771,200. Additional information on the City's long-term debt can be found in Note 8 of this report.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The unemployment rate for the City as of June 2019 was 2.6%, which is below the state rate (2.9%) and the national rate (3.8%).
- Real property taxable assessed values increased 1.69% in January 2018 (used for fiscal year 2019 tax levies) to \$4,889,020,400 up by \$81,265,400 over the previous year. Real property taxable assessed values increased 3.57% percent in January 2019 (to be used for fiscal year 2020 tax levies) to \$5,063,746,000 up by \$174,725,600 over the previous year. The total direct real property tax rate is increasing 1.37% from \$1.460 per \$100 of value in fiscal year 2019, to \$1.480 per \$100 of value.
- The City is projecting assessed values to continue increasing marginally in 2020 and has taken this factor into consideration in the projection of the FY2020 Budget and the development of the FY2021 Budget which is currently underway.
- At June 30, 2019, the City has appropriated \$600,000 of the general fund's fund balance as a funding source in the FY2020 Budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 9027 Center Street, City of Manassas, Virginia, 20110. General information relating to the City of Manassas is available on the City's website <http://www.manassascity.org>.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK.

GOVERNMENT WIDE FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2019

Exhibit 1

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-type Activities	Total	Manassas City Public Schools	Economic Development Authority
ASSETS					
Cash and investments (Note 3)	\$ 85,294,708	\$ 63,445,073	\$ 148,739,781	\$ 21,785,963	\$ 850,790
Cash and investments - restricted (Note 3)	36,408,445	25,482,982	61,891,427	1,104,005	-
Receivables, net:					
Taxes, including penalties	3,993,829	-	3,993,829	-	-
Accounts	142,518	11,156,042	11,298,560	1,688,133	-
Notes (Note 20)	-	-	-	-	2,130,000
Due from other governments (Note 4)	5,257,542	424,101	5,681,643	2,959,340	-
Due from component unit (Note 20)	2,480,000	-	2,480,000	-	-
Prepays	275,651	-	275,651	-	-
Inventories	-	2,371,169	2,371,169	-	-
Capital assets: (Note 6)					
Nondepreciable	126,183,272	20,685,072	146,868,344	2,748,269	-
Depreciable, net	117,621,902	113,259,592	230,881,494	77,518,242	-
Total assets	<u>377,657,867</u>	<u>236,824,031</u>	<u>614,481,898</u>	<u>107,803,952</u>	<u>2,980,790</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	967,693	781,712	1,749,405	-	-
OPEB related deferred outflows (Notes 14, 15, and 16)	1,029,658	127,387	1,157,045	1,323,337	-
Pension related deferred outflows (Notes 12 and 13)	4,617,249	1,254,504	5,871,753	10,506,846	-
Total deferred outflows of resources	<u>6,614,600</u>	<u>2,163,603</u>	<u>8,778,203</u>	<u>11,830,183</u>	<u>-</u>
LIABILITIES					
Accounts payable and other current liabilities	5,126,332	2,845,704	7,972,036	13,345,020	7,859
Deposits	2,106,281	1,300,585	3,406,866	-	-
Due to other governments (Notes 9, 10)	521,972	-	521,972	-	-
Due to primary government (Note 20)	-	-	-	-	2,480,000
Accrued interest	1,517,410	567,946	2,085,356	-	-
Unearned revenues	705,420	183,215	888,635	-	-
Noncurrent liabilities:					
Net OPEB liability (Notes 14, 15, and 16)	12,934,675	2,440,074	15,374,749	15,091,408	-
Net pension liability (Notes 12 and 13)	17,378,369	5,252,056	22,630,425	77,497,051	-
Due within one year (Note 8)	6,465,325	2,310,444	8,775,769	674,627	-
Due in more than one year (Note 8)	104,998,570	50,278,334	155,276,904	7,042,435	-
Total liabilities	<u>151,754,354</u>	<u>65,178,358</u>	<u>216,932,712</u>	<u>113,650,541</u>	<u>2,487,859</u>
DEFERRED INFLOWS OF RESOURCES					
OPEB related deferred inflows (Notes 14, 15, and 16)	827,455	102,007	929,462	1,636,259	-
Pension related deferred inflows (Notes 12 and 13)	2,818,887	858,968	3,677,855	15,517,814	-
Total deferred inflows of resources	<u>3,646,342</u>	<u>960,975</u>	<u>4,607,317</u>	<u>17,154,073</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	224,763,548	107,578,521	332,342,069	74,572,858	-
Restricted for:					
Nonexpendable Cemetery principal	100,000	-	100,000	-	-
Expendable Cemetery funds	152,492	-	152,492	-	-
Future capital projects	-	820,295	820,295	1,104,005	-
Unrestricted	3,855,731	64,449,485	68,305,216	(86,847,342)	492,931
Total net position	<u>\$ 228,871,771</u>	<u>\$ 172,848,301</u>	<u>\$ 401,720,072</u>	<u>\$ (11,170,479)</u>	<u>\$ 492,931</u>

The Notes to Financial Statements are an integral part of this Statement.

CITY OF MANASSAS, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 9,436,777	\$ 145,676	\$ 285,757	\$ -
Public safety	31,294,979	1,852,043	627,046	-
Public works	12,544,115	1,531,692	3,995,490	3,554,832
Health and human services	8,504,736	-	3,778,403	-
Culture, recreation and community development	7,335,760	1,310,200	88,210	108,761
Education	58,212,570	-	-	-
Interest on long-term debt	2,637,240	-	-	-
Bond issuance costs	181,966	-	-	-
Total governmental activities	130,148,143	4,839,611	8,774,906	3,663,593
Business-type activities:				
Electric	38,196,702	43,560,183	-	-
Water	7,800,929	10,451,828	-	887,107
Sewer	13,125,506	15,153,685	-	363,100
Airport	4,240,422	3,198,829	83,382	991,471
Stormwater	1,603,506	1,421,254	-	-
Solid Waste	3,072,480	3,533,728	11,381	-
Total business-type activities	68,039,545	77,319,507	94,763	2,241,678
Total primary government	\$ 198,187,688	\$ 82,159,118	\$ 8,869,669	\$ 5,905,271
Discretely presented component units:				
Manassas City Public Schools	\$ 112,377,896	\$ 1,239,334	\$ 57,744,118	\$ -
Economic Development Authority	6,484,381	6,472	-	272,151
Total component units	\$ 118,862,277	\$ 1,245,806	\$ 57,744,118	\$ 272,151

General revenues:

Taxes:

Property taxes

Sales taxes

Business license taxes

Meals taxes

Other taxes

Unrestricted grants

Unrestricted investment earnings

Other unrestricted revenues

Gain on sale of capital assets

Insurance recoveries

Payments from component unit

Payments from City

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

Net (Expenses) Revenues and Changes in Net Position					
Primary Government			Discretely Presented Component Units		
Governmental Activities	Business-type Activities	Total	Manassas City Public Schools	Economic Development Authority	
\$ (9,005,344)		\$ (9,005,344)			
(28,815,890)		(28,815,890)			
(3,462,101)		(3,462,101)			
(4,726,333)		(4,726,333)			
(5,828,589)		(5,828,589)			
(58,212,570)		(58,212,570)			
(2,637,240)		(2,637,240)			
(181,966)		(181,966)			
<u>(112,870,033)</u>		<u>(112,870,033)</u>			
	\$ 5,363,481	5,363,481			
	3,538,006	3,538,006			
	2,391,279	2,391,279			
	33,260	33,260			
	(182,252)	(182,252)			
	<u>472,629</u>	<u>472,629</u>			
-	11,616,403	11,616,403			
<u>(112,870,033)</u>	<u>11,616,403</u>	<u>(101,253,630)</u>			
			\$ (53,394,444)	\$ -	
			<u>-</u>	<u>(6,205,758)</u>	
			\$ (53,394,444)	\$ (6,205,758)	
86,061,837	-	86,061,837	-	-	
8,981,503	-	8,981,503	-	-	
4,222,934	-	4,222,934	-	-	
4,427,055	-	4,427,055	-	-	
4,059,881	-	4,059,881	-	-	
7,837,841	-	7,837,841	-	-	
2,222,861	937,942	3,160,803	137,245	1,967	
4,450,061	57,619	4,507,680	132,114	750	
6,459,365	-	6,459,365	-	6,164,067	
70,683	-	70,683	-	-	
5,752,841	-	5,752,841	-	-	
-	-	-	58,212,570	-	
<u>2,914,558</u>	<u>(2,914,558)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>137,461,420</u>	<u>(1,918,997)</u>	<u>135,542,423</u>	<u>58,481,929</u>	<u>6,166,784</u>	
24,591,387	9,697,406	34,288,793	5,087,485	(38,974)	
<u>204,280,384</u>	<u>163,150,895</u>	<u>367,431,279</u>	<u>(16,257,964)</u>	<u>531,905</u>	
<u>\$ 228,871,771</u>	<u>\$ 172,848,301</u>	<u>\$ 401,720,072</u>	<u>\$ (11,170,479)</u>	<u>\$ 492,931</u>	

The Notes to Financial Statements are an integral part of this Statement.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

FUND FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

Exhibit 3

	General	General Capital Projects Fund	NVTA Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 41,417,005	\$ 5,996,826	\$ 12,175,037	\$ 21,918,099	\$ 81,506,967
Cash and investments - restricted	-	31,768,716	4,387,237	252,492	36,408,445
Receivables, net:					
Taxes, including penalties	3,862,351	-	-	131,478	3,993,829
Accounts	142,197	-	-	-	142,197
Prepays	4,502	-	-	-	4,502
Due from component unit	-	-	-	2,480,000	2,480,000
Due from other governments	2,640,447	-	2,103,304	513,791	5,257,542
Due from other funds (Note 5)	299,937	-	-	-	299,937
	<u>48,366,439</u>	<u>37,765,542</u>	<u>18,665,578</u>	<u>25,295,860</u>	<u>130,093,419</u>
Total assets	\$ 48,366,439	\$ 37,765,542	18,665,578	\$ 25,295,860	\$ 130,093,419
LIABILITIES					
Accounts payable and accrued expenses	\$ 2,743,036	\$ 416,672	\$ 1,208,491	\$ 410,860	\$ 4,779,059
Retainage payable	-	-	158,908	-	158,908
Deposits	2,106,281	-	-	-	2,106,281
Unearned revenue	705,420	-	-	-	705,420
Due to other governments	521,972	-	-	-	521,972
Due to other funds (Note 5)	-	-	-	299,937	299,937
	<u>6,076,709</u>	<u>416,672</u>	<u>1,367,399</u>	<u>710,797</u>	<u>8,571,577</u>
Total liabilities	6,076,709	416,672	1,367,399	710,797	8,571,577
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue (Note 7 and Note 20)	3,213,634	-	-	2,187,320	5,400,954
	<u>3,213,634</u>	<u>-</u>	<u>-</u>	<u>2,187,320</u>	<u>5,400,954</u>
Total deferred inflows of resources	3,213,634	-	-	2,187,320	5,400,954
FUND BALANCES (Note 18)					
Nonspendable	304,439	-	-	100,000	404,439
Restricted	710,692	31,768,716	4,387,237	5,788,542	42,655,187
Committed	14,872,919	3,041,353	7,903,837	16,329,305	42,147,414
Assigned	4,997,705	2,538,801	5,007,105	216,125	12,759,736
Unassigned	18,190,341	-	-	(36,229)	18,154,112
	<u>39,076,096</u>	<u>37,348,870</u>	<u>17,298,179</u>	<u>22,397,743</u>	<u>116,120,888</u>
Total fund balances	39,076,096	37,348,870	17,298,179	22,397,743	116,120,888
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 48,366,439</u>	<u>\$ 37,765,542</u>	<u>\$ 18,665,578</u>	<u>\$ 25,295,860</u>	<u>\$ 130,093,419</u>

The Notes to Financial Statements are an integral part of this Statement.

CITY OF MANASSAS, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019

Exhibit 4

Total fund balances for governmental funds (Exhibit 3)	\$ 116,120,888
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	238,091,090
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	5,400,954
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.	7,346,104
Deferred refunding losses are not financial resources and, therefore, are not reported in the funds.	967,693
Financial statement elements related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows related to:	
Pensions	4,274,763
Other postemployment benefits	992,637
Deferred inflows related to:	
Pensions	(2,607,690)
Other postemployment benefits	(799,360)
Net pension liability	(15,999,374)
Net other postemployment benefit liability	(12,271,426)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported in the funds	
Bonds payable	(98,142,320)
Premium on bonds payable	(10,303,013)
Accrued interest payable	(1,517,410)
Compensated absences	(2,681,765)
Net position of governmental activities	<u>\$ 228,871,771</u>

The Notes to Financial Statements are an integral part of this Statement.

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Exhibit 5

	General Fund	General Capital Projects Fund	NVTA Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 76,563,766	\$ -	\$ -	\$ 9,463,737	\$ 86,027,503
Other local taxes	21,768,072	-	-	-	21,768,072
Permits, fees and licenses	1,056,333	-	-	63,811	1,120,144
Fines and forfeitures	733,095	-	-	-	733,095
Revenues from use of money and property	2,592,931	-	458	146,248	2,739,637
Charges for services	643,402	-	-	594,388	1,237,790
Payment in lieu of debt service	-	-	-	5,752,841	5,752,841
Recovered costs	3,670,420	-	-	-	3,670,420
Miscellaneous	1,887,944	108,761	-	194,516	2,191,221
Contribution from component unit	-	-	-	5,390,595	5,390,595
Intergovernmental	12,352,869	-	3,501,418	4,202,447	20,056,734
Total revenues	<u>121,268,832</u>	<u>108,761</u>	<u>3,501,876</u>	<u>25,808,583</u>	<u>150,688,052</u>
EXPENDITURES					
Current:					
General government administration	8,968,519	-	487,676	8,303	9,464,498
Public safety	21,805,649	-	-	9,590,482	31,396,131
Public works	7,047,382	-	-	6,323	7,053,705
Health and human services	2,760,546	-	-	5,913,049	8,673,595
Culture, recreation, and community development	6,750,472	-	-	13,796	6,764,268
Education	58,212,570	-	-	-	58,212,570
Capital outlay	893,780	2,463,236	5,083,964	609,402	9,050,382
Debt service:					
Principal retirement	-	-	-	5,082,155	5,082,155
Interest and fiscal charges	-	-	-	2,955,145	2,955,145
Bond issuance costs	-	157,459	24,507	-	181,966
Total expenditures	<u>106,438,918</u>	<u>2,620,695</u>	<u>5,596,147</u>	<u>24,178,655</u>	<u>138,834,415</u>
Excess (deficiency) of revenues over expenditures	<u>14,829,914</u>	<u>(2,511,934)</u>	<u>(2,094,271)</u>	<u>1,629,928</u>	<u>11,853,637</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-	22,950,000	3,600,000	-	26,550,000
Premium on bonds	-	2,707,459	424,507	-	3,131,966
Transfers in	1,875,866	3,898,353	1,972,750	7,655,699	15,402,668
Transfers out	(11,579,752)	-	-	(536,416)	(12,116,168)
Total other financing sources (uses)	<u>(9,703,886)</u>	<u>29,555,812</u>	<u>5,997,257</u>	<u>7,119,283</u>	<u>32,968,466</u>
Net change in fund balances	5,126,028	27,043,878	3,902,986	8,749,211	44,822,103
Fund balance - beginning	<u>33,950,068</u>	<u>10,304,992</u>	<u>13,395,193</u>	<u>13,648,532</u>	<u>71,298,785</u>
Fund balance - ending	<u>\$ 39,076,096</u>	<u>\$ 37,348,870</u>	<u>\$ 17,298,179</u>	<u>\$ 22,397,743</u>	<u>\$ 116,120,888</u>

The Notes to Financial Statements are an integral part of this Statement.

CITY OF MANASSAS, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Exhibit 6

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 44,822,103
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions of \$8,760,433 exceeded depreciation of \$7,072,620 in the current period.	1,687,813
In the Statement of Activities, only the <i>gain or loss</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the <i>cost</i> of the property sold.	(449,421)
The transfer of capital assets from enterprise funds to governmental activities are reported as transfers in the government-wide statement of activities.	55,636
The transfer of capital assets from governmental activities to an enterprise fund are reported as transfers out the government-wide statement of activities.	(744,854)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,002,009
Governmental funds report employer other postemployment benefit and pension contributions as expenditures. However, in the Statement of Activities, the cost of OPEB and pension benefits earned net of employee contributions is reported as OPEB or pension expense.	
Change in net pension liability and related items	1,916,182
Change in net OPEB liability and related items	(279,088)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Principal repayments	5,082,155
Proceeds from bond issuance	(26,550,000)
Proceeds from premium on bond issuance	(3,131,966)
Amortization of bond premium	627,763
Amortization of deferred charge on refunding	(204,538)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(129,994)
Accrued interest	(103,100)
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	990,687
Change in net position of governmental activities	\$ 24,591,387

The Notes to Financial Statements are an integral part of this Statement.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2019

Exhibit 7

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
General property taxes	\$ 75,328,000	\$ 75,328,000	\$ 76,563,766	\$ 1,235,766
Other local taxes	20,018,000	20,018,000	21,768,072	1,750,072
Permits, fees and licenses	791,500	791,500	1,056,333	264,833
Fines and forfeitures	698,500	698,500	733,095	34,595
Revenues from use of money and property	434,980	434,980	2,592,931	2,157,951
Charges for services	605,500	605,500	643,402	37,902
Recovered costs	3,670,420	3,670,420	3,670,420	-
Proffers	-	50,000	1,380,054	1,330,054
Miscellaneous	520,000	624,691	507,890	(116,801)
Intergovernmental:				
Commonwealth:				
PPTRA	3,786,630	3,786,630	3,786,634	4
Communications tax	2,700,000	2,700,000	2,448,509	(251,491)
Highway maintenance	3,828,000	3,828,000	3,942,279	114,279
Other	1,854,800	1,939,050	1,995,014	55,964
Federal	510,000	309,031	180,433	(128,598)
Total revenues	<u>114,746,330</u>	<u>114,784,302</u>	<u>121,268,832</u>	<u>6,484,530</u>
EXPENDITURES				
Departmental:				
City council	424,660	424,660	395,194	29,466
Clerk's office	402,600	402,859	273,151	129,708
City manager	1,074,650	1,074,650	1,004,834	69,816
City attorney	337,500	337,500	305,213	32,287
Electoral board	328,420	336,659	309,906	26,753
Treasurer	838,930	840,780	823,829	16,951
Commissioner of the revenue	1,425,660	1,440,197	1,401,673	38,524
Finance and administration	2,004,120	2,014,603	1,810,410	204,193
Human resources	1,946,420	2,188,902	1,814,225	374,677
Police	16,307,870	16,717,665	16,033,539	684,126
Engineering	1,694,990	1,694,990	1,385,984	309,006
Public works	7,049,860	7,189,707	6,555,178	634,529
Economic development	991,290	1,122,956	976,995	145,961
Community development	4,033,720	4,251,894	3,887,767	364,127
Contingency	300,000	289,900	-	289,900
Total departmental expenditures	<u>39,160,690</u>	<u>40,327,922</u>	<u>36,977,898</u>	<u>3,350,024</u>
Shared services	11,462,210	12,153,081	11,111,950	1,041,131
Contributions	136,500	136,500	136,500	-
Grants and donations	500,000	116,963	-	116,963
Community investment	374,000	966,000	-	966,000
Education	<u>57,077,160</u>	<u>57,177,160</u>	<u>58,212,570</u>	<u>(1,035,410)</u>
Total expenditures	<u>108,710,560</u>	<u>110,877,626</u>	<u>106,438,918</u>	<u>4,438,708</u>
Excess (deficiency) of revenues over expenditures	<u>6,035,770</u>	<u>3,906,676</u>	<u>14,829,914</u>	<u>10,923,238</u>

Continued

The Notes to Financial Statements are an integral part of this Statement.

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2019

Exhibit 7 (Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 5)	\$ 1,891,300	\$ 1,891,300	\$ 1,875,866	\$ (15,434)
Transfers out (Note 5)	<u>(11,318,070)</u>	<u>(11,846,070)</u>	<u>(11,579,752)</u>	<u>266,318</u>
Total other financing sources (uses)	<u>(9,426,770)</u>	<u>(9,954,770)</u>	<u>(9,703,886)</u>	<u>250,884</u>
Net change in fund balances	<u>\$ (3,391,000)</u>	<u>\$ (6,048,094)</u>	5,126,028	<u>\$ 11,174,122</u>
Fund Balance, Beginning			<u>33,950,068</u>	
Fund Balance, Ending			<u>\$ 39,076,096</u>	

The Notes to Financial Statements are an integral part of this Statement.

CITY OF MANASSAS, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
ASSETS			
Current assets:			
Cash and investments - unrestricted	\$ 19,601,359	\$ 18,042,259	\$ 16,449,666
Cash and investments - restricted	-	16,372,571	8,290,116
Accounts receivable, net	7,078,976	1,315,773	2,151,753
Prepays	-	-	-
Due from other governments	-	-	-
Inventories	1,773,768	553,454	43,947
Total current assets	28,454,103	36,284,057	26,935,482
Noncurrent assets:			
Capital assets:			
Nondepreciable	1,312,006	6,008,813	2,079,935
Depreciable, net	23,439,054	27,949,042	15,779,454
Total capital assets, net	24,751,060	33,957,855	17,859,389
Total noncurrent assets	24,751,060	33,957,855	17,859,389
Total assets	53,205,163	70,241,912	44,794,871
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	41,320	650,943
OPEB related deferred outflows	69,248	29,242	12,885
Pension related deferred outflows	750,633	238,718	132,326
Total deferred outflows of resources	819,881	309,280	796,154
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	2,277,728	152,879	55,853
Retainage payable	-	-	19,923
Deposits	1,010,185	212,340	-
Accrued interest	31,893	218,959	256,160
Compensated absences	86,483	27,565	8,927
Bonds payable and other obligations - current	209,381	684,758	968,586
Total current liabilities	3,615,670	1,296,501	1,309,449
Noncurrent liabilities:			
Unearned revenue	-	162,869	8,050
Compensated absences	490,067	156,205	50,588
Net OPEB liability	1,333,103	577,212	249,919
Net pension liability	2,797,897	1,378,376	507,637
Bonds payable and other obligations	4,041,902	23,855,692	17,396,467
Total noncurrent liabilities	8,662,969	26,130,354	18,212,661
Total liabilities	12,278,639	27,426,855	19,522,110
DEFERRED INFLOWS OF RESOURCES			
OPEB related deferred inflows	55,858	23,056	10,133
Pension related deferred inflows	409,600	262,119	100,424
Total deferred inflows of resources	465,458	285,175	110,557
NET POSITION			
Net investment in capital assets	20,483,715	25,780,368	8,387,842
Restricted for future capital projects	-	-	-
Unrestricted	20,797,232	17,058,794	17,570,516
Total net position	\$ 41,280,947	\$ 42,839,162	\$ 25,958,358

Business-type Activities- Enterprise Funds				Governmental Activities
Airport Fund	Stormwater Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
6,352,931	\$ 1,249,829	\$ 1,749,029	\$ 63,445,073	\$ 3,787,741
-	820,295	-	25,482,982	-
212,105	166,717	230,718	11,156,042	321
-	-	-	-	271,149
347,811	76,290	-	424,101	-
-	-	-	2,371,169	-
<u>6,912,847</u>	<u>2,313,131</u>	<u>1,979,747</u>	<u>102,879,367</u>	<u>4,059,211</u>
8,183,250	3,101,068	-	20,685,072	-
<u>28,253,988</u>	<u>17,757,758</u>	<u>80,296</u>	<u>113,259,592</u>	<u>5,714,084</u>
<u>36,437,238</u>	<u>20,858,826</u>	<u>80,296</u>	<u>133,944,664</u>	<u>5,714,084</u>
<u>36,437,238</u>	<u>20,858,826</u>	<u>80,296</u>	<u>133,944,664</u>	<u>5,714,084</u>
<u>43,350,085</u>	<u>23,171,957</u>	<u>2,060,043</u>	<u>236,824,031</u>	<u>9,773,295</u>
89,449	-	-	781,712	-
9,219	4,456	2,337	127,387	37,021
<u>87,628</u>	<u>32,993</u>	<u>12,206</u>	<u>1,254,504</u>	<u>342,486</u>
<u>186,296</u>	<u>37,449</u>	<u>14,543</u>	<u>2,163,603</u>	<u>379,507</u>
123,139	17,934	198,248	2,825,781	188,365
-	-	-	19,923	-
78,060	-	-	1,300,585	-
21,156	39,778	-	567,946	-
10,389	911	1,215	135,490	42,936
<u>195,384</u>	<u>116,845</u>	<u>-</u>	<u>2,174,954</u>	<u>50,561</u>
<u>428,128</u>	<u>175,468</u>	<u>199,463</u>	<u>7,024,679</u>	<u>281,862</u>
12,296	-	-	183,215	-
58,873	5,163	6,885	767,781	243,300
181,174	66,455	32,211	2,440,074	663,249
388,131	91,971	88,044	5,252,056	1,378,995
<u>1,526,973</u>	<u>2,689,519</u>	<u>-</u>	<u>49,510,553</u>	<u>-</u>
<u>2,167,447</u>	<u>2,853,108</u>	<u>127,140</u>	<u>58,153,679</u>	<u>2,285,544</u>
<u>2,595,575</u>	<u>3,028,576</u>	<u>326,603</u>	<u>65,178,358</u>	<u>2,567,406</u>
7,812	3,429	1,719	102,007	28,095
<u>67,855</u>	<u>833</u>	<u>18,137</u>	<u>858,968</u>	<u>211,197</u>
<u>75,667</u>	<u>4,262</u>	<u>19,856</u>	<u>960,975</u>	<u>239,292</u>
34,793,838	18,052,462	80,296	107,578,521	5,663,523
-	820,295	-	820,295	-
<u>6,071,301</u>	<u>1,303,811</u>	<u>1,647,831</u>	<u>64,449,485</u>	<u>1,682,581</u>
<u>\$ 40,865,139</u>	<u>\$ 20,176,568</u>	<u>\$ 1,728,127</u>	<u>\$ 172,848,301</u>	<u>\$ 7,346,104</u>

The Notes to Financial Statements are an integral part of this Statement.

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
OPERATING REVENUES			
Charges for services	\$ 40,965,992	\$ 9,822,167	\$ 14,161,225
Service reimbursements	2,387,841	-	-
Connection charges	206,350	629,661	992,460
Total operating revenues	<u>43,560,183</u>	<u>10,451,828</u>	<u>15,153,685</u>
OPERATING EXPENSES			
Personal services	4,397,043	2,292,374	886,385
Contractual services	1,025,352	525,109	276,804
Supplies	1,047,849	1,250,269	146,096
Internal and other services	2,084,398	1,817,947	994,585
Purchased power	27,522,191	-	-
Contract treatment charges	-	-	8,921,978
Depreciation and amortization	1,844,262	1,439,661	1,428,153
Total operating expenses	<u>37,921,095</u>	<u>7,325,360</u>	<u>12,654,001</u>
Operating income (loss)	<u>5,639,088</u>	<u>3,126,468</u>	<u>2,499,684</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental grants	-	-	-
Investment earnings	233,338	290,528	277,342
Gain (loss) on sale of capital assets	(194,531)	(49,699)	(8,366)
Other/insurance recoveries	29,212	5,539	9,522
Interest expense and fiscal charges	(130,981)	(425,870)	(463,139)
Total nonoperating revenues (expenses)	<u>(62,962)</u>	<u>(179,502)</u>	<u>(184,641)</u>
Income (loss) before contributions and transfers	5,576,126	2,946,966	2,315,043
CAPITAL CONTRIBUTIONS	739,123	887,107	363,100
TRANSFERS IN (Note 5)	-	300,000	300,000
TRANSFERS OUT (Note 5)	<u>(2,327,615)</u>	<u>(1,092,376)</u>	<u>(769,790)</u>
Change in net position	3,987,634	3,041,697	2,208,353
Total net position - beginning	<u>37,293,313</u>	<u>39,797,465</u>	<u>23,750,005</u>
Total net position - ending	<u>\$ 41,280,947</u>	<u>\$ 42,839,162</u>	<u>\$ 25,958,358</u>

Business-type Activities- Enterprise Funds				Exhibit 9 Governmental Activities
Airport Fund	Stormwater Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 3,198,829	\$ 1,370,767	\$ 3,533,728	\$ 73,052,708	\$ 8,686,736
-	-	-	2,387,841	-
-	50,487	-	1,878,958	-
<u>3,198,829</u>	<u>1,421,254</u>	<u>3,533,728</u>	<u>77,319,507</u>	<u>8,686,736</u>
633,431	298,181	182,136	8,689,550	2,487,166
408,222	115,691	2,677,845	5,029,023	1,316,407
80,075	53,432	9,211	2,586,932	1,570,005
453,328	358,652	194,427	5,903,337	1,858,096
-	-	-	27,522,191	-
-	-	-	8,921,978	-
<u>2,573,637</u>	<u>709,839</u>	<u>8,861</u>	<u>8,004,413</u>	<u>914,341</u>
<u>4,148,693</u>	<u>1,535,795</u>	<u>3,072,480</u>	<u>66,657,424</u>	<u>8,146,015</u>
<u>(949,864)</u>	<u>(114,541)</u>	<u>461,248</u>	<u>10,662,083</u>	<u>540,721</u>
83,382	-	11,381	94,763	-
103,521	13,935	19,278	937,942	39,833
(4,000)	-	-	(256,596)	24,395
12,302	-	1,044	57,619	70,683
<u>(87,729)</u>	<u>(67,711)</u>	<u>-</u>	<u>(1,175,430)</u>	<u>(2,221)</u>
<u>107,476</u>	<u>(53,776)</u>	<u>31,703</u>	<u>(341,702)</u>	<u>132,690</u>
(842,388)	(168,317)	492,951	10,320,381	673,411
991,471	-	-	2,980,801	-
-	-	-	600,000	317,276
<u>(13,995)</u>	<u>-</u>	<u>-</u>	<u>(4,203,776)</u>	<u>-</u>
135,088	(168,317)	492,951	9,697,406	990,687
<u>40,730,051</u>	<u>20,344,885</u>	<u>1,235,176</u>	<u>163,150,895</u>	<u>6,355,417</u>
<u>\$ 40,865,139</u>	<u>\$ 20,176,568</u>	<u>\$ 1,728,127</u>	<u>\$ 172,848,301</u>	<u>\$ 7,346,104</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF MANASSAS, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
OPERATING ACTIVITIES			
Cash received from customers and users	\$ 43,998,318	\$ 10,325,783	\$ 15,195,667
Cash paid to suppliers	(29,863,999)	(2,120,127)	(9,354,661)
Cash paid to employees	(4,744,770)	(2,338,081)	(951,259)
Payments for interfund services used	<u>(2,084,398)</u>	<u>(1,817,947)</u>	<u>(994,585)</u>
Net cash provided by operating activities	<u>7,305,151</u>	<u>4,049,628</u>	<u>3,895,162</u>
NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	300,000	300,000
Transfers to other funds	(2,327,615)	(1,092,376)	(769,790)
Non-operating grants received (paid)	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(2,327,615)</u>	<u>(792,376)</u>	<u>(469,790)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants and contributions received	-	-	-
Purchases of capital assets	(2,972,785)	(3,427,253)	(753,303)
Proceeds from sale of capital assets	-	-	-
Issuance of debt	-	17,860,115	8,301,825
Principal paid on capital debt	(188,545)	(544,300)	(780,000)
Interest paid on capital debt	(146,271)	(369,603)	(476,124)
Insurance recoveries	<u>29,212</u>	<u>5,539</u>	<u>9,522</u>
Net cash provided by (used in) capital and related financing activities	<u>(3,278,389)</u>	<u>13,524,498</u>	<u>6,301,920</u>
INVESTING ACTIVITIES			
Investment income	<u>233,338</u>	<u>290,528</u>	<u>277,342</u>
Net cash provided by investing activities	<u>233,338</u>	<u>290,528</u>	<u>277,342</u>
Net increase (decrease) in cash and investments	1,932,485	17,072,278	10,004,634
Cash and investments - beginning of year	<u>17,668,874</u>	<u>17,342,552</u>	<u>14,735,148</u>
Cash and investments - end of year	<u>\$ 19,601,359</u>	<u>\$ 34,414,830</u>	<u>\$ 24,739,782</u>
CASH AND INVESTMENTS IS COMPRISED OF THE FOLLOWING:			
Cash and investments - unrestricted	\$ 19,601,359	\$ 18,042,259	\$ 16,449,666
Cash and investments - restricted	<u>-</u>	<u>16,372,571</u>	<u>8,290,116</u>
Total	<u>\$ 19,601,359</u>	<u>\$ 34,414,830</u>	<u>\$ 24,739,782</u>

				Exhibit 10
Business-type Activities- Enterprise Funds				Governmental Activities
Airport Fund	Stormwater Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 3,196,946	\$ 1,326,175	\$ 3,525,826	\$ 77,568,715	\$ 8,686,415
(428,696)	(262,093)	(2,664,800)	(44,694,376)	(2,873,867)
(654,597)	(294,428)	(180,481)	(9,163,616)	(2,600,178)
<u>(453,328)</u>	<u>(358,652)</u>	<u>(194,427)</u>	<u>(5,903,337)</u>	<u>(1,858,096)</u>
<u>1,660,325</u>	<u>411,002</u>	<u>486,118</u>	<u>17,807,386</u>	<u>1,354,274</u>
-	-	-	600,000	317,276
(13,995)	-	-	(4,203,776)	-
<u>(123,533)</u>	<u>-</u>	<u>11,381</u>	<u>(112,152)</u>	<u>-</u>
<u>(137,528)</u>	<u>-</u>	<u>11,381</u>	<u>(3,715,928)</u>	<u>317,276</u>
476,471	-	-	476,471	-
(705,949)	(6,737)	(56,658)	(7,922,685)	(1,404,384)
-	-	-	-	49,753
-	-	-	26,161,940	-
(2,121,852)	(105,000)	-	(3,739,697)	(49,463)
(78,800)	(80,606)	-	(1,151,404)	(2,222)
<u>12,302</u>	<u>-</u>	<u>1,044</u>	<u>57,619</u>	<u>70,683</u>
<u>(2,417,828)</u>	<u>(192,343)</u>	<u>(55,614)</u>	<u>13,882,244</u>	<u>(1,335,633)</u>
<u>103,521</u>	<u>13,935</u>	<u>19,278</u>	<u>937,942</u>	<u>39,833</u>
<u>103,521</u>	<u>13,935</u>	<u>19,278</u>	<u>937,942</u>	<u>39,833</u>
(791,510)	232,594	461,163	28,911,644	375,750
<u>7,144,441</u>	<u>1,837,530</u>	<u>1,287,866</u>	<u>60,016,411</u>	<u>3,411,991</u>
<u>\$ 6,352,931</u>	<u>\$ 2,070,124</u>	<u>\$ 1,749,029</u>	<u>\$ 88,928,055</u>	<u>\$ 3,787,741</u>
\$ 6,352,931	\$ 1,249,829	\$ 1,749,029	\$ 63,445,073	\$ 3,787,741
<u>-</u>	<u>820,295</u>	<u>-</u>	<u>25,482,982</u>	<u>-</u>
<u>\$ 6,352,931</u>	<u>\$ 2,070,124</u>	<u>\$ 1,749,029</u>	<u>\$ 88,928,055</u>	<u>\$ 3,787,741</u>

The Notes to Financial Statements are an integral part of this Statement.

CITY OF MANASSAS, VIRGINIA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED BY			
OPERATING ACTIVITIES:			
Operating income (loss)	\$ 5,639,088	\$ 3,126,468	\$ 2,499,684
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,844,262	1,439,661	1,428,153
Pension expense net of employer contributions	(349,387)	(73,767)	(68,600)
OPEB expense net of employer contributions	30,849	12,993	5,722
(Increase) decrease in:			
Accounts receivable	471,246	44,791	41,982
Inventories	(137,347)	(205,871)	2,176
Prepaid expenses	-	-	-
Increase (decrease) in:			
Unearned revenue	-	(161,220)	-
Accounts payable and accrued expenses	(131,260)	(138,878)	(11,959)
Customer deposits	(33,111)	(9,616)	-
Compensated absences	(29,189)	15,067	(1,996)
Total adjustments	<u>1,666,063</u>	<u>923,160</u>	<u>1,395,478</u>
Net cash provided by operating activities	<u>\$ 7,305,151</u>	<u>\$ 4,049,628</u>	<u>\$ 3,895,162</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Capital contributions	<u>\$ 744,854</u>	<u>\$ 887,129</u>	<u>\$ 363,100</u>

Exhibit 10 (Continued)

Busines-type Activities- Enterprise Funds				Governmental Activities
Airport Fund	Stormwater Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<u>\$ (949,864)</u>	<u>\$ (114,541)</u>	<u>\$ 461,248</u>	<u>\$ 10,662,083</u>	<u>\$ 540,721</u>
2,573,637	709,839	8,861	8,004,413	914,341
(30,982)	(4,297)	(1,773)	(528,806)	(144,203)
4,132	1,976	1,032	56,704	16,375
(14,881)	(95,079)	(7,902)	440,157	(321)
-	-	-	(341,042)	-
-	-	-	-	(29,964)
12,296	-	-	(148,924)	-
59,601	(92,970)	22,256	(293,210)	42,509
702	-	-	(42,025)	-
5,684	6,074	2,396	(1,964)	14,816
<u>2,610,189</u>	<u>525,543</u>	<u>24,870</u>	<u>7,145,303</u>	<u>813,553</u>
<u>\$ 1,660,325</u>	<u>\$ 411,002</u>	<u>\$ 486,118</u>	<u>\$ 17,807,386</u>	<u>\$ 1,354,274</u>
<u>\$ 515,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this Statement.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The City of Manassas, Virginia (the “City”) is a municipal corporation governed by an elected mayor and six-member council. The City Council appoints a City Manager who is the City’s chief administrative officer and executes the Council’s policies and programs. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

The City has two discretely presented component units, the Manassas City Public Schools (“MCPS”), and the Economic Development Authority (“EDA”) which are reported in separate columns in the government-wide financial statements to emphasize each is legally separate from the City.

MCPS is responsible for elementary and secondary education within the City. MCPS is governed by an elected seven-member School Board. The City is financially accountable for MCPS because the City Council approves MCPS’s budget, levies taxes to support MCPS’s budget and issues debt for MCPS. MCPS has a June 30 year end and does not issue separate financial statements.

The EDA was created as a political subdivision of the Commonwealth of Virginia by ordinance of the City on February 7, 1972, pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.1-1373, et seq., of the code of Virginia (1950) as amended). The Authority is governed by seven directors appointed by the City. It is authorized to attract, retain, generate, and assist in the expansion of high-quality businesses, institutions of higher education, medical facilities, and non-profit organizations to ensure the continued existence of a vibrant, stable, and diverse economy within the City and the Commonwealth of Virginia through the use of Industrial Development Bond financing as well as loans and grants. The EDA’s projects and activities are closely aligned with City priorities and City staff is responsible for EDA financial transactions and reporting. Due to the relationship between the two entities and their financial integration, management believes the EDA should be included as a discretely presented component unit to ensure the financial statements are not misleading. The EDA has a June 30 year end and does not issue separate financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, *the primary government* is reported separately from the legally separate *component units* for which the primary government is financially accountable.

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, sales taxes and other local taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. Licenses, permits, fines, and rents are recorded as revenues when received. All other revenue items are considered to be measurable and available only when the government receives cash.

Governmental funds account for the expendable financial resources, other than those accounted for in proprietary and fiduciary funds. The governmental funds use the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than on net income determination as would apply to a commercial enterprise. The City reports the following governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is considered a major fund for financial reporting purposes.

Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the Social Services Fund, PEG Fund, Owens Brooke District Fund, Fire Rescue Fund, Merchant Museum Fund, and Speiden Carper House Fund.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

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

The *Capital Projects Funds* account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Capital Project Funds consist of the General Capital Projects Fund, Gateway Capital Projects Fund, Transportation Capital Projects Fund, and the NVTa Capital Projects Fund. The General Capital Projects Fund and NVTa Capital Projects Fund are considered major funds for financial reporting purposes.

The *Debt Service Fund* is used to account for and report the resources accumulated and payments made for principal and interest on long-term general obligation debt.

The *Cemetery Maintenance Fund* is the government's only permanent fund. It accounts for and reports resources that are restricted such that only earnings may be used for the intended purposes.

Proprietary funds account for operations that are financed in a manner similar to private business enterprises. The proprietary funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income. Proprietary funds consist of enterprise and internal service funds. The government reports the following proprietary funds:

Enterprise funds account for operations where the intent of the City is that the cost of provided services to the general public be financed and recovered through user charges. Enterprise funds consist of the Electric, Water, and Sewer Funds, which account for the operation of the City's electric distribution service, water distribution service, and sewer distribution service. The Airport fund accounts for the activities of the Manassas Regional Airport. The stormwater fund accounts for and reports stormwater utility operations. These are all considered major funds for financial reporting purposes. The City also has one nonmajor enterprise fund, the Solid Waste fund.

Internal service funds account for vehicle maintenance, building maintenance, and information technology services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. Internal service funds consist of the Building Maintenance Fund, Vehicle Maintenance Fund, and the Information Technology Fund.

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds and utilize the accrual basis of accounting. These funds include student activity funds which do not have a measurement focus and also private-purpose trust funds which are reported using the economic resources measurement focus. MCPS' two trust funds are used to account for assets held by MCPS under a trust agreement for individuals and are not available to support the MCPS' programs.

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water, sewer, airport, stormwater and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the operating definition are reported as non-operating revenues and expenses.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Fair Value Measurements

The government categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). If any residual balances are outstanding between the governmental activities and business-type activities, they are reported in the government-wide financial statements as "internal balances."

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position
(Continued)

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in the enterprise and internal service funds consist of expendable supplies held for consumption and are accounted for under the consumption method. The cost is recorded as an expense at the time the individual inventory items are used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

Property Taxes

Property values are assessed as of January 1 by the Commissioner of the Revenue and are based on 100% of fair market value. Property taxes become a lien on this date. The real estate tax levy is divided into two billings: the first billing is due June 5 and the second billing is due December 5. The machinery and tools personal property tax levy is due September 5. All other personal property tax levies are due October 5. The City Code of Ordinances requires the Treasurer to give notice to all taxpayers at least two weeks prior to the due dates. This is done in the form of billings mailed to taxpayers approximately six weeks prior to the due dates listed above. All billings are considered past due the day after the due date, at which time penalties and interest are assessed. The City has a legally enforceable claim to real estate taxes and personal property taxes upon assessment.

Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. At year end, the allowance for doubtful accounts is \$825,642 in the general fund, \$30,039 in the electric fund, \$6,460 in the water fund, \$10,797 in the sewer fund, \$825 in the stormwater fund and \$1,159 in the nonmajor enterprise fund.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position
(Continued)

Capital Assets

Capital assets, which include property, plant, equipment, intangibles, and infrastructure (i.e., roads, bridges, storm water management structures, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City and MCPS as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at cost where historical records are available and at an estimated historical cost where no historical cost records exist. Donated capital assets are valued at their estimated acquisition value on the date received. Assets recorded under capital lease agreements are recorded at lower of fair value or net present value of future minimum lease payments on the date of lease inception.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year.

Property, plant, and equipment, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Investment in plant	
Electric systems	20-50
Water systems	20-50
Sewer systems	20-50
Buildings and improvements	20
Machinery, equipment and software	3-25
Infrastructure	10-50
Purchased Capacity	20

Compensated Absences

It is the policy of the City and MCPS to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay benefits and the portion of sick pay benefits which are paid to employees when they separate from service with the City and MCPS are accrued when incurred in the government-wide and proprietary fund financial statements.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position
(Continued)

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face value of the debt issued plus premium is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

- **Nonspendable** - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council through adoption of a resolution. Only City Council may modify or rescind the commitment.
- **Assigned** - Amounts are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on governing body direction through adoption or amendment of the budget or through ordinance or resolution.
- **Unassigned** –Amounts that are available for any purpose; positive amounts are reported only in the general fund.

Restricted Amounts

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

Minimum Fund Balance Policy

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). With adoption of its fund balance policy, the City Council formalized their decision not to assign fund balances or grants that authority to any individual. In the general fund, the City strives to maintain an unassigned fund balance to be used for unanticipated emergencies of the greater of 15% of the actual current year or budgeted next year GAAP basis operating revenues exclusive of other financing sources.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, 2019 include \$2,538,801 in the general capital project fund, and \$5,007,105 in the NVTA capital projects fund.

Net Position

Net position is the difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets, less any unamortized bond premiums plus any unamortized deferred charges related to the capital assets.

Deferred Outflows and Inflows of Resources

In addition to assets, the statements which present financial position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statements which present financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

- Deferred loss on refunding. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Due to the relationship with outstanding debt, these deferred outflows are included in the calculation of net position, net investment in capital assets.
- Contributions subsequent to the measurement date for pensions and OPEB; this will be applied to the net pension or net OPEB liability in the next fiscal year.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

Deferred Outflows and Inflows of Resources (continued)

- Differences between expected and actual experience for economic/demographic factors and changes of assumptions in the measurement of the total pension and OPEB liability. These differences will be recognized in pension or OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or deferred inflow as appropriate.
- Changes in proportionate share that will be recognized in the pension or OPEB expense over the average expected remaining service lives of all employees provided with benefits. This may be reported as a deferred outflow or deferred inflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- The governmental funds report unavailable revenue from property taxes and other receivables not collected within 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the City and MCPS' Plans and the additions to/deductions from the City and MCPS' Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). 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.

MCPS Debt/Capital Asset Reporting

The City issues debt to finance the construction of school facilities because MCPS does not have borrowing or taxing authority. The City reports this debt, whereas MCPS reports the related capital assets. As a result, in the Statement of Net Position (Exhibit 1), the school related debt reduces *unrestricted net position* for the primary government, while the capital assets are reported in *net investment in capital assets* for MCPS.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

The City Council adopts and appropriates annual budgets for the following governmental funds: General fund, Social Services Fund, PEG Fund, Owens Brooke District Fund, Fire and Rescue Fund, and Speiden Carper House Fund. The City Council also adopts and appropriates an annual budget for MCPS. These annual budgets are adopted on a basis consistent with generally accepted accounting principles; modified accrual basis of accounting.

On or before April 1 of each year, the City Manager and the School Board of MCPS submit to the City Council proposed operating budgets for the fiscal year commencing July 1. The operating budgets include proposed expenditures and estimated revenues. After numerous Council work sessions and a public hearing, the budgets are adopted and appropriated through passage of an ordinance prior to June 30.

The City's appropriated budget is prepared by fund and department. Appropriations are legally controlled at the fund level. The City Council must approve all transfers between funds. The budget is administratively controlled at the department level. The City Manager may approve transfers between departments within a fund. The City's department heads may transfer budgeted appropriations within a department within a fund. Appropriations to MCPS are legally controlled at the total appropriation level.

Note 3. Deposits and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

The City's investments are subject to credit risk, concentration of credit risk, and interest rate risk as described below. The City's investments are not subject to custodial risk or foreign currency risk.

Credit Risk - Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), the State Non-Arbitrage Program (SNAP), and the Virginia Investment Pool (VIP). LGIP, SNAP, and VIP are pooled investment funds, and are not registered with the SEC. LGIP and SNAP are overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the City's position in the pools is the same as the value of the pool shares and is reported within the guidelines of GASB Statement 79. The City has no investment policy that would further limit its investment choices.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 3. Deposits and Investments (Continued)

Investments (Continued)

Interest Rate Risk - The primary goal of the investment policy is to maximize return on investment while minimizing risk to the investment. The City will diversify use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The City may reject an investment with a higher yield when it is felt it carries an element of risk. Speculative investments will not be allowed. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, bids will be requested for instruments, which meet the maturity requirement. If no specific maturity is required, a yield curve analysis will be conducted to determine which maturities would be most advantageous.

For the purposes of this disclosure, investments include negotiable certificates of deposit.

As of June 30, the City's and MCPS's investments consisted of the following:

Investment Type	Carrying Value	S & P Credit Rating	Weighted Average Maturity*
LGIP	\$ 61,223,416	AAAm	0.23
SNAP	62,761,242	AAAm	0.21
VIP	42,576,694	AAAm	0.23
Wells Fargo	445	N/A	N/A
Money Market	118,464	N/A	N/A
U.S. Treasury Securities	12,200,322	AA+	1.58
Federal Agency Bonds and Notes	4,010,666	AA+	2.17
Corporate Notes	4,206,200	BBB to AAA	2.10
Commercial Paper	2,478,663	A-1	0.36
Certificates of Deposit	3,307,152	AA-, A-1	0.61
Common Stocks	1,045,096	Various	N/A
Mutual Funds	27,954	Various	N/A
Total investments	<u>\$ 193,956,314</u>		

* - Average Maturity in Years

Concentration of Credit Risk:

The City and MCPS had the following investments at June 30 that exceeded five percent of the total investment balance. These investments were not considered by management to represent a risk to the City or MCPS.

<u>Issuer</u>	<u>Percent of Total Portfolio</u>
Treasury Notes	6.28%

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 3. Deposits and Investments (Continued)

Fair Value:

The City and MCPS categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City and MCPS have the following recurring fair value measurements as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Common stocks/equity securities:			
Communication Services	\$ 59,676	\$ -	\$ 59,676
Consumer Discretionary	75,463	-	75,463
Consumer Staples	69,896	-	69,896
Energy	57,677	-	57,677
Financials	157,189	-	157,189
Health Care	100,463	-	100,463
Industrials	60,237	-	60,237
Information Technology	164,101	-	164,101
Materials	76,384	-	76,384
Real Estate Investment Trusts	34,757	-	34,757
Other	189,253	-	189,253
Mutual funds	27,954	-	27,954
Commercial Paper	-	2,478,663	2,478,663
Debt securities:	-	-	-
U.S. Treasury securities	12,200,322	-	12,200,322
Federal Agency Bonds and Notes	4,010,666	-	4,010,666
Corporate Notes	-	4,206,200	4,206,200
	<u>\$ 17,284,038</u>	<u>\$ 6,684,863</u>	<u>\$ 23,968,901</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 3. Deposits and Investments (Continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Commercial paper and corporate bonds are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Deposits and investments are reflected in the financial statements as follows:

	<u>Primary Government</u>	<u>MCPS</u>	<u>EDA</u>
Deposits and investments:			
Deposits	\$ 19,078,846	\$ 21,785,963	\$ 850,790
Deposits – MCPS activity funds	-	476,413	-
Investments	191,552,362	1,104,005	-
Investments held in trust	-	1,299,947	-
	<u>\$ 210,631,208</u>	<u>\$ 24,666,328</u>	<u>\$ 850,790</u>
Statement of Net Position:			
Cash and investments	\$ 148,739,781	\$ 21,785,963	\$ 850,790
Cash and investments - restricted	61,891,427	1,104,005	-
Fiduciary funds cash and investments	-	1,776,360	-
	<u>\$ 210,631,208</u>	<u>\$ 24,666,328</u>	<u>\$ 850,790</u>

Cash and Investments - Restricted:

Restricted cash and investments consist of unspent bond proceeds related to bond issuances, amounts deposited in escrow for the purchase of property and funds restricted for expenditures for cemetery maintenance, and tap fees restricted for capital purposes.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Due from Other Governments

The following amounts represent amounts due from other governments at June 30:

	<u>Primary Government</u>	<u>MCPS</u>
State sales tax	\$ -	\$ 954,884
Title VI-B	-	311,251
Title I/IV	-	545,586
Northern Va. Special Education Regional Program	-	715,573
State Funds - Medicaid	-	62,352
Other federal and state school funds	-	369,694
Local sales tax	1,794,778	-
Prince William County	265,764	-
Highway construction and transportation funds	2,103,304	-
Stormwater funds	76,290	-
Welfare grants	442,178	-
Communication tax	390,806	-
Airport grants	338,408	-
Other federal, state and local funds	270,115	-
Total	<u>\$ 5,681,643</u>	<u>\$ 2,959,340</u>

Note 5. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, consisted of the following:

Primary Government	
Due to general fund from:	
Non-major governmental funds	<u>\$ 299,937</u>

The balance above consists of interfund loans from the general fund to the social services fund, which are short term obligations at June 30, 2019.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 5. Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers for the year ended June 30, consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 1,875,866	\$ 11,579,752
General Capital Projects fund	3,898,353	-
NVTA Capital Projects fund	1,972,750	-
Nonmajor governmental funds	7,655,699	536,416
Electric fund	-	2,327,615
Water fund	300,000	1,092,376
Sewer fund	300,000	769,790
 Airport fund	 -	 13,995
Internal Service	317,276	-
	<u>\$ 16,319,944</u>	<u>\$ 16,319,944</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, (3) close the residual balances of certain funds into other funds.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 6. Capital Assets

Primary Government

A summary of the changes in the City's capital assets for *governmental activities* is as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, not being depreciated:				
Land and land rights	\$ 116,766,034	\$ 254,602	\$ (272,151)	\$ 116,748,485
Construction in progress	5,334,143	7,875,655	(3,775,011)	9,434,787
Total capital assets not being depreciated	122,100,177	8,130,257	(4,047,162)	126,183,272
Capital assets, being depreciated:				
Buildings and improvements	40,247,781	1,339,502	(864,494)	40,722,789
Machinery, equipment and software	26,406,750	2,247,672	(789,554)	27,864,868
Infrastructure	187,267,904	1,533,185	(435,395)	188,365,694
Total capital assets being depreciated	253,922,435	5,120,359	(2,089,443)	256,953,353
Less accumulated depreciation for:				
Buildings and improvements	(29,754,304)	(1,202,867)	694,354	(30,262,817)
Machinery, equipment and software	(14,799,181)	(1,673,847)	764,196	(15,708,832)
Infrastructure	(88,677,817)	(5,110,247)	428,264	(93,359,800)
Total accumulated depreciation	(133,231,302)	(7,986,961)	1,886,814	(139,331,449)
Total capital assets being depreciated, net	120,691,133	(2,866,602)	(202,629)	117,621,902
Governmental activities capital assets, net	<u>\$ 242,791,310</u>	<u>\$ 5,263,655</u>	<u>\$ (4,249,791)</u>	<u>\$ 243,805,174</u>

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

Governmental activities:	
General government	\$ 428,940
Public safety	771,263
Public works	5,262,242
Health and human services	1,692
Culture and recreation	608,483
Internal service funds amounts charged to functions based on usage	914,341
Total depreciation expense – governmental activities	<u>\$ 7,986,961</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 6. Capital Assets (Continued)

Primary Government (Continued)

A summary of the changes in the City's capital assets for *business-type activities* is as follows:

<u>Business Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, not being depreciated:				
Land and land rights	\$ 14,760,959	\$ 16,296	\$ -	\$ 14,777,255
Construction in progress	4,668,655	7,773,377	(6,534,215)	5,907,817
Total capital assets not being depreciated	19,429,614	7,789,673	(6,534,215)	20,685,072
Capital assets, being depreciated:				
Investment in plant	236,086,663	8,044,390	(3,065,205)	241,065,848
Infrastructure	28,485,941	6,736	-	28,492,677
Machinery and equipment	4,557,708	907,729	(55,883)	5,409,554
Purchased capacity	27,153,050	-	-	27,153,050
Total capital assets being depreciated	296,283,362	8,958,855	(3,121,088)	302,121,129
Less accumulated depreciation for:				
Investment in plant	(150,582,451)	(6,132,691)	2,868,247	(153,846,895)
Infrastructure	(10,082,489)	(708,504)	-	(10,790,993)
Machinery and equipment	(3,596,464)	(313,087)	37,888	(3,871,663)
Purchased capacity	(19,501,855)	(850,131)	-	(20,351,986)
Total accumulated depreciation	(183,763,259)	(8,004,413)	2,906,135	(188,861,537)
Total capital assets being depreciated, net	112,520,103	954,442	(214,953)	113,259,592
Business-type activities capital assets, net	<u>\$ 131,949,717</u>	<u>\$ 8,744,115</u>	<u>\$ (6,749,168)</u>	<u>\$ 133,944,664</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 6. Capital Assets (Continued)

Primary Government (Continued)

Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

Electric fund	\$ 1,844,262
Water fund	1,439,661
Sewer fund	1,428,153
Airport fund	2,573,637
Stormwater fund	709,839
Nonmajor enterprise funds	8,861
Total	<u>\$ 8,004,413</u>

Purchased Water Rights and Purchased Capacity:

The City purchased water rights from Prince William County Service Authority in 1998 and 2002 totaling \$9,553,340. Purchased water capacity is recognized as an asset and is amortized in the water fund over 20 years which is based on management's estimates since the term of the agreement was not explicitly stated.

The cost to the City in 1990 of its initial share of the Upper Occoquan Sewage Authority (UOSA) was \$597,051. This cost is recognized as purchased sewer treatment capacity. In December 2007, the City purchased from Fairfax County an additional one (1) million gallons per day (MGD) of UOSA sewer treatment capacity for \$17,002,658. The purchased sewer treatment capacity is recognized as an asset and is amortized over 20 years which is based on management's estimates since the term of the agreement was not explicitly stated. Amortization expense in the sewer fund in the current fiscal year totaled \$850,131.

Construction Commitments:

The City and MCPS have active construction projects related to various items. At year end, the City and MCPS' commitments with contractors on the projects are as follows:

General capital projects	\$ 2,576,547
Streets capital projects	5,149,834
Stormwater management	9,293
Sewer capital projects	49,005
Water capital projects	1,279,277
Airport capital projects	27,104
MCPS capital projects	<u>701,987</u>
Total	<u>\$ 9,793,047</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 6. Capital Assets (Continued)

Summaries of the changes in the Discretely Presented Component Unit - MCPS are as follows:

<u>MCPS</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, not being depreciated:				
Land and land rights	\$ 2,336,649	\$ -	\$ -	\$ 2,336,649
Construction in progress	2,029,391	411,620	(2,029,391)	411,620
Total capital assets not being depreciated	4,366,040	411,620	(2,029,391)	2,748,269
Capital assets, being depreciated:				
Buildings and improvements	179,059,736	8,674,584	(53,949)	187,680,371
Machinery and equipment	9,714,458	1,580,291	(1,123,081)	10,171,668
Total capital assets being depreciated	188,774,194	10,254,875	(1,177,030)	197,852,039
Less accumulated depreciation for:				
Buildings and improvements	(107,234,074)	(7,084,664)	16,267	(114,302,471)
Machinery and equipment	(6,437,018)	(594,971)	1,000,663	(6,031,326)
Total accumulated depreciation	(113,671,092)	(7,679,635)	1,016,930	(120,333,797)
Total capital assets being depreciated, net	75,103,102	2,575,240	(160,100)	77,518,242
MCPS capital assets, net	<u>\$ 79,469,142</u>	<u>\$ 2,986,860</u>	<u>\$ (2,189,491)</u>	<u>\$ 80,266,511</u>

Depreciation expense of \$7,679,635 was charged to functions/programs of the respective Component Unit MCPS' governmental activities.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 7. Unavailable Revenue, Unearned Revenue, and Deferred Inflows of Resources

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also include unearned revenue amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. At year end, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	<u>Governmental Funds</u>
Deferred property tax revenue, representing uncollected tax billings (General Fund)	\$ 2,281,838
Deferred vehicle license taxes, meal taxes and other items (General Fund)	<u>931,796</u>
Total deferred inflows of resources for the general fund	<u>3,213,634</u>
Unavailable revenues related to the Gateway, Project, see Note 20 (Capital Project Funds)	2,130,000
Deferred property tax revenue, representing uncollected tax billings (Special Revenue Funds)	<u>57,320</u>
Total deferred inflows of resources	<u>\$ 5,400,954</u>

Unearned revenue in the general fund represents resources received in advance, but not yet earned.

Unearned revenue in the water fund totaling \$161,219 represents water capacity sold to Prince William County Service Authority and the City of Manassas Park in the total amount of \$10,982,635. The City recognized these proceeds as unearned revenue in previous years and is amortizing the amounts over 20 years.

Additional unearned revenue in the enterprise funds represents sewer fund prepaid connection fees, prepaid rent and other receipts in advance of being earned.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Long-Term Debt

Changes in Long-Term Debt

The following is a summary of the long-term debt transactions of the City for the year ended June 30:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 76,674,475	\$ 26,550,000	\$ 5,082,155	\$ 98,142,320	\$ 5,189,280
Premium on bonds	7,798,810	3,131,966	627,763	10,303,013	780,283
Capital leases	100,024	-	49,463	50,561	50,561
Compensated absences	<u>2,823,191</u>	<u>3,091,550</u>	<u>2,946,740</u>	<u>2,968,001</u>	<u>445,201</u>
Governmental activities long-term liabilities	<u>\$ 87,396,500</u>	<u>\$ 32,773,516</u>	<u>\$ 8,706,121</u>	<u>\$ 111,463,895</u>	<u>\$ 6,465,325</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 27,149,734	\$ 23,650,000	\$ 3,739,697	\$ 47,060,037	\$ 1,866,104
Premium on bonds	2,318,623	2,511,940	205,093	4,625,470	308,850
Compensated absences	<u>905,236</u>	<u>900,242</u>	<u>902,207</u>	<u>903,271</u>	<u>135,490</u>
Business-type activities long-term liabilities	<u>\$ 30,373,593</u>	<u>\$ 27,062,182</u>	<u>\$ 4,846,997</u>	<u>\$ 52,588,778</u>	<u>\$ 2,310,444</u>
Total Primary Government	<u>\$ 117,770,093</u>	<u>\$ 59,835,698</u>	<u>\$ 13,553,117</u>	<u>\$ 164,052,673</u>	<u>\$ 8,775,769</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At June 30, \$286,236 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, compensated absences, pension liabilities, and OPEB liabilities are generally liquidated by the general fund.

The Code of the Commonwealth of Virginia, as amended, limits the amount of general obligation debt the City may issue to 10% of the assessed valuation of the real estate subject to taxation. Based upon the City's valuation of real estate subject to taxation, the 2019 legal debt limit is \$488,902,040. With general obligation debt applicable to the limit of \$160,130,840, the City has a legal debt margin of \$328,771,200.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Long-Term Debt (Continued)

The following is a summary of long-term debt transactions for MCPS for the year ended June 30:

<u>MCPS</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases	\$ 94,028	\$ 5,839,292	\$ 470,331	\$ 5,462,989	\$ 336,516
Compensated absences	2,082,776	1,360,178	1,188,881	2,254,073	338,111
Governmental activities long-term liabilities	<u>\$ 2,176,804</u>	<u>\$ 7,199,470</u>	<u>\$ 1,659,212</u>	<u>\$ 7,717,062</u>	<u>\$ 674,627</u>

General obligation bonds and other obligations outstanding as of June 30 are totaled below:

<u>Series</u>	<u>Maturity date</u>	<u>Interest rates</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Series 2009 VRA Refunding	10/1/2021	4.13 - 5.13%	\$ -	\$ 595,000
Series 2010 ABC VML/VACo	2/15/2030	2.00 - 6.07%	1,449,650	1,920,350
Series 2010 D	7/1/2024	2.00 - 5.00%	856,800	823,200
Series 2010 D Refunding	7/1/2024	2.00 - 5.00%	9,350,000	-
Series 2014A	5/1/2034	3.00 - 5.00%	7,871,520	3,168,480
Series 2014C Refunding	7/1/2030	2.00 - 5.00%	859,350	9,530,650
Series 2014C	7/1/2034	2.00 - 5.00%	29,130,000	-
Series 2014D Refunding	7/1/2025	0.50 - 3.00%	-	1,310,000
Series 2016 Airport Refunding	10/1/2031	1.5344%	-	412,357
Series 2016	7/1/2036	2.00 - 5.00%	14,030,000	5,650,000
Series 2016 Refunding	7/1/2025	2.00 - 5.00%	8,045,000	-
Series 2019	7/1/2039	3.00 - 5.00%	26,550,000	23,650,000
Total general obligation bonds			<u>98,142,320</u>	<u>47,060,037</u>
Total primary government			<u>\$ 98,142,320</u>	<u>\$ 47,060,037</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Long-Term Debt (Continued)

Annual requirements to amortize long-term debt and related interest for governmental and business-type activities are as follows:

Fiscal Year Ending June 30	Governmental Activities			
	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2020	\$ 5,189,280	\$ 3,547,981	\$ 50,561	\$ 1,122
2021	6,602,840	3,710,109	-	-
2022	6,718,850	3,418,411	-	-
2023	6,879,540	3,080,158	-	-
2024	7,058,795	2,733,534	-	-
2025-2029	27,526,585	9,196,121	-	-
2030-2034	25,201,430	4,046,187	-	-
2035-2039	11,640,000	833,413	-	-
2040	1,325,000	20,703	-	-
	<u>\$ 98,142,320</u>	<u>\$ 30,586,617</u>	<u>\$ 50,561</u>	<u>\$ 1,122</u>

Fiscal Year Ending June 30	Business-Type Activities	
	General Obligation Bonds	
	Principal	Interest
2020	\$ 1,866,104	\$ 1,566,946
2021	2,657,718	1,799,532
2022	2,762,179	1,682,547
2023	2,666,967	1,553,988
2024	2,793,197	1,424,735
2025-2029	14,075,922	5,024,985
2030-2034	9,887,950	2,447,525
2035-2039	8,700,000	882,919
2040	1,650,000	25,781
	<u>\$ 47,060,037</u>	<u>\$ 16,408,958</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Long-Term Debt (Continued)

Prior Defeasance of Debt

The City defeased certain outstanding general obligation and revenue bonds payable in prior years. The proceeds were placed in trust to fund all future debt service payments. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2019, the following bonds are considered defeased:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
General obligation bonds				
Series 2010D	\$ 1,680,000	\$ -	\$ -	\$ 1,680,000
Series 2014A	60,000	-	(60,000)	-
	<u>\$ 1,740,000</u>	<u>\$ -</u>	<u>\$ (60,000)</u>	<u>\$ 1,680,000</u>

Operating Leases – City and MCPS

The City and MCPS have various leases for real estate and equipment with non-cancelable lease terms. Total rental expense under operating leases of the City and MCPS for the year ended June 30, 2019 was \$460,716 and \$372,688, respectively. The future minimum lease payment for these leases is as follows:

	<u>Primary Government</u>	<u>MCPS</u>
Fiscal Year Ending June 30:		
2020	\$ 397,840	\$ 399,588
2021	409,126	411,581
2022	424,506	423,927
2023	382,001	436,644
2024	384,435	
2025-2026	96,109	-
Total	<u>\$ 2,094,018</u>	<u>\$ 1,671,740</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Long-Term Debt (Continued)

Capital Leases – Primary Government and MCPS

Capital leases for the City and MCPS expire at various dates through 2033. All leases are non-cancelable; however, they are contingent upon the City Council appropriating funds for each year's payments.

The assets acquired through capital leases are as follows:

	<u>Primary Government</u>	<u>MCPS</u>
Assets:		
Two Street Sweepers	\$ 356,370	\$ -
Copiers	-	461,097
Energy Performance Assets	-	7,134,050
Less: Accumulated Depreciation	<u>(230,514)</u>	<u>(452,765)</u>
Total	<u>\$ 125,856</u>	<u>\$ 7,142,382</u>

Equipment Lease Purchase Agreement - MCPS

An equipment lease purchase agreement totaling \$5,378,195 was executed by MCPS in February 2018 in connection with an energy performance contract. The purpose of the agreement is to finance the purchase and installation of certain energy saving equipment and other services for identified properties and buildings owned by MCPS. MCPS has recorded a liability for this agreement since eligible costs have been incurred. The obligation bears interest at 3.13% with principal and interest due annually from February 2019 through 2033.

The following is a schedule of future minimum lease payments, including interest, for MCPS capital leases at June 30, 2019:

	<u>MCPS</u>	
	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 336,516	\$ 185,137
2021	363,859	169,457
2022	392,806	152,522
2023	308,818	138,122
2024	308,584	128,948
2025-2029	1,874,258	482,663
2030-2033	<u>1,878,148</u>	<u>153,766</u>
	<u>\$ 5,462,989</u>	<u>\$ 1,410,615</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 9. Contingent Liabilities and Commitments

Federal programs in which the City participates were audited in accordance with provisions of the Uniform Guidance. Pursuant to the provisions of this document, all major programs were tested for compliance with applicable grant requirements. While no matters of material noncompliance were disclosed by audit, the Federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

The City is a member of the Virginia Municipal Electric Association (VMEA) which is an organization created to purchase electricity from Dominion Virginia Power for resale to its members. The City's contract provides for periodic true-ups based on actual costs incurred by Dominion Virginia Power. Such true-ups could result in an increase or reduction of expenses previously recognized. The City's policy is to recognize the true-up when known due to a lack of information to estimate such an amount. The true-up calculation generally is proposed approximately six months after the calendar year end, therefore the true-up amount each calendar year may not be recorded until the next fiscal year.

The City's agreement with Prince William Manassas Regional Adult Detention Center (PWMRADC) requires periodic true-ups based on actual costs incurred for the City's prisoner day percentage, shared overhead costs and shared repairs. The final true-up for fiscal year 2018 was paid in May 2019. The fiscal year 2019 amount has not been finalized as of the date of this report; however an estimate was accrued and \$73,757 is included in due from other governments. Amounts are subject to change for the most recent year based on verification by PWMRADC.

In November 2018, the City and EDA entered into a performance agreement with a company for the purpose of inducing the company to expand, improve and operate its facility. As a part of the agreement, the City and EDA have received grant funds from the Commonwealth of Virginia for assistance with the capital expansion. Based on the terms of the agreement, if minimum eligibility requirements are not met by the company, the City may be required to return a portion of such funds to the Commonwealth of Virginia, which as of June 30, 2019 amounted to \$500,000 and is currently included in due to other governments.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 10. Joint Ventures

Upper Occoquan Sewage Authority (UOSA)

The UOSA was created under the provisions of the Virginia Water and Sewer Authorities Act to be the single regional entity to construct, finance, and operate the regional sewage treatment facility. UOSA is a joint venture formed on March 3, 1971 by a concurrent resolution of the governing bodies of Fairfax and Prince William Counties and the Cities of Manassas and Manassas Park. The governing body of UOSA is an eight-person Board of Directors consisting of two members appointed to four-year terms by the governing body of each participating jurisdiction. In turn, the UOSA Board adopts an annual operating budget based on projected sewage flows. Each jurisdiction has a percentage share of UOSA's capacity. The City does not recognize an investment in UOSA because the participants do not have an equity interest. The City's percentage share of UOSA's capacity as of June 30, 2019 is 16.1%.

UOSA's current operating costs and annual debt service is funded by each of the participants based on their allocated capacity with certain modifications. UOSA currently has nine Sewage System Revenue Bond issues outstanding: one issued in 1995, one issued in 2010, two issued in 2011, two issued in 2013, one in 2014, and two in 2016. The sewer enterprise fund is funding 100 percent of the City's share of the debt issues. As of June 30, 2019, the City's committed share of UOSA's remaining debt service (including interest) is as follows:

	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,380,509	\$ 1,686,208
2021	1,407,782	1,635,903
2022	1,687,921	1,601,283
2023	1,528,743	1,558,297
2024	1,571,127	1,515,647
2025-2029	9,573,727	6,631,298
2030-2034	9,771,498	4,644,184
2035-2039	11,071,543	2,697,393
2040-2044	6,714,356	703,094
2045-2049	1,145,479	87,210
	<u>\$ 45,852,685</u>	<u>\$ 22,760,517</u>

The sewer fund made scheduled payments in fiscal year 2019 for its share of UOSA's operating costs and debt service costs of \$5,954,140 and \$2,967,838, respectively.

The sewer fund capitalizes its share of UOSA's construction costs. These costs are amortized over 20 years, the estimated useful life of the system constructed. No construction costs were paid or capitalized in 2019.

Information regarding UOSA is provided in UOSA's separate, published, financial statements which are available to the general public from its offices at 14631 Compton Road, Centreville, Virginia 20121.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 10. Joint Ventures (Continued)

Potomac and Rappahannock Transportation Commission (PRTC)

The Potomac and Rappahannock Transportation Commission (PRTC) was created on June 19, 1986 to account for a 2.1% fuel tax authorized by the Commonwealth of Virginia. The PRTC, a joint venture with the contiguous jurisdictions of Prince William, Spotsylvania and Stafford Counties and the Cities of Manassas, Manassas Park and Fredericksburg, was established to improve transportation systems composed of transit facilities, public highways, and other modes of transport. While each jurisdiction effectively controls PRTC's use of motor fuel tax proceeds from that jurisdiction, they do not have an explicit measurable equity interest in PRTC.

The governing body of each member jurisdiction appoints, from among its members, its representatives to act as Commissioners. The Commission has 16 members and one ex-officio representative from the Virginia Department of Rail and Public Transportation. The City's percentage membership is 5.88%

Each Commission member, including the Virginia Department of Rail and Public Transportation representative, is entitled to one vote in all matters requiring action by the Commission. A majority vote of the Commission members present and voting and a majority of the jurisdictions represented is required to act. For purposes of determining the number of jurisdictions present, Virginia Department of Rail and Public Transportation is not counted as a separate jurisdiction.

Information regarding PRTC is provided in PRTC's separate, published, financial statements which are available to the general public from its offices at 14700 Potomac Mills Road, Woodbridge, Virginia 22192.

Note 11. Jointly Governed Organization

Northern Virginia Transportation Authority (NVTA)

The NVTA was established under the provisions of the Code of Virginia, Title 15.2, Chapter 48.2 with the cities of Alexandria, Fairfax, Manassas, Manassas Park, and Falls Church and the counties of Arlington, Fairfax, Loudoun, and Prince William. The Authority is responsible for long-range transportation planning for regional transportation projects in Northern Virginia and sets regional transportation policies and priorities for regional transportation projects. While the jurisdictions have representatives as members of the governing body of the Authority, the jurisdictions do not have an explicit measurable equity interest in NVTA. Beginning in 2014, House Bill 2313 gave the Authority responsibility over the collection and distribution of certain dedicated taxes for transportation including 1% additional sales tax, 2% additional transient and occupancy tax and 1.5% additional grantor's tax. By law, 30% of these additional revenues are distributed to the jurisdictions provided they implement the commercial and industrial tax of 12.5 cents, or dedicate some other funds towards transportation. The other 70% will be used towards regional transportation projects approved by the Authority and implemented by the jurisdictions. In 2019, the City received \$1,834,127 of these taxes.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the City and MCPS (Non-professional employees) (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>City</u>	<u>MCPS Non- Professional</u>
Inactive members or their beneficiaries currently receiving benefits	<u>257</u>	<u>85</u>
Inactive members:		
Vested inactive members	84	23
Non-vested inactive members	107	31
Inactive members active elsewhere in VRS	<u>119</u>	<u>47</u>
Total inactive members	<u>310</u>	<u>101</u>
Active members	<u>437</u>	<u>113</u>
Total covered employees	<u><u>1,004</u></u>	<u><u>299</u></u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12. Defined Benefit Pension Plan (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The City's contractually required contribution rate for the year ended June 30, 2019 was 11.40% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

The contractually required contribution rate for MCPS (Non-professional) for the year ended June 30, 2019 was 4.78% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$3,395,127 and \$3,374,925 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the pension plan from MCPS (Non-professional) were \$151,985 and \$225,042 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		<u>4.80 %</u>
	Inflation		<u>2.50 %</u>
	*Expected arithmetic nominal return		<u>7.30 %</u>

- * The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in the FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever is greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability - City

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2017	\$ 137,009,174	\$ 116,947,348	\$ 20,061,826
Changes for the year:			
Service cost	3,281,414	-	3,281,414
Interest	9,355,438	-	9,355,438
Changes of assumptions	-	-	-
Differences between expected and actual experience	3,307,708	-	3,307,708
Contributions – employer	-	3,374,925	(3,374,925)
Contributions – employee	-	1,476,196	(1,476,196)
Net investment income	-	8,606,814	(8,606,814)
Benefit payments, including refunds of employee contributions	(6,720,110)	(6,720,110)	-
Administrative expenses	-	(74,302)	74,9302
Other changes	-	(7,672)	7,672
Net changes	9,224,450	6,655,851	2,568,599
Balances at June 30, 2018	\$ 146,233,624	\$ 123,603,199	\$ 22,630,425

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability (Asset) – MCPS (Non-professional)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2017	\$ 16,895,547	\$ 16,591,223	\$ 304,324
Changes for the year:			
Service cost	322,077	-	322,077
Interest	1,155,111	-	1,155,111
Changes of assumptions	-	-	-
Differences between expected and actual experience	(266,528)	-	(266,528)
Contributions – employer	-	222,228	(222,228)
Contributions – employee	-	161,710	(161,710)
Net investment income	-	1,217,722	(1,217,722)
Benefit payments, including refunds of employee contributions	(787,909)	(787,909)	-
Administrative expenses	-	(10,647)	10,647
Other changes	-	(1,080)	1,080
Net changes	422,751	802,024	(379,273)
Balances at June 30, 2018	\$ 17,318,298	\$ 17,393,247	\$ (74,949)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
City's net pension liability	\$ 42,387,313	\$ 22,630,425	\$ 6,330,810
Component Unit:			
MCPS (Non-professional)			
net pension liability (asset)	\$ 2,197,460	\$ (74,949)	\$ (1,957,322)

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2019, the City recognized pension expense of \$805,936. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,476,626	\$ (2,232,957)
Change of assumptions	-	(465,291)
Net difference between projected and actual earnings on pension plan investments	-	(979,607)
Employer contributions subsequent to the measurement date	<u>3,395,127</u>	<u>-</u>
Total	<u><u>\$ 5,871,753</u></u>	<u><u>\$ (3,677,855)</u></u>

For the year ended June 30, 2019, MCPS (Non-professional) recognized pension expense (income) of \$(388,799). At June 30, 2019, MCPS (Non-professional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (526,223)
Changes of assumptions	-	(9,413)
Net difference between projected and actual earnings on pension plan investments	-	(143,178)
Employer contributions subsequent to the measurement date	<u>151,985</u>	<u>-</u>
Total	<u><u>\$ 151,985</u></u>	<u><u>\$ (678,814)</u></u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12. Defined Benefit Pension Plan (Continued)

The \$3,395,127 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2020	\$ (383,948)
2021	(232,548)
2022	(486,977)
2023	(97,756)
2024	-
Total	\$ <u>(1,201,229)</u>

The \$151,985 reported as deferred outflows of resources related to pensions resulting from MCPS (Non-professional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2020	\$ (402,404)
2021	(91,306)
2022	(170,927)
2023	(14,177)
2024	-
Total	\$ <u>(678,814)</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool

General Information about the Teacher Cost Sharing Plan

Plan Description

All full-time, salaried permanent (professional) employees of Virginia school divisions, including MCPS, (the “School Division”), are automatically covered by the VRS Teacher Retirement Plan upon employment. This multiple employer, cost sharing plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employers pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously funded service.

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in Note 12.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division’s contractually required contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$8,661,861 and \$8,521,423 for the years ended June 30, 2019 and June 30, 2018, respectively.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

At June 30, 2019, the school division reported a liability of \$77,572,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.66% as compared to 0.70% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$4,214,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (6,633,000)
Change of assumptions	926,000	-
Net difference between projected and actual earnings on pension plan investments	-	(1,645,000)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	767,000	(6,561,000)
Employer contributions subsequent to the measurement date	8,661,861	-
Total	<u>\$ 10,354,861</u>	<u>\$ (14,839,000)</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

The \$8,661,861 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2020	\$ (1,898,000)
2021	(3,249,000)
2022	(4,953,000)
2023	(2,236,000)
2024	(810,000)
Total	<u>\$ (13,146,000)</u>

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan are as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 46,679,555
Plan Fiduciary Net Position	<u>34,919,563</u>
Employers' Net Pension Liability (Asset)	<u>\$ 11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Net Pension Liability (Continued)

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability of the school division using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School division's proportionate share of the VRS teacher employee retirement plan net pension liability	<u>\$ 118,494,000</u>	<u>\$ 77,572,000</u>	<u>\$ 43,701,000</u>

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 14. Other Post-Employment Benefits Liability – City Local Plan

Plan Description and Benefits Provided

The City provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits and who retire from the City. There is no provision for deferral of benefits for employees who separate from City employment without retiring.

The City of Manassas Retiree Health Insurance Plan is a single-employer defined benefit postemployment healthcare plan for retired City employees. It is administered by the City and was approved by the City Council with policy P-2009-03. Any employee who retires from the City is allowed to remain on the City's healthcare policy until the age of sixty-five (65) with the same medical coverage (including dependent coverage) as regular full-time employees. Retirees with less than fifteen (15) years of service are responsible for the full cost of the monthly premium. For retirees who were employed with the City on or before June 30, 2009 and who were vested with VRS on or before June 30, 2009, the City provides a monthly subsidy of \$100 to retirees with fifteen to nineteen (15-19) years of service or a \$200 monthly subsidy to retirees with more than twenty (20) years of service. There are no benefits after the retiree attains age sixty-five (65). There is no provision for deferral of benefits for employees who separate from City employment without retiring. Separate audited financial statements are not available for the plan.

The City establishes employer contribution rates for plan participants as part of the budgetary process each year. The City also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process.

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	36
Entitled to but not yet receiving benefits	<u>-</u>
Total inactive employees	36
Active plan members	<u>441</u>
	<u><u>477</u></u>

Total OPEB Liability

The City's total OPEB liability of \$9,832,614 was measured as of June 30, 2019 and was determined based on an actuarial valuation performed as of June 30, 2017.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 14. Other Post-Employment Benefits Liability – City Local Plan (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.50%
Inflation	2.50%
Healthcare cost trend rates	7.40% - 4.20% over 67 years

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Changes in the Total OPEB Liability

Balance at June 30, 2018	<u>\$ 9,078,747</u>
Changes for the year:	
Service cost	368,592
Interest	359,308
Assumption or other input changes	354,860
Benefit payments	<u>(328,893)</u>
Net changes	<u>753,837</u>
Balance at June 30, 2019	<u><u>\$ 9,832,614</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City , as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	<u>1.00% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1.00% Increase (4.50%)</u>
Total OPEB liability	<u>\$ 10,886,763</u>	<u>\$ 9,832,614</u>	<u>\$ 8,906,701</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 14. Other Post-Employment Benefits Liability – City Local Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1.00% Decrease	Current Healthcare Cost Trend Rates	1.00% Increase
Total OPEB liability	\$ 8,591,490	\$ 9,832,614	\$ 11,329,868

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$739,201. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	286,618	(233,456)
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 286,618</u>	<u>\$ (233,456)</u>

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

Year Ending June 30,	Reduction to OPEB Expense
2020	\$ (11,301)
2021	(11,301)
2022	(11,301)
2023	(11,301)
2024	(7,958)
Thereafter	-

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 15. Other Post-Employment Benefits Liability – MCPS Local Plan

Plan Description and Benefits Provided

MCPS provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits and who retire from MCPS. There is no provision for deferral of benefits for employees who separate from MCPS employment without retiring.

The MCPS Retiree Health Insurance Plan is a single-employer defined benefit post-employment healthcare plan for retired MCPS employees. It is administered by MCPS and was approved by the MCPS School Board. An employee who retires from MCPS with an unreduced VRS retirement is allowed to remain on MCPS's healthcare policy until eligible for Medicare. Retirees are responsible for the full cost of the monthly premium. MCPS pays 40% of the monthly premium for eligible retirees who retired prior to July 1, 2013 with at least fifteen (15) years of service. There are no benefits after the retiree attains age sixty-five (65). There is no provision for deferral of benefits for employees who separate from MCPS employment without retiring. Separate audited financial statements are not available for the plan.

MCPS establishes employer contribution rates for plan participants as part of the budgetary process each year. MCPS also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process.

Employees Covered by Benefit Terms

As of the June 1, 2018 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	31
Entitled to but not yet receiving benefits	<u>-</u>
Total inactive employees	31
Active plan members	<u>757</u>
	<u><u>788</u></u>

Total OPEB Liability

MCPS' total OPEB liability of \$2,048,455 was measured as of June 30, 2018 and was determined based on an actuarial valuation performed as of June 1, 2018.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 15. Other Post-Employment Benefits Liability – MCPS Local Plan (Continued)

Actuarial Assumptions and other inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.62%
Salary increases, including inflation	Variable, 1.30% - 3.75%
Healthcare cost trend rates	Long-Run Medical Cost Trend Model baseline. Rates ranging from 5.5% to 3.9%.

The discount rate was based on the 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of July 1, 2018.

Changes in assumptions and other inputs since prior valuation:

- The discount rate was updated as required under the GASB 75 standard.
- The decrement and mortality assumptions were updated to the most recent VRS assumptions.
- The trend assumption was updated to the most recent table released by the Society of Actuaries.
- The claims assumption was updated to include the most recent plan experience.

Changes in the Total OPEB Liability

Balance at June 30, 2018	<u>\$ 2,099,625</u>
Changes for the year:	
Service cost	83,229
Interest	71,604
Benefit changes	-
Differences between expected and actual experience	53,776
Assumption or other input changes	(7,003)
Benefit payments	<u>(252,776)</u>
Net changes	<u>(51,170)</u>
Balance at June 30, 2019	<u><u>\$ 2,048,455</u></u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 15. Other Post-Employment Benefits Liability – MCPS Local Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of MCPS, as well as what MCPS' total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

	1.00% Decrease (2.62%)	Current Discount Rate (3.62%)	1.00% Increase (4.62%)
Total OPEB liability	\$ 2,239,276	\$ 2,048,455	\$ 1,873,803

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of MCPS, as well as what MCPS' total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (2.90%) or one percentage point higher (4.90%) than the current healthcare cost trend rates:

	1.00% Decrease (2.90%)	Current Healthcare Cost Trend Rates (3.90%)	1.00% Increase (4.90%)
Total OPEB liability	\$ 1,811,857	\$ 2,048,455	\$ 2,336,142

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 15. Other Post-Employment Benefits Liability – MCPS Local Plan (Continued)

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

For the year ended June 30, 2019, MCPS recognized OPEB expense of \$140,213. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,813	\$ -
Changes of assumptions	-	(95,497)
Employer contributions subsequent to the measurement date	48,363	-
Total	<u>\$ 93,176</u>	<u>\$ (95,497)</u>

The \$48,363 reported as deferred outflows of resources related to OPEB resulting from the MCPS' contributions subsequent to the measurement date will be recognized as a reduction of the OPEB Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (14,620)
2021	(14,620)
2022	(14,620)
2023	(14,617)
2024	7,793
Thereafter	-

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the City and MCPS also participate in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>.

Teacher Employee Health Insurance Credit Program

All full time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit (HIC) Program. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Specific information about the Teacher HIC is available at <https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>.

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple employer, cost sharing plans.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Plan Descriptions (Continued)

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than Teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer agent plan.

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the City General Employee and MCPS Nonprofessional Employee Health Insurance Credit Program:

	<u>City</u>	<u>MCPS Non- Professional</u>
Inactive members or their beneficiaries currently receiving benefits	129	32
Inactive members:		
Vested inactive members	7	1
Non-vested inactive members	-	-
Active elsewhere in VRS	-	-
Total inactive members	136	33
Active members	417	113
 Total	 553	 146

Line of Duty Act Program

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the VRS is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in 2012. The employer contributions are determined by the VRS actuary using anticipated program costs and the number of covered individuals associated with all participating employers. The LODA is considered a multiple employer, cost sharing plan.

Specific information about the LODA is available at <https://www.valoda.org/>.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
City June 30, 2019 Contribution	\$160,658
City June 30, 2018 Contribution	\$157,766
Teachers June 30, 2019 Contribution	\$296,997
Teachers June 30, 2018 Contribution	\$279,718
MCPS Nonprofessional June 30, 2019 Contribution	\$18,253
MCPS Nonprofessional June 30, 2018 Contribution	\$17,736

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.</i>
Total rate:	1.20% of covered employee compensation.
June 30, 2019 Contribution	\$684,189
June 30, 2018 Contribution	\$659,920

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

City General Employee and MCPS Nonprofessional Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
City Total rate:	0.19% of covered employee compensation.
MCPS Nonprofessional Total rate:	0.22% of covered employee compensation.
City June 30, 2019 Contribution	\$55,729
City June 30, 2018 Contribution	\$49,319
MCPS Nonprofessional June 30, 2019 Contribution	\$7,722
MCPS Nonprofessional June 30, 2018 Contribution	\$8,794

Line of Duty Act Program

Governed by:	<i>Code of Virginia</i> 9-1-400.1 and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	\$705.77 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2019 Contribution	\$115,040
June 30, 2018 Contribution	\$90,921

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

The net OPEB liabilities were measured as of June 30, 2018 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

Group Life Insurance Program – City

June 30, 2019 proportionate share of liability	\$2,423,000
June 30, 2018 proportion	0.16%
June 30, 2017 proportion	0.16 %
June 30, 2019 expense	\$24,000

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)

Group Life Insurance Program – Teachers

June 30, 2019 proportionate share of liability	\$4,296,000
June 30, 2018 proportion	0.28%
June 30, 2017 proportion	0.30%
June 30, 2019 expense (income)	(\$36,000)

Group Life Insurance Program – MCPS Nonprofessional

June 30, 2019 proportionate share of liability	\$275,000
June 30, 2018 proportion	0.02%
June 30, 2017 proportion	0.02%
June 30, 2019 expense (income)	\$(7,000)

Teacher Health Insurance Credit Program

June 30, 2019 proportionate share of liability	\$8,421,000
June 30, 2018 proportion	0.66%
June 30, 2017 proportion	0.70%
June 30, 2019 expense	\$592,000

Line of Duty Act Program

June 30, 2019 proportionate share of liability	\$2,676,000
June 30, 2018 proportion	0.85%
June 30, 2017 proportion	0.90%
June 30, 2019 expense	\$198,000

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

General Employee Health Insurance Credit Program

Changes in net OPEB liability of the City General Employee Health Insurance Credit Program were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2017	\$ 987,580	\$ 547,852	\$ 439,728
Changes for the year:			
Service cost	21,187	-	21,187
Interest	66,503	-	66,503
Benefit changes	-	-	-
Differences between expected and actual experience	(545)	-	(545)
Assumption changes	-	-	-
Contributions – employer	-	49,319	(49,319)
Net investment income	-	38,174	(38,174)
Benefit payments	(75,077)	(75,077)	-
Administrative expenses	-	873	873
Other changes	-	(2,882)	2,882
Net changes	12,068	8,661	3,407
Balances at June 30, 2018	\$ 999,648	\$ 556,513	\$ 443,135

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Changes in net OPEB liability of the MCPS Nonprofessional Employee Health Insurance Credit Program were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2017	\$ 240,129	\$ 187,114	\$ 53,015
Changes for the year:			
Service cost	4,356	-	4,356
Interest	16,223	-	16,223
Benefit changes	-	-	-
Differences between expected and actual experience	(2,030)	-	(2,030)
Assumption changes	-	-	-
Contributions – employer	-	8,790	(8,790)
Net investment income	-	13,103	(13,103)
Benefit payments	(16,752)	(16,752)	-
Administrative expenses	-	300	300
Other changes	-	(982)	982
Net changes	1,797	3,859	(2,062)
Balances at June 30, 2018	\$ 241,926	\$ 190,973	\$ 50,953

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

At June 30, 2019, the City and MCPS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program - City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 118,000	\$ (43,000)
Change of assumptions	-	(101,000)
Net difference between projected and actual earnings on OPEB plan investments	-	(79,000)
Changes in proportion	29,000	-
Employer contributions subsequent to the measurement date	160,658	-
Total	<u>\$ 307,658</u>	<u>\$ (223,000)</u>

Group Life Insurance Program - Teachers

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 210,000	\$ (77,000)
Change of assumptions	-	(179,000)
Net difference between projected and actual earnings on OPEB plan investments	-	(140,000)
Changes in proportion	-	(346,000)
Employer contributions subsequent to the measurement date	296,997	-
Total	<u>\$ 506,997</u>	<u>\$ (742,000)</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Group Life Insurance Program – MCPS Nonprofessional

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,000	\$ (5,000)
Change of assumptions	-	(11,000)
Net difference between projected and actual earnings on OPEB plan investments	-	(9,000)
Changes in proportion	-	(42,000)
Employer contributions subsequent to the measurement date	18,253	-
Total	<u>\$ 31,253</u>	<u>\$ (67,000)</u>

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (43,000)
Change of assumptions	-	(73,000)
Net difference between projected and actual earnings on OPEB plan investments	-	(6,000)
Changes in proportion	-	(601,000)
Employer contributions subsequent to the measurement date	684,189	-
Total	<u>\$ 684,189</u>	<u>\$ (723,000)</u>

General Employee Health Insurance Credit Program - City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (467)
Change of assumptions	-	(19,460)
Net difference between projected and actual earnings on OPEB plan investments	-	(14,079)
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	55,729	-
Total	<u>\$ 55,729</u>	<u>\$ (34,006)</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

General Employee Health Insurance Credit Program – MCPS Nonprofessional

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (1,678)
Change of assumptions	-	(2,239)
Net difference between projected and actual earnings on OPEB plan investments	-	(4,845)
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	7,722	-
Total	<u>\$ 7,722</u>	<u>\$ (8,762)</u>

Line of Duty Act Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 384,000	\$ -
Change of assumptions	-	(308,000)
Net difference between projected and actual earnings on OPEB plan investments	-	(7,000)
Changes in proportion	8,000	(124,000)
Employer contributions subsequent to the measurement date	115,040	-
Total	<u>\$ 507,040</u>	<u>\$ (439,000)</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

The deferred outflows of resources related to OPEB resulting from the City's and MCPS' contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program - City

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (29,000)
2021	(29,000)
2022	(29,000)
2023	(6,000)
2024	8,000
Thereafter	9,000

Group Life Insurance Program - Teachers

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (129,000)
2021	(129,000)
2022	(129,000)
2023	(89,000)
2024	(48,000)
Thereafter	(8,000)

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Group Life Insurance Program – MCPS Nonprofessional

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (13,000)
2021	(13,000)
2022	(13,000)
2023	(10,000)
2024	(5,000)
Thereafter	-

Teacher Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (117,000)
2021	(117,000)
2022	(117,000)
2023	(113,000)
2024	(114,000)
Thereafter	(145,000)

General Employee Health Insurance Credit Program – City

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (8,529)
2021	(8,529)
2022	(8,530)
2023	(4,067)
2024	(3,894)
Thereafter	(457)

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

General Employee Health Insurance Credit Program – MCPS Nonprofessional

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	\$ (2,500)
2021	(2,500)
2022	(2,498)
2023	(971)
2024	(293)
Thereafter	-

Line of Duty Act Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2020	(9,000)
2021	(9,000)
2022	(9,000)
2023	(8,000)
2024	(7,000)
Thereafter	(5,000)

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2017, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.5%
Salary increases, including inflation:	
• Locality- general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
• Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI & HIC: 7.0%; LODA 3.89%

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 12.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan	Line of Duty Act Program
Total OPEB Liability	\$ 3,113,508	\$ 1,381,313	\$ 315,395
Plan fiduciary net position	1,594,773	111,639	1,889
Employers' net OPEB liability (asset)	\$ 1,518,735	\$ 1,269,674	\$ 313,506
Plan fiduciary net position as a percentage of total OPEB liability	51.22%	8.08%	0.60%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

The long-term expected rate of return is established in a manner similar to that described in Note 12 for VRS pensions.

Line of Duty Act Program

The long-term expected rate of return on the LODA Program's investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 7.00% assumption noted above. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2018.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 7.00%. The discount rate used to measure the LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liabilities of the City and MCPS, as well as what the City's and MCPS' net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (6.00% HIC; GLI/2.89% LODA) or one percentage point higher (8.00% HIC; GLI/4.89% LODA) than the current discount rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability – City	\$ 3,167,000	\$ 2,423,000	\$ 1,820,000
GLI Net OPEB liability – Teachers	\$ 5,614,000	\$ 4,296,000	\$ 3,225,000
GLI Net OPEB liability – MCPS			
Nonprofessional	\$ 359,000	\$ 275,000	\$ 206,000
Teacher HIC Net OPEB liability	\$ 9,406,000	\$ 8,421,000	\$ 7,584,000
General Employee HIC Net OPEB liability – City	\$ 552,879	\$ 443,135	\$ 350,080
General Employee HIC Net OPEB liability – MCPS Nonprofessional	\$ 77,569	\$ 50,953	\$ 28,257
	1.00% Decrease (2.89%)	Current Discount Rate (3.89%)	1.00% Increase (4.89%)
Net LODA OPEB liability	\$ 3,066,000	\$ 2,676,000	\$ 2,362,000

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 16. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Sensitivity of the LODA Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Because the Line of Duty Act Program (LODA) contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the LODA net OPEB liability of the City using health care trend rate of 7.75% decreasing to 5.00%, as well as what the City's LODA net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current healthcare cost trend rates:

	1.00% Decrease (6.75% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
Net LODA OPEB liability	\$ 2,280,000	\$ 2,676,000	\$ 3,169,000

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 17. Risk Management

The City is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained public liability insurance with a maximum coverage of \$11,000,000. Employee-related health benefits, unemployment, workman's compensation, and property are also covered by commercial insurance arrangements. The City has not had a significant reduction in insurance coverage and settlements have not exceeded insurance coverage in the past four fiscal years.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 18. Fund Balances

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the general fund balance and other governmental funds balance are presented below:

	<u>General Fund</u>	<u>General Capital Projects</u>	<u>NVTA Capital Projects</u>	<u>Other Governmental Funds</u>
Nonspendable:				
Cemetery fund principal	\$ -	\$ -	\$ -	\$ 100,000
Prepays	4,502	-	-	-
Long term advances due from other funds	299,937	-	-	-
Total nonspendable	304,439	-	-	100,000
Restricted for:				
Police E-Summons program	225,307	-	-	-
Proffers for development	485,385	-	-	-
Bond proceeds and escrows not yet spent	-	31,768,716	4,387,237	-
Communication systems	-	-	-	756,894
Fire and rescue system	-	-	-	3,138,272
Road maintenance	-	-	-	303,762
Museum system	-	-	-	1,437,122
Cemetery maintenance	-	-	-	152,492
Total restricted	710,692	31,768,716	4,387,237	5,788,542
Committed to:				
Capital reserve	12,345,909	-	-	-
Economic development	438,723	-	-	-
Employee benefits	2,079,000	-	-	-
Museum system	9,287	-	-	-
Debt service	-	-	-	6,091,342
Capital projects	-	3,041,353	7,903,837	10,237,963
Total committed	14,872,919	3,041,353	7,903,837	16,329,305
Assigned to:				
Authorized positions	600,000	-	-	-
Transportation	248,584	-	-	-
Subsequent year appropriation	4,149,121	-	-	-
Capital projects	-	2,538,801	5,007,105	180,475
Fire and rescue system	-	-	-	35,650
Total assigned	4,997,705	2,538,801	5,007,105	216,125
Unassigned	18,190,341	-	-	(36,229)
Total fund balance	\$ 39,076,096	\$ 37,348,870	\$ 17,298,179	\$ 22,397,743

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 19. Major Customer

The City has one major sewer and water customer. This customer accounted for approximately 17% of total sewer fund revenues and approximately 24% of total water fund revenues.

Note 20. Landing at Cannon Branch Project

During 2017, the EDA finalized an agreement with the City and Buchanan Manassas, LLC regarding the sale of land. The City conveyed land to the EDA in November 2016 and subsequently the EDA sold this land for \$5,790,000. The EDA received \$2,894,202, net of expenses, from the sale which was then remitted to the City as a part of the agreement. The EDA also entered into a note receivable with Manassas Gateway LLC, a related company of Buchanan Manassas, LLC, for the remaining portion of the sale which amounted to \$2,895,000. The note bears interest at 4% with payment of principal and interest commencing in May 2017 for a period of eight quarterly installments. As of June 30, 2019, the note recorded with the EDA is \$0.

In 2017, the City recorded the proceeds noted above as well as the first payment on the note receivable in the Gateway Capital Projects Fund in the amount of \$3,256,077. At June 30, 2019, the note has been paid in full.

In a similar transaction, the City conveyed land to the EDA in September 2018 and subsequently the EDA sold this land for \$5,680,000. The EDA received \$3,565,204, net of expenses and including the 2017 note payoff of \$723,750 plus interest, from the sale which was then remitted to the City as a part of the agreement. The EDA also entered into a note receivable with Manassas Gateway, LLC, for the remaining portion of the sale which amounted to \$2,840,000. The note bears interest at 4% with payment of principal and interest commencing in March 2019 for a period of eight quarterly installments. As of June 30, 2019, the balance of the note recorded with the EDA is \$2,130,000. The EDA has also recorded a corresponding payable to the City.

In 2019, the City recorded the proceeds noted above as well as two payments on the note receivable in the Gateway Capital Projects Fund in the amount of \$3,549,202.

During 2016, the EDA finalized an agreement with Manassas Gateway Hotel, LLC regarding the sale of land. In June 2019, the City conveyed land to the EDA that was subsequently sold to Manassas Gateway Hotel, LLC, for \$1,176,000. The EDA received \$755,768, net of expenses and development fee, from the sale. These funds were remitted to the City as a part of the agreement, after retaining \$350,000 to fund an Economic Development Incentive Grant (EDIG) provided to the developer, per the First Amendment to Cooperation Agreement for Manassas Gateway, between the City and EDA. The EDA has recorded a payable to the City of \$350,000 related to the EDIG, until the developer payment requirements are met.

In 2019, the City recorded the proceeds for the hotel parcel noted above in the Gateway Capital Projects Fund in the amount of \$755,768.

The City's total receivable from the EDA for the note and EDIG is \$2,480,000 as of June 30, 2019.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 21. Subsequent Events

On July 31, 2019, an agreement between the Board of Supervisors of Fairfax County, and the City of Manassas was made in relation to the existing UOSA Service Agreement discussed in Note 10. Fairfax County determined that it had available unused wastewater capacity which was offered to the other participants. Manassas agreed to purchase additional capacity of 0.5 MGD, with an initial payment of \$8,220,297 due prior to transfer, and incur debt associated with the UOSA existing bonds component. The initial payment was satisfied on August 16, 2019.

Note 22. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

The GASB issued **Statement No. 84, *Fiduciary Activities*** in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87, *Leases*** in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*** in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 22. New Accounting Standards (Continued)

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

The GASB issued **Statement No. 91, *Conduit Debt Obligations*** in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2019

	Primary Government				MCPS			
	Local Plan		VRS Health Insurance Credit General Employees		Local Plan		VRS Health Insurance Credit General Employees	
	Plan Year 2019	Plan Year 2018	Plan Year 2018	Plan Year 2017	Plan Year 2019	Plan Year 2018	Plan Year 2018	Plan Year 2017
Total OPEB Liability								
Service cost	\$ 368,592	\$ 383,873	\$ 21,187	\$ 21,716	\$ 83,229	\$ 93,415	\$ 4,356	\$ 5,061
Interest on total OPEB liability	359,308	323,594	66,503	66,592	71,604	63,823	16,223	15,904
Experience losses	-	-	-	-	53,776	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	-	-	(545)	-	-	-	(2,030)	-
Changes of assumptions	354,860	(347,338)	-	(27,092)	(7,003)	(134,493)	-	(3,347)
Benefit payments	(328,893)	(283,663)	(75,077)	(49,915)	(252,776)	(325,000)	(16,752)	(9,367)
Net change in total OPEB liability	753,867	76,466	12,068	11,301	(51,170)	(302,255)	1,797	8,251
Total OPEB liability - beginning	9,078,747	9,002,281	987,580	976,279	2,099,625	2,401,880	240,129	231,878
Total OPEB liability - ending	9,832,614	9,078,747	999,648	987,580	2,048,455	2,099,625	241,926	240,129
Plan Fiduciary Net Position								
Contributions - employer	-	-	49,319	47,773	-	-	8,790	9,073
Net investment income	-	-	38,174	56,707	-	-	13,103	19,367
Benefit payments	-	-	(75,077)	(49,915)	-	-	(16,752)	(9,367)
Administrative expenses	-	-	(873)	(915)	-	-	(300)	(314)
Other	-	-	(2,882)	2,882	-	-	(982)	982
Net change in plan fiduciary net position	-	-	8,661	56,532	-	-	3,859	19,741
Plan fiduciary net position - beginning	-	-	547,852	491,320	-	-	187,114	167,373
Plan fiduciary net position - ending	-	-	556,513	547,852	-	-	190,973	187,114
Net OPEB liability - ending	\$ 9,832,614	\$ 9,078,747	\$ 443,135	\$ 439,728	\$ 2,048,455	\$ 2,099,625	\$ 50,953	\$ 53,015
Plan fiduciary net position as a percentage of total OPEB liability	0%	0%	56%	55%	0%	0%	79%	78%
Covered payroll	\$ 29,645,000	\$ 29,645,000	\$ 29,006,150	\$ 28,065,796	\$ 63,886,718	\$ 62,362,862	\$ 3,416,924	\$ 3,453,646
Net OPEB liability as a percentage of covered payroll	33%	31%	2%	2%	3%	3%	1%	2%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS - VRS HEALTH INSURANCE CREDIT
June 30, 2019

Entity Fiscal Year Ended June 30	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
VRS Health Insurance Credit City General Employees					
2019	\$ 55,729	\$ 55,729	\$ -	\$ 29,320,079	0.19%
2018	49,319	49,319	-	29,006,150	0.17%
VRS Health Insurance Credit MCPS Nonprofessional					
2019	\$ 7,722	\$ 7,722	\$ -	\$ 3,509,934	0.22%
2018	8,794	8,794	-	3,416,924	0.26%
Virginia Retirement System - Health Insurance Credit - Teachers					
2019	\$ 684,189	\$ 684,189	\$ -	\$ 57,015,810	1.20%
2018	659,758	659,758	-	53,638,846	1.23%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data are available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY - VRS PLANS
June 30, 2019

Plan Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Group Life Insurance - General Employees					
2018	0.16%	\$ 2,423,000	\$ 30,335,422	7.99%	51.22%
2017	0.16%	2,391,000	29,308,367	8.16%	48.86%
Virginia Retirement System - Group Life Insurance - Teachers					
2018	0.23%	\$ 4,296,000	\$ 53,777,496	7.99%	51.22%
2017	0.30%	4,562,000	55,909,265	8.16%	48.86%
Virginia Retirement System - Group Life Insurance - MCPS Nonprofessional Employees					
2018	0.02%	\$ 275,000	\$ 3,442,556	7.99%	51.22%
2017	0.02%	283,000	3,471,158	8.15%	48.86%
Virginia Retirement System - Health Insurance Credit - Teachers					
2018	0.66%	\$ 8,421,000	\$ 53,638,846	15.70%	8.08%
2017	0.70%	8,935,000	55,584,464	16.07%	7.04%
Virginia Retirement System - Line of Duty Act					
2018	0.85%	\$ 2,676,000	\$ 9,773,145	27.38%	0.60%
2017	0.90%	2,371,000	9,553,194	24.82%	1.30%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS - VRS PLANS
June 30, 2019

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Group Life Insurance - General Employees					
2019	\$ 160,658	\$ 160,658	\$ -	\$ 30,792,053	0.52%
2018	157,744	157,744	-	30,335,422	0.52%
Virginia Retirement System - Group Life Insurance - Teachers					
2019	\$ 296,997	\$ 296,997	\$ -	\$ 57,115,351	0.52%
2018	279,643	279,643	-	53,777,496	0.52%
Virginia Retirement System - Group Life Insurance - MCPS Nonprofessional Employees					
2019	\$ 18,253	\$ 18,253	\$ -	\$ 3,509,934	0.52%
2018	17,901	17,901	-	3,442,556	0.52%
Virginia Retirement System - Line of Duty Act					
2019	\$ 115,040	\$ 115,040	\$ -	\$ 10,359,789	1.11%
2018	90,921	90,921	-	9,773,145	0.93%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2019

	Primary Government				
	Plan Year				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 3,281,414	\$ 3,282,771	\$ 3,290,768	\$ 3,146,516	\$ 3,172,984
Interest on total pension liability	9,355,438	9,240,455	8,867,229	8,777,037	8,352,384
Benefit payments, including refunds of employee contributions	(6,720,110)	(7,117,141)	(6,366,376)	(5,454,561)	(5,463,217)
Changes of assumptions	-	(906,327)	-	-	-
Difference between actual and expected experience	3,307,708	(3,055,659)	(84,432)	(4,724,636)	-
Net change in total pension liability	9,224,450	1,444,099	5,707,189	1,744,356	6,062,151
Total pension liability - beginning	<u>137,009,174</u>	<u>135,565,075</u>	<u>129,857,886</u>	<u>128,113,530</u>	<u>122,051,379</u>
Total pension liability - ending	<u>\$ 146,233,624</u>	<u>\$ 137,009,174</u>	<u>\$ 135,565,075</u>	<u>\$ 129,857,886</u>	<u>\$ 128,113,530</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 3,374,925	\$ 3,290,895	\$ 3,842,806	\$ 3,837,337	\$ 3,549,681
Contributions - employee	1,476,196	1,488,053	1,436,792	1,424,567	1,357,566
Net investment income	8,606,814	12,859,256	1,828,870	4,649,051	13,881,967
Benefit payments, including refunds of employee contributions	(6,720,110)	(7,117,141)	(6,366,376)	(5,454,561)	(5,463,217)
Administrative expenses	(74,302)	(74,990)	(65,416)	(62,878)	(74,624)
Other changes	(7,672)	(11,350)	(858)	(1,239)	985
Net change in plan fiduciary net position	6,655,851	10,434,723	675,818	4,392,277	13,252,358
Plan fiduciary net position - beginning	<u>116,947,348</u>	<u>106,512,625</u>	<u>105,836,807</u>	<u>101,444,530</u>	<u>88,192,172</u>
Plan fiduciary net position - ending	<u>\$ 123,603,199</u>	<u>\$ 116,947,348</u>	<u>\$ 106,512,625</u>	<u>\$ 105,836,807</u>	<u>\$ 101,444,530</u>
Net pension liability - ending	<u>\$ 22,630,425</u>	<u>\$ 20,061,826</u>	<u>\$ 29,052,450</u>	<u>\$ 24,021,079</u>	<u>\$ 26,669,000</u>
Plan fiduciary net position as a percentage of total pension liability	<u>85%</u>	<u>85%</u>	<u>79%</u>	<u>82%</u>	<u>79%</u>
Covered payroll	<u>\$ 30,139,672</u>	<u>\$ 29,415,449</u>	<u>\$ 28,400,292</u>	<u>\$ 27,994,452</u>	<u>\$ 28,181,695</u>
Net pension liability as a percentage of covered payroll	<u>75%</u>	<u>68%</u>	<u>102%</u>	<u>86%</u>	<u>95%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2019

	MCPS - Nonprofessional Employees				
	Plan Year				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 322,077	\$ 348,188	\$ 433,172	\$ 444,147	\$ 448,462
Interest on total pension liability	1,155,111	1,169,530	1,130,232	1,046,485	986,400
Benefit payments, including refunds of employee contributions	(787,909)	(768,817)	(657,835)	(627,286)	(525,710)
Changes of assumptions	-	(29,443)	-	-	-
Difference between actual and expected experience	(266,528)	(915,888)	(288,681)	348,312	-
Net change in total pension liability	422,751	(196,430)	616,888	1,211,658	909,152
Total pension liability - beginning	<u>16,895,547</u>	<u>17,091,977</u>	<u>16,475,089</u>	<u>15,263,431</u>	<u>14,354,279</u>
Total pension liability - ending	<u>\$ 17,318,298</u>	<u>\$ 16,895,547</u>	<u>\$ 17,091,977</u>	<u>\$ 16,475,089</u>	<u>\$ 15,263,431</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 222,228	\$ 234,665	\$ 293,302	\$ 327,770	\$ 371,110
Contributions - employee	161,710	182,986	187,296	210,271	213,775
Net investment income	1,217,722	1,829,777	261,358	662,902	1,971,754
Benefit payments, including refunds of employee contributions	(787,909)	(768,817)	(657,835)	(627,286)	(525,710)
Administrative expenses	(10,647)	(10,701)	(9,371)	(9,037)	(10,484)
Other changes	(1,080)	(1,621)	(111)	244	(280)
Net change in plan fiduciary net position	802,024	1,466,289	74,639	564,864	2,020,165
Plan fiduciary net position - beginning	<u>16,591,223</u>	<u>15,124,934</u>	<u>15,050,295</u>	<u>14,485,431</u>	<u>12,465,266</u>
Plan fiduciary net position - ending	<u>\$ 17,393,247</u>	<u>\$ 16,591,223</u>	<u>\$ 15,124,934</u>	<u>\$ 15,050,295</u>	<u>\$ 14,485,431</u>
Net pension liability (asset) - ending	<u>\$ (74,949)</u>	<u>\$ 304,324</u>	<u>\$ 1,967,043</u>	<u>\$ 1,424,794</u>	<u>\$ 778,000</u>
Plan fiduciary net position as a percentage of total pension liability (asset)	<u>100%</u>	<u>98%</u>	<u>88%</u>	<u>91%</u>	<u>95%</u>
Covered payroll	<u>\$ 3,413,924</u>	<u>\$ 3,453,646</u>	<u>\$ 3,782,730</u>	<u>\$ 4,211,076</u>	<u>\$ 4,279,686</u>
Net pension liability (asset) as a percentage of covered payroll	<u>-2%</u>	<u>9%</u>	<u>52%</u>	<u>34%</u>	<u>18%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2019

Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2019	\$ 3,395,127	3,395,127	-	\$ 30,792,053	11.03%
2018	3,374,925	3,374,925	-	30,139,672	11.20%
2017	3,290,895	3,290,895	-	29,415,449	11.19%
2016	3,843,566	3,843,566	-	28,400,292	13.53%
2015	3,680,000	3,680,000	-	27,994,452	13.15%
MCPS - Nonprofessional Employees					
2019	\$ 151,985	151,985	-	\$ 3,509,934	4.33%
2018	225,042	225,042	-	3,413,924	6.59%
2017	231,849	231,849	-	3,453,646	6.71%
2016	293,120	293,120	-	3,782,730	7.75%
2015	329,000	329,000	-	4,211,076	7.81%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only four years of data is available. Additional years will be included as they become available.

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
June 30, 2019

Plan Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.66%	\$ 77,572,000	\$ 53,634,976	144.63%	74.81%
2017	0.70%	86,057,000	55,574,821	154.85%	72.92%
2016	0.72%	100,786,000	54,849,789	183.75%	68.28%
2015	0.73%	91,429,000	52,454,673	174.30%	70.68%
2014	0.72%	86,628,000	50,935,105	170.08%	70.88%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the school division's fiscal year.

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
VRS TEACHER RETIREMENT PLAN
June 30, 2019

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 8,661,861	\$ 8,661,861	-	\$ 57,015,810	15.19%
2018	8,521,423	8,521,423	-	53,634,976	15.89%
2017	7,956,390	7,956,390	-	55,574,821	14.32%
2016	7,608,549	7,608,549	-	54,849,789	13.87%
2015	7,570,000	7,570,000	-	52,454,673	14.43%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the school division's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

CITY OF MANASSAS, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Largest 10 –Hazardous Duty/Public Safety Employees:

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates
- Applicable to: Pension, GLI OPEB, and LODA OPEB

All Others (Non 10 Largest) – Non-Hazardous Duty:

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 14% to 15%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

(Continued)

CITY OF MANASSAS, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

Note 2. Changes of Assumptions (Continued)

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Applicable to: Pension, GLI OPEB, and LODA OPEB

Teacher cost-sharing pool

- Update mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

THIS PAGE IS INTENTIONALLY LEFT BLANK.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

THIS PAGE IS INTENTIONALLY LEFT BLANK.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Social Services Fund - to account for and report revenues from the Federal government and the Commonwealth that are restricted for social services, housing, and human services programs.

PEG Fund - to account for and report revenue received for cable surcharge fees and restricted by the contract with the cable companies for communications.

Owens Brooke District Fund - to account for and report real estate tax revenues levied and collected for maintaining the roads of the Owens Brooke District.

Fire Rescue Fund - to account for and report real estate tax revenues levied and collected for expenditures of the fire and rescue function.

Merchant Museum Fund - to account for and report donations received from the Merchant family which are restricted by contract for expenditures of the Museum System.

Speiden Carper House - to account for and report a donation received from the Carper family which is restricted by the contract for expenditures to maintain the historical Speiden Carper House.

CAPITAL PROJECTS FUNDS

Gateway Capital Projects Fund - to account for and report federal and state grants and bonds which are restricted and local funds which City Council has committed for expenditures to develop Manassas Landing and projects funded by Gateway land sale proceeds.

Transportation Capital Projects Fund - to account for and report federal and state grants and bonds which are restricted and local funds which City Council has committed for expenditures to construct new streets and highways.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

DEBT SERVICE FUND - to account for and report the resources accumulated and payments made for principal and interest on long-term general obligation debt.

PERMANENT FUND

Cemetery Maintenance Fund - to account for and report fees from the sale of cemetery plots which are invested in a perpetual card fund established in the City Code of Ordinances. The Code stipulates that \$100,000 of the fees are to remain intact and any amount in excess of \$100,000 is restricted for expenditures for cemetery maintenance.

**CITY OF MANASSAS, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019**

Exhibit 17

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Permanent Cemetery Maintenance Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$ 5,615,205	\$ 10,211,552	\$ 6,091,342	\$ -	\$ 21,918,099
Cash and investments - restricted	-	-	-	252,492	252,492
Receivables, net:					
Taxes	131,478	-	-	-	131,478
Due from component unit	-	2,480,000	-	-	2,480,000
Due from other governments	<u>513,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>513,791</u>
 Total assets	 <u>\$ 6,260,474</u>	 <u>\$ 12,691,552</u>	 <u>\$ 6,091,342</u>	 <u>\$ 252,492</u>	 <u>\$ 25,295,860</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 231,517	\$ 179,343	\$ -	\$ -	\$ 410,860
Due to other funds	<u>299,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,937</u>
 Total liabilities	 <u>531,454</u>	 <u>179,343</u>	 <u>-</u>	 <u>-</u>	 <u>710,797</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>57,320</u>	<u>2,130,000</u>	<u>-</u>	<u>-</u>	<u>2,187,320</u>
FUND BALANCES					
Nonspendable	-	-	-	100,000	100,000
Restricted	5,636,050	-	-	152,492	5,788,542
Committed	-	10,237,963	6,091,342	-	16,329,305
Assigned	35,650	180,475	-	-	216,125
Unassigned	<u>-</u>	<u>(36,229)</u>	<u>-</u>	<u>-</u>	<u>(36,229)</u>
 Total fund balances	 <u>5,671,700</u>	 <u>10,382,209</u>	 <u>6,091,342</u>	 <u>252,492</u>	 <u>22,397,743</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 6,260,474</u>	 <u>\$ 12,691,552</u>	 <u>\$ 6,091,342</u>	 <u>\$ 252,492</u>	 <u>\$ 25,295,860</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Exhibit 18

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Permanent Cemetery Maintenance Fund	Total Nonmajor Governmental Funds
REVENUES					
General property taxes	\$ 9,463,737	\$ -	\$ -	\$ -	\$ 9,463,737
Permits, fees and licenses	63,811	-	-	-	63,811
Revenues from use of money and property	47,280	95,867	-	3,101	146,248
Charges for services	571,888	-	-	22,500	594,388
Payment in lieu of debt service	-	-	5,752,841	-	5,752,841
Miscellaneous	194,516	-	-	-	194,516
Contribution from component unit	-	5,390,595	-	-	5,390,595
Intergovernmental	4,149,034	53,413	-	-	4,202,447
Total revenues	<u>14,490,266</u>	<u>5,539,875</u>	<u>5,752,841</u>	<u>25,601</u>	<u>25,808,583</u>
EXPENDITURES					
Current:					
General government administration	8,303	-	-	-	8,303
Public safety	9,590,482	-	-	-	9,590,482
Public works	6,323	-	-	-	6,323
Health and human services	5,913,049	-	-	-	5,913,049
Cultural, recreation, and community development	13,796	-	-	-	13,796
Capital outlay	67,810	541,592	-	-	609,402
Debt service:					
Principal	-	-	5,082,155	-	5,082,155
Interest and fiscal charges	-	-	2,955,145	-	2,955,145
Total expenditures	<u>15,599,763</u>	<u>541,592</u>	<u>8,037,300</u>	<u>-</u>	<u>24,178,655</u>
Excess (deficiency) of revenues over expenditures	<u>(1,109,497)</u>	<u>4,998,283</u>	<u>(2,284,459)</u>	<u>25,601</u>	<u>1,629,928</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	2,134,928	300,000	5,220,771	-	7,655,699
Transfers out	(519,050)	-	-	(17,366)	(536,416)
Total other financing sources (uses)	<u>1,615,878</u>	<u>300,000</u>	<u>5,220,771</u>	<u>(17,366)</u>	<u>7,119,283</u>
Net change in fund balances	506,381	5,298,283	2,936,312	8,235	8,749,211
Fund balance - beginning	<u>5,165,319</u>	<u>5,083,926</u>	<u>3,155,030</u>	<u>244,257</u>	<u>13,648,532</u>
Fund balance - ending	<u>\$ 5,671,700</u>	<u>\$ 10,382,209</u>	<u>\$ 6,091,342</u>	<u>\$ 252,492</u>	<u>\$ 22,397,743</u>

**CITY OF MANASSAS, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2019**

Exhibit 19

	Social Services Fund	PEG Fund	Owens Brooke District Fund	Fire Rescue Fund	Merchant Museum Fund	Speiden Carper House Fund	Total
ASSETS							
Cash and investments	\$ -	\$ 756,894	\$ 304,025	\$ 3,117,164	\$ 1,067,190	\$ 369,932	\$ 5,615,205
Receivables, net							
Taxes	-	-	359	131,119	-	-	131,478
Due from other governments	442,178	-	-	71,613	-	-	513,791
Total assets	<u>\$ 442,178</u>	<u>\$ 756,894</u>	<u>\$ 304,384</u>	<u>\$ 3,319,896</u>	<u>\$ 1,067,190</u>	<u>\$ 369,932</u>	<u>\$ 6,260,474</u>
LIABILITIES							
Accounts payable and accrued expenses	142,241	\$ -	\$ 263	\$ 89,013	\$ -	\$ -	\$ 231,517
Due to other funds	299,937	-	-	-	-	-	299,937
Total liabilities	<u>442,178</u>	<u>-</u>	<u>263</u>	<u>89,013</u>	<u>-</u>	<u>-</u>	<u>531,454</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	-	-	359	56,961	-	-	57,320
FUND BALANCES							
Restricted	-	756,894	303,762	3,138,272	1,067,190	369,932	5,636,050
Assigned	-	-	-	35,650	-	-	35,650
Total fund balances	<u>-</u>	<u>756,894</u>	<u>303,762</u>	<u>3,173,922</u>	<u>1,067,190</u>	<u>369,932</u>	<u>5,671,700</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 442,178</u>	<u>\$ 756,894</u>	<u>\$ 304,384</u>	<u>\$ 3,319,896</u>	<u>\$ 1,067,190</u>	<u>\$ 369,932</u>	<u>\$ 6,260,474</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2019

Exhibit 20

	Social Services Fund	PEG Fund	Owens Brooke District Fund	Fire Rescue Fund	Merchant Museum Fund	Speiden Carper House Fund	Total
REVENUES							
General property taxes	\$ -	\$ -	\$ 40,501	\$ 9,423,236	\$ -	\$ -	\$ 9,463,737
Permits, fees and licenses	-	-	-	63,811	-	-	63,811
Revenues from use of money and property	-	8,461	3,321	18,632	12,427	4,439	47,280
Charges for services	-	-	-	571,888	-	-	571,888
Miscellaneous	999	151,624	-	21,288	20,605	-	194,516
Intergovernmental	3,777,122	-	-	371,912	-	-	4,149,034
Total revenues	<u>3,778,121</u>	<u>160,085</u>	<u>43,822</u>	<u>10,470,767</u>	<u>33,032</u>	<u>4,439</u>	<u>14,490,266</u>
EXPENDITURES							
Current:							
General government administration	-	8,303	-	-	-	-	8,303
Public safety	-	-	-	9,590,482	-	-	9,590,482
Public works	-	-	6,323	-	-	-	6,323
Health and human services	5,913,049	-	-	-	-	-	5,913,049
Cultural, recreation, and community development	-	-	-	-	-	13,796	13,796
Capital outlay	-	42,114	-	25,696	-	-	67,810
Total expenditures	<u>5,913,049</u>	<u>50,417</u>	<u>6,323</u>	<u>9,616,178</u>	<u>-</u>	<u>13,796</u>	<u>15,599,763</u>
Excess (deficiency) of revenues over expenditures	<u>(2,134,928)</u>	<u>109,668</u>	<u>37,499</u>	<u>854,589</u>	<u>33,032</u>	<u>(9,357)</u>	<u>(1,109,497)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	2,134,928	-	-	-	-	-	2,134,928
Transfers out	-	-	-	(519,050)	-	-	(519,050)
Total other financing sources (uses)	<u>2,134,928</u>	<u>-</u>	<u>-</u>	<u>(519,050)</u>	<u>-</u>	<u>-</u>	<u>1,615,878</u>
Net change in fund balances	-	109,668	37,499	335,539	33,032	(9,357)	506,381
Fund balance - beginning	-	647,226	266,263	2,838,383	1,034,158	379,289	5,165,319
Fund balance - ending	<u>\$ -</u>	<u>\$ 756,894</u>	<u>\$ 303,762</u>	<u>\$ 3,173,922</u>	<u>\$ 1,067,190</u>	<u>\$ 369,932</u>	<u>\$ 5,671,700</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2019

Social Services Fund				
	Original Budget	Final Budget	Actual	Variance w/ Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ -	\$ -	\$ -	\$ -
Revenues from use of money and property	-	-	-	-
Charges for services	50	50	-	(50)
Miscellaneous	-	-	999	999
Intergovernmental	3,764,990	3,953,071	3,777,122	(175,949)
Total revenues	<u>3,765,040</u>	<u>3,953,121</u>	<u>3,778,121</u>	<u>(175,000)</u>
EXPENDITURES				
Current:				
General government administration	-	-	-	-
Public works	-	-	-	-
Health and human services	6,266,480	6,454,967	5,913,049	541,918
Capital outlay	-	-	-	-
Total expenditures	<u>6,266,480</u>	<u>6,454,967</u>	<u>5,913,049</u>	<u>541,918</u>
Excess (deficiency) of revenues over expenditures	<u>(2,501,440)</u>	<u>(2,501,846)</u>	<u>(2,134,928)</u>	<u>366,918</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,501,440	2,501,440	2,134,928	(366,512)
Total other financing sources (uses)	<u>2,501,440</u>	<u>2,501,440</u>	<u>2,134,928</u>	<u>(366,512)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (406)</u>	<u>\$ -</u>	<u>\$ 406</u>

Fire Rescue Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 9,366,000	\$ 9,366,000	\$ 9,423,236	\$ 57,236
Permits, fees and licenses	65,000	65,000	63,811	(1,189)
Revenues from use of money and property	-	-	18,632	18,632
Charges for services	640,000	640,000	571,888	(68,112)
Miscellaneous	-	4,177	21,288	17,111
Intergovernmental	400,000	481,830	371,912	(109,918)
Total revenues	<u>10,471,000</u>	<u>10,557,007</u>	<u>10,470,767</u>	<u>(86,240)</u>
EXPENDITURES				
Current:				
Public safety	9,951,000	10,074,733	9,590,482	484,251
Culture, recreation, and community development	-	-	-	-
Capital outlay	-	119,889	25,696	94,193
Total expenditures	<u>9,951,000</u>	<u>10,194,622</u>	<u>9,616,178</u>	<u>578,444</u>
Excess (deficiency) of revenues over expenditures	<u>520,000</u>	<u>362,385</u>	<u>854,589</u>	<u>492,204</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(520,000)	(520,000)	(519,050)	950
Total other financing sources (uses)	<u>(520,000)</u>	<u>(520,000)</u>	<u>(519,050)</u>	<u>950</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (157,615)</u>	<u>\$ 335,539</u>	<u>\$ 493,154</u>

PEG Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	8,461	8,461
-	-	-	-
165,000	165,000	151,624	(13,376)
-	-	-	-
165,000	165,000	160,085	(4,915)
-	-	-	-
-	-	8,303	(8,303)
-	-	-	-
-	-	-	-
165,000	165,000	42,114	122,886
165,000	165,000	50,417	114,583
-	-	-	-
-	-	109,668	109,668
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ 109,668	\$ 109,668

Owens Brooke District Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 40,200	\$ 40,200	\$ 40,501	\$ 301
-	-	3,321	3,321
-	-	-	-
-	-	-	-
-	-	-	-
40,200	40,200	43,822	3,622
-	-	-	-
-	-	-	-
40,200	40,200	6,323	33,877
-	-	-	-
-	-	-	-
40,200	40,200	6,323	33,877
-	-	-	-
-	-	37,499	37,499
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ 37,499	\$ 37,499

Speiden Carper House Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
500	500	4,439	3,939
-	-	-	-
-	-	-	-
-	-	-	-
500	500	4,439	3,939
-	-	-	-
10,000	388,177	13,796	374,381
-	-	-	-
10,000	388,177	13,796	374,381
-	-	-	-
(9,500)	(387,677)	(9,357)	378,320
-	-	-	-
-	-	-	-
\$ (9,500)	\$ (387,677)	\$ (9,357)	\$ 378,320

CITY OF MANASSAS, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
June 30, 2019

Exhibit 21

	Gateway Capital Projects Fund	Transportation Capital Projects Fund	Total
ASSETS			
Cash and investments	\$ 9,927,045	\$ 284,507	\$ 10,211,552
Due from component unit	<u>2,480,000</u>	<u>-</u>	<u>2,480,000</u>
Total assets	<u><u>\$ 12,407,045</u></u>	<u><u>\$ 284,507</u></u>	<u><u>\$ 12,691,552</u></u>
LIABILITIES			
Accounts payable and accrued expenses	<u>\$ 1,336</u>	<u>\$ 178,007</u>	<u>\$ 179,343</u>
Total liabilities	<u>1,336</u>	<u>178,007</u>	<u>179,343</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>2,130,000</u>	<u>-</u>	<u>2,130,000</u>
Total deferred inflows of resources	<u>2,130,000</u>	<u>-</u>	<u>2,130,000</u>
FUND BALANCES			
Committed	10,237,963	-	10,237,963
Assigned	37,746	142,729	180,475
Unassigned	<u>-</u>	<u>(36,229)</u>	<u>(36,229)</u>
Total fund balances	<u>10,275,709</u>	<u>106,500</u>	<u>10,382,209</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 12,407,045</u></u>	<u><u>\$ 284,507</u></u>	<u><u>\$ 12,691,552</u></u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2019

Exhibit 22

	Gateway Capital Projects Fund	Transportation Capital Projects Fund	Total
REVENUES			
Revenues from use of money and property	\$ 95,867	\$ -	\$ 95,867
Contribution from component unit	5,390,595	-	5,390,595
Intergovernmental	<u>-</u>	<u>53,413</u>	<u>53,413</u>
Total revenues	<u>5,486,462</u>	<u>53,413</u>	<u>5,539,875</u>
EXPENDITURES			
Current:			
Capital outlay	<u>56,214</u>	<u>485,378</u>	<u>541,592</u>
Total expenditures	<u>56,214</u>	<u>485,378</u>	<u>541,592</u>
Excess (deficiency) of revenues over expenditures	<u>5,430,248</u>	<u>(431,965)</u>	<u>4,998,283</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>300,000</u>	<u>300,000</u>
Total other financing sources (uses)	<u>-</u>	<u>300,000</u>	<u>300,000</u>
Net change in fund balances	5,430,248	(131,965)	5,298,283
Fund balance - beginning	<u>4,845,461</u>	<u>238,465</u>	<u>5,083,926</u>
Fund balance - ending	<u>\$ 10,275,709</u>	<u>\$ 106,500</u>	<u>\$ 10,382,209</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK.

NONMAJOR ENTERPRISE FUNDS

Solid Waste Fund - to account for and report provision of solid waste collection for the residents of the City.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

**CITY OF MANASSAS, VIRGINIA
STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2019**

Exhibit 23

Solid
Waste
Fund

ASSETS

Current assets:

Cash and investments - unrestricted	\$ 1,749,029
Accounts receivable, net	<u>230,718</u>
Total current assets	<u>1,979,747</u>

Noncurrent assets:

Capital assets:

Depreciable, net	<u>80,296</u>
Total capital assets, net	<u>80,296</u>
Total assets	<u>2,060,043</u>

DEFERRED OUTFLOWS OF RESOURCES

OPEB related deferred outflows	2,337
Pension related deferred outflows	<u>12,206</u>
Total deferred outflows of resources	<u>14,543</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	198,248
Compensated absences	<u>1,215</u>
Total current liabilities	<u>199,463</u>

Noncurrent liabilities:

Compensated absences	6,885
Net OPEB liability	32,211
Net pension liability	<u>88,044</u>
Total noncurrent liabilities	<u>127,140</u>
Total liabilities	<u>326,603</u>

DEFERRED INFLOWS OF RESOURCES

OPEB related deferred inflows	1,719
Pension related deferred inflows	<u>18,137</u>
Total deferred inflows of resources	<u>19,856</u>

NET POSITION

Net investment in capital assets	80,296
Unrestricted	<u>1,647,831</u>
Total net position	<u>\$ 1,728,127</u>

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2019

Exhibit 24

	Solid Waste Fund
<hr/>	
OPERATING REVENUES	
Charges for services	\$ 3,533,728
Total operating revenues	<u>3,533,728</u>
OPERATING EXPENSES	
Personal services	182,136
Contractual services	2,677,845
Supplies	9,211
Internal and other services	194,427
Depreciation and amortization	<u>8,861</u>
Total operating expenses	<u>3,072,480</u>
Operating income	<u>461,248</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental grants	11,381
Investment earnings	19,278
Other	<u>1,044</u>
Total nonoperating revenues (expenses)	<u>31,703</u>
Change in net position	492,951
Total net position - beginning	<u>1,235,176</u>
Total net position - ending	<u><u>\$ 1,728,127</u></u>

**CITY OF MANASSAS, VIRGINIA
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2019**

Exhibit 25

	Solid Waste Fund
OPERATING ACTIVITIES	
Cash received from customers and users	\$ 3,525,826
Cash paid to suppliers	(2,664,800)
Cash paid to employees	(180,481)
Payments for interfund services used	(194,427)
Net cash provided by operating activities	<u>486,118</u>
NONCAPITAL FINANCING ACTIVITIES	
Non-operating grants received	<u>11,381</u>
Net cash provided by noncapital financing activities	<u>11,381</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(56,658)
Insurance recoveries	<u>1,044</u>
Net cash used in capital and related financing activities	<u>(55,614)</u>
INVESTING ACTIVITIES	
Investment income	<u>19,278</u>
Net cash provided by investing activities	<u>19,278</u>
Net increase in cash and investments	461,163
Cash and investments - beginning of year	<u>1,287,866</u>
Cash and investments - end of year	<u>\$ 1,749,029</u>
CASH AND INVESTMENTS IS COMPRISED OF THE FOLLOWING:	
Cash and investments - unrestricted	\$ 1,749,029
Total	<u>\$ 1,749,029</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	<u>\$ 461,248</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	8,861
Pension expense net of employer contributions	(1,773)
OPEB expense net of employer contributions	1,032
(Increase) decrease in:	
Accounts receivable	(7,902)
Increase (decrease) in:	
Accounts payable and accrued expenses	22,256
Compensated absences	<u>2,396</u>
Total adjustments	<u>24,870</u>
Net cash provided by operating activities	<u>\$ 486,118</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK.

INTERNAL SERVICE FUNDS

Building Maintenance Fund - to account for and report costs related to the operation and maintenance of city owned buildings used by city departments and agencies. Revenue is derived primarily from user charges to recover actual costs.

Vehicle Maintenance Fund - to account for and report the costs related to the operation and maintenance of equipment used by city departments and agencies. The acquisition and replacement of equipment is accounted for in this fund. Revenue is derived primarily from user charges to recover actual costs which include depreciation of equipment.

Information Technology Fund - to account for and report costs of providing information technology services to city departments and agencies. Revenue is derived primarily from user charges which are based on the use of the City's computers and the actual costs of operating this facility.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2019

Exhibit 26

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 876,363	\$ 1,236,900	\$ 1,674,478	\$ 3,787,741
Accounts receivable, net	-	321	-	321
Prepaid expenses	-	-	271,149	271,149
Total current assets	<u>876,363</u>	<u>1,237,221</u>	<u>1,945,627</u>	<u>4,059,211</u>
Noncurrent assets:				
Capital assets:				
Depreciable, net	<u>203,640</u>	<u>3,356,032</u>	<u>2,154,412</u>	<u>5,714,084</u>
Total capital assets, net	<u>203,640</u>	<u>3,356,032</u>	<u>2,154,412</u>	<u>5,714,084</u>
Total assets	<u>1,080,003</u>	<u>4,593,253</u>	<u>4,100,039</u>	<u>9,773,295</u>
DEFERRED OUTFLOWS OF RESOURCES				
OPEB related deferred outflows	4,811	11,646	20,564	37,021
Pension related deferred outflows	<u>38,826</u>	<u>112,213</u>	<u>191,447</u>	<u>342,486</u>
Total deferred outflows of resources	<u>43,637</u>	<u>123,859</u>	<u>212,011</u>	<u>379,507</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	35,249	139,371	13,745	188,365
Compensated absences	4,109	14,516	24,311	42,936
Capital lease obligation	-	50,561	-	50,561
Total current liabilities	<u>39,358</u>	<u>204,448</u>	<u>38,056</u>	<u>281,862</u>
Noncurrent liabilities:				
Compensated absences	23,283	82,255	137,762	243,300
Net OPEB liability	102,288	208,736	352,225	663,249
Net pension liability	<u>273,192</u>	<u>429,279</u>	<u>676,524</u>	<u>1,378,995</u>
Total noncurrent liabilities	<u>398,763</u>	<u>720,270</u>	<u>1,166,511</u>	<u>2,285,544</u>
Total liabilities	<u>438,121</u>	<u>924,718</u>	<u>1,204,567</u>	<u>2,567,406</u>
DEFERRED INFLOWS OF RESOURCES				
OPEB related deferred inflows	4,395	8,745	14,955	28,095
Pension related deferred inflows	<u>45,515</u>	<u>68,443</u>	<u>97,239</u>	<u>211,197</u>
Total deferred inflows of resources	<u>49,910</u>	<u>77,188</u>	<u>112,194</u>	<u>239,292</u>
NET POSITION				
Net investment in capital assets	203,640	3,305,471	2,154,412	5,663,523
Unrestricted	<u>431,969</u>	<u>409,735</u>	<u>840,877</u>	<u>1,682,581</u>
Total net position	<u>\$ 635,609</u>	<u>\$ 3,715,206</u>	<u>\$ 2,995,289</u>	<u>\$ 7,346,104</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2019

Exhibit 27

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
OPERATING REVENUES				
Charges for services	\$ 1,538,800	\$ 3,375,478	\$ 3,772,458	\$ 8,686,736
Total operating revenues	<u>1,538,800</u>	<u>3,375,478</u>	<u>3,772,458</u>	<u>8,686,736</u>
OPERATING EXPENSES				
Personal services	342,887	748,395	1,395,884	2,487,166
Contractual services	261,810	183,645	870,952	1,316,407
Supplies	53,186	1,069,019	447,800	1,570,005
Internal and other services	563,870	733,037	561,189	1,858,096
Depreciation and amortization	<u>19,761</u>	<u>619,471</u>	<u>275,109</u>	<u>914,341</u>
Total operating expenses	<u>1,241,514</u>	<u>3,353,567</u>	<u>3,550,934</u>	<u>8,146,015</u>
Operating income	<u>297,286</u>	<u>21,911</u>	<u>221,524</u>	<u>540,721</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	10,083	8,784	20,966	39,833
Gain on sale of capital assets	-	24,395	-	24,395
Other/insurance recoveries	-	61,855	8,828	70,683
Interest expense	<u>-</u>	<u>(2,221)</u>	<u>-</u>	<u>(2,221)</u>
Total nonoperating revenues (expenses)	<u>10,083</u>	<u>92,813</u>	<u>29,794</u>	<u>132,690</u>
Income before transfers	<u>307,369</u>	<u>114,724</u>	<u>251,318</u>	<u>673,411</u>
TRANSFERS IN	<u>13,995</u>	<u>301,281</u>	<u>2,000</u>	<u>317,276</u>
Change in net position	321,364	416,005	253,318	990,687
Total net position - beginning	<u>314,245</u>	<u>3,299,201</u>	<u>2,741,971</u>	<u>6,355,417</u>
Total net position - ending	<u>\$ 635,609</u>	<u>\$ 3,715,206</u>	<u>\$ 2,995,289</u>	<u>\$ 7,346,104</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2019

Exhibit 28

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
OPERATING ACTIVITIES				
Cash received from customers and users	\$ 1,538,800	\$ 3,375,157	\$ 3,772,458	\$ 8,686,415
Cash paid to suppliers	(376,865)	(1,133,893)	(1,363,109)	(2,873,867)
Cash paid to employees	(358,606)	(787,371)	(1,454,201)	(2,600,178)
Payments for interfund services used	(563,870)	(733,037)	(561,189)	(1,858,096)
Net cash provided by operating activities	<u>239,459</u>	<u>720,856</u>	<u>393,959</u>	<u>1,354,274</u>
NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	<u>13,995</u>	<u>301,281</u>	<u>2,000</u>	<u>317,276</u>
Net cash provided by noncapital financing activities	<u>13,995</u>	<u>301,281</u>	<u>2,000</u>	<u>317,276</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(84,564)	(871,279)	(448,541)	(1,404,384)
Proceeds from sale of capital assets	-	49,753	-	49,753
Principal paid on capital leases	-	(49,463)	-	(49,463)
Interest paid on capital leases	-	(2,222)	-	(2,222)
Insurance recoveries	-	61,855	8,828	70,683
Net cash used in capital and related financing activities	<u>(84,564)</u>	<u>(811,356)</u>	<u>(439,713)</u>	<u>(1,335,633)</u>
INVESTING ACTIVITIES				
Investment income	<u>10,083</u>	<u>8,784</u>	<u>20,966</u>	<u>39,833</u>
Net cash provided by investing activities	<u>10,083</u>	<u>8,784</u>	<u>20,966</u>	<u>39,833</u>
Net increase (decrease) in cash and investments	178,973	219,565	(22,788)	375,750
Cash and investments - beginning of year	<u>697,390</u>	<u>1,017,335</u>	<u>1,697,266</u>	<u>3,411,991</u>
Cash and investments - end of year	<u><u>\$ 876,363</u></u>	<u><u>\$ 1,236,900</u></u>	<u><u>\$ 1,674,478</u></u>	<u><u>\$ 3,787,741</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 297,286	\$ 21,911	\$ 221,524	\$ 540,721
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	19,761	619,471	275,109	914,341
Pension expense net of employer contributions	(5,632)	(49,660)	(88,911)	(144,203)
OPEB expense net of employer contributions	2,177	5,145	9,053	16,375
(Increase) decrease in:				
Accounts receivable	-	(321)	-	(321)
Prepaid expenses	-	-	(29,964)	(29,964)
Increase (decrease) in:				
Accounts payable and accrued expenses	(61,869)	118,771	(14,393)	42,509
Compensated absences	(12,264)	5,539	21,541	14,816
Total adjustments	<u>(57,827)</u>	<u>698,945</u>	<u>172,435</u>	<u>813,553</u>
Net cash provided by operating activities	<u><u>\$ 239,459</u></u>	<u><u>\$ 720,856</u></u>	<u><u>\$ 393,959</u></u>	<u><u>\$ 1,354,274</u></u>

THIS PAGE IS INTENTIONALLY LEFT BLANK.

DISCRETELY PRESENTED COMPONENT UNIT – MANASSAS CITY PUBLIC SCHOOLS

MAJOR GOVERNMENTAL FUNDS

Operating Fund - to account for and report revenues from the Federal government and the Commonwealth that are restricted and local funds which are committed by City Council for expenditures for the City's public school system.

Capital Projects Fund - to account for and report for bond proceeds contributed by the City which are restricted for the purchase and/or construction of major school facilities and other capital improvements.

Food Service Fund - to account for and report revenues from the Federal government and the Commonwealth and collected from the sales of school lunches that are restricted for expenditures of the cafeteria program in the City's schools.

FIDUCIARY FUNDS

Student Activity Agency Fund - to account for the assets held by the School Board in a trustee capacity for its students. This fund is custodial in nature (assets equal liabilities) and does not involve measurements of results of operations.

Private Purpose Trust Fund - to account for monies donated for the Nancy Lyons and E. Shreve Brent Scholarships.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
GOVERNMENTAL FUNDS
June 30, 2019

Exhibit 29

	School Operating Fund	School Capital Projects Fund	School Food Service Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 16,645,840	\$ 2,435,373	\$ 2,704,750	\$ 21,785,963
Cash and investments - restricted	-	1,104,005	-	1,104,005
Accounts receivable	1,685,537	-	2,596	1,688,133
Due from other governments	<u>2,852,522</u>	<u>-</u>	<u>106,818</u>	<u>2,959,340</u>
 Total assets	 <u>\$ 21,183,899</u>	 <u>\$ 3,539,378</u>	 <u>\$ 2,814,164</u>	 <u>\$ 27,537,441</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued expenses	\$ 12,745,231	\$ 192,980	\$ 369,124	\$ 13,307,335
Retainage payable	<u>-</u>	<u>37,685</u>	<u>-</u>	<u>37,685</u>
 Total liabilities	 <u>12,745,231</u>	 <u>230,665</u>	 <u>369,124</u>	 <u>13,345,020</u>
FUND BALANCES				
Restricted for capital projects	-	873,340	-	873,340
Assigned	<u>8,438,668</u>	<u>2,435,373</u>	<u>2,445,040</u>	<u>13,319,081</u>
 Total fund balances	 <u>8,438,668</u>	 <u>3,308,713</u>	 <u>2,445,040</u>	 <u>14,192,421</u>
 Total liabilities and fund balances	 <u>\$ 21,183,899</u>	 <u>\$ 3,539,378</u>	 <u>\$ 2,814,164</u>	 <u>\$ 27,537,441</u>

CITY OF MANASSAS, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
June 30, 2019

Exhibit 30

Total fund balances for governmental funds (Exhibit 29)	\$ 14,192,421
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	80,266,511
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.	
Capital leases	(5,462,989)
Compensated absences	(2,254,073)
Financial statement elements related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Pension related deferred outflows	10,506,846
Pension related deferred inflows	(15,517,814)
OPEB related deferred outflows	1,323,337
OPEB related deferred inflows	(1,636,259)
Net pension liability	(77,497,051)
Net other postemployment benefit liability	(15,091,408)
	<hr/>
Net position of governmental activities	\$ <u>(11,170,479)</u>

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Exhibit 31

	School Operating Fund	School Capital Projects Fund	School Food Service Fund	Total Governmental Funds
REVENUES				
Revenues from use of money and property	\$ 109,642	\$ 27,603	\$ -	\$ 137,245
Fines and forfeitures	132,114	-	-	132,114
Charges for services	497,133	-	742,201	1,239,334
Intergovernmental revenues:				
Local	55,212,570	3,000,000	-	58,212,570
Commonwealth	51,024,296	-	114,316	51,138,612
Federal	3,626,827	-	2,978,679	6,605,506
Total revenues	<u>110,602,582</u>	<u>3,027,603</u>	<u>3,835,196</u>	<u>117,465,381</u>
EXPENDITURES				
Current:				
Education	100,410,542	-	3,644,925	104,055,467
Capital outlay	461,097	8,170,640	-	8,631,737
Payment in lieu of debt service	5,752,841	-	-	5,752,841
Debt service:				
Principal retirement	376,303	-	-	376,303
Interest and other fiscal charges	196,475	-	-	196,475
Total expenditures	<u>107,197,258</u>	<u>8,170,640</u>	<u>3,644,925</u>	<u>119,012,823</u>
Excess (deficiency) of revenues over expenditures	<u>3,405,324</u>	<u>(5,143,037)</u>	<u>190,271</u>	<u>(1,547,442)</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	<u>461,097</u>	<u>5,378,195</u>	<u>-</u>	<u>5,839,292</u>
Net change in fund balances	3,866,421	235,158	190,271	4,291,850
Fund balances - beginning	<u>4,572,247</u>	<u>3,073,555</u>	<u>2,254,769</u>	<u>9,900,571</u>
Fund balances - ending	<u>\$ 8,438,668</u>	<u>\$ 3,308,713</u>	<u>\$ 2,445,040</u>	<u>\$ 14,192,421</u>

CITY OF MANASSAS, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
For the Year Ended June 30, 2019

Exhibit 32

Net change in fund balances - total governmental funds (Exhibit 31)	\$	4,291,850
---	----	-----------

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Governmental funds reported capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$8,637,104) exceeded depreciation (\$7,679,635) in the current period.		957,469
--	--	---------

In the statement of activities, only the <i>gain or loss</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the <i>cost</i> of the property sold.		(160,100)
---	--	-----------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Capital lease proceeds		(5,839,292)
Capital lease payments		376,303
Capital lease restructure		94,028

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Compensated absences		(171,297)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Change in net OPEB liability and related items		544,116
Change in net pension liability and related items		4,994,408
Change in net position of governmental activities	\$	5,087,485

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL OPERATING FUND
For the Year Ended June 30, 2019

Exhibit 33

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 109,642	\$ 109,642
Fines and forfeitures	-	-	132,114	132,114
Charges for services	489,982	489,982	497,133	7,151
Intergovernmental:				
Local	54,177,160	54,366,770	55,212,570	845,800
Commonwealth	52,508,191	52,811,974	51,024,296	(1,787,678)
Federal	3,593,090	4,060,007	3,626,827	(433,180)
Total revenues	<u>110,768,423</u>	<u>111,728,733</u>	<u>110,602,582</u>	<u>(1,126,151)</u>
EXPENDITURES				
Current:				
Instruction	77,765,844	78,321,702	75,258,200	3,063,502
Administration, attendance, and health	6,404,840	6,467,969	6,481,678	(13,709)
Pupil transportation	3,995,893	4,199,593	4,199,579	14
Operation and maintenance	8,135,898	7,950,869	7,789,100	161,769
Technology	7,257,161	7,388,403	6,280,189	1,108,214
Facilities	402,507	706,290	401,796	304,494
Capital lease payment	593,952	593,952	1,033,875	(439,923)
Payment in lieu of debt service	5,752,840	5,752,840	5,752,841	(1)
Contingency	459,488	347,115	-	347,115
Total expenditures	<u>110,768,423</u>	<u>111,728,733</u>	<u>107,197,258</u>	<u>4,531,475</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>3,405,324</u>	<u>3,405,324</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	461,097	461,097
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>461,097</u>	<u>461,097</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	3,866,421	<u>\$ 3,866,421</u>
Fund Balance, Beginning			<u>4,572,247</u>	
Fund Balance, Ending			\$ 8,438,668	

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL FOOD SERVICE FUND
For the Year Ended June 30, 2019

Exhibit 34

	School Food Service Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 845,000	\$ 845,000	742,201	\$ (102,799)
Intergovernmental:				
Commonwealth	116,178	116,178	114,316	(1,862)
Federal	<u>3,015,100</u>	<u>3,015,100</u>	<u>2,978,679</u>	<u>(36,421)</u>
Total revenues	<u>3,976,278</u>	<u>3,976,278</u>	<u>3,835,196</u>	<u>(141,082)</u>
EXPENDITURES				
Current:				
Food services	<u>4,152,805</u>	<u>4,152,805</u>	<u>3,644,925</u>	<u>507,880</u>
Total expenditures	<u>4,152,805</u>	<u>4,152,805</u>	<u>3,644,925</u>	<u>507,880</u>
Excess (deficiency) of revenues over expenditures	<u>(176,527)</u>	<u>(176,527)</u>	<u>190,271</u>	<u>366,798</u>
Net change in fund balances	<u><u>\$ (176,527)</u></u>	<u><u>\$ (176,527)</u></u>	<u>190,271</u>	<u><u>\$ 366,798</u></u>
Fund Balance, Beginning			<u>2,254,769</u>	
Fund Balance, Ending			<u>\$ 2,445,040</u>	

CITY OF MANASSAS, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL ACTIVITY FUNDS
June 30, 2019

Exhibit 35

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
ASSETS				
Cash:				
Osbourn High School	\$ 302,726	\$ 490,070	\$ 548,720	\$ 244,076
Grace E. Metz Middle School	57,691	109,051	118,730	48,012
Mayfield Intermediate School	27,953	54,689	60,290	22,352
Baldwin Intermediate School	2,456	31,316	14,586	19,186
Baldwin Elementary School	32,324	46,026	56,391	21,959
Jennie Dean Elementary School	37,319	50,172	45,138	42,353
R.C. Haydon Elementary School	15,598	32,712	39,406	8,904
George C. Round Elementary School	41,722	29,121	34,698	36,145
Weems Elementary School	<u>28,845</u>	<u>58,132</u>	<u>53,551</u>	<u>33,426</u>
Total assets	<u>\$ 546,634</u>	<u>\$ 901,289</u>	<u>\$ 971,510</u>	<u>\$ 476,413</u>
LIABILITIES				
Amounts held for student activity funds	<u>\$ 546,634</u>	<u>\$ 901,289</u>	<u>\$ 971,510</u>	<u>\$ 476,413</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2019

Exhibit 36

	Nancy Lyons Scholarship Fund	E. Shreve Brent Scholarship Fund	Total
ASSETS			
Cash and investments	<u>\$ 76,034</u>	<u>\$ 1,223,913</u>	<u>\$ 1,299,947</u>
NET POSITION			
Held in trust	<u>\$ 76,034</u>	<u>\$ 1,223,913</u>	<u>\$ 1,299,947</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT
PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended June 30, 2019

Exhibit 37

	Nancy Lyons Scholarship Fund	E. Shreve Brent Scholarship Fund	Total
ADDITIONS			
Investment earnings	\$ 3,485	\$ 103,066	\$ 106,551
Total additions	<u>3,485</u>	<u>103,066</u>	<u>106,551</u>
Change in net position	3,485	103,066	106,551
Net position - beginning	<u>72,549</u>	<u>1,120,847</u>	<u>1,193,396</u>
Net position - ending	<u>\$ 76,034</u>	<u>\$ 1,223,913</u>	<u>\$ 1,299,947</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK.

**DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT
AUTHORITY OF THE CITY OF MANASSAS, VIRGINIA**

ENTERPRISE FUND

EDA Fund - to account for and report activities of the Manassas Economic Development Authority.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA
STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2019

Exhibit 38

ASSETS

Current assets:

Cash and investments	\$ 850,790
Note receivable - current portion	<u>1,420,000</u>
Total current assets	<u>2,270,790</u>

Noncurrent assets:

Note receivable - long-term portion	<u>710,000</u>
Total assets	<u>2,980,790</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	7,859
Due to primary government, current portion	<u>1,420,000</u>
Total current liabilities	<u>1,427,859</u>

Noncurrent liabilities:

Due to primary government	<u>1,060,000</u>
Total noncurrent liabilities	<u>1,060,000</u>
Total liabilities	<u>2,487,859</u>

NET POSITION

Unrestricted	<u>492,931</u>
Total net position	<u>\$ 492,931</u>

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2019

Exhibit 39

OPERATING REVENUES

Charges for services	\$ 6,472
Total operating revenues	<u>6,472</u>

OPERATING EXPENSES

Contractual services	9,914
Grants	35,000
Internal and other services	<u>4,497</u>
Total operating expenses	<u>49,411</u>

Operating loss	<u>(42,939)</u>
----------------	-----------------

NONOPERATING REVENUES (EXPENSES)

Investment earnings	1,967
Gain on sale of capital assets	6,164,067
Other	750
Contribution to primary government	<u>(6,434,970)</u>
Total nonoperating revenues (expenses)	<u>(268,186)</u>

Loss before transfers and contributions	(311,125)
---	-----------

CAPITAL CONTRIBUTIONS

	<u>272,151</u>
Change in net position	(38,974)

Total net position - beginning	<u>531,905</u>
--------------------------------	----------------

Total net position - ending	<u>\$ 492,931</u>
-----------------------------	-------------------

**CITY OF MANASSAS, VIRGINIA
STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2019**

Exhibit 40

OPERATING ACTIVITIES

Cash received from customers and users	\$ 6,472
Cash paid to suppliers	(2,055)
Cash paid to grantees	(35,000)
Payments for interfund services used	<u>(4,497)</u>
Net cash used in operating activities	<u>(35,080)</u>

NONCAPITAL FINANCING ACTIVITIES

Contribution to primary government	<u>(4,383,072)</u>
Net cash used in noncapital financing activities	<u>(4,383,072)</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(419,782)
Proceeds from sale of capital assets	4,015,984
Payments received on notes receivable	1,138,118
Insurance recoveries	<u>750</u>
Net cash provided by capital and related financing activities	<u>4,735,070</u>

INVESTING ACTIVITIES

Interest earnings	<u>1,967</u>
Net cash provided by investing activities	<u>1,967</u>

Net increase in cash and investments 318,885

Cash and investments - beginning of year 531,905

Cash and investments - end of year \$ 850,790

Cash and cash equivalents is comprised of the following:

Cash and investments	<u>\$ 850,790</u>
Total	<u>\$ 850,790</u>

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:

Operating loss	\$ (42,939)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>7,859</u>
Total adjustments	<u>7,859</u>
Net cash used in operating activities	<u>\$ (35,080)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Capital contributions	<u>\$ 272,151</u>
Sale of capital assets financed with note receivable	<u>\$ 2,840,000</u>