



Independent Auditors' Report

**To the Honorable Members of
the 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 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, 2020, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manassas, Virginia, as of June 30, 2020, 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 accordance with accounting principles generally accepted in the United States of America.

Restatement of Beginning Balances

As described in Note 25 to the financial statements, in 2020, the City restated beginning balances to reallocate GASB 68 items within the entity. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 5-18 and 128-151 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manassas, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Supplementary and Other Information: (Continued)

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 December 4, 2020, on our consideration of the City of Manassas, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Manassas, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Manassas, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 4, 2020

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CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2020

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, 2020. 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 v-viii of this report, and the Notes to the Financial Statements, on pages 39 - 125. 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. The City's other component unit, the Economic Development Authority (EDA), is also included in certain schedules.

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, 2020 by \$435,385,342 (net position). The Total Reporting Unit's net position invested in capital assets is \$363,594,188 and \$1,306,634 is restricted in its use. The remaining net position, \$70,484,520, 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, 2020 by \$442,615,608 (net position). The City's net position invested in capital assets is \$342,386,871, with \$1,306,634 restricted in its use, and the remaining balance of \$98,922,103 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 \$46,079,880 of debt outstanding relating to MCPS.
- The unassigned fund balance for the City's general fund at June 30, 2020 was \$26,370,748. This amount is 20% of total general fund actual operating revenues of \$131,805,224 for fiscal year 2020. 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. This policy was further amended in 2020 due to the global pandemic to allow for an increased unassigned fund balance at City staff's discretion. 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 \$15,093,416 over the prior year, a 39% increase. Of this increase, \$7 million has been previously designated for specific uses such as pandemic related expenditures and future capital projects, with a balance of \$8 million increasing the unassigned fund balance as described above. The unassigned fund balance increase is primarily due to the collection of \$2 million of delinquent taxes, a \$3 million increase in other taxes such as an increase in online sales tax revenue and one-time increases in business license taxes related to the Micron expansion, and \$3 million in additional investment income due to the May 2019 bond funds increasing the invested balances coupled with strong market performance.

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.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

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 23-25 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.

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.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Fund Financial Statements: (Continued)

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 28-32 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.

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 33-38 of this report.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

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 39-125 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. Schedules of funding progress for the City's defined benefit pension and OPEB plans are provided on pages 128-151 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 164-177 of this report.

The City's component units do not issue separate financial statements. Therefore, you will find fund statements for MCPS on pages 180-188 of this report, and fund statements for the EDA on pages 191-193 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 \$23,868,589 in fiscal year 2020. Significant changes in net position include the \$15 million previously mentioned for the general fund under Financial Highlights (delinquent taxes, sales tax, business license tax, investment earnings, proffers, CRF funds, expense savings). Increases to residential assessed values and business license tax and proffers provides evidence of continued economic growth in the City, despite the impact of the pandemic in the fourth quarter of the fiscal year. Governmental activities' net position further increased primarily by the required accounting adjustments for capital outlays, to depreciate capital assets over their useful lives instead of in the year of payment.

The net position of the business-type activities increased \$17,026,947 in fiscal year 2020. Total revenues for the water, sewer, and airport funds increased \$7 million in FY 2020 due to capital contributions and grants received for the funding of significant infrastructure improvements. There was little change in other business activities' revenues and expenses from FY 2019. Compared to budget, expenditure savings were realized by all business-type activity funds, coupled with revenues exceeding expectations for all funds except for Electric; all funds increased their net position in FY 2020.

The net position of MCPS has increased \$3,598,531 in fiscal year 2020. MCPS saw a \$2.2 million increase in State and Federal funding and a \$1.4 million increase in local funding. The local funding includes \$867K in proffers transferred.

CITY OF MANASSAS, VIRGINIA
Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

The following tables summarize the Statement of Net Position for the reporting unit as of June 30, 2020.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Current assets	\$ 145,191,823	\$ 133,852,693	\$ 105,004,173	\$ 102,879,367	\$ 250,195,996	\$ 236,732,060
Capital assets	252,750,374	243,805,174	150,794,934	133,944,664	403,545,308	377,749,838
Total assets	<u>\$ 397,942,197</u>	<u>\$ 377,657,867</u>	<u>\$ 255,799,107</u>	<u>\$ 236,824,031</u>	<u>\$ 653,741,304</u>	<u>\$ 614,481,898</u>
Deferred outflows of resources	\$ 9,160,770	\$ 6,614,600	\$ 2,679,174	\$ 2,163,603	\$ 11,839,944	\$ 8,778,203
Current liabilities	\$ 11,277,193	\$ 9,977,415	\$ 8,413,528	\$ 4,897,450	\$ 19,690,721	\$ 14,874,865
Long-term liabilities	140,056,306	141,776,939	58,744,619	60,280,908	198,800,925	202,057,847
Total liabilities	<u>\$ 151,333,499</u>	<u>\$ 151,754,354</u>	<u>\$ 67,158,147</u>	<u>\$ 65,178,358</u>	<u>\$ 218,491,646</u>	<u>\$ 216,932,712</u>
Deferred inflows of resources	\$ 3,628,520	\$ 3,646,342	\$ 845,474	\$ 960,975	\$ 4,473,994	\$ 4,607,317
Net position:						
Net Investment						
in capital assets	\$ 229,559,573	\$ 224,763,548	\$ 112,827,298	\$ 107,578,521	\$ 342,386,871	\$ 332,342,069
Restricted	313,230	252,492	993,404	820,295	1,306,634	1,072,787
Unrestricted (deficit)	22,268,145	3,855,731	76,653,958	64,449,485	98,922,103	68,305,216
Total net position	<u>\$ 252,140,948</u>	<u>\$ 228,871,771</u>	<u>\$ 190,474,660</u>	<u>\$ 172,848,301</u>	<u>\$ 442,615,608</u>	<u>\$ 401,720,072</u>

Note: Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis related to Pension has not been restated; however, other restatement items are included.

	MCPS		EDA		Total Reporting Unit	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Current assets	\$ 29,173,634	\$ 27,537,441	\$ 1,401,682	\$ 2,980,790	\$ 280,771,312	\$ 267,250,291
Capital assets	77,683,592	80,266,511	-	-	481,228,900	458,016,349
Total assets	<u>\$ 106,857,226</u>	<u>\$ 107,803,952</u>	<u>\$ 1,401,682</u>	<u>\$ 2,980,790</u>	<u>\$ 762,000,212</u>	<u>\$ 725,266,640</u>
Deferred outflows of resources	\$ 22,328,457	\$ 11,830,183	\$ -	\$ -	\$ 34,168,401	\$ 20,608,386
Current liabilities	\$ 9,300,396	\$ 13,345,020	\$ 1,060,000	\$ 2,487,859	\$ 30,051,117	\$ 30,707,744
Long-term liabilities	113,032,028	100,305,521	-	-	311,832,953	302,363,368
Total liabilities	<u>\$ 122,332,424</u>	<u>\$ 113,650,541</u>	<u>\$ 1,060,000</u>	<u>\$ 2,487,859</u>	<u>\$ 341,884,070</u>	<u>\$ 333,071,112</u>
Deferred inflows of resources	\$ 14,425,207	\$ 17,154,073	\$ -	\$ -	\$ 18,899,201	\$ 21,761,390
Net position:						
Net Investment						
in capital assets	\$ 71,568,424	\$ 74,572,858	\$ -	\$ -	\$ 363,594,188	\$ 353,724,897
Restricted	-	1,104,005	-	-	1,306,634	2,176,792
Unrestricted (deficit)	(79,140,372)	(86,847,342)	341,682	492,931	70,484,520	35,140,835
Total net position	<u>\$ (7,571,948)</u>	<u>\$ (11,170,479)</u>	<u>\$ 341,682</u>	<u>\$ 492,931</u>	<u>\$ 435,385,342</u>	<u>\$ 391,042,524</u>

Note: Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis related to Pension has not been restated; however, other restatement items are included.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

The following tables summarize the changes in net position for the reporting unit for the year ended June 30, 2020.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Revenues:						
Program revenues:						
Charges for services	\$ 4,160,064	\$ 4,839,611	\$ 77,248,289	\$ 77,319,507	\$ 81,408,353	\$ 82,159,118
Operating grants, contributions	9,196,248	8,774,906	268,525	94,763	9,464,773	8,869,669
Capital grants, contributions	4,885,373	3,663,593	9,083,333	2,241,678	13,968,706	5,905,271
General Revenues:						
Property Taxes	91,905,721	86,061,837	-	-	91,905,721	86,061,837
Other Taxes	23,945,251	21,691,373	-	-	23,945,251	21,691,373
Unrestricted grants	11,408,455	7,837,841	-	-	11,408,455	7,837,841
City appropriation to component unit	-	-	-	-	-	-
Other	13,347,308	18,955,811	679,005	995,561	14,026,313	19,951,372
Total revenues	\$ 158,848,420	\$ 151,824,972	\$ 87,279,152	\$ 80,651,509	\$ 246,127,572	\$ 232,476,481
Expenses:						
General government	\$ 9,356,293	\$ 9,436,777	\$ -	\$ -	\$ 9,356,293	\$ 9,436,777
Public safety	33,193,071	31,294,979	-	-	33,193,071	31,294,979
Public works	12,766,927	12,544,115	-	-	12,766,927	12,544,115
Health and human services	8,950,995	8,504,736	-	-	8,950,995	8,504,736
Culture, rec, development	7,831,470	7,335,760	-	-	7,831,470	7,335,760
Interest on long-term debt	3,240,926	2,637,240	-	-	3,240,926	2,637,240
Bond issuance costs	-	181,966	-	-	-	181,966
Electric	-	-	38,159,210	38,196,702	38,159,210	38,196,702
Water	-	-	8,836,130	7,800,929	8,836,130	7,800,929
Sewer	-	-	14,331,358	13,125,506	14,331,358	13,125,506
Airport	-	-	4,154,611	4,240,422	4,154,611	4,240,422
Stormwater	-	-	1,552,999	1,603,506	1,552,999	1,603,506
Solid Waste	-	-	3,201,691	3,072,480	3,201,691	3,072,480
Education	59,656,355	58,212,570	-	-	59,656,355	58,212,570
Economic Development	-	-	-	-	-	-
Total expenses	\$ 134,996,037	\$ 130,148,143	\$ 70,235,999	\$ 68,039,545	\$ 205,232,036	\$ 198,187,688
Increase (decrease) in net position before transfers	\$ 23,852,383	\$ 21,676,829	\$ 17,043,153	\$ 12,611,964	\$ 40,895,536	\$ 34,288,793
Transfers	16,206	2,914,558	(16,206)	(2,914,558)	-	-
Change in net position	\$ 23,868,589	\$ 24,591,387	\$ 17,026,947	\$ 9,697,406	\$ 40,895,536	\$ 34,288,793
Net position beginning, as restated	228,272,359	204,280,384	173,447,713	163,150,895	401,720,072	367,431,279
Net position ending	\$ 252,140,948	\$ 228,871,771	\$ 190,474,660	\$ 172,848,301	\$ 442,615,608	\$ 401,720,072

Note: Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis related to Pension has not been restated.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

	MCPS		EDA		Total Reporting Unit	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Program revenues:						
Charges for services	\$ 924,103	\$ 1,239,334	\$ 15,115	\$ 6,472	\$ 82,347,571	\$ 83,404,924
Operating grants, contributions	59,926,700	57,744,118	40,000	-	69,431,473	66,613,787
Capital grants, contributions	139,122	-	23,068	272,151	14,130,896	6,177,422
General Revenues:						
Property Taxes	-	-	-	-	91,905,721	86,061,837
Other Taxes	-	-	-	-	23,945,251	21,691,373
Unrestricted grants	-	-	-	-	11,408,455	7,837,841
City appropriation to component unit	59,656,355	58,212,570	-	-	59,656,355	58,212,570
Other	288,714	269,359	375,542	6,166,784	14,690,569	26,387,515
Total revenues	\$ 120,934,994	\$ 117,465,381	\$ 453,725	\$ 6,445,407	\$ 367,516,291	\$ 356,387,269
Expenses:						
General government	\$ -	\$ -	\$ -	\$ -	\$ 9,356,293	\$ 9,436,777
Public safety	-	-	-	-	33,193,071	31,294,979
Public works	-	-	-	-	12,766,927	12,544,115
Health and human services	-	-	-	-	8,950,995	8,504,736
Culture, rec, development	-	-	-	-	7,831,470	7,335,760
Interest on long-term debt	-	-	-	-	3,240,926	2,637,240
Bond issuance costs	-	-	-	-	-	181,966
Electric	-	-	-	-	38,159,210	38,196,702
Water	-	-	-	-	8,836,130	7,800,929
Sewer	-	-	-	-	14,331,358	13,125,506
Airport	-	-	-	-	4,154,611	4,240,422
Stormwater	-	-	-	-	1,552,999	1,603,506
Solid Waste	-	-	-	-	3,201,691	3,072,480
Education	117,336,463	112,377,896	-	-	176,992,818	170,590,466
Economic Development	-	-	604,974	6,484,381	604,974	6,484,381
Total expenses	\$ 117,336,463	\$ 112,377,896	\$ 604,974	\$ 6,484,381	\$ 323,173,473	\$ 317,049,965
Increase (decrease) in net position before transfers	\$ 3,598,531	\$ 5,087,485	\$ (151,249)	\$ (38,974)	\$ 44,342,818	\$ 39,337,304
Transfers	-	-	-	-	-	-
Change in net position	\$ 3,598,531	\$ 5,087,485	\$ (151,249)	\$ (38,974)	\$ 44,342,818	\$ 39,337,304
Net position beginning, as restated	(11,170,479)	(16,257,964)	492,931	531,905	391,042,524	351,705,220
Net position ending	\$ (7,571,948)	\$ (11,170,479)	\$ 341,682	\$ 492,931	\$ 435,385,342	\$ 391,042,524

Note: Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis related to Pension has not been restated.

CITY OF MANASSAS, VIRGINIA

Management’s Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

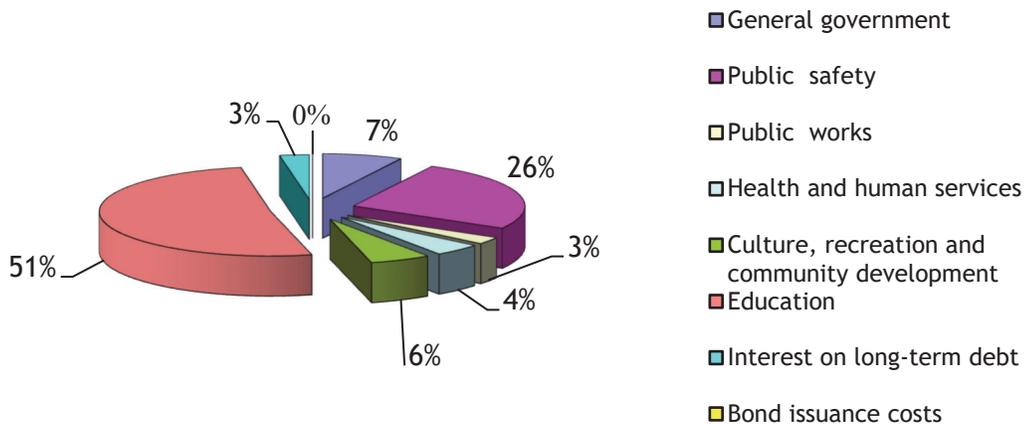
Governmental Activities

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 \$116,754,352, an increase of \$3,884,319 over last fiscal year. This change is primarily due to an increase in net education expenses of \$1.4 million. 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 due to increased personnel costs and equipment purchases, and increased culture, recreation and community development net program costs due to increased personnel costs and reduced charges for services as a result of the pandemic. Interest costs also increased due to the bonds that were issued in late FY 2019.

Governmental Activities Expenses and Program Revenues

	Program Expenses FY 2020	Program Revenues FY 2020	Net Program Cost FY 2020	Net Program Cost FY 2019
General government	\$ 9,356,293	\$ 525,470	\$ 8,830,823	\$ 9,005,344
Public safety	33,193,071	3,109,348	30,083,723	28,815,890
Public works	12,766,927	9,756,332	3,010,595	3,462,101
Health and human services	8,950,995	3,717,129	5,233,866	4,726,333
Culture, recreation and community development	7,831,470	1,133,406	6,698,064	5,828,589
Education	59,656,355	-	59,656,355	58,212,570
Interest on long-term debt	3,240,926	-	3,240,926	2,637,240
Bond issuance costs	-	-	-	181,966
Total	\$ 134,996,037	\$ 18,241,685	\$ 116,754,352	\$ 112,870,033

Governmental Activities Net Program Costs



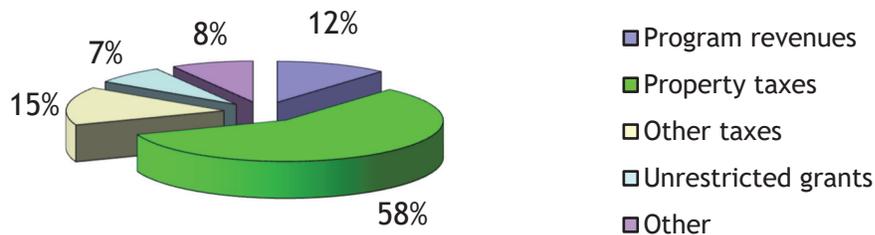
CITY OF MANASSAS, VIRGINIA

Management’s Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

In addition to program revenues of \$18,241,685, 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 2020 are \$140,606,735 for total governmental activities revenues of \$158,848,420. Governmental activities’ revenues in fiscal year 2020 are \$7,023,448 more than fiscal year 2019, due mostly to an increase in property taxes, sales taxes, business license taxes, and investment earnings, and CRF pandemic funding as previously discussed. The chart below indicates that the property taxes continue to be the largest source of revenue for the governmental activities.

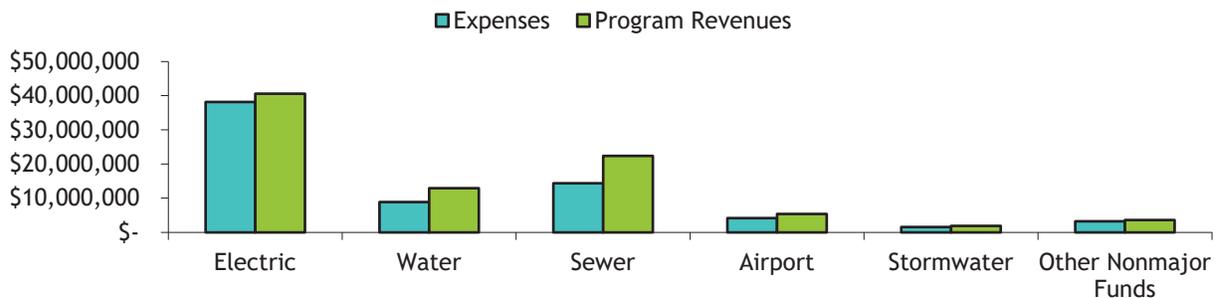
Governmental Activities Revenues



Business-type Activities

For the City’s business-type activities, total net position increased \$17 million to \$190 million for the year. The net (expenses)/revenues for total business type activities were positive with program revenues of \$86.6 million exceeding expenses of \$70.2 million by \$16.4 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. The Airport Fund received capital grants of \$1.8 million, Stormwater received \$20K that are reflected as revenues. The Water and Sewer funds received capital contributions of \$7.2 million to assist with the funding a significant infrastructure improvements.

Business-type Activities Expenses and Program Revenues



CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2020

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 2020, the City's governmental funds reported combined ending fund balances of \$127,050,544 an increase of \$10,929,656 from fiscal year 2020. As detailed in the Financial Highlights section, the fund balance of the general fund increased \$15,093,416. The fund balance of other governmental funds decreased \$4,163,760, primarily due to the timing of capital project expenditures occurring after funding is received, and \$2 million debt service reserve established for future capacity.

The general fund is the main operating fund of the City. At the end of fiscal year 2020 total fund balance of the general fund was \$54,169,512 and the unassigned fund balance \$26,370,748. As noted in the beginning of this document, per City policy, the unassigned fund balance represents 20% of total 2020 general fund revenues. The remainder of fund balance is either nonspendable, restricted, committed or assigned to indicate that it is 1) not in spendable form (\$249,415), 2) legally required to be maintained intact, 3) restricted for particular purposes (\$776,207), 4) committed for particular purposes (\$17,486,364), or 5) assigned for particular purposes (\$9,286,778).

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 2020 for the Electric, Water, Sewer, Airport, Stormwater, and the only non-major enterprise fund, Solid Waste, was \$190,474,660. The \$76,653,958 unrestricted portion of net position increased \$12,204,473 from FY 2019. The remaining \$112,827,298 is invested in capital assets net of related debt, and \$993,404 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.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS

In fiscal year 2020, the City's general fund revenues exceeded the revised revenue budget by \$10,509,487. Total expenditures ended the year under the revised budget by \$9,044,659, and other financing sources were under the revised budget by \$467,334. The net change in general fund balance was \$15,093,416. Details of the budget results can be seen in Exhibit 7 on page 32 of this report.

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 \$4,833,205 less than budget largely related to staff vacancies and employee benefit choices, timing of the pay classification plan, IT purchases reclassified to Pandemic expense line, savings on seasonal employee charges due to pool closure for summer 2020, savings on event expenses due to cancellations caused by the pandemic, and equipment purchases put on hold. CARES Coronavirus Relief Funds of \$3,584,580 were received in June and added to the expenditure budget shown as Pandemic; however, the majority of these costs will carry over to FY2021. Community investment expenses of \$1.2 million have been postponed.
- General property taxes were \$2,532,944 greater than budget due primarily to delinquent tax collections. Other taxes exceeded budget by \$3,674,936, due primarily to increases in sales tax and a one-time increase in business license tax related to the Micron expansion. Revenues from the use of money and property exceeded budget by \$3,433,329 due primarily to the unspent May 2019 bond funds resulting in higher investment balances coupled with strong market performance. Unbudgeted proffers totaled \$936,831, due primarily to the timing of receipts for The Landing at Cannon Branch (Gateway) development projects, net of a \$866,880 increase in Education expenditures for proffers transferred to MCPS.
- An additional \$2.2 million was placed in the general fund balance committed for capital projects, in accordance with the City's fund balance and debt policies.

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, 2020 is \$342,386,871, an increase of \$10,044,802 from June 30, 2019. 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, and transportation and utility infrastructure improvements, coupled with the purchase of additional UOSA sewer capacity.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2020

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 54-57 of this report.

	Capital Assets FY 2020	Accumulated Depreciation FY 2020	Capital Assets net of Accumulated Depreciation		Net Increase (Decrease) Capital Assets
			FY 2020	FY 2019	
Governmental Activities					
Land	\$ 117,621,104	\$ -	\$ 117,621,104	\$ 116,748,485	\$ 872,619
Construction in progress	15,331,306	-	15,331,306	9,434,787	5,896,519
Buildings and improvements	41,235,107	(31,157,283)	10,077,824	10,459,972	(382,148)
Machinery and equipment	29,545,931	(16,838,613)	12,707,318	12,156,036	551,282
Infrastructure	194,966,618	(97,953,796)	97,012,822	95,005,894	2,006,928
Total	\$ 398,700,066	\$ (145,949,692)	\$ 252,750,374	\$ 243,805,174	\$ 8,945,200
Business-type Activities					
Land	\$ 14,803,955	\$ -	\$ 14,803,955	\$ 14,777,255	\$ 26,700
Construction in progress	15,019,338	-	15,019,338	5,907,817	9,111,521
Investment in Plant	245,026,801	(157,124,556)	87,902,245	87,218,953	683,292
Infrastructure	28,492,677	(11,494,778)	16,997,899	17,701,684	(703,785)
Machinery and equipment	5,578,050	(4,184,532)	1,393,518	1,537,891	(144,373)
Purchased capacity	35,373,346	(20,695,367)	14,677,979	6,801,064	7,876,915
Total	\$ 344,294,167	\$ (193,499,233)	\$ 150,794,934	\$ 133,944,664	\$ 16,850,270
Total Primary Government					
Land	\$ 132,425,059	\$ -	\$ 132,425,059	\$ 131,525,740	\$ 899,319
Construction in progress	30,350,644	-	30,350,644	15,342,604	15,008,040
Buildings and improvements	41,235,107	(31,157,283)	10,077,824	10,459,972	(382,148)
Investment in Plant	245,026,801	(157,124,556)	87,902,245	87,218,953	683,292
Machinery and equipment	35,123,981	(21,023,145)	14,100,836	13,693,927	406,909
Infrastructure	223,459,295	(109,448,574)	114,010,721	112,707,578	1,303,143
Purchased capacity	35,373,346	(20,695,367)	14,677,979	6,801,064	7,876,915
Total	\$ 742,994,233	\$ (339,448,925)	\$ 403,545,308	\$ 377,749,838	\$ 25,795,470
MCPS					
Land	\$ 2,336,649	\$ -	\$ 2,336,649	\$ 2,336,649	\$ -
Construction in progress	1,842,882	-	1,842,882	411,620	1,431,262
Buildings and improvements	189,133,414	(120,007,356)	69,126,058	73,377,900	(4,251,842)
Machinery and equipment	10,461,173	(6,083,170)	4,378,003	4,140,342	237,661
Total	\$ 203,774,118	\$ (126,090,526)	\$ 77,683,592	\$ 80,266,511	\$ (2,582,919)

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2020

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 59-63 of this report.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
General obligation bonds	\$ 92,953,040	\$ 98,142,320	\$ 45,193,933	\$ 47,060,037	\$ 138,146,973	\$ 145,202,357
Premium on bonds	9,522,730	10,303,013	4,316,619	4,625,470	13,839,349	14,928,483
Capital leases	-	50,561	-	-	-	50,561
Compensated absences	3,440,805	2,968,001	1,154,055	903,271	4,594,860	3,871,272
Net OPEB liability	13,131,213	12,934,675	2,620,459	2,440,074	15,751,672	15,374,749
Net Pension liability	21,008,518	17,378,369	5,459,553	5,252,056	26,468,071	22,630,425
Total	\$ 140,056,306	\$ 141,776,939	\$ 58,744,619	\$ 60,280,908	\$ 198,800,925	\$ 202,057,847

	MCPS		Total Reporting Unit	
	FY 2020	FY 2019	FY 2020	FY 2019
General obligation bonds	\$ -	\$ -	\$ 138,146,973	\$ 145,202,357
Premium on bonds	-	-	13,839,349	14,928,483
Capital leases	5,126,472	5,462,989	5,126,472	5,513,550
Compensated absences	2,636,987	2,254,073	7,231,847	6,125,345
Net OPEB liability	16,081,972	15,091,408	31,833,644	30,466,157
Net Pension liability	89,186,597	77,497,051	115,654,668	100,127,476
Total	\$ 113,032,028	\$ 100,305,521	\$ 311,832,953	\$ 302,363,368

The City's long-term obligations of \$199 million include outstanding general obligation (GO) bonds of \$138,146,973 and bond premiums of \$13,839,349. The total reflects a decrease of \$8,144,518 from the prior year, due to the annual debt service payments and premium amortization. The decrease in capital lease obligation is due to annual amortization. OPEB obligation payable saw an increase of \$376,923 in FY 2020, primarily due to obligations of 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 \$3,837,646. The net increase to the MCPS total long-term obligations is \$12,726,507. This increase is primarily the result of a \$11.7 million increase 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, 2019 was \$5,063,746,000, making the 2020 legal debt limitation of the City \$506,374,600. The City's general obligation debt applicable to the limit is \$138,146,973, leaving a legal debt margin for creation of additional debt of \$368,227,627. 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, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The unemployment rate for the City as of June 2020 was 8.8%, which is slightly higher than the state rate (8.2%) and below the national rate (11.2%). The increase over FY 2019 is a direct result of the COVID-19 global pandemic.
- Real property taxable assessed values increased 3.57% in January 2019 (used for fiscal year 2020 tax levies) to \$5,063,746,000 up by \$174,725,600 over the previous year. Real property taxable assessed values increased 6.70% percent in January 2020 (to be used for fiscal year 2021 tax levies) to \$5,403,085,240 up by \$339,339,240 over the previous year. The total direct real property tax rate is decreasing 1.35% from \$1.480 per \$100 of value in fiscal year 2020, to \$1.460 per \$100 of value in fiscal year 2021.
- The City is projecting assessed values to continue increasing marginally in 2021 and has taken this factor into consideration in the projection of the FY2021 Budget and the development of the FY2022 Budget which is currently underway.

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>.

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2020

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-type Activities	Total	Manassas City Public Schools	Economic Development Authority
ASSETS					
Cash and investments	\$ 104,984,367	\$ 76,243,575	\$ 181,227,942	\$ 23,926,740	\$ 691,682
Cash and investments - restricted	30,870,286	14,215,350	45,085,636	-	-
Receivables (net of allowance for uncollectibles):					
Taxes, including penalties	4,449,051	-	4,449,051	-	-
Accounts	148,534	10,906,662	11,055,196	1,061,025	-
Notes	-	-	-	-	710,000
Due from other governments	3,353,755	1,169,181	4,522,936	4,185,869	-
Due from component unit	1,060,000	-	1,060,000	-	-
Prepaid items	325,830	-	325,830	-	-
Inventories	-	2,469,405	2,469,405	-	-
Capital assets:					
Nondepreciable	132,952,410	29,823,293	162,775,703	4,179,531	-
Depreciable, net	119,797,964	120,971,641	240,769,605	73,504,061	-
Total assets	\$ 397,942,197	\$ 255,799,107	\$ 653,741,304	\$ 106,857,226	\$ 1,401,682
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	\$ 763,155	\$ 682,545	\$ 1,445,700	\$ -	\$ -
OPEB related deferred outflows	1,518,514	208,934	1,727,448	2,440,480	-
Pension related deferred outflows	6,879,101	1,787,695	8,666,796	19,887,977	-
Total deferred outflows of resources	\$ 9,160,770	\$ 2,679,174	\$ 11,839,944	\$ 22,328,457	\$ -
LIABILITIES					
Accounts payable and other current liabilities	\$ 5,431,646	\$ 6,334,424	\$ 11,766,070	\$ 9,300,396	\$ -
Deposits	2,168,037	1,176,594	3,344,631	-	-
Accrued interest payable	1,808,274	858,697	2,666,971	-	-
Due to other governments	615,596	-	615,596	-	-
Due to primary government	-	-	-	-	1,060,000
Unearned revenue	1,253,640	43,813	1,297,453	-	-
Long-term liabilities:					
Net OPEB liability	13,131,213	2,620,459	15,751,672	16,081,972	-
Net pension liability	21,008,518	5,459,553	26,468,071	89,186,597	-
Due within one year	7,899,244	3,139,676	11,038,920	759,407	-
Due in more than one year	98,017,331	47,524,931	145,542,262	7,004,052	-
Total liabilities	\$ 151,333,499	\$ 67,158,147	\$ 218,491,646	\$ 122,332,424	\$ 1,060,000
DEFERRED INFLOWS OF RESOURCES					
OPEB related deferred inflows	\$ 1,222,250	\$ 220,149	\$ 1,442,399	\$ 1,415,226	\$ -
Pension related deferred inflows	2,406,270	625,325	3,031,595	13,009,981	-
Total deferred inflows of resources	\$ 3,628,520	\$ 845,474	\$ 4,473,994	\$ 14,425,207	\$ -
NET POSITION					
Net investment in capital assets	\$ 229,559,573	\$ 112,827,298	\$ 342,386,871	\$ 71,568,424	\$ -
Restricted for:					
Nonexpendable Cemetery principal	100,000	-	100,000	-	-
Expendable Cemetery principal	213,230	-	213,230	-	-
Future capital projects	-	993,404	993,404	-	-
Unrestricted	22,268,145	76,653,958	98,922,103	(79,140,372)	341,682
Total net position	\$ 252,140,948	\$ 190,474,660	\$ 442,615,608	\$ (7,571,948)	\$ 341,682

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

CITY OF MANASSAS, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 9,356,293	\$ 205,226	\$ 320,244	\$ -
Public safety	33,193,071	2,103,177	1,006,171	-
Public works	12,766,927	1,065,136	3,980,849	4,710,347
Health and human services	8,950,995	-	3,717,129	-
Culture, recreation and community development	7,831,470	786,525	171,855	175,026
Education	59,656,355	-	-	-
Interest on long-term debt	3,240,926	-	-	-
Total government activities	\$ 134,996,037	\$ 4,160,064	\$ 9,196,248	\$ 4,885,373
Business-type activities:				
Electric	\$ 38,159,210	\$ 40,548,844	\$ -	\$ -
Water	8,836,130	11,537,736	-	1,369,314
Sewer	14,331,358	16,439,217	-	5,899,493
Airport	4,154,611	3,303,853	253,521	1,794,743
Stormwater	1,552,999	1,843,621	-	19,783
Solid Waste	3,201,691	3,575,018	15,004	-
Total business-type activities	\$ 70,235,999	\$ 77,248,289	\$ 268,525	\$ 9,083,333
Total primary government	\$ 205,232,036	\$ 81,408,353	\$ 9,464,773	\$ 13,968,706
COMPONENT UNITS:				
Manassas City Public Schools	\$ 117,336,463	\$ 924,103	\$ 59,926,700	\$ 139,122
Economic Development Authority	604,974	15,115	40,000	23,068
Total component units	\$ 117,941,437	\$ 939,218	\$ 59,966,700	\$ 162,190

General revenues:
 General property taxes
 Local sales and use taxes
 Business licenses
 Meals taxes
 Other local taxes
 Unrestricted grants
 Unrestricted investment earnings
 Other unrestricted revenues
 Gain on disposal of capital assets
 Payments from component unit
 Payments from City
 Transfers
 Total general revenues
 Change in net position
 Net position - beginning, as restated
 Net position - ending

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Manassas City Public Schools	Economic Development Authority
\$ (8,830,823)		\$ (8,830,823)		
(30,083,723)		(30,083,723)		
(3,010,595)		(3,010,595)		
(5,233,866)		(5,233,866)		
(6,698,064)		(6,698,064)		
(59,656,355)		(59,656,355)		
(3,240,926)		(3,240,926)		
<u>\$ (116,754,352)</u>		<u>\$ (116,754,352)</u>		
	\$ 2,389,634	\$ 2,389,634		
	4,070,920	4,070,920		
	8,007,352	8,007,352		
	1,197,506	1,197,506		
	310,405	310,405		
	388,331	388,331		
	<u>\$ 16,364,148</u>	<u>\$ 16,364,148</u>		
	<u>\$ 16,364,148</u>	<u>\$ (100,390,204)</u>		
			\$ (56,346,538)	\$ -
			-	(526,791)
			<u>\$ (56,346,538)</u>	<u>\$ (526,791)</u>
\$ 91,905,721	\$ -	\$ 91,905,721	\$ -	\$ -
10,358,471	-	10,358,471	-	-
4,727,143	-	4,727,143	-	-
4,342,044	-	4,342,044	-	-
4,517,593	-	4,517,593	-	-
11,408,455	-	11,408,455	-	-
3,469,742	644,451	4,114,193	143,970	2,514
3,738,594	34,554	3,773,148	144,744	-
459,163	-	459,163	-	373,028
5,679,809	-	5,679,809	-	-
-	-	-	59,656,355	-
16,206	(16,206)	-	-	-
<u>\$ 140,622,941</u>	<u>\$ 662,799</u>	<u>\$ 141,285,740</u>	<u>\$ 59,945,069</u>	<u>\$ 375,542</u>
<u>\$ 23,868,589</u>	<u>\$ 17,026,947</u>	<u>\$ 40,895,536</u>	<u>\$ 3,598,531</u>	<u>\$ (151,249)</u>
<u>228,272,359</u>	<u>173,447,713</u>	<u>401,720,072</u>	<u>(11,170,479)</u>	<u>492,931</u>
<u>\$ 252,140,948</u>	<u>\$ 190,474,660</u>	<u>\$ 442,615,608</u>	<u>\$ (7,571,948)</u>	<u>\$ 341,682</u>

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Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2020

	General	General Capital Projects Fund	NVTA Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 57,210,317	\$ 6,593,962	\$ 12,908,195	\$ 24,034,784	\$ 100,747,258
Cash and investments - restricted	-	27,056,236	3,500,820	313,230	30,870,286
Receivables (net of allowance for uncollectibles):					
Taxes, including penalties	4,231,159	-	-	217,892	4,449,051
Accounts	148,534	-	-	-	148,534
Prepaid items	4,637	-	-	-	4,637
Due from component unit	-	-	-	1,060,000	1,060,000
Due from other governments	2,323,310	-	542,938	487,507	3,353,755
Due from other funds	244,778	-	-	-	244,778
Total assets	<u>\$ 64,162,735</u>	<u>\$ 33,650,198</u>	<u>\$ 16,951,953</u>	<u>\$ 26,113,413</u>	<u>\$ 140,878,299</u>
Liabilities:					
Accounts payable and accrued expenses	\$ 2,574,469	\$ 1,616,441	\$ 220,868	\$ 369,098	\$ 4,780,876
Retainage payable	-	268,824	289,128	-	557,952
Deposits	2,168,037	-	-	-	2,168,037
Unearned revenue	1,253,640	-	-	-	1,253,640
Due to other governments	615,596	-	-	-	615,596
Due to other funds	-	-	-	244,778	244,778
Total liabilities	<u>\$ 6,611,742</u>	<u>\$ 1,885,265</u>	<u>\$ 509,996</u>	<u>\$ 613,876</u>	<u>\$ 9,620,879</u>
Deferred inflows of resources:					
Unavailable revenue	<u>\$ 3,381,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 825,395</u>	<u>\$ 4,206,876</u>
Fund balances:					
Nonspendable	249,415	-	-	100,000	349,415
Restricted	776,207	27,056,236	3,500,820	4,890,718	36,223,981
Committed	17,486,364	3,392,277	11,277,782	19,456,671	51,613,094
Assigned	9,286,778	1,316,420	1,663,355	226,753	12,493,306
Unassigned	26,370,748	-	-	-	26,370,748
Total fund balances	<u>\$ 54,169,512</u>	<u>\$ 31,764,933</u>	<u>\$ 16,441,957</u>	<u>\$ 24,674,142</u>	<u>\$ 127,050,544</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 64,162,735</u>	<u>\$ 33,650,198</u>	<u>\$ 16,951,953</u>	<u>\$ 26,113,413</u>	<u>\$ 140,878,299</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2020

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	127,050,544	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			246,523,718
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			4,206,876
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.			8,395,300
Deferred outflows of resources are not available to pay for current period expenditures and therefore, are not reported in the funds.			
Deferred charge on refunding	\$	763,155	
Pension related items		6,376,435	
OPEB related items		<u>1,458,689</u>	8,598,279
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	\$	(92,953,041)	
Premium on bonds payable		(9,522,729)	
Accrued interest on debt		(1,808,274)	
Net pension liability		(19,473,395)	
Net OPEB liability		<u>(12,380,868)</u>	(136,138,307)
Compensated absences are not reported as fund liabilities.			(3,105,808)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(2,230,440)	
OPEB related items		<u>(1,159,214)</u>	<u>(3,389,654)</u>
Net position of governmental activities	\$		<u><u>252,140,948</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2020

	General	General Capital Projects Fund	NVTA Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 81,633,714	\$ -	\$ -	\$ 10,106,150	\$ 91,739,864
Other local taxes	23,885,186	-	-	-	23,885,186
Permits, fees and licenses	719,535	-	-	92,488	812,023
Fines and forfeitures	783,836	-	-	-	783,836
Revenue from the use of money and property	3,654,729	-	319	89,031	3,744,079
Charges for services	535,300	-	-	868,355	1,403,655
Payment in lieu of debt service	-	-	-	5,679,809	5,679,809
Recovered costs	3,142,180	-	-	-	3,142,180
Miscellaneous	1,418,061	100,026	-	283,769	1,801,856
Contribution from component unit	-	-	-	1,815,548	1,815,548
Intergovernmental	16,032,680	-	4,039,537	4,796,235	24,868,452
Total revenues	<u>\$ 131,805,221</u>	<u>\$ 100,026</u>	<u>\$ 4,039,856</u>	<u>\$ 23,731,385</u>	<u>\$ 159,676,488</u>
EXPENDITURES					
Current:					
General government administration	\$ 8,853,154	\$ -	\$ -	\$ 8,205	\$ 8,861,359
Public safety	22,340,008	-	-	10,086,537	32,426,545
Public works	7,298,129	-	-	3,658	7,301,787
Health and human services	3,143,521	-	-	5,771,606	8,915,127
Culture, recreation, and community development	6,840,486	-	-	13,677	6,854,163
Education	59,656,355	-	-	-	59,656,355
Capital outlay	1,009,219	7,962,739	5,736,078	3,748,785	18,456,821
Debt service:					
Principal retirement	-	-	-	5,189,280	5,189,280
Interest and other fiscal charges	-	-	-	3,524,684	3,524,684
Total expenditures	<u>\$ 109,140,872</u>	<u>\$ 7,962,739</u>	<u>\$ 5,736,078</u>	<u>\$ 28,346,432</u>	<u>\$ 151,186,121</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 22,664,349</u>	<u>\$ (7,862,713)</u>	<u>\$ (1,696,222)</u>	<u>\$ (4,615,047)</u>	<u>\$ 8,490,367</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 1,927,818	\$ 2,278,776	\$ 840,000	\$ 7,504,787	\$ 12,551,381
Transfers out	(9,498,751)	-	-	(613,341)	(10,112,092)
Total other financing sources (uses)	<u>\$ (7,570,933)</u>	<u>\$ 2,278,776</u>	<u>\$ 840,000</u>	<u>\$ 6,891,446</u>	<u>\$ 2,439,289</u>
Net change in fund balances	\$ 15,093,416	\$ (5,583,937)	\$ (856,222)	\$ 2,276,399	\$ 10,929,656
Fund balances - beginning	39,076,096	37,348,870	17,298,179	22,397,743	116,120,888
Fund balances - ending	<u>\$ 54,169,512</u>	<u>\$ 31,764,933</u>	<u>\$ 16,441,957</u>	<u>\$ 24,674,142</u>	<u>\$ 127,050,544</u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds		\$ 10,929,656	
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 the capital outlays exceeded depreciation in the current period.			
Capital outlays	\$ 18,483,662		
Depreciation	<u>(7,296,740)</u>	11,186,922	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.			(7,063)
The transfer of capital assets from enterprise funds to governmental activities are reported as transfers in the government-wide statement of activities.			110,125
The transfer of capital assets from governmental activities to enterprise fund are reported as transfers out in the government-wide statement of activities.			(2,857,355)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(1,194,078)
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 assets. 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.			
Principal payments	\$ 5,189,280		
Amortization of bond premium	780,283		
Amortization of deferred charge on refunding	<u>(204,538)</u>	5,765,025	
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	\$ (424,044)		
OPEB expense	(3,244)		
Pension expense	(288,240)		
Accrued interest	<u>(290,864)</u>	(1,006,392)	
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.			<u>941,749</u>
Change in net assets of governmental activities		\$	<u><u>23,868,589</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 79,100,770	\$ 79,100,770	\$ 81,633,714	\$ 2,532,944
Other local taxes	20,210,250	20,210,250	23,885,186	3,674,936
Permits, fees, and licenses	791,500	791,500	719,535	(71,965)
Fines and forfeitures	658,500	658,500	783,836	125,336
Revenue from the use of money and property	221,400	221,400	3,654,729	3,433,329
Charges for services	605,500	605,500	535,300	(70,200)
Recovered costs	3,142,180	3,142,180	3,142,180	-
Proffers	-	-	936,831	936,831
Miscellaneous	242,000	407,054	481,230	74,176
Intergovernmental revenues:				
Commonwealth:				
PPTRA	3,786,630	3,786,630	3,786,634	4
Communications tax	2,600,000	2,600,000	2,392,679	(207,321)
Highway maintenance	3,828,000	3,828,000	3,942,298	114,298
Other	1,854,800	2,126,697	2,089,026	(37,671)
Federal	510,000	3,817,253	3,822,043	4,790
Total revenues	\$ 117,551,530	\$ 121,295,734	\$ 131,805,221	\$ 10,509,487
EXPENDITURES				
Departmental:				
City council	\$ 396,160	\$ 396,160	\$ 361,322	\$ 34,838
Clerk's office	290,490	290,490	273,945	16,545
City manager	1,149,860	1,149,860	1,033,969	115,891
City attorney	447,320	447,320	350,516	96,804
Electoral board	356,350	356,350	334,922	21,428
Treasurer	874,170	874,307	863,684	10,623
Commissioner of the revenue	1,409,720	1,421,621	1,374,617	47,004
Finance and administration	2,005,020	2,193,102	1,657,918	535,184
Human resources	1,910,640	2,385,640	1,497,648	887,992
Police	16,578,845	17,140,084	16,381,131	758,953
Engineering	1,390,430	1,390,430	927,268	463,162
Public works	7,321,880	7,605,431	7,332,886	272,545
Economic development	992,020	1,185,276	939,391	245,885
Community development	4,062,900	4,700,769	3,674,418	1,026,351
Contingency	300,000	300,000	-	300,000
Total departmental expenditures	\$ 39,485,805	\$ 41,836,840	\$ 37,003,635	\$ 4,833,205
Shared services	\$ 12,467,260	\$ 12,551,121	\$ 12,018,877	\$ 532,244
Contributions	136,500	136,500	136,500	-
Grants and donations	500,000	47,015	-	47,015
Community investment	374,000	1,240,000	-	1,240,000
Pandemic	-	3,584,580	325,505	3,259,075
Education	58,789,475	58,789,475	59,656,355	(866,880)
Total expenditures	\$ 111,753,040	\$ 118,185,531	\$ 109,140,872	\$ 9,044,659
Excess (deficiency) of revenues over (under) expenditures	\$ 5,798,490	\$ 3,110,203	\$ 22,664,349	\$ 19,554,146
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,942,090	\$ 1,942,090	\$ 1,927,818	\$ (14,272)
Transfers out	(8,340,580)	(9,980,357)	(9,498,751)	481,606
Total other financing sources (uses)	\$ (6,398,490)	\$ (8,038,267)	\$ (7,570,933)	\$ 467,334
Net change in fund balances	\$ (600,000)	\$ (4,928,064)	\$ 15,093,416	\$ 20,021,480
Fund balances - beginning			39,076,096	
Fund balances - ending			\$ 54,169,512	

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

Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Airport Fund
ASSETS				
Current assets:				
Cash and investments - unrestricted	\$ 24,068,920	\$ 19,770,992	\$ 20,573,879	\$ 7,713,589
Cash and investments - restricted	-	13,221,946	-	-
Accounts receivable, net	5,327,548	1,737,981	3,060,298	288,554
Due from other governments	-	-	-	1,073,107
Prepaid items	-	-	-	-
Inventories	1,787,341	640,598	41,466	-
Total current assets	\$ 31,183,809	\$ 35,371,517	\$ 23,675,643	\$ 9,075,250
Noncurrent assets:				
Capital assets:				
Nondepreciable	\$ 1,107,095	\$ 10,026,886	\$ 5,473,997	\$ 10,114,247
Depreciable, net	23,259,061	29,729,821	24,706,138	26,152,547
Total capital assets, net	\$ 24,366,156	\$ 39,756,707	\$ 30,180,135	\$ 36,266,794
Total assets	\$ 55,549,965	\$ 75,128,224	\$ 53,855,778	\$ 45,342,044
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	\$ -	\$ 37,563	\$ 570,441	\$ 74,541
OPEB related deferred outflows	119,141	48,113	19,638	15,141
Pension related deferred outflows	1,034,873	354,970	207,996	133,905
Total deferred outflows of resources	\$ 1,154,014	\$ 440,646	\$ 798,075	\$ 223,587
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 3,499,350	\$ 477,193	\$ 896,869	\$ 931,051
Retainage payable	-	-	178,321	60,832
Deposits	911,423	207,231	-	57,940
Accrued interest payable	30,739	428,501	343,744	16,985
Compensated absences - current portion	111,763	34,981	11,409	12,937
Bonds payable and other obligations - current portion	215,121	1,195,458	1,233,586	205,558
Total current liabilities	\$ 4,768,396	\$ 2,343,364	\$ 2,663,929	\$ 1,285,303
Noncurrent liabilities:				
Unearned revenue	\$ -	\$ 1,650	\$ 8,050	\$ 34,113
Bonds payable and other obligations - noncurrent portion	3,826,781	22,660,234	16,162,880	1,321,415
Compensated absences - noncurrent portion	633,321	198,223	64,654	73,310
Net OPEB liability	1,494,274	603,432	246,310	189,908
Net pension liability	3,160,463	1,084,066	635,210	408,941
Total noncurrent liabilities	\$ 9,114,839	\$ 24,547,605	\$ 17,117,104	\$ 2,027,687
Total liabilities	\$ 13,883,235	\$ 26,890,969	\$ 19,781,033	\$ 3,312,990
DEFERRED INFLOWS OF RESOURCES				
OPEB related deferred inflows	\$ 125,535	\$ 50,698	\$ 20,694	\$ 15,953
Pension related deferred inflows	361,993	124,166	72,755	46,840
Total deferred inflows of resources	\$ 487,528	\$ 174,864	\$ 93,449	\$ 62,793
NET POSITION				
Net investment in capital assets	\$ 20,284,927	\$ 28,825,353	\$ 12,334,316	\$ 33,856,071
Restricted for future capital projects	-	-	-	-
Unrestricted	22,048,289	19,677,684	22,445,055	8,333,777
Total net position	\$ 42,333,216	\$ 48,503,037	\$ 34,779,371	\$ 42,189,848

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

Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-type Activities - Enterprise Funds			Governmental
	Stormwater Fund	Other	Total	Internal
		Nonmajor Enterprise Funds	Enterprise Funds	Service Funds
ASSETS				
Current assets:				
Cash and investments - unrestricted	\$ 1,890,784	\$ 2,225,411	\$ 76,243,575	\$ 4,237,109
Cash and investments - restricted	993,404	-	14,215,350	-
Accounts receivable, net	265,128	227,153	10,906,662	-
Due from other governments	96,074	-	1,169,181	-
Prepaid items	-	-	-	321,193
Inventories	-	-	2,469,405	-
Total current assets	\$ 3,245,390	\$ 2,452,564	\$ 105,004,173	\$ 4,558,302
Noncurrent assets:				
Capital assets:				
Nondepreciable	\$ 3,101,068	\$ -	\$ 29,823,293	\$ 11,150
Depreciable, net	17,052,638	71,436	120,971,641	6,215,506
Total capital assets, net	\$ 20,153,706	\$ 71,436	\$ 150,794,934	\$ 6,226,656
Total assets	\$ 23,399,096	\$ 2,524,000	\$ 255,799,107	\$ 10,784,958
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	\$ -	\$ -	\$ 682,545	\$ -
OPEB related deferred outflows	3,460	3,441	208,934	59,825
Pension related deferred outflows	39,259	16,692	1,787,695	502,666
Total deferred outflows of resources	\$ 42,719	\$ 20,133	\$ 2,679,174	\$ 562,491
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 44,197	\$ 246,611	\$ 6,095,271	\$ 92,818
Retainage payable	-	-	239,153	-
Deposits	-	-	1,176,594	-
Accrued interest payable	38,728	-	858,697	-
Compensated absences - current portion	599	1,419	173,108	50,250
Bonds payable and other obligations - current portion	116,845	-	2,966,568	-
Total current liabilities	\$ 200,369	\$ 248,030	\$ 11,509,391	\$ 143,068
Noncurrent liabilities:				
Unearned revenue	\$ -	\$ -	\$ 43,813	\$ -
Bonds payable and other obligations - noncurrent portion	2,572,674	-	46,543,984	-
Compensated absences - noncurrent portion	3,396	8,043	980,947	284,747
Net OPEB liability	43,392	43,143	2,620,459	750,345
Net pension liability	119,896	50,977	5,459,553	1,535,123
Total noncurrent liabilities	\$ 2,739,358	\$ 102,163	\$ 55,648,756	\$ 2,570,215
Total liabilities	\$ 2,939,727	\$ 350,193	\$ 67,158,147	\$ 2,713,283
DEFERRED INFLOWS OF RESOURCES				
OPEB related deferred inflows	\$ 3,645	\$ 3,624	\$ 220,149	\$ 63,036
Pension related deferred inflows	13,733	5,838	625,325	175,830
Total deferred inflows of resources	\$ 17,378	\$ 9,462	\$ 845,474	\$ 238,866
NET POSITION				
Net investment in capital assets	\$ 17,455,195	\$ 71,436	\$ 112,827,298	\$ 6,226,656
Restricted for future capital projects	993,404	-	993,404	-
Unrestricted	2,036,111	2,113,042	76,653,958	2,168,644
Total net position	\$ 20,484,710	\$ 2,184,478	\$ 190,474,660	\$ 8,395,300

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2020

Business-type Activities - Enterprise Funds

	Electric Fund	Water Fund	Sewer Fund	Airport Fund
OPERATING REVENUES				
Charges for services	\$ 37,841,161	\$ 10,909,976	\$ 15,231,368	\$ 3,303,853
Service reimbursements	2,544,433	-	-	-
Connection charges	163,250	627,760	1,207,849	-
Total operating revenues	<u>\$ 40,548,844</u>	<u>\$ 11,537,736</u>	<u>\$ 16,439,217</u>	<u>\$ 3,303,853</u>
OPERATING EXPENSES				
Personal services	\$ 5,593,327	\$ 2,716,676	\$ 1,031,640	\$ 771,055
Contractual services	951,808	538,166	545,315	279,956
Supplies	812,643	1,249,234	136,469	90,549
Internal and other services	1,714,087	1,880,158	996,428	524,042
Purchased power	26,942,685	-	-	-
Contract treatment charges	-	-	10,189,971	-
Depreciation and amortization	1,879,667	1,548,270	787,406	2,434,575
Total operating expenses	<u>\$ 37,894,217</u>	<u>\$ 7,932,504</u>	<u>\$ 13,687,229</u>	<u>\$ 4,100,177</u>
Operating income (loss)	<u>\$ 2,654,627</u>	<u>\$ 3,605,232</u>	<u>\$ 2,751,988</u>	<u>\$ (796,324)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental grants	\$ -	\$ -	\$ -	\$ 253,521
Investment earnings	154,800	200,551	222,103	45,098
Gain (loss) on sale of assets	(252,038)	(135,285)	(39,725)	-
Other/insurance recoveries	14,114	5,872	656	12,892
Interest expense and fiscal charges	(123,080)	(768,341)	(604,404)	(54,434)
Total nonoperating revenues (expenses)	<u>\$ (206,204)</u>	<u>\$ (697,203)</u>	<u>\$ (421,370)</u>	<u>\$ 257,077</u>
Income before contributions and transfers	<u>\$ 2,448,423</u>	<u>\$ 2,908,029</u>	<u>\$ 2,330,618</u>	<u>\$ (539,247)</u>
Capital contributions	\$ -	\$ 3,380,785	\$ 6,745,377	\$ 1,794,743
Transfers in	-	-	220,000	-
Transfers out	(1,303,215)	(1,242,753)	(437,468)	-
Change in net position	<u>\$ 1,145,208</u>	<u>\$ 5,046,061</u>	<u>\$ 8,858,527</u>	<u>\$ 1,255,496</u>
Total net position - beginning, as restated	41,188,008	43,456,976	25,920,844	40,934,352
Total net position - ending	<u>\$ 42,333,216</u>	<u>\$ 48,503,037</u>	<u>\$ 34,779,371</u>	<u>\$ 42,189,848</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds			Governmental
	Stormwater Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal
				Service Funds
OPERATING REVENUES				
Charges for services	\$ 1,599,788	\$ 3,575,018	\$ 72,461,164	\$ 8,227,565
Service reimbursements	-	-	2,544,433	-
Connection charges	243,833	-	2,242,692	-
Total operating revenues	<u>\$ 1,843,621</u>	<u>\$ 3,575,018</u>	<u>\$ 77,248,289</u>	<u>\$ 8,227,565</u>
OPERATING EXPENSES				
Personal services	\$ 139,948	\$ 192,804	\$ 10,445,450	\$ 3,028,400
Contractual services	241,650	2,805,578	5,362,473	1,516,816
Supplies	22,988	3,985	2,315,868	1,074,748
Internal and other services	377,682	190,463	5,682,860	1,073,750
Purchased power	-	-	26,942,685	-
Contract treatment charges	-	-	10,189,971	-
Depreciation and amortization	705,120	8,861	7,363,899	1,058,136
Total operating expenses	<u>\$ 1,487,388</u>	<u>\$ 3,201,691</u>	<u>\$ 68,303,206</u>	<u>\$ 7,751,850</u>
Operating income (loss)	<u>\$ 356,233</u>	<u>\$ 373,327</u>	<u>\$ 8,945,083</u>	<u>\$ 475,715</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental grants	\$ -	\$ 15,004	\$ 268,525	\$ -
Investment earnings	9,140	12,759	644,451	25,606
Gain (loss) on sale of assets	-	-	(427,048)	63,615
Other/insurance recoveries	-	1,020	34,554	53,789
Interest expense and fiscal charges	(65,611)	-	(1,615,870)	(1,123)
Total nonoperating revenues (expenses)	<u>\$ (56,471)</u>	<u>\$ 28,783</u>	<u>\$ (1,095,388)</u>	<u>\$ 141,887</u>
Income before contributions and transfers	<u>\$ 299,762</u>	<u>\$ 402,110</u>	<u>\$ 7,849,695</u>	<u>\$ 617,602</u>
Capital contributions	\$ 19,783	\$ -	\$ 11,940,688	\$ -
Transfers in	-	-	220,000	324,147
Transfers out	-	-	(2,983,436)	-
Change in net position	<u>\$ 319,545</u>	<u>\$ 402,110</u>	<u>\$ 17,026,947</u>	<u>\$ 941,749</u>
Total net position - beginning, as restated	20,165,165	1,782,368	173,447,713	7,453,551
Total net position - ending	<u>\$ 20,484,710</u>	<u>\$ 2,184,478</u>	<u>\$ 190,474,660</u>	<u>\$ 8,395,300</u>

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Airport Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 42,201,510	\$ 10,949,200	\$ 15,530,672	\$ 3,229,101
Cash paid to suppliers	(27,522,352)	(1,834,473)	(10,842,101)	(449,560)
Cash paid to and for employees	(5,306,060)	(2,562,952)	(1,028,174)	(720,387)
Payments for interfund services used	(1,714,087)	(1,880,158)	(996,428)	(524,042)
Net cash provided by (used for) operating activities	\$ 7,659,011	\$ 4,671,617	\$ 2,663,969	\$ 1,535,112
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ (1,303,215)	\$ (1,242,753)	\$ (437,468)	\$ -
Transfers from other funds	-	-	220,000	-
Nonoperating grants received	-	-	-	111,160
Net cash provided by (used for) noncapital financing activities	\$ (1,303,215)	\$ (1,242,753)	\$ (217,468)	\$ 111,160
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	\$ (1,723,535)	\$ (5,154,548)	\$ (11,329,753)	\$ (1,316,332)
Capital grants and contributions received	-	1,369,314	5,899,494	1,211,808
Principal paid on debt	(195,720)	(565,000)	(805,000)	(195,384)
Insurance recoveries	14,114	5,872	656	12,892
Interest paid on debt	(137,894)	(706,945)	(599,904)	(43,696)
Proceeds from sales of capital assets	-	-	-	-
Net cash provided by (used for) capital and related financing activities	\$ (2,043,035)	\$ (5,051,307)	\$ (6,834,507)	\$ (330,712)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	\$ 154,800	\$ 200,551	\$ 222,103	\$ 45,098
Net cash provided by (used for) investing activities	\$ 154,800	\$ 200,551	\$ 222,103	\$ 45,098
Net increase (decrease) in cash and cash equivalents	\$ 4,467,561	\$ (1,421,892)	\$ (4,165,903)	\$ 1,360,658
Cash and investments - beginning - including restricted	19,601,359	34,414,830	24,739,782	6,352,931
Cash and investments - ending - including restricted	\$ 24,068,920	\$ 32,992,938	\$ 20,573,879	\$ 7,713,589
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 2,654,627	\$ 3,605,232	\$ 2,751,988	\$ (796,324)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation expense	1,879,667	1,548,270	787,406	2,434,575
Changes in assets and liabilities:				
Accounts receivable	1,751,428	(422,208)	(908,545)	(76,449)
Prepaid expenses	-	-	-	-
Inventories	(13,573)	(87,144)	2,481	-
Deferred outflows of resources - pension related items	(302,273)	(129,724)	(60,530)	(47,957)
Deferred outflows of resources - OPEB related items	(49,893)	(18,871)	(6,753)	(5,922)
Accounts payable and accrued expenses	1,198,357	40,071	27,173	(79,055)
Deposits	(98,762)	(5,109)	-	(20,120)
Unearned revenue	-	(161,219)	-	21,817
Compensated absences	168,534	49,434	16,548	16,985
Net pension liability	336,935	215,943	66,861	77,683
Net OPEB liability	161,171	26,220	(3,609)	8,734
Deferred inflows of resources - pension related items	(96,884)	(16,920)	(19,612)	(6,996)
Deferred inflows of resources - OPEB related items	69,677	27,642	10,561	8,141
Net cash provided by (used for) operating activities	\$ 7,659,011	\$ 4,671,617	\$ 2,663,969	\$ 1,535,112
Noncash investing, capital, and financing activities:				
Capital contributions	\$ (110,125)	\$ 2,011,471	\$ 845,883	\$ -

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds			Internal Service Funds
	Stormwater Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 1,745,210	\$ 3,578,583	\$ 77,234,276	\$ 8,227,886
Cash paid to suppliers	(238,375)	(2,761,200)	(43,648,061)	(2,737,155)
Cash paid to and for employees	(140,723)	(179,321)	(9,937,617)	(2,812,379)
Payments for interfund services used	(377,682)	(190,463)	(5,682,860)	(1,073,750)
Net cash provided by (used for) operating activities	\$ 988,430	\$ 447,599	\$ 17,965,738	\$ 1,604,602
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ -	\$ -	\$ (2,983,436)	\$ -
Transfers from other funds	-	-	220,000	324,147
Nonoperating grants received	-	15,004	126,164	-
Net cash provided by (used for) noncapital financing activities	\$ -	\$ 15,004	\$ (2,637,272)	\$ 324,147
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	\$ -	\$ -	\$ (19,524,168)	\$ (1,586,900)
Capital grants and contributions received	-	-	8,480,616	-
Principal paid on debt	(105,000)	-	(1,866,104)	(50,561)
Insurance recoveries	-	1,020	34,554	53,789
Interest paid on debt	(78,506)	-	(1,566,945)	(1,123)
Proceeds from sales of capital assets	-	-	-	79,808
Net cash provided by (used for) capital and related financing activities	\$ (183,506)	\$ 1,020	\$ (14,442,047)	\$ (1,504,987)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	\$ 9,140	\$ 12,759	\$ 644,451	\$ 25,606
Net cash provided by (used for) investing activities	\$ 9,140	\$ 12,759	\$ 644,451	\$ 25,606
Net increase (decrease) in cash and cash equivalents	\$ 814,064	\$ 476,382	\$ 1,530,870	\$ 449,368
Cash and investments - beginning - including restricted	2,070,124	1,749,029	88,928,055	3,787,741
Cash and investments - ending - including restricted	\$ 2,884,188	\$ 2,225,411	\$ 90,458,925	\$ 4,237,109
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 356,233	\$ 373,327	\$ 8,945,083	\$ 475,715
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation expense	705,120	8,861	7,363,899	1,058,136
Changes in assets and liabilities:				
Accounts receivable	(98,411)	3,565	249,380	321
Prepaid expenses	-	-	-	(50,044)
Inventories	-	-	(98,236)	-
Deferred outflows of resources - pension related items	(18,797)	(5,276)	(564,557)	(175,050)
Deferred outflows of resources - OPEB related items	996	(1,104)	(81,547)	(22,804)
Accounts payable and accrued expenses	26,263	48,363	1,261,172	(95,547)
Deposits	-	-	(123,991)	-
Unearned revenue	-	-	(139,402)	-
Compensated absences	(2,079)	1,362	250,784	48,761
Net pension liability	41,035	6,978	745,435	272,455
Net OPEB liability	(23,063)	10,932	180,385	87,096
Deferred inflows of resources - pension related items	917	(1,314)	(140,809)	(29,378)
Deferred inflows of resources - OPEB related items	216	1,905	118,142	34,941
Net cash provided by (used for) operating activities	\$ 988,430	\$ 447,599	\$ 17,965,738	\$ 1,604,602
Noncash investing, capital, and financing activities:				
Capital contributions	\$ -	\$ -	\$ 2,747,229	\$ -

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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*.

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. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided 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 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 are recorded a revenues and receivables when billed, net of allowances for the 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 fund. 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 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.

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 Projects 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 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’s 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 payment-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.

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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the 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 nonoperating revenues and expenses.

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government’s proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

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.”

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 at the commencement of the tax year for which they were assessed, July 1st. The real estate tax levy is divided into two billings: the first billing is due December 5 and the second billing is due June 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 \$565,681 in the general fund, \$14,303 in the fire rescue fund, \$26,772 in the electric fund, \$7,910 in the water fund, \$11,409 in the sewer fund, \$1,332 in the stormwater fund and \$1,141 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.

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.

Note 1–Summary of Significant Accounting Policies: (Continued)

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

Capital Assets: (Continued)

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.

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	5-40
Machinery, equipment and software	3-25
Infrastructure	10-50
Purchased Capacity	20-50

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.

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.

Note 1–Summary of Significant Accounting Policies: (Continued)

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

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.

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. The City’s policy was amended at the end of FY2020 to allow staff to increase the general fund unassigned fund balance at their discretion.

Note 1–Summary of Significant Accounting Policies: (Continued)

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

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, 2020 include \$8,714,601 in the general capital project fund, and \$1,879,749 in the NVTAs capital projects fund.

Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Deferred Outflows and Inflows of Resources

In addition to assets, the statements which present financial position report 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 report 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.

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.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

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.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 3–Deposits and 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:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>S&P Credit Rating</u>	<u>Weighted Average Maturity*</u>
LGIP	\$ 79,460,077	AAAm	0.10
SNAP	45,455,224	AAAm	0.15
VIP	53,939,813	AAAm/AA+f	0.57
Wells Fargo	546	N/A	N/A
Money Market	88,148	N/A	N/A
U.S. Treasury Securities	9,892,396	AA+	1.71
Federal Agency Bond and Notes	6,563,114	AA+	2.11
Corporate Notes	4,050,372	BBB to AA+	1.81
Commercial Paper	3,795,763	A-1, A-1+	0.35
Certificates of Deposit	13,353,772	AA-,A-1	0.70
Common Stocks	1,055,465	Various	N/A
Mutual Funds	11,171	Various	N/A
 Total investments	 \$ <u>217,665,861</u>		

*Average maturity in years

Concentration of Credit Risk:

The City and did not have any individual investments at June 30 that exceeded five percent of the total investment balance.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 (Continued)

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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Common stocks/equity securities:			
Communication Services	\$ 90,913	\$ -	\$ 90,913
Consumer Discretionary	98,763	-	98,763
Consumer Staples	48,717	-	48,717
Energy	23,382	-	23,382
Financials	162,548	-	162,548
Health Care	116,542	-	116,542
Industrials	46,594	-	46,594
Information Technology	209,348	-	209,348
Materials	67,845	-	67,845
Real Estate Investment Trusts	38,781	-	38,781
Other	152,032	-	152,032
Mutual funds	11,171	-	11,171
Commercial Paper	-	3,795,763	3,795,763
Debt securities:			
U.S. Treasury securities	9,892,396	-	9,892,396
Federal Agency Bonds and Notes	6,563,114	-	6,563,114
Corporate Notes	-	4,050,372	4,050,372
Total	<u>\$ 17,522,146</u>	<u>\$ 7,846,135</u>	<u>\$ 25,368,281</u>

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.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 (Continued)

Note 3—Deposits and Investments: (Continued)

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

	<u>Primary Government</u>	<u>MCPS</u>	<u>EDA</u>
Deposit and investments:			
Deposits	\$ 9,970,708	\$ 23,926,740	\$ 691,682
Deposits-MCPS activity funds	-	446,150	-
Investments	216,342,870	-	-
Investments held in trust	-	1,322,991	-
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 226,313,578</u>	<u>\$ 25,695,881</u>	<u>\$ 691,682</u>
Statement of Net Position:			
Cash and investments	\$ 181,227,942	\$ 23,926,740	\$ 691,682
Cash and investments - restricted	45,085,636	-	-
Fiduciary funds cash and investments	-	1,769,141	-
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 226,313,578</u>	<u>\$ 25,695,881</u>	<u>\$ 691,682</u>

Cash and Investments - Restricted:

Restricted cash and investments consist of unspent bond proceeds related to bond issuances and funds restricted for expenditures for cemetery maintenance, and tap fees restricted for capital purposes.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 (Continued)

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	\$ -	\$ 1,080,491
Title VI-B	-	763,669
Title I/IV	-	1,132,539
Northern Va. Special Education Regional Program	-	728,397
Other federal and state school funds	-	480,773
Local sales tax	1,652,197	-
Prince William County	174,852	-
Highway construction and transportation funds	542,938	-
Stormwater funds	96,074	-
Welfare grants	407,741	-
Communication tax	392,579	-
Airport grants	1,073,107	-
Other federal, state and local funds	183,448	-
	<u> </u>	<u> </u>
Total	<u>\$ 4,522,936</u>	<u>\$ 4,185,869</u>

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 (Continued)

Note 5–Interfund Receivables, Payables, and Transfers:

Interfund balances at June 30, consisted of the following:

Primary Government

Due to general fund from:
 Nonmajor governmental funds \$ 244,778

The balance above consists of interfund loans from the general fund to the social services fund, which are short term obligations at June 30, 2020.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 1,927,818	\$ 9,498,751
General Capital Projects fund	2,278,776	-
NVTA Capital Projects fund	840,000	-
Nonmajor governmental funds	7,504,787	613,341
Electric fund	-	1,303,215
Water fund	-	1,242,753
Sewer fund	220,000	437,468
Internal Service	324,147	-
	<u>\$ 13,095,528</u>	<u>\$ 13,095,528</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.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 6–Capital Assets:

Primary Government

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital asset, not being depreciated:				
Land and land rights	\$ 116,748,485	\$ 895,687	\$ (23,068)	\$ 117,621,104
Construction in progress	9,434,787	16,535,951	(10,639,432)	15,331,306
Total capital assets not being depreciated	<u>\$ 126,183,272</u>	<u>\$ 17,431,638</u>	<u>\$ (10,662,500)</u>	<u>\$ 132,952,410</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 40,722,789	\$ 1,030,809	\$ (518,491)	\$ 41,235,107
Machinery, equipment and software	27,864,868	2,445,664	(764,601)	29,545,931
Infrastructure	188,365,694	7,277,653	(676,729)	194,966,618
Total capital assets being depreciated	<u>\$ 256,953,351</u>	<u>\$ 10,754,126</u>	<u>\$ (1,959,821)</u>	<u>\$ 265,747,656</u>
Accumulated depreciation:				
Buildings and improvements	\$ (30,262,817)	\$ (1,219,763)	325,297	\$ (31,157,283)
Machinery, equipment and software	(15,708,832)	(1,868,847)	739,066	(16,838,613)
Infrastructure	(93,359,800)	(5,266,266)	672,270	(97,953,796)
Total accumulated depreciation	<u>\$ (139,331,449)</u>	<u>\$ (8,354,876)</u>	<u>\$ 1,736,633</u>	<u>\$ (145,949,692)</u>
Total capital assets being depreciated, net	<u>\$ 117,621,902</u>	<u>\$ 2,399,250</u>	<u>\$ (223,188)</u>	<u>\$ 119,797,964</u>
Governmental activities capital assets, net	<u>\$ 243,805,174</u>	<u>\$ 19,830,888</u>	<u>\$ (10,885,688)</u>	<u>\$ 252,750,374</u>

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

Governmental activities:	
General government	\$ 435,034
Public safety	818,912
Public works	5,420,258
Health and human services	1,692
Culture and recreation	620,844
Internal services funds amounts charged to functions based on usage	1,058,136
Total depreciation expense - governmental activities	<u>\$ 8,354,876</u>

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 6–Capital Assets: (Continued)

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type Activities</u>				
Capital asset, not being depreciated:				
Land and land rights	\$ 14,777,255	\$ 26,700	\$ -	\$ 14,803,955
Construction in progress	5,907,817	12,756,030	(3,644,509)	15,019,338
Total capital assets not being depreciated	<u>\$ 20,685,072</u>	<u>\$ 12,782,730</u>	<u>\$ (3,644,509)</u>	<u>\$ 29,823,293</u>
Capital assets, being depreciated:				
Investment in plant	\$ 241,065,848	\$ 6,978,303	\$ (3,017,350)	\$ 245,026,801
Infrastructure	28,492,677	-	-	28,492,677
Machinery and equipment	5,409,554	194,271	(25,775)	5,578,050
Purchased capacity	27,153,050	8,220,296	-	35,373,346
Total capital assets being depreciated	<u>\$ 302,121,129</u>	<u>\$ 15,392,870</u>	<u>\$ (3,043,125)</u>	<u>\$ 314,470,874</u>
Accumulated depreciation:				
Investment in plant	\$ (153,846,895)	\$ (5,978,089)	\$ 2,700,428	\$ (157,124,556)
Infrastructure	(10,790,993)	(703,785)	-	(11,494,778)
Machinery and equipment	(3,871,663)	(338,644)	25,775	(4,184,532)
Purchased capacity	<u>(20,351,986)</u>	<u>(343,381)</u>	<u>-</u>	<u>(20,695,367)</u>
Total accumulated depreciation	<u>\$ (188,861,537)</u>	<u>\$ (7,363,899)</u>	<u>\$ 2,726,203</u>	<u>\$ (193,499,233)</u>
Total capital assets being depreciated, net	<u>\$ 113,259,592</u>	<u>\$ 8,028,971</u>	<u>\$ (316,922)</u>	<u>\$ 120,971,641</u>
Business-type activities capital assets, net	<u>\$ 133,944,664</u>	<u>\$ 20,811,701</u>	<u>\$ (3,961,431)</u>	<u>\$ 150,794,934</u>

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 6–Capital Assets: (Continued)

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

Electric fund	\$	1,879,667
Water fund		1,548,270
Sewer fund		787,406
Airport fund		2,434,575
Stormwater fund		705,120
Nonmajor enterprise funds		8,861
Total	\$	<u><u>7,363,899</u></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. In 2020, the city purchased from Fairfax County an additional .5 million gallons per day (MGD) of UOSA sewer treatment capacity for \$8,220,207 plus the remaining debt associated with the UOSA existing bonds component. The purchased sewer treatment capacity is recognized as an asset and is amortized over 50 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 \$343,381.

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	\$	8,728,394
Streets capital projects		1,715,130
Stormwater management		9,293
Sewer capital projects		595,122
Water capital projects		962,405
Electric capital projects		33,561
Airport capital projects		2,259,391
MCPS capital projects		282,817
Total	\$	<u><u>14,586,113</u></u>

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 6–Capital Assets: (Continued)

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
MCPS				
Capital asset, not being depreciated:				
Land and land rights	\$ 2,336,649	\$ -	\$ -	\$ 2,336,649
Construction in progress	411,620	3,239,131	(1,807,869)	1,842,882
Total capital assets not being depreciated	<u>\$ 2,748,269</u>	<u>\$ 3,239,131</u>	<u>\$ (1,807,869)</u>	<u>\$ 4,179,531</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 187,680,371	\$ 1,807,869	\$ (354,826)	\$ 189,133,414
Machinery and equipment	10,171,668	966,774	(677,269)	10,461,173
Total capital assets being depreciated	<u>\$ 197,852,039</u>	<u>\$ 2,774,643</u>	<u>\$ (1,032,095)</u>	<u>\$ 199,594,587</u>
Accumulated depreciation:				
Buildings and improvements	\$ (114,302,471)	\$ (5,804,759)	\$ 99,874	\$ (120,007,356)
Machinery and equipment	(6,031,326)	(729,113)	677,269	(6,083,170)
Total accumulated depreciation	<u>\$ (120,333,797)</u>	<u>\$ (6,533,872)</u>	<u>\$ 777,143</u>	<u>\$ (126,090,526)</u>
Total capital assets being depreciated, net	<u>\$ 77,518,242</u>	<u>\$ (3,759,229)</u>	<u>\$ (254,952)</u>	<u>\$ 73,504,061</u>
MCPS capital assets, net	<u>\$ 80,266,511</u>	<u>\$ (520,098)</u>	<u>\$ (2,062,821)</u>	<u>\$ 77,683,592</u>

Depreciation expense of \$6,533,872 was charged to functions/programs of the respective Component Unit MCPS' governmental activities.

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:

	Governmental Funds
Deferred property tax revenue, representing uncollected tax billings (General Fund)	\$ 2,389,621
Deferred vehicle license taxes, meal taxes and other items (General Fund)	<u>991,860</u>
Total deferred inflows of resources for the general fund	\$ <u>3,381,481</u>
Unavailable revenues related to the Gateway, Project, see Note 23 (Capital Project Funds)	\$ 710,000
Deferred property tax revenue, representing uncollected tax billings (Special Revenue Funds)	<u>115,395</u>
Total deferred inflows of resources	\$ <u><u>4,206,876</u></u>

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

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

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

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>
<u>Governmental Activities</u>					
General obligation bonds	\$ 98,142,320	\$ -	\$ 5,189,280	\$ 92,953,040	\$ 6,602,840
Premium on bonds	10,303,013	-	780,283	9,522,730	780,283
Capital leases	50,561	-	50,561	-	-
Compensated absences	<u>2,968,001</u>	<u>3,263,918</u>	<u>2,791,114</u>	<u>3,440,805</u>	<u>516,121</u>
Governmental activities long-term liabilities	<u>\$ 111,463,895</u>	<u>\$ 3,263,918</u>	<u>\$ 8,811,238</u>	<u>\$ 105,916,575</u>	<u>\$ 7,899,244</u>
<u>Business-type Activities</u>					
General obligation bonds	\$ 47,060,037	\$ -	\$ 1,866,104	\$ 45,193,933	\$ 2,657,718
Premium on bonds	4,625,470	-	308,851	4,316,619	308,850
Compensated absences	<u>903,271</u>	<u>979,053</u>	<u>728,269</u>	<u>1,154,055</u>	<u>173,108</u>
Business-type activities long-term activities	<u>\$ 52,588,778</u>	<u>\$ 979,053</u>	<u>\$ 2,903,224</u>	<u>\$ 50,664,607</u>	<u>\$ 3,139,676</u>
Total Primary Government	<u>\$ 164,052,673</u>	<u>\$ 4,242,971</u>	<u>\$ 11,714,462</u>	<u>\$ 156,581,182</u>	<u>\$ 11,038,920</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, \$334,997 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 2020 legal debt limit is \$506,374,600. With general obligation debt applicable to the limit of \$138,146,973, the City has a legal debt margin of \$368,227,627.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 8—Long-Term Debt: (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One year
MCPS					
Capital leases	\$ 5,462,989	\$ -	\$ 336,517	\$ 5,126,472	\$ 363,859
Compensated absences	<u>2,254,073</u>	<u>1,369,061</u>	<u>986,147</u>	<u>2,636,987</u>	<u>395,548</u>
Governmental activities long-term liabilities	<u>\$ 7,717,062</u>	<u>\$ 1,369,061</u>	<u>\$ 1,322,664</u>	<u>\$ 7,763,459</u>	<u>\$ 759,407</u>

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

Series	Maturity Date	Interest Rates	Governmental Activities	Business-Type Activities
Series 2009 VRA Refunding	10/01/2021	4.13 - 5.13%	\$ -	\$ 405,000
Series 2010 ABC VML/VACo	02/15/2030	2.00 - 6.07%	1,340,000	1,775,000
Series 2010D	07/01/2024	2.00 - 5.00%	714,000	686,000
Series 2010 D Refunding	07/01/2024	2.00 - 5.00%	7,785,000	-
Series 2014A	05/01/2034	3.00 - 5.00%	7,472,240	3,007,760
Series 2014C Refunding	07/01/2030	2.00 - 5.00%	856,800	8,723,200
Series 2014C	07/01/2034	2.00 - 5.00%	27,855,000	-
Series 2014D Refunding	07/01/2025	0.50 - 3.00%	-	1,140,000
Series 2016 Airport Refunding	10/01/2031	1.5344%	-	386,973
Series 2016	07/01/2036	2.00 - 5.00%	13,360,000	5,420,000
Series 2016 Refunding	07/01/2025	2.00 - 5.00%	7,020,000	-
Series 2019	07/01/2039	3.00 - 5.00%	26,550,000	23,650,000
Total general obligation bonds			<u>\$ 92,953,040</u>	<u>\$ 45,193,933</u>
Total primary government			<u>\$ 92,953,040</u>	<u>\$ 45,193,933</u>

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

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		Business-Type Activities	
	General Obligation Bonds Principal	Interest	General Obligation Bonds Principal	Interest
2021	\$ 6,602,840	\$ 3,710,109	\$ 2,657,718	\$ 1,799,532
2022	6,718,850	3,418,411	2,762,179	1,682,547
2023	6,879,540	3,080,158	2,666,967	1,553,988
2024	7,058,795	2,733,534	2,793,197	1,424,735
2025	7,239,485	2,375,904	2,918,000	1,286,448
2026-2030	25,319,215	7,998,423	13,250,872	4,386,715
2031-2035	24,764,315	3,173,369	9,595,000	2,077,884
2036-2040	8,370,000	548,728	8,550,000	630,163
	<u>\$ 92,953,040</u>	<u>\$ 27,038,636</u>	<u>\$ 45,193,933</u>	<u>\$ 14,842,012</u>
Total	<u>\$ 92,953,040</u>	<u>\$ 27,038,636</u>	<u>\$ 45,193,933</u>	<u>\$ 14,842,012</u>

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, 2020, the following bonds are considered defeased:

	Beginning Balance	Increases	Decreases	Ending Balance
General obligation bonds Series 2010D	<u>\$ 1,680,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,680,000</u>

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 8—Long-Term Debt: (Continued)

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, 2020 was \$482,397 and \$399,588, respectively. The future minimum lease payment for these leases is as follows:

Fiscal Year Ending June 30	Primary Government	MCPS
2021	\$ 420,351	\$ 411,581
2022	424,588	423,927
2023	382,001	436,644
2024	384,435	-
2025	96,109	-
Total	<u>\$ 1,707,484</u>	<u>\$ 1,272,152</u>

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:

	Primary Government	MCPS
Assets:		
Two Street Sweepers	\$ 356,370	\$ -
Copiers	-	461,097
Energy Performance Assets	-	7,134,050
Less: Accumulated Depreciation	<u>(255,685)</u>	<u>(924,741)</u>
Total	<u>\$ 100,685</u>	<u>\$ 6,670,406</u>

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 8—Long-Term Debt: (Continued)

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, 2020:

	<u>MCPS</u>	
	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 363,859	\$ 169,457
2022	392,806	152,522
2023	308,818	138,122
2024	308,584	128,948
2025	331,508	119,150
2026-2030	1,968,795	423,150
2031-2033	1,452,102	94,129
Total	<u>\$ 5,126,472</u>	<u>\$ 1,225,478</u>

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.

Note 9–Contingent Liabilities and Commitments: (Continued)

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 2019 was paid to the City in April 2020. The fiscal year 2020 amount has not been finalized as of the date of this report; however, an estimate was accrued and \$46,367 is included in due to 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, 2020 amounted to \$500,000 and is currently included in due to other governments.

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, 2020 is 17.0%.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 (Continued)

Note 10–Joint Ventures: (Continued)

Upper Occoquan Sewage Authority (UOSA): (Continued)

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 eleven 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, two in 2016 and two in 2020. The sewer enterprise fund is funding 100 percent of the City’s share of the debt issues. As of June 30, 2020, the City’s committed share of UOSA’s remaining debt service (including interest) is as follows:

	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,407,782	\$ 1,928,012
2022	1,687,921	1,893,392
2023	1,694,499	1,850,407
2024	1,745,383	1,799,469
2025	1,801,847	1,744,593
2026-2030	10,855,357	7,466,732
2031-2035	11,279,636	5,262,092
2036-2040	12,977,328	3,104,129
2041-2045	6,211,290	1,034,287
2046-2050	2,849,843	365,818
Thereafter	<u>867,378</u>	<u>39,629</u>
Total	<u>\$ 53,378,264</u>	<u>\$ 26,488,560</u>

In addition to the debt service above the City is responsible for total debt service of \$5,560,593 through 2043 related to the 2020 purchase of additional capacity.

The sewer fund made scheduled payments in fiscal year 2020 for its share of UOSA’s operating costs and debt service costs of \$6,856,217 and \$3,333,754, 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 2020.

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.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

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. In FY2019, the grantor’s tax was removed from NVTA collections and is now being sent directly to the localities. 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 2020, the City received \$1,912,207 of these taxes, representing the 30% funds and \$384,882 representing the 70% funds.

Note 12—Defined Benefit Pension Plan:

Plan Description

All full-time, salaried permanent employees of the City and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 12–Defined Benefit Pension Plan: (Continued)***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee’s average final compensation multiplied by the employee’s total service credit. Under Plan 1, average final compensation is the average of the employee’s 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>	<u>Component Unit School Board (Nonprofessional)</u>
Inactive members or their beneficiaries currently receiving benefits	269	87
Inactive members:		
Vested inactive members	81	30
Non-vested inactive members	109	30
Long-term disability (LTD)	-	-
Inactive members active elsewhere in VRS	122	49
Total inactive members	<u>312</u>	<u>109</u>
Active members	<u>448</u>	<u>102</u>
Total covered employees	<u><u>1,029</u></u>	<u><u>298</u></u>

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 employer contribution rate for the year ended June 30, 2020 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.

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 \$3,496,335 and \$3,395,127 for the years ended June 30, 2020 and June 30, 2019, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2020 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 Component Unit School Board's nonprofessional employees were \$150,746 and \$151,985 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) 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. The City and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019.

Note 12–Defined Benefit Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the City’s and Component Unit School Board’s (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, 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 return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 12–Defined Benefit Pension Plan: (Continued)

Actuarial Assumptions - General Employees: (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City’s Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, 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 return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Note 12–Defined Benefit Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (Continued)

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 12—Pension Plans: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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; the City and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers and school divisions 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

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 146,233,624	\$ 123,603,199	\$ 22,630,425
Changes for the year:			
Service cost	\$ 3,348,683	\$ -	\$ 3,348,683
Interest	9,967,112	-	9,967,112
Differences between expected and actual experience	(1,188,795)	-	(1,188,795)
Assumption changes	4,715,768	-	4,715,768
Contributions - employer	-	3,397,643	(3,397,643)
Contributions - employee	-	1,541,055	(1,541,055)
Net investment income	-	8,153,026	(8,153,026)
Benefit payments, including refunds	(7,692,616)	(7,692,616)	-
Administrative expenses	-	(81,453)	81,453
Other changes	-	(5,149)	5,149
Net changes	\$ 9,150,152	\$ 5,312,506	\$ 3,837,646
Balances at June 30, 2019	\$ 155,383,776	\$ 128,915,705	\$ 26,468,071

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 12—Pension Plans: (Continued)

Changes in Net Pension Liability: (Continued)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 17,318,298	\$ 17,393,247	\$ (74,949)
Changes for the year:			
Service cost	\$ 300,745	\$ -	\$ 300,745
Interest	1,185,656	-	1,185,656
Differences between expected and actual experience	(316,678)	-	(316,678)
Assumption changes	530,099	-	530,099
Contributions - employer	-	151,855	(151,855)
Contributions - employee	-	166,518	(166,518)
Net investment income	-	1,148,942	(1,148,942)
Benefit payments, including refunds	(760,701)	(760,701)	-
Administrative expenses	-	(11,549)	11,549
Other changes	-	(722)	722
Net changes	\$ 939,121	\$ 694,343	\$ 244,778
Balances at June 30, 2019	\$ 18,257,419	\$ 18,087,590	\$ 169,829

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

The following presents the net pension liability of the City and Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the City's and Component Unit School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
	Primary Government		
Net Pension Liability (Asset)	\$ 48,046,567	\$ 26,468,071	\$ 9,360,900
Component Unit School Board (Nonprofessional)			
Net Pension Liability (Asset)	\$ 2,541,334	\$ 169,829	\$ (1,715,069)

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 12–Pension Plans: (Continued)

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

For the year ended June 30, 2020, the City and Component Unit School Board (nonprofessional) recognized pension expense of \$3,895,194 and (\$175,274), respectively. At June 30, 2020, the City and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,645,544	\$ 1,725,958	\$ -	\$ 266,487
Change in assumptions	3,524,917	244,773	316,349	-
Net difference between projected and actual earnings on pension plan investments	-	1,060,864	-	156,769
Employer contributions subsequent to the measurement date	3,496,335	-	150,746	-
Total	<u>\$ 8,666,796</u>	<u>\$ 3,031,595</u>	<u>\$ 467,095</u>	<u>\$ 423,256</u>

\$3,496,335 and \$150,746 reported as deferred outflows of resources related to pensions resulting from the City’s and Component Unit School Board’s (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (Nonprofessional)
2021	\$ 738,058	\$ 5,286
2022	483,629	(119,085)
2023	837,223	(3,642)
2024	79,956	10,534

Note 12—Pension Plans: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (Professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information related to the plan description is included in the first section of this note.

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 employer contribution rate for the year ended June 30, 2020 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 employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$8,730,860 and \$8,661,861 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the Manassas City Public Schools division reported a liability of \$89,016,768 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The Manassas City Public Schools proportion of the Net Pension Liability was based on the Manassas City Public School's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was .67639% as compared to .65963% at June 30, 2018.

For the year ended June 30, 2020, the Manassas City Public Schools recognized pension expense of \$8,859,064. 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.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 12–Pension Plans: (Continued)

Component Unit School Board (Professional): (Continued)

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

At June 30, 2020, the Manassas City Public Schools 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	\$ -	\$ 5,700,120
Change in assumptions	8,814,747	-
Net difference between projected and actual earnings on pension plan investments	-	1,954,597
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,875,275	4,932,008
Employer contributions subsequent to the measurement date	<u>8,730,860</u>	<u>-</u>
Total	<u>\$ 19,420,882</u>	<u>\$ 12,586,725</u>

\$8,730,860 reported as deferred outflows of resources related to pensions resulting from the Manassas City Public School’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ (1,136,789)
2022	(2,880,690)
2023	(105,064)
2024	1,341,294
2025	884,546

Note 12—Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, 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 return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

Note 12—Pension Plans: (Continued)**Component Unit School Board (Professional) (Continued)*****Actuarial Assumptions: (Continued)***

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	49,683,336
Plan Fiduciary Net Position		36,522,769
Employers' Net Pension Liability (Asset)	\$	<u>13,160,567</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		73.51%

Note 12—Pension Plans: (Continued)

Component Unit School Board (Professional) (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.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

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 using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>Rate</u>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 134,008,907	\$ 89,016,768	\$ 51,816,602

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12—Pension Plans: (Continued)**Primary Government and Component Unit School Board*****Aggregate Pension Information***

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
Primary Government	\$ 8,666,796	\$ 3,031,595	\$ 26,468,071	\$ 3,895,194
Totals	<u>\$ 8,666,796</u>	<u>\$ 3,031,595</u>	<u>\$ 26,468,071</u>	<u>\$ 3,895,194</u>
	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
School Board Nonprofessional	\$ 467,095	\$ 423,256	\$ 169,829	\$ (175,274)
School Board Professional	19,420,882	12,586,725	89,016,768	8,859,064
Totals	<u>\$ 19,887,977</u>	<u>\$ 13,009,981</u>	<u>\$ 89,186,597</u>	<u>\$ 8,683,790</u>

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan):***Plan Description***

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

Note 13–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% 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 payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the Primary Government were \$166,403 and \$160,658 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions to the School Professional Plan were \$300,792 and \$296,997 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions to the School Nonprofessional Plan were \$18,576 and \$18,253 for the years ended June 30, 2020 and June 30, 2019, respectively.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 13–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

At June 30, 2020, the Primary Government, School Board (Professional), and School Board (Nonprofessional) reported liabilities of \$2,564,734, \$4,741,203, and \$291,281 for their proportionate share of the Net GLI OPEB Liability, respectively. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Primary Government, School Board (Professional), and School Board (Nonprofessional)’s proportions were .15761%, .29136%, and .01790% respectively, as compared to .15954%, .28282%, and .01810% at June 30, 2018.

For the year ended June 30, 2020, the Primary Government, School Board (Professional), and School Board (Nonprofessional) recognized GLI OPEB expense of \$60,718, \$64,508, and (\$2,806), respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		School Professional		School Nonprofessional	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 170,570	\$ 33,266	\$ 315,318	\$ 61,497	\$ 19,372	\$ 3,779
Net difference between projected and actual earnings on GLI OPEB plan investments	-	52,682	-	97,388	-	5,983
Change in assumptions	161,922	77,338	299,332	142,968	18,390	8,783
Changes in proportion	22,833	25,749	113,933	279,357	-	35,618
Employer contributions subsequent to the measurement date	166,403	-	300,792	-	18,576	-
Total	\$ 521,728	\$ 189,035	\$ 1,029,375	\$ 581,210	\$ 56,338	\$ 54,163

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 13–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)

\$166,403, \$300,792, and \$18,576 reported as deferred outflows of resources related to the GLI OPEB resulting from the respective Primary Government, School Board (Professional), and School Board (Nonprofessional)'s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>School Professional</u>	<u>School Nonprofessional</u>
2021	\$ 10,524	\$ (28,282)	\$ (8,507)
2022	10,526	(28,278)	(8,506)
2023	32,839	12,969	(5,972)
2024	50,732	58,029	296
2025	48,576	98,730	4,788
Thereafter	13,093	34,205	1,500

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, 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 return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

Note 13–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 13–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees: (Continued)

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 13–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	<u>GLI OPEB Plan</u>
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	<u>1,762,972</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,627,266</u>
 Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	 52.00%

The total GLI OPEB 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 GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Note 13–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System’s 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 System’s 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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Note 13–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)***Discount Rate***

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Proportionate share of the GLI Plan Net OPEB Liability:			
Primary Government	\$ 3,369,350	\$ 2,564,734	\$ 1,912,212
School Professional	6,228,628	4,741,203	3,534,942
School Nonprofessional	382,662	291,281	217,173

Note 13–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14–Line of Duty Act (LODA) Program:

Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System). Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System’s actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers’ Retirement System (SPORS), or the Virginia Law Officers’ Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

Note 14—Line of Duty Act (LODA) Program: (Continued)

Benefit Amounts: (Continued)

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by LODA.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2020 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$111,512 and \$115,040 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the entity reported a liability of \$3,075,336 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2019 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2019, the entity's proportion was .85715% as compared to .85359% at June 30, 2018.

For the year ended June 30, 2020, the entity recognized LODA OPEB expense of \$239,296. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 (Continued)

Note 14—Line of Duty Act (LODA) Program: (Continued)

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

At June 30, 2020, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 446,997	\$ 1
Net difference between projected and actual earnings on LODA OPEB program investments	-	6,088
Change in assumptions	144,298	266,596
Change in proportion	16,537	107,356
Employer contributions subsequent to the measurement date	<u>111,512</u>	<u>-</u>
Total	<u>\$ 719,344</u>	<u>\$ 380,041</u>

\$111,512 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ 24,534
2022	24,546
2023	25,487
2024	26,490
2025	26,786
Thereafter	99,948

Note 14—Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.25%-4.75%
Ages 65 and older	5.50%-4.75%
Year of ultimate trend rate:	
Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028
Investment rate of return	3.5% 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 return rate for GASB purposes of slightly more than the assumed 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 14—Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

The actuarial assumptions used in the June 30, 2018 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 361,626
Plan Fiduciary Net Position	2,839
LODA Net OPEB Liability (Asset)	<u>\$ 358,787</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.79%

The total LODA OPEB 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 OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2019.

Note 14—Line of Duty Act (LODA) Program: (Continued)***Discount Rate***

The discount rate used to measure the total LODA OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.50%, as well as what the covered employer's proportionate share of the net LODA 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 rate:

	Discount Rate		
	1% Decrease (2.50%)	Current (3.50%)	1% Increase (4.50%)
Primary Government's proportionate share of the LODA Net OPEB Liability	\$ 3,567,609	\$ 3,075,336	\$ 2,685,979

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 3.75%)	Current (7.75% decreasing to 4.75%)	1% Increase (8.75% decreasing to 5.75%)
Primary Government's proportionate share of the LODA Net OPEB Liability	2,600,166	3,075,336	3,674,574

Note 14–Line of Duty Act (LODA) Program: (Continued)

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15–Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. 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 HIC 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.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 15–Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Primary Government Number</u>	<u>School Nonprofessional Number</u>
Inactive members or their beneficiaries currently receiving benefits	137	36
Inactive members:		
Vested inactive members	-	-
Non-vested inactive members	-	-
Inactive members active elsewhere in VRS	-	-
Total inactive members	-	-
Active members	428	102
Total covered employees	<u>565</u>	<u>138</u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The Primary Government and School Board (Nonprofessional) contractually required employer contribution rates for the year ended June 30, 2020 were .19% and .22% of covered employee compensation, respectively. This rate was based on an actuarially determined rate from an actuarial valuation

Note 15–Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Contributions: (Continued)

as of June 30, 2017. The actuarially determined rate 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 from the Primary Government to the HIC Plan were \$57,329 and \$55,729 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions from the School Board (Nonprofessional) to the HIC Plan were \$7,859 and \$7,722 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net HIC OPEB Liability

The net HIC OPEB liability was measured as of June 30, 2019. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, 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 return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

Note 15–Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Note 15–Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Note 15–Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)***Long-Term Expected Rate of Return***

The long-term expected rate of return on the System’s 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 System’s 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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.63%</u>

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 ended June 30, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 (Continued)

Note 15–Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate: (Continued)

From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Primary Government		
	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 999,648	\$ 556,513	\$ 443,135
Changes for the year:			
Service cost	\$ 20,493	\$ -	\$ 20,493
Interest	67,420	-	67,420
Differences between expected and actual experience	2,062	-	2,062
Assumption changes	25,958	-	25,958
Contributions - employer	-	55,729	(55,729)
Net investment income	-	35,076	(35,076)
Benefit payments	(73,009)	(73,009)	-
Administrative expenses	-	(756)	756
Other changes	-	(41)	41
Net changes	\$ 42,924	\$ 16,999	\$ 25,925
Balances at June 30, 2019	\$ 1,042,572	\$ 573,512	\$ 469,060

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 15–Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Changes in Net HIC OPEB Liability: (Continued)

	School Nonprofessional		
	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 241,926	\$ 190,973	\$ 50,953
Changes for the year:			
Service cost	\$ 3,914	\$ -	\$ 3,914
Interest	16,419	-	16,419
Benefit changes	-	-	-
Differences between expected and actual experience	(3,647)	-	(3,647)
Assumption changes	6,062	-	6,062
Contributions - employer	-	7,721	(7,721)
Net investment income	-	12,003	(12,003)
Benefit payments	(14,734)	(14,734)	-
Administrative expenses	-	(259)	259
Other changes	-	(14)	14
Net changes	\$ 8,014	\$ 4,717	\$ 3,297
Balances at June 30, 2019	\$ 249,940	\$ 195,690	\$ 54,250

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

The following presents the Primary Government and School Board (Nonprofessional)'s HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the Primary Government and School Board (Nonprofessional)'s net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Net HIC OPEB Liability:			
Primary Government	\$ 584,451	\$ 469,060	\$ 371,275
School Nonprofessional	81,087	54,250	31,355

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 15–Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2020, the Primary Government and School Board (Nonprofessional) recognized HIC Plan OPEB expense of \$46,544 and \$5,664, respectively. At June 30, 2020, the Primary Government and School Board (Nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the Primary Government and School Board (Nonprofessional)’s HIC Plan from the following sources:

	Primary Government		School Nonprofessional	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,765	\$ 389	\$ -	\$ 4,295
Net difference between projected and actual earnings on HIC OPEB plan investments	-	6,846	-	2,363
Change in assumptions	22,218	15,644	4,935	1,685
Employer contributions subsequent to the measurement date	57,329	-	7,859	
Total	\$ 81,312	\$ 22,879	\$ 12,794	\$ 8,343

\$57,329 and \$7,859 reported as deferred outflows of resources related to the HIC OPEB resulting from the Primary Government and School Board (Nonprofessional)’s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	School Nonprofessional
2021	\$ (3,843)	\$ (1,829)
2022	(3,844)	(1,827)
2023	619	(300)
2024	794	378
2025	3,580	170
Thereafter	3,798	-

Note 15–Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 16–Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. 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 HIC 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.

The specific information for the Teacher HIC OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Note 16–Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) 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. Each school division’s contractually required employer contribution rate for the year ended June 30, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 from the school division to the VRS Teacher Employee HIC Plan were \$693,945 and \$684,189 for the years ended June 30, 2020 and June 30, 2019, respectively.

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB

At June 30, 2020, the Manassas City Public Schools reported a liability of \$8,898,720 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The school division’s proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the Manassas City Public School’s actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Manassas City Public School’s proportion of the VRS Teacher Employee HIC was .67976% as compared to .66324% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC OPEB expense of \$665,249. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 (Continued)

Note 16–Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB: (Continued)

At June 30, 2020, the Manassas City Public Schools reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 50,403
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	562	-
Change in assumptions	207,114	61,834
Change in proportion	184,443	505,712
Employer contributions subsequent to the measurement date	<u>693,945</u>	<u>-</u>
Total	<u>\$ 1,086,064</u>	<u>\$ 617,949</u>

\$693,945 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ (58,695)
2022	(58,704)
2023	(54,804)
2024	(56,110)
2025	(42,397)
Thereafter	44,880

Note 16–Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, 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 return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

Note 16–Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,438,114
Plan Fiduciary Net Position		129,016
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u>1,309,098</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		8.97%

The total Teacher Employee HIC OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Note 16–Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)***Long-Term Expected Rate of Return***

The long-term expected rate of return on the VRS 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 VRS 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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.63%</u>

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution

Note 16–Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate: (Continued)

rate. From July 1, 2019 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

Sensitivity of the Manassas City Public School’s Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Manassas City Public School’s proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the Manassas City Public School’s proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 9,959,180	\$ 8,898,720	\$ 7,997,860

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 17–Other-Post-Employee Benefits Liability - City Local Plan (OPEB Plan):

Plan Description and Benefits Provided

In addition to the pension benefits described in Note 12, the City administers a single-employer defined benefit healthcare plan, The City of Manassas Retiree Health Insurance Plan. The plan does not issue a publicly available financial report.

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.

Note 17—Other-Post-Employee Benefits Liability - City Local Plan (OPEB Plan): (Continued)***Plan Description and Benefits Provided: (Continued)***

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.

Plan Membership

At July 1, 2019 (valuation date), the following employees were covered by the benefit terms:

Total active employees	\$	450
Total retirees		26
Total spouses of retirees		<u>10</u>
Total	\$	<u><u>486</u></u>

Contributions

The City does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the City. The amount paid by the City for OPEB as the benefits came due during the year ended June 30, 2020 was \$364,744.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed July 1, 2019.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 17-Other-Post-Employee Benefits Liability - City Local Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Varies based on years of service
Discount Rate	2.21%

Mortality rates were based on the RP-2014 employee rates.

The most recent actuarial experience study for which significant assumptions were based was conducted for the four-year period ending June 30, 2016.

Discount Rate

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

Changes in Total OPEB Liability

<u>Changes in Net OPEB Liability - Primary Government</u>		<u>Total OPEB Liability</u>
Balances at June 30, 2019	\$	9,832,614
Changes for the year:		
Service cost		383,403
Interest		351,232
Economic/demographic gains or losses		(774,515)
Changes in assumptions		214,552
Benefit payments		(364,744)
Net changes		<u>(190,072)</u>
Balances at June 30, 2020	\$	<u><u>9,642,542</u></u>

Note 17—Other-Post-Employee Benefits Liability - City Local Plan (OPEB Plan): (Continued)***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following amounts present the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	Rate		
	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 10,518,517	\$ 9,642,542	\$ 8,834,640

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 total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.80% decreasing to an ultimate rate of 3.00%) or one percentage point higher (5.80% decreasing to an ultimate rate of 5.00%) than the current healthcare cost trend rates:

	Rates		
	1% Decrease (3.80% decreasing to 3.00%)	Healthcare Cost Trend (4.80% decreasing to 4.00%)	1% Increase (5.80% decreasing to 5.00%)
Total OPEB liability	\$ 8,473,422	\$ 9,642,542	\$ 11,041,800

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

For the year ended June 30, 2020, the City recognized OPEB expense in the amount of \$673,214. At June 30, 2020, the City 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	\$ -	\$ 673,929
Changes in assumptions	405,064	176,515
Total	<u>\$ 405,064</u>	<u>\$ 850,444</u>

Note 17–Other-Post-Employee Benefits Liability - City Local Plan (OPEB Plan): (Continued)***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: (Continued)***

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

<u>Year Ended June 30</u>	
2021	\$ (61,421)
2022	(61,421)
2023	(61,421)
2024	(64,764)
2025	(72,722)
Thereafter	(123,631)

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Note 18–Other-Post-Employee Benefits Liability - MCPS Local Plan (OPEB Plan):***Plan Description and Benefits Provided***

In addition to the pension benefits described in Note 12, MCPS administers a single-employer defined benefit healthcare plan, The MCPS Retiree Health Insurance Plan. The plan does not issue a publicly available financial report.

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.

Note 18—Other-Post-Employee Benefits Liability - MCPS Local Plan (OPEB Plan): (Continued)

Plan Membership

At June 30, 2018 (valuation date), the following employees were covered by the benefit terms:

Total active employees	\$	769
Total retirees		<u>28</u>
Total	\$	<u><u>797</u></u>

Contributions

MCPS does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by MCPS. The amount paid by MCPS for OPEB as the benefits came due during the year ended June 30, 2020 was \$223,520.

Total OPEB Liability

MCPS’s total OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation Performed July 1, 2020.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Varies based on years of service
Discount Rate	3.13%

Mortality rates were based on the Pri-2012 total dataset employee amount-weighted mortality with MP-2019.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate was based on the index rate for 20-year tax exempt general obligation municipal bonds with average rating of AA/Aa or higher using the Bond Buyer GO 20-year Bond Municipal Bond Index.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 18—Other-Post-Employee Benefits Liability - MCPS Local Plan (OPEB Plan): (Continued)

Changes in Total OPEB Liability

Changes in Net OPEB Liability - MCPS		Total OPEB Liability
Balances at June 30, 2019	\$	2,048,455
Changes for the year:		
Service cost		85,738
Interest		70,559
Differences between expected and actual experience		213,263
Changes in assumptions		(97,977)
Benefit payments		(223,520)
Net changes		48,063
Balances at June 30, 2020	\$	2,096,518

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

The following amounts present the total OPEB liability of MCPS, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

	Rate		
	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB liability	\$ 2,274,053	\$ 2,096,518	\$ 1,931,781

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 the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower 3.70% decreasing to an ultimate rate of 3.00% or one percentage point higher (5.70% decreasing to an ultimate rate of 5.00%) than the current healthcare cost trend rates:

	Rates		
	1% Decrease (3.70% decreasing to 3.00%)	Healthcare Cost Trend (4.70% decreasing to 4.00%)	1% Increase (5.70% decreasing to 5.00%)
Total OPEB liability	\$ 1,878,486	\$ 2,096,518	\$ 2,357,827

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 (Continued)

Note 18—Other-Post-Employee Benefits Liability - MCPS Local Plan (OPEB Plan): (Continued)

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

For the year ended June 30, 2020, MCPS recognized OPEB expense in the amount of \$160.891. At June 30, 2020, MCPS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 213,569	\$ -
Changes in assumptions	-	153,561
Employer contributions subsequent to the measurement date	42,340	-
Total	<u>\$ 255,909</u>	<u>\$ 153,561</u>

\$42,340 reported as deferred outflows of resources related to OPEB resulting from MCPS's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ 4,594
2022	4,594
2023	4,597
2024	27,007
2025	19,216

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 (Continued)

Note 19—Summary of Net OPEB Liability, Deferred Inflows and Deferred Outflows - OPEB Plans:

	OPEB Plans:			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
Primary Government				
GLI Plan (Note 13)	\$ 521,728	\$ 189,035	\$ 2,564,734	\$ 60,718
LODA Plan (Note 14)	719,344	380,041	3,075,336	239,296
HIC Plan (Note 15)	81,312	22,879	469,060	46,544
City Local Plan (Note 17)	405,064	850,444	9,642,542	673,214
Totals	<u>\$ 1,727,448</u>	<u>\$ 1,442,399</u>	<u>\$ 15,751,672</u>	<u>\$ 1,019,772</u>
Component Unit School Board				
VRS Pension Plans:				
GLI Plan - Professional (Note 13)	\$ 1,029,375	\$ 581,210	\$ 4,741,203	\$ 64,508
GLI Plan - Nonprofessional (Note 13)	56,338	54,163	291,281	(2,806)
HIC Plan - Nonprofessional (Note 15)	12,794	8,343	54,250	5,664
Teacher HIC Plan (Note 16)	1,086,064	617,949	8,898,720	665,249
MCPS Local Plan (Note 18)	255,909	153,561	2,096,518	160,891
Totals	<u>\$ 2,440,480</u>	<u>\$ 1,415,226</u>	<u>\$ 16,081,972</u>	<u>\$ 893,506</u>

Note 20—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.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 21–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:

	General Fund	General Capital Projects	NVTA Capital Projects	Other Governmental Funds
Nonspendable:				
Cemetery fund principal	\$ -	\$ -	\$ -	\$ 100,000
Prepays	4,637	-	-	-
Long-term advances due from other funds	244,778	-	-	-
Total nonspendable	<u>\$ 249,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>
Restricted for:				
Police E-Summons program	\$ 232,147	\$ -	\$ -	\$ -
Proffers for development	544,060	-	-	-
Bond proceeds and escrows not yet spent	-	27,056,236	3,500,820	-
Communication systems	-	-	-	903,796
Fire and rescue system	-	-	-	1,985,360
Road maintenance	-	-	-	342,363
Museum system	-	-	-	1,445,969
Cemetery maintenance	-	-	-	213,230
Total restricted	<u>\$ 776,207</u>	<u>\$ 27,056,236</u>	<u>\$ 3,500,820</u>	<u>\$ 4,890,718</u>
Committed to:				
Capital reserve	\$ 14,537,715	\$ -	\$ -	\$ -
Economic development	438,723	-	-	-
Employee benefits	2,501,000	-	-	-
Museum system	8,926	-	-	-
Debt service	-	-	-	8,171,140
Capital projects	-	3,392,277	11,277,782	11,285,531
Total committed	<u>\$ 17,486,364</u>	<u>\$ 3,392,277</u>	<u>\$ 11,277,782</u>	<u>\$ 19,456,671</u>
Assigned to:				
Transportation	\$ 1,136,227	\$ -	\$ -	\$ -
Subsequent year appropriation	8,150,551	-	-	-
Capital projects	-	1,316,420	1,663,355	97,196
Fire and rescue system	-	-	-	129,557
Total assigned	<u>\$ 9,286,778</u>	<u>\$ 1,316,420</u>	<u>\$ 1,663,355</u>	<u>\$ 226,753</u>
Unassigned	<u>\$ 26,370,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total fund balance	<u>\$ 54,169,512</u>	<u>\$ 31,764,933</u>	<u>\$ 16,441,957</u>	<u>\$ 24,674,142</u>

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 22–Major Customer:

The City has one major sewer and water customer. This customer accounted for approximately 17% of total sewer fund revenues and approximately 22% of total water fund revenues.

Note 23–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, 2020, 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, 2020, 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, 2020, the balance of the note recorded with the EDA is \$710,000. The EDA has also recorded a corresponding payable to the City.

In 2020, the City recorded four payments on the note receivable in the Gateway Capital Projects Fund in the amount of \$1,420,000 for principal and \$64,965 for interest.

In October 2019, 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 October 2019, the City conveyed land to the EDA and subsequently the EDA sold this land to The Landing Office LLC for \$602,500. The EDA received \$395,548, net of expenses and development fee from the sale. These funds were remitted to the City as part of the agreement and were recorded in the Gateway Capital Projects Fund.

The City's total receivable from the EDA for the note and EDIG is \$1,060,000 as of June 30, 2020.

Note 24–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, 2019.

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 June 15, 2021.

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.

The requirements of this Statement are effective for periods beginning after December 15, 2019. 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.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (Continued)

Note 24–New Accounting Standards: (Continued)

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, 2021.

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

Note 25–Restatement of Net Position:

Net Position at the beginning of the year was restated as follows:

	Electric	Water	Sewer	Airport	Stormwater	Other Nonmajor Enterprise	Business Activities
Balance as previously reported	\$ 41,280,947	\$ 42,839,162	\$ 25,958,358	\$ 40,865,139	\$ 20,176,568	\$ 1,728,127	\$ 172,848,301
Restatement for reallocation of GASB 68 items	(92,939)	617,814	(37,514)	69,213	(11,403)	54,241	599,412
Balance as restated, July 1, 2019	<u>\$ 41,188,008</u>	<u>\$ 43,456,976</u>	<u>\$ 25,920,844</u>	<u>\$ 40,934,352</u>	<u>\$ 20,165,165</u>	<u>\$ 1,782,368</u>	<u>\$ 173,447,713</u>

	Building Maint	Vehicle Maint	Info Tech	Internal Service	Governmental Activities
Balance as previously reported	\$ 635,609	\$ 3,715,206	\$ 2,995,289	\$ 7,346,104	\$ 228,871,771
Restatement for reallocation of GASB 68 items	179,743	(2,497)	(69,799)	107,447	(599,412)
Balance as restated, July 1, 2019	<u>\$ 815,352</u>	<u>\$ 3,712,709</u>	<u>\$ 2,925,490</u>	<u>\$ 7,453,551</u>	<u>\$ 228,272,359</u>

Note 26–COVID-19:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. City of Manassas, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

Note 26–COVID-19: (Continued)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds at June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. City of Manassas, Virginia, received the second round of CRF funds in the amount of \$3,584,508 on August 1, 2020.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2020 will be returned to the federal government.

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

CITY OF MANASSAS, VIRGINIA

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Primary Government

Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2019

	<u>2019</u>	<u>2018</u>
Total pension liability		
Service cost	\$ 3,348,683	\$ 3,281,414
Interest	9,967,112	9,355,438
Changes in benefit terms	-	-
Differences between expected and actual experience	(1,188,795)	3,307,708
Changes of assumptions	4,715,768	-
Benefit payments	(7,692,616)	(6,720,110)
Net change in total pension liability	<u>\$ 9,150,152</u>	<u>\$ 9,224,450</u>
Total pension liability - beginning	146,233,624	137,009,174
Total pension liability - ending (a)	<u><u>\$ 155,383,776</u></u>	<u><u>\$ 146,233,624</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 3,397,643	\$ 3,374,925
Contributions - employee	1,541,055	1,476,196
Net investment income	8,153,026	8,606,814
Benefit payments	(7,692,616)	(6,720,110)
Administrator charges	(81,453)	(74,302)
Other	(5,149)	(7,672)
Net change in plan fiduciary net position	<u>\$ 5,312,506</u>	<u>\$ 6,655,851</u>
Plan fiduciary net position - beginning	123,603,199	116,947,348
Plan fiduciary net position - ending (b)	<u><u>\$ 128,915,705</u></u>	<u><u>\$ 123,603,199</u></u>
City of Manassas's net pension liability (asset) - ending (a) - (b)	\$ 26,468,071	\$ 22,630,425
Plan fiduciary net position as a percentage of the total pension liability	82.97%	84.52%
Covered payroll	\$ 30,792,053	\$ 30,139,672
City of Manassas's net pension liability (asset) as a percentage of covered payroll	85.96%	75.09%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

2017		2016		2015		2014	
\$	3,282,771	\$	3,290,768	\$	3,146,516	\$	3,172,984
	9,240,455		8,867,229		8,777,037		8,352,384
	-		-		-		-
	(3,055,659)		(84,432)		(4,724,636)		-
	(906,327)		-		-		-
	(7,117,141)		(6,366,376)		(5,454,561)		(5,463,217)
\$	1,444,099	\$	5,707,189	\$	1,744,356	\$	6,062,151
	135,565,075		129,857,886		128,113,530		122,051,379
\$	137,009,174	\$	135,565,075	\$	129,857,886	\$	128,113,530
\$	3,290,895	\$	3,842,806	\$	3,837,337	\$	3,549,681
	1,488,053		1,436,792		1,424,567		1,357,566
	12,859,256		1,828,870		4,649,051		13,881,967
	(7,117,141)		(6,366,376)		(5,454,561)		(5,463,217)
	(74,990)		(65,416)		(62,878)		(74,624)
	(11,350)		(858)		(1,239)		985
\$	10,434,723	\$	675,818	\$	4,392,277	\$	13,252,358
	106,512,625		105,836,807		101,444,530		88,192,172
\$	116,947,348	\$	106,512,625	\$	105,836,807	\$	101,444,530
\$	20,061,826	\$	29,052,450	\$	24,021,079	\$	26,669,000
	85.36%		78.57%		81.50%		79.18%
\$	29,415,449	\$	28,400,292	\$	27,994,452	\$	28,181,695
	68.20%		102.30%		85.81%		94.63%

CITY OF MANASSAS, VIRGINIA

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)

Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2019

	<u>2019</u>	<u>2018</u>
Total pension liability		
Service cost	\$ 300,745	\$ 322,077
Interest	1,185,656	1,155,111
Changes in benefit terms	-	-
Differences between expected and actual experience	(316,678)	(266,528)
Changes of assumptions	530,099	-
Benefit payments	(760,701)	(787,909)
Net change in total pension liability	<u>\$ 939,121</u>	<u>\$ 422,751</u>
Total pension liability - beginning	<u>17,318,298</u>	<u>16,895,547</u>
Total pension liability - ending (a)	<u><u>\$ 18,257,419</u></u>	<u><u>\$ 17,318,298</u></u>
 Plan fiduciary net position		
Contributions - employer	\$ 151,855	\$ 222,228
Contributions - employee	166,518	161,710
Net investment income	1,148,942	1,217,722
Benefit payments	(760,701)	(787,909)
Administrator charges	(11,549)	(10,647)
Other	(722)	(1,080)
Net change in plan fiduciary net position	<u>\$ 694,343</u>	<u>\$ 802,024</u>
Plan fiduciary net position - beginning	<u>17,393,247</u>	<u>16,591,223</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 18,087,590</u></u>	<u><u>\$ 17,393,247</u></u>
 School Division's net pension liability (asset) - ending (a) - (b)	 \$ 169,829	 \$ (74,949)
 Plan fiduciary net position as a percentage of the total pension liability	 99.07%	 100.43%
 Covered payroll	 \$ 3,509,934	 \$ 3,413,924
 School Division's net pension liability (asset) as a percentage of covered payroll	 4.84%	 -2.20%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Exhibit 12

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	348,188	\$ 433,172	\$ 444,147	\$ 448,462
	1,169,530	1,130,232	1,046,485	986,400
	-	-	-	-
	(915,888)	(288,681)	348,312	-
	(29,443)	-	-	-
	(768,817)	(657,835)	(627,286)	(525,710)
\$	<u>(196,430)</u>	<u>616,888</u>	<u>1,211,658</u>	<u>909,152</u>
	17,091,977	16,475,089	15,263,431	14,354,279
\$	<u><u>16,895,547</u></u>	<u><u>17,091,977</u></u>	<u><u>16,475,089</u></u>	<u><u>15,263,431</u></u>
\$	234,665	\$ 293,302	\$ 327,770	\$ 371,110
	182,986	187,296	210,271	213,775
	1,829,777	261,358	662,902	1,971,754
	(768,817)	(657,835)	(627,286)	(525,710)
	(10,701)	(9,371)	(9,037)	(10,484)
	(1,621)	(111)	244	(280)
\$	<u>1,466,289</u>	<u>74,639</u>	<u>564,864</u>	<u>2,020,165</u>
	15,124,934	15,050,295	14,485,431	12,465,266
\$	<u><u>16,591,223</u></u>	<u><u>15,124,934</u></u>	<u><u>15,050,295</u></u>	<u><u>14,485,431</u></u>
\$	304,324	\$ 1,967,043	\$ 1,424,794	\$ 778,000
	98.20%	88.49%	91.35%	94.90%
\$	3,453,646	\$ 3,782,730	\$ 4,211,076	\$ 4,279,686
	8.81%	52.00%	33.83%	18.18%

Schedule of Employer's Share of Net Pension Liability (Asset) VRS Teacher Retirement Plan
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2019

<u>Measurement Date</u>	<u>Employer's Proportionate of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2019	0.66%	89,016,768	57,015,810	156.13%	73.51%
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. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Pension Plans

For the Years Ended June 30, 2015 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2020	\$ 3,496,335	\$ 3,496,335	\$ -	\$ 31,886,653	10.96%
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%
Component Unit School Board (Nonprofessional)					
2020	\$ 150,746	\$ 150,746	\$ -	\$ 3,572,271	4.22%
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%
Component Unit School Board (Professional)					
2020	\$ 8,730,860	\$ 8,730,860	\$ -	\$ 57,828,741	15.10%
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%

Notes to Required Supplementary Information
Pension Plans
For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Component Unit School Board - Professional Employees:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of City of Manassas, Virginia's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2019	0.1576%	\$ 2,564,734	\$ 30,792,053	8.33%	52.00%
2018	0.1600%	2,423,000	30,335,422	7.99%	51.22%
2017	0.1600%	2,391,000	29,308,367	8.16%	48.86%
Component Unit School Board (nonprofessional)					
2019	0.1790%	\$ 291,281	\$ 3,509,934	8.30%	52.00%
2018	0.0200%	275,000	3,442,556	7.99%	51.22%
2017	0.0200%	283,000	3,471,158	8.15%	48.86%
Component Unit School Board (professional)					
2019	0.2914%	\$ 4,741,203	\$ 57,115,351	8.30%	52.00%
2018	0.2300%	4,296,000	53,777,496	7.99%	51.22%
2017	0.3000%	4,562,000	55,909,265	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2018 through June 30, 2020

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
Primary Government					
2020	\$ 166,403	\$ 166,403	\$ -	\$ 32,001,776	0.52%
2019	160,658	160,658	-	30,792,053	0.52%
2018	157,744	157,744	-	30,335,422	0.52%
Component Unit School Board (nonprofessional)					
2020	\$ 18,576	\$ 18,576	\$ -	\$ 3,572,271	0.52%
2019	18,253	18,253	-	3,509,934	0.52%
2018	17,901	17,901	-	3,442,556	0.52%
Component Unit School Board (professional)					
2020	\$ 300,792	\$ 300,792	\$ -	\$ 57,844,644	0.52%
2019	296,997	296,997	-	57,115,351	0.52%
2018	279,643	279,643	-	53,777,496	0.52%

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.

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Employer's Share of Net LODA OPEB Liability
 Line of Duty Act (LODA) Program
 For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2019	0.8571% \$	3,075,336 \$	Not Applicable	Not Applicable	0.79%
2018	0.8536%	2,676,000	Not Applicable	Not Applicable	0.60%
2017	0.9000%	2,371,000	Not Applicable	Not Applicable	1.30%

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Line of Duty Act (LODA) Program

For the Years Ended June 30, 2018 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered- Employee Payroll (5)
2020	\$ 111,512	\$ 111,512	\$ -	\$ Not Applicable	Not Applicable
2019	115,040	115,040	-	Not Applicable	Not Applicable
2018	90,921	90,921	-	Not Applicable	Not Applicable

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
 Line of Duty Act (LODA) Program
 For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on 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:

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%

Schedule of Changes in the City of Manassas, Virginia's Net OPEB Liability and Related Ratios
 Health Insurance Credit (HIC) - Primary Government
 For the Measurement Dates of June 30, 2017 through June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total HIC OPEB Liability			
Service cost	\$ 20,493	\$ 21,187	\$ 21,716
Interest	67,420	66,503	66,592
Changes in benefit terms	-	-	-
Differences between expected and actual experience	2,062	(545)	-
Changes of assumptions	25,958	-	(27,092)
Benefit payments	(73,009)	(75,077)	(49,915)
Net change in total HIC OPEB liability	<u>\$ 42,924</u>	<u>\$ 12,068</u>	<u>\$ 11,301</u>
Total HIC OPEB Liability - beginning	999,648	987,580	976,279
Total HIC OPEB Liability - ending (a)	<u><u>\$ 1,042,572</u></u>	<u><u>\$ 999,648</u></u>	<u><u>\$ 987,580</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 55,729	\$ 49,319	\$ 47,773
Net investment income	35,076	38,174	56,707
Benefit payments	(73,009)	(75,077)	(49,915)
Administrator charges	(756)	(873)	(915)
Other	(41)	(2,882)	2,882
Net change in plan fiduciary net position	<u>\$ 16,999</u>	<u>\$ 8,661</u>	<u>\$ 56,532</u>
Plan fiduciary net position - beginning	556,513	547,852	491,320
Plan fiduciary net position - ending (b)	<u><u>\$ 573,512</u></u>	<u><u>\$ 556,513</u></u>	<u><u>\$ 547,852</u></u>
City of Manassas's net HIC OPEB liability - ending (a) - (b)	\$ 469,060	\$ 443,135	\$ 439,728
Plan fiduciary net position as a percentage of the total HIC OPEB liability	55.01%	55.67%	55.47%
Covered payroll	\$ 29,320,079	\$ 29,006,150	\$ 28,065,796
City of Manassas's net HIC OPEB liability as a percentage of covered payroll	1.60%	1.53%	1.57%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Changes in the City of Manassas, Virginia's Net OPEB Liability and Related Ratios
 Health Insurance Credit (HIC) - Component Unit School Board (Nonprofessional)
 For the Measurement Dates of June 30, 2017 through June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total HIC OPEB Liability			
Service cost	\$ 3,914	\$ 4,356	\$ 5,061
Interest	16,419	16,223	15,904
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(3,647)	(2,030)	-
Changes of assumptions	6,062	-	(3,347)
Benefit payments	(14,734)	(16,752)	(9,367)
Net change in total HIC OPEB liability	<u>\$ 8,014</u>	<u>\$ 1,797</u>	<u>\$ 8,251</u>
Total HIC OPEB Liability - beginning	241,926	240,129	231,878
Total HIC OPEB Liability - ending (a)	<u><u>\$ 249,940</u></u>	<u><u>\$ 241,926</u></u>	<u><u>\$ 240,129</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 7,721	\$ 8,790	\$ 9,073
Net investment income	12,003	13,103	19,367
Benefit payments	(14,734)	(16,752)	(9,367)
Administrator charges	(259)	(300)	(314)
Other	(14)	(982)	982
Net change in plan fiduciary net position	<u>\$ 4,717</u>	<u>\$ 3,859</u>	<u>\$ 19,741</u>
Plan fiduciary net position - beginning	190,973	187,114	167,373
Plan fiduciary net position - ending (b)	<u><u>\$ 195,690</u></u>	<u><u>\$ 190,973</u></u>	<u><u>\$ 187,114</u></u>
School Board's net HIC OPEB liability - ending (a) - (b)	\$ 54,250	\$ 50,953	\$ 53,015
Plan fiduciary net position as a percentage of the total HIC OPEB liability	78.29%	78.94%	77.92%
Covered payroll	\$ 3,509,934	\$ 3,416,924	\$ 3,453,646
School Board's net HIC OPEB liability as a percentage of covered payroll	1.55%	1.49%	1.54%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Health Insurance Credit (HIC)
 For the Years Ended June 30, 2018 through June 30, 2020

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
Primary Government					
2020	\$ 57,329	\$ 57,329	\$ -	\$ 30,179,573	0.1900%
2019	55,729	55,729	-	29,320,079	0.1901%
2018	49,319	49,319	-	29,006,150	0.1700%
Component Unit School Board (nonprofessional)					
2020	\$ 7,859	\$ 7,859	\$ -	\$ 3,572,271	0.2200%
2019	7,722	7,722	-	3,509,934	0.2200%
2018	8,794	8,794	-	3,416,924	0.2574%

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.

Notes to Required Supplementary Information
 Health Insurance Credit (HIC)
 For the Year Ended June 30, 2020

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

the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of City of Manassas School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC)
 For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2019	0.6798%	\$ 8,898,720	\$ 57,015,810	15.61%	8.97%
2018	0.6632%	8,421,000	53,638,846	15.70%	8.08%
2017	0.7041%	8,935,000	55,584,463	16.07%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC)
 For the Years Ended June 30, 2018 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 693,945	\$ 693,945	\$ -	\$ 57,828,741	1.20%
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 three years of data are available. Additional years will be included as they become available.

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC)
 For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Primary Government Local OPEB Plan
 For the Years Ended June 30, 2018 through June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 383,403	\$ 368,592	\$ 383,873
Interest	351,232	359,308	323,594
Changes in assumptions	214,552	354,860	(347,338)
Differences between expected and actual experience	(774,515)	-	-
Benefit payments	(364,744)	(328,893)	(283,663)
Net change in total OPEB liability	<u>\$ (190,072)</u>	<u>\$ 753,867</u>	<u>\$ 76,466</u>
Total OPEB liability - beginning	<u>9,832,614</u>	<u>9,078,747</u>	<u>9,002,281</u>
Total OPEB liability - ending	<u><u>\$ 9,642,542</u></u>	<u><u>\$ 9,832,614</u></u>	<u><u>\$ 9,078,747</u></u>
Covered payroll	\$ 31,012,306	\$ 29,645,000	\$ 29,645,000
Primary Governments' total OPEB liability (asset) as a percentage of covered payroll	31.09%	33.17%	30.62%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - Primary Government Local OPEB Plan
For the Year Ended June 30, 2020

Valuation Date: 7/1/2019
Measurement Date: 6/30/2020

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.21%
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 4.80% in 2020 and gradually decreases to 4.00% by the year 2073
Salary Increase Rates	Varies based on years of service
Retirement Age	Between 50 and 65 with a service requirement
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related.

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board Local OPEB Plan
 For the Years Ended June 30, 2018 through June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 85,738	\$ 83,229	\$ 93,415
Interest	70,559	71,604	63,823
Changes in assumptions	(97,977)	(7,003)	(134,493)
Differences between expected and actual experience	213,263	53,776	
Benefit payments	(223,520)	(252,776)	(325,000)
Net change in total OPEB liability	48,063	\$ (51,170)	\$ (302,255)
Total OPEB liability - beginning	<u>2,048,455</u>	<u>2,099,625</u>	<u>2,401,880</u>
Total OPEB liability - ending	<u><u>2,096,518</u></u>	<u><u>\$ 2,048,455</u></u>	<u><u>\$ 2,099,625</u></u>
Covered payroll	61,401,012	\$ 63,886,718	\$ 62,362,862
Manassas City Public School's total OPEB liability (asset) as a percentage of covered payroll	3.41%	3.21%	3.37%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - Component Unit School Board Local OPEB Plan
For the Year Ended June 30, 2020

Valuation Date: 6/30/2018
Measurement Date: 6/30/2019

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.13%
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 4.70% in 2020 and gradually decreases to 4.00% by the year 2075
Salary Increase Rates	1.30% to 3.75% based on years of service
Retirement Age	Between 50 and 65 with a service requirement
Mortality Rates	The mortality rates for healthy pre-retirement employees was calculated using the Pri-2012 Total Dataset Employee Amount-Weighted Mortality with MP-2019, healthy post-retirement employees was calculated using the Pri-2012 Total Dataset Retiree Amount-Weighted Mortality with MP-2019 and the disabled was calculated using the Pri-2012 Total Dataset Disabled Amount-Weighted Mortality with MP-2019.

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OTHER SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements and Schedules

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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.

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.

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2020

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Permanent Cemetery Maintenance Funds	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$ 4,829,829	\$ 11,033,815	\$ 8,171,140	\$ -	\$ 24,034,784
Cash and investments - restricted	-	-	-	313,230	313,230
Receivables (net of allowance for uncollectibles):					
Taxes	217,892	-	-	-	217,892
Due from component unit	-	1,060,000	-	-	1,060,000
Due from other governments	487,507	-	-	-	487,507
Total assets	<u>\$ 5,535,228</u>	<u>\$ 12,093,815</u>	<u>\$ 8,171,140</u>	<u>\$ 313,230</u>	<u>\$ 26,113,413</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 368,010	\$ 1,088	\$ -	\$ -	\$ 369,098
Due to other funds	244,778	-	-	-	244,778
Total liabilities	<u>\$ 612,788</u>	<u>\$ 1,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613,876</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	\$ 115,395	\$ 710,000	\$ -	\$ -	\$ 825,395
FUND BALANCES					
Nonspendable	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000
Restricted	4,677,488	-	-	213,230	4,890,718
Committed	-	11,285,531	8,171,140	-	19,456,671
Assigned	129,557	97,196	-	-	226,753
Total fund balances	<u>\$ 4,807,045</u>	<u>\$ 11,382,727</u>	<u>\$ 8,171,140</u>	<u>\$ 313,230</u>	<u>\$ 24,674,142</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,535,228</u>	<u>\$ 12,093,815</u>	<u>\$ 8,171,140</u>	<u>\$ 313,230</u>	<u>\$ 26,113,413</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2020

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Permanent Cemetery Maintenance Funds	Total Nonmajor Governmental Funds
REVENUES					
General property taxes	\$ 10,106,150	\$ -	\$ -	\$ -	\$ 10,106,150
Permits, fees, and licenses	92,488	-	-	-	92,488
Revenue from the use of money and property	22,350	64,965	-	1,716	89,031
Charges for services	790,805	-	-	77,550	868,355
Payment in lieu of debt service	-	-	5,679,809	-	5,679,809
Miscellaneous	208,769	75,000	-	-	283,769
Contribution from component unit	-	1,815,548	-	-	1,815,548
Intergovernmental	4,348,425	447,810	-	-	4,796,235
Total revenues	<u>\$ 15,568,987</u>	<u>\$ 2,403,323</u>	<u>\$ 5,679,809</u>	<u>\$ 79,266</u>	<u>\$ 23,731,385</u>
EXPENDITURES					
Current:					
General government administration	\$ 8,205	\$ -	\$ -	\$ -	\$ 8,205
Public safety	10,086,537	-	-	-	10,086,537
Public works	3,658	-	-	-	3,658
Health and human services	5,771,606	-	-	-	5,771,606
Cultural, recreation, and community development	13,677	-	-	-	13,677
Capital outlay	2,009,980	1,738,805	-	-	3,748,785
Debt service:					
Principal	-	-	5,189,280	-	5,189,280
Interest and fiscal charges	-	-	3,524,684	-	3,524,684
Total expenditures	<u>\$ 17,893,663</u>	<u>\$ 1,738,805</u>	<u>\$ 8,713,964</u>	<u>\$ -</u>	<u>\$ 28,346,432</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,324,676)</u>	<u>\$ 664,518</u>	<u>\$ (3,034,155)</u>	<u>\$ 79,266</u>	<u>\$ (4,615,047)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 2,054,834	\$ 336,000	\$ 5,113,953	\$ -	\$ 7,504,787
Transfers out	(594,813)	-	-	(18,528)	(613,341)
Total other financing sources (uses)	<u>\$ 1,460,021</u>	<u>\$ 336,000</u>	<u>\$ 5,113,953</u>	<u>\$ (18,528)</u>	<u>\$ 6,891,446</u>
Net change in fund balances	\$ (864,655)	\$ 1,000,518	\$ 2,079,798	\$ 60,738	\$ 2,276,399
Fund balances - beginning	5,671,700	10,382,209	6,091,342	252,492	22,397,743
Fund balances - ending	<u>\$ 4,807,045</u>	<u>\$ 11,382,727</u>	<u>\$ 8,171,140</u>	<u>\$ 313,230</u>	<u>\$ 24,674,142</u>

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2020

	Social Services Fund	PEG Fund	Owens Brooke District Fund	Fire Rescue Fund	Merchant Museum Fund	Speiden Carper House Fund	Total
ASSETS							
Cash and investments	\$ -	\$ 903,796	\$ 342,625	\$ 2,137,439	\$ 1,087,378	\$ 358,591	\$ 4,829,829
Receivables (net of allowance for uncollectibles):							
Taxes receivable	-	-	454	217,438	-	-	217,892
Due from other governments	407,741	-	-	79,766	-	-	487,507
Total assets	<u>\$ 407,741</u>	<u>\$ 903,796</u>	<u>\$ 343,079</u>	<u>\$ 2,434,643</u>	<u>\$ 1,087,378</u>	<u>\$ 358,591</u>	<u>\$ 5,535,228</u>
LIABILITIES							
Accounts payable and accrued expenses	\$ 162,963	\$ -	\$ 262	\$ 204,785	\$ -	\$ -	\$ 368,010
Due to other funds	244,778	-	-	-	-	-	244,778
Total liabilities	<u>\$ 407,741</u>	<u>\$ -</u>	<u>\$ 262</u>	<u>\$ 204,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 612,788</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	\$ -	\$ -	\$ 454	\$ 114,941	\$ -	\$ -	\$ 115,395
FUND BALANCES							
Restricted	\$ -	\$ 903,796	\$ 342,363	\$ 1,985,360	\$ 1,087,378	\$ 358,591	\$ 4,677,488
Assigned	-	-	-	129,557	-	-	129,557
Total fund balances	<u>\$ -</u>	<u>\$ 903,796</u>	<u>\$ 342,363</u>	<u>\$ 2,114,917</u>	<u>\$ 1,087,378</u>	<u>\$ 358,591</u>	<u>\$ 4,807,045</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 407,741</u>	<u>\$ 903,796</u>	<u>\$ 343,079</u>	<u>\$ 2,434,643</u>	<u>\$ 1,087,378</u>	<u>\$ 358,591</u>	<u>\$ 5,535,228</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2020

	Social Services Fund	PEG Fund	Owens Brooke District Fund	Fire Rescue Fund	Merchant Museum Fund	Speiden Carper House Fund	Total
REVENUES							
General property taxes	\$ -	\$ -	\$ 40,250	\$ 10,065,900	\$ -	\$ -	\$ 10,106,150
Permits, fees and licenses	-	-	-	92,488	-	-	92,488
Revenue from the use of money and property	-	5,259	2,009	5,913	6,833	2,336	22,350
Charges for services	-	-	-	790,805	-	-	790,805
Miscellaneous	-	149,848	-	45,566	13,355	-	208,769
Intergovernmental	3,716,772	-	-	631,653	-	-	4,348,425
Total revenues	\$ 3,716,772	\$ 155,107	\$ 42,259	\$ 11,632,325	\$ 20,188	\$ 2,336	\$ 15,568,987
EXPENDITURES							
Current:							
General government administration	\$ -	\$ 8,205	\$ -	\$ -	\$ -	\$ -	\$ 8,205
Public safety	-	-	-	10,086,537	-	-	10,086,537
Public works	-	-	3,658	-	-	-	3,658
Health and human services	5,771,606	-	-	-	-	-	5,771,606
Culture, recreation, and community development	-	-	-	-	-	13,677	13,677
Capital outlay	-	-	-	2,009,980	-	-	2,009,980
Total expenditures	\$ 5,771,606	\$ 8,205	\$ 3,658	\$ 12,096,517	\$ -	\$ 13,677	\$ 17,893,663
Excess (deficiency) of revenues over (under) expenditures	\$ (2,054,834)	\$ 146,902	\$ 38,601	\$ (464,192)	\$ 20,188	\$ (11,341)	\$ (2,324,676)
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 2,054,834	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,054,834
Transfers out	-	-	-	(594,813)	-	-	(594,813)
Total other financing sources (uses)	\$ 2,054,834	\$ -	\$ -	\$ (594,813)	\$ -	\$ -	\$ 1,460,021
Net change in fund balances	\$ -	\$ 146,902	\$ 38,601	\$ (1,059,005)	\$ 20,188	\$ (11,341)	\$ (864,655)
Fund balances - beginning	-	756,894	303,762	3,173,922	1,067,190	369,932	5,671,700
Fund balances - ending	\$ -	\$ 903,796	\$ 342,363	\$ 2,114,917	\$ 1,087,378	\$ 358,591	\$ 4,807,045

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2020

	Social Services Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
General property taxes	\$ -	\$ -	\$ -	\$ -
Revenue from the use of money and property	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental	4,060,930	4,060,930	3,716,772	(344,158)
Total revenues	<u>\$ 4,060,930</u>	<u>\$ 4,060,930</u>	<u>\$ 3,716,772</u>	<u>\$ (344,158)</u>
EXPENDITURES				
Current:				
General government administration	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-
Health and human services	6,562,370	6,562,370	5,771,606	790,764
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 6,562,370</u>	<u>\$ 6,562,370</u>	<u>\$ 5,771,606</u>	<u>\$ 790,764</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,501,440)</u>	<u>\$ (2,501,440)</u>	<u>\$ (2,054,834)</u>	<u>\$ 446,606</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 2,501,440</u>	<u>\$ 2,501,440</u>	<u>\$ 2,054,834</u>	<u>\$ (446,606)</u>
Total other financing sources (uses)	<u>\$ 2,501,440</u>	<u>\$ 2,501,440</u>	<u>\$ 2,054,834</u>	<u>\$ (446,606)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PEG Fund				Owens Brooke District Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ 40,200	\$ 40,200	\$ 40,250	\$ 50
-	-	5,259	5,259	-	-	2,009	2,009
165,000	165,000	149,848	(15,152)	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 165,000</u>	<u>\$ 165,000</u>	<u>\$ 155,107</u>	<u>\$ (9,893)</u>	<u>\$ 40,200</u>	<u>\$ 40,200</u>	<u>\$ 42,259</u>	<u>\$ 2,059</u>
\$ -	\$ -	\$ 8,205	\$ (8,205)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	40,200	40,200	3,658	36,542
-	-	-	-	-	-	-	-
165,000	165,000	-	165,000	-	-	-	-
<u>\$ 165,000</u>	<u>\$ 165,000</u>	<u>\$ 8,205</u>	<u>\$ 156,795</u>	<u>\$ 40,200</u>	<u>\$ 40,200</u>	<u>\$ 3,658</u>	<u>\$ 36,542</u>
\$ -	\$ -	\$ 146,902	\$ 146,902	\$ -	\$ -	\$ 38,601	\$ 38,601
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ 146,902	\$ 146,902	\$ -	\$ -	\$ 38,601	\$ 38,601

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2020

	Fire Rescue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
General property taxes	\$ 9,986,890	\$ 9,986,890	\$ 10,065,900	\$ 79,010
Permits, fees and licenses	80,000	80,000	92,488	12,488
Revenue from the use of money and property	15,000	15,000	5,913	(9,087)
Charges for services	690,000	690,000	790,805	100,805
Miscellaneous	-	-	45,566	45,566
Intergovernmental	750,000	820,939	631,653	(189,286)
Total revenues	<u>\$ 11,521,890</u>	<u>\$ 11,592,829</u>	<u>\$ 11,632,325</u>	<u>\$ 39,496</u>
EXPENDITURES				
Current:				
Public safety	\$ 11,101,890	\$ 10,613,101	\$ 10,086,537	\$ 526,564
Culture, recreation, and community development	-	-	-	-
Capital outlay	1,775,000	2,441,874	2,009,980	431,894
Total expenditures	<u>\$ 12,876,890</u>	<u>\$ 13,054,975</u>	<u>\$ 12,096,517</u>	<u>\$ 958,458</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,355,000)</u>	<u>\$ (1,462,146)</u>	<u>\$ (464,192)</u>	<u>\$ 997,954</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (770,000)</u>	<u>\$ (770,000)</u>	<u>\$ (594,813)</u>	<u>\$ 175,187</u>
Total other financing sources and uses	<u>\$ (770,000)</u>	<u>\$ (770,000)</u>	<u>\$ (594,813)</u>	<u>\$ 175,187</u>
Net change in fund balances	<u>\$ (2,125,000)</u>	<u>\$ (2,232,146)</u>	<u>\$ (1,059,005)</u>	<u>\$ 1,173,141</u>

Speiden Carper House Fund				Variance with Final Budget Positive (Negative)
Budgeted Amounts		Actual		
Original	Final			
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
-	-	2,336	2,336	2,336
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,336</u>	<u>\$ 2,336</u>	<u>2,336</u>
\$ -	\$ -	\$ -	\$ -	-
-	370,000	13,677	356,323	356,323
-	-	-	-	-
<u>\$ -</u>	<u>\$ 370,000</u>	<u>\$ 13,677</u>	<u>\$ 356,323</u>	<u>356,323</u>
<u>\$ -</u>	<u>\$ (370,000)</u>	<u>\$ (11,341)</u>	<u>\$ 358,659</u>	<u>358,659</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
<u>\$ -</u>	<u>\$ (370,000)</u>	<u>\$ (11,341)</u>	<u>\$ 358,659</u>	<u>358,659</u>

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2020

	Gateway Capital Projects Fund	Transportation Capital Projects Fund	Total
ASSETS			
Cash and investments	\$ 10,983,639	\$ 50,176	\$ 11,033,815
Due from component unit	1,060,000	-	1,060,000
Total assets	<u>\$ 12,043,639</u>	<u>\$ 50,176</u>	<u>\$ 12,093,815</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,088	\$ -	\$ 1,088
Total liabilities	<u>\$ 1,088</u>	<u>\$ -</u>	<u>\$ 1,088</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	\$ 710,000	\$ -	\$ 710,000
FUND BALANCES			
Committed	\$ 11,285,531	\$ -	\$ 11,285,531
Assigned	47,020	50,176	97,196
Total fund balances	<u>\$ 11,332,551</u>	<u>\$ 50,176</u>	<u>\$ 11,382,727</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,043,639</u>	<u>\$ 50,176</u>	<u>\$ 12,093,815</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 For the Year Ended June 30, 2020

	Gateway Capital Projects Fund	Transportation Capital Projects Fund	Total
REVENUES			
Revenue from the use of money and property	\$ 64,965	\$ -	\$ 64,965
Miscellaneous	75,000	-	75,000
Contribution from component unit	1,815,548	-	1,815,548
Intergovernmental	-	447,810	447,810
Total revenues	<u>\$ 1,955,513</u>	<u>\$ 447,810</u>	<u>\$ 2,403,323</u>
EXPENDITURES			
Capital outlay	\$ 898,671	\$ 840,134	\$ 1,738,805
Total expenditures	<u>\$ 898,671</u>	<u>\$ 840,134</u>	<u>\$ 1,738,805</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,056,842</u>	<u>\$ (392,324)</u>	<u>\$ 664,518</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 336,000	\$ 336,000
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 336,000</u>	<u>\$ 336,000</u>
Net change in fund balances	\$ 1,056,842	\$ (56,324)	\$ 1,000,518
Fund balances - beginning	10,275,709	106,500	10,382,209
Fund balances - ending	<u>\$ 11,332,551</u>	<u>\$ 50,176</u>	<u>\$ 11,382,727</u>

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NONMAJOR ENTERPRISE FUNDS

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

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Statement of Net Position
 Nonmajor Enterprise Funds
 June 30, 2020

	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash and investments - unrestricted	\$ 2,225,411
Accounts receivable, net	227,153
Total current assets	<u>\$ 2,452,564</u>
Noncurrent assets:	
Capital assets:	
Depreciable, net	\$ 71,436
Total capital assets, net	<u>\$ 71,436</u>
Total assets	<u>\$ 2,524,000</u>
DEFERRED OUTFLOWS OF RESOURCES	
OPEB related deferred outflows	\$ 3,441
Pension related deferred outflows	16,692
Total deferred outflows of resources	<u>\$ 20,133</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 246,611
Compensated absences - current portion	1,419
Total current liabilities	<u>\$ 248,030</u>
Noncurrent liabilities:	
Compensated absences - noncurrent portion	\$ 8,043
Net OPEB liability	43,143
Net pension liability	50,977
Total noncurrent liabilities	<u>\$ 102,163</u>
Total liabilities	<u>\$ 350,193</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB related deferred inflows	\$ 3,624
Pension related deferred inflows	5,838
Total deferred inflows of resources	<u>\$ 9,462</u>
NET POSITION	
Net investment in capital assets	\$ 71,436
Unrestricted	2,113,042
Total net position	<u>\$ 2,184,478</u>

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2020

	<u>Solid Waste Fund</u>
OPERATING REVENUES	
Charges for services	\$ 3,575,018
Total operating revenues	<u>\$ 3,575,018</u>
OPERATING EXPENSES	
Personal services	\$ 192,804
Contractual services	2,805,578
Supplies	3,985
Internal and other services	190,463
Depreciation and amortization	8,861
Total operating expenses	<u>\$ 3,201,691</u>
Operating income (loss)	<u>\$ 373,327</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental grants	\$ 15,004
Investment earnings	12,759
Other/insurance recoveries	1,020
Total nonoperating revenues (expenses)	<u>\$ 28,783</u>
Change in net position	\$ 402,110
Total net position - beginning, as restated	<u>1,782,368</u>
Total net position - ending	<u><u>\$ 2,184,478</u></u>

Statement of Cash Flows
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2020

	<u>Solid Waste Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 3,578,583
Cash paid to suppliers	(2,761,200)
Cash paid to and for employees	(179,321)
Payments for interfund services used	(190,463)
Net cash provided by (used for) operating activities	<u>\$ 447,599</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating grants received	\$ 15,004
Net cash provided by (used for) noncapital financing activities	<u>\$ 15,004</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Insurance recoveries	\$ 1,020
Net cash provided by (used for) capital and related financing activities	<u>\$ 1,020</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	\$ 12,759
Net cash provided by (used for) investing activities	<u>\$ 12,759</u>
Net increase (decrease) in cash and cash equivalents	\$ 476,382
Cash and investments - beginning - including restricted	1,749,029
Cash and investments - ending - including restricted	<u>\$ 2,225,411</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 373,327
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation expense	8,861
Changes in assets and liabilities:	
Accounts receivable	3,565
Deferred outflows of resources - pension related items	(5,276)
Deferred outflows of resources - OPEB related items	(1,104)
Accounts payable and accrued expenses	48,363
Compensated absences	1,362
Net pension liability	6,978
Net OPEB liability	10,932
Deferred inflows of resources - pension related items	(1,314)
Deferred inflows of resources - OPEB related items	1,905
Total adjustments	<u>\$ 74,272</u>
Net cash provided by (used for) operating activities	<u>\$ 447,599</u>

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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.

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Combining Statement of Net Position
Internal Service Funds
June 30, 2020

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 1,079,222	\$ 1,169,579	\$ 1,988,308	\$ 4,237,109
Prepaid items	-	-	321,193	321,193
Total current assets	<u>\$ 1,079,222</u>	<u>\$ 1,169,579</u>	<u>\$ 2,309,501</u>	<u>\$ 4,558,302</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	\$ -	\$ -	\$ 11,150	\$ 11,150
Depreciable, net	258,050	4,006,515	1,950,941	6,215,506
Total capital assets, net	<u>\$ 258,050</u>	<u>\$ 4,006,515</u>	<u>\$ 1,962,091</u>	<u>\$ 6,226,656</u>
Total assets	<u>\$ 1,337,272</u>	<u>\$ 5,176,094</u>	<u>\$ 4,271,592</u>	<u>\$ 10,784,958</u>
DEFERRED OUTFLOWS OF RESOURCES				
OPEB related deferred outflows	\$ 7,217	\$ 17,897	\$ 34,711	\$ 59,825
Pension related deferred outflows	54,392	165,489	282,785	502,666
Total deferred outflows of resources	<u>\$ 61,609</u>	<u>\$ 183,386</u>	<u>\$ 317,496</u>	<u>\$ 562,491</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 36,993	\$ 38,357	\$ 17,468	\$ 92,818
Compensated absences - current portion	3,839	16,770	29,641	50,250
Total current liabilities	<u>\$ 40,832</u>	<u>\$ 55,127</u>	<u>\$ 47,109</u>	<u>\$ 143,068</u>
Noncurrent liabilities:				
Compensated absences - noncurrent portion	\$ 21,753	\$ 95,031	\$ 167,963	\$ 284,747
Net OPEB liability	90,511	224,487	435,347	750,345
Net pension liability	166,112	505,398	863,613	1,535,123
Total noncurrent liabilities	<u>\$ 278,376</u>	<u>\$ 824,916</u>	<u>\$ 1,466,923</u>	<u>\$ 2,570,215</u>
Total liabilities	<u>\$ 319,208</u>	<u>\$ 880,043</u>	<u>\$ 1,514,032</u>	<u>\$ 2,713,283</u>
DEFERRED INFLOWS OF RESOURCES				
OPEB related deferred inflows	\$ 7,604	\$ 18,860	\$ 36,572	\$ 63,036
Pension related deferred inflows	19,026	57,888	98,916	175,830
Total deferred inflows of resources	<u>\$ 26,630</u>	<u>\$ 76,748</u>	<u>\$ 135,488</u>	<u>\$ 238,866</u>
NET POSITION				
Net investment in capital assets	\$ 258,050	\$ 4,006,515	\$ 1,962,091	\$ 6,226,656
Unrestricted	794,993	396,174	977,477	2,168,644
Total net position	<u>\$ 1,053,043</u>	<u>\$ 4,402,689</u>	<u>\$ 2,939,568</u>	<u>\$ 8,395,300</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2020

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
OPERATING REVENUES				
Charges for services	\$ 1,419,070	\$ 3,243,464	\$ 3,565,031	\$ 8,227,565
Total operating revenues	<u>\$ 1,419,070</u>	<u>\$ 3,243,464</u>	<u>\$ 3,565,031</u>	<u>\$ 8,227,565</u>
OPERATING EXPENSES				
Personal services	\$ 378,673	\$ 857,224	\$ 1,792,503	\$ 3,028,400
Contractual services	335,998	195,072	985,746	1,516,816
Supplies	52,597	736,694	285,457	1,074,748
Internal and other services	391,313	456,732	225,705	1,073,750
Depreciation and amortization	29,362	743,603	285,171	1,058,136
Total operating expenses	<u>\$ 1,187,943</u>	<u>\$ 2,989,325</u>	<u>\$ 3,574,582</u>	<u>\$ 7,751,850</u>
Operating income (loss)	<u>\$ 231,127</u>	<u>\$ 254,139</u>	<u>\$ (9,551)</u>	<u>\$ 475,715</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	\$ 6,564	\$ 7,316	\$ 11,726	\$ 25,606
Gain on sale of capital assets	-	63,615	-	63,615
Other/insurance recoveries	-	41,886	11,903	53,789
Interest expense	-	(1,123)	-	(1,123)
Total nonoperating revenues (expenses)	<u>\$ 6,564</u>	<u>\$ 111,694</u>	<u>\$ 23,629</u>	<u>\$ 141,887</u>
Income before transfers	<u>\$ 237,691</u>	<u>\$ 365,833</u>	<u>\$ 14,078</u>	<u>\$ 617,602</u>
Transfers in	\$ -	\$ 324,147	\$ -	\$ 324,147
Change in net position	<u>\$ 237,691</u>	<u>\$ 689,980</u>	<u>\$ 14,078</u>	<u>\$ 941,749</u>
Total net position - beginning, as restated	815,352	3,712,709	2,925,490	7,453,551
Total net position - ending	<u>\$ 1,053,043</u>	<u>\$ 4,402,689</u>	<u>\$ 2,939,568</u>	<u>\$ 8,395,300</u>

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2020

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 1,419,070	\$ 3,243,785	\$ 3,565,031	\$ 8,227,886
Cash paid to suppliers	(386,851)	(1,032,780)	(1,317,524)	(2,737,155)
Cash paid to and for employees	(360,840)	(812,788)	(1,638,751)	(2,812,379)
Payments for interfund services used	(391,313)	(456,732)	(225,705)	(1,073,750)
Net cash provided by (used for) operating activities	<u>\$ 280,066</u>	<u>\$ 941,485</u>	<u>\$ 383,051</u>	<u>\$ 1,604,602</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	\$ -	\$ 324,147	\$ -	\$ 324,147
Net cash provided by (used for) noncapital financing activities	<u>\$ -</u>	<u>\$ 324,147</u>	<u>\$ -</u>	<u>\$ 324,147</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	\$ (83,771)	\$ (1,410,279)	\$ (92,850)	\$ (1,586,900)
Principal paid on capital leases	-	(50,561)	-	(50,561)
Interest paid on capital lease	-	(1,123)	-	(1,123)
Insurance recoveries	-	41,886	11,903	53,789
Proceeds from sales of capital assets	-	79,808	-	79,808
Net cash provided by (used for) capital and related financing activities	<u>\$ (83,771)</u>	<u>\$ (1,340,269)</u>	<u>\$ (80,947)</u>	<u>\$ (1,504,987)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	\$ 6,564	\$ 7,316	\$ 11,726	\$ 25,606
Net cash provided by (used for) investing activities	<u>\$ 6,564</u>	<u>\$ 7,316</u>	<u>\$ 11,726</u>	<u>\$ 25,606</u>
Net increase (decrease) in cash and cash equivalents	\$ 202,859	\$ (67,321)	\$ 313,830	\$ 449,368
Cash and investments - beginning - including restricted	876,363	1,236,900	1,674,478	3,787,741
Cash and investments - ending - including restricted	<u>\$ 1,079,222</u>	<u>\$ 1,169,579</u>	<u>\$ 1,988,308</u>	<u>\$ 4,237,109</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 231,127	\$ 254,139	\$ (9,551)	\$ 475,715
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation expense	\$ 29,362	\$ 743,603	\$ 285,171	\$ 1,058,136
Changes in assets and liabilities:				
Accounts receivable	-	321	-	321
Prepaid expenses	-	-	(50,044)	(50,044)
Deferred outflows of resources - pension related items	(25,620)	(54,009)	(95,421)	(175,050)
Deferred outflows of resources - OPEB related items	(2,406)	(6,251)	(14,147)	(22,804)
Accounts payable and accrued expenses	1,744	(101,014)	3,723	(95,547)
Compensated absences	(1,800)	15,030	35,531	48,761
Net pension liability	55,223	75,740	141,492	272,455
Net OPEB liability	(11,777)	15,751	83,122	87,096
Deferred inflows of resources - pension related items	1,004	(11,940)	(18,442)	(29,378)
Deferred inflows of resources - OPEB related items	3,209	10,115	21,617	34,941
Total adjustments	<u>48,939</u>	<u>687,346</u>	<u>392,602</u>	<u>1,128,887</u>
Net cash provided by (used for) operating activities	<u>\$ 280,066</u>	<u>\$ 941,485</u>	<u>\$ 383,051</u>	<u>\$ 1,604,602</u>

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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.

Combining Balance Sheet
Discretely Presented Component Unit School Board
June 30, 2020

	<u>School Operating Fund</u>	<u>School Capital Projects Fund</u>	<u>School Food Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 17,771,258	\$ 3,711,048	\$ 2,444,434	\$ 23,926,740
Receivables (net of allowance for uncollectibles):				
Accounts receivable	1,058,057	-	2,968	1,061,025
Due from other governmental units	4,099,895	-	85,974	4,185,869
Total assets	<u>\$ 22,929,210</u>	<u>\$ 3,711,048</u>	<u>\$ 2,533,376</u>	<u>\$ 29,173,634</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 8,011,834	\$ 928,387	\$ 299,866	\$ 9,240,087
Retainage payable	-	60,309	-	60,309
Total liabilities	<u>\$ 8,011,834</u>	<u>\$ 988,696</u>	<u>\$ 299,866</u>	<u>\$ 9,300,396</u>
FUND BALANCES				
Assigned	\$ 14,917,376	\$ 2,722,352	\$ 2,233,510	\$ 19,873,238
Total fund balances	<u>\$ 14,917,376</u>	<u>\$ 2,722,352</u>	<u>\$ 2,233,510</u>	<u>\$ 19,873,238</u>
Total liabilities and fund balances	<u>\$ 22,929,210</u>	<u>\$ 3,711,048</u>	<u>\$ 2,533,376</u>	<u>\$ 29,173,634</u>

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 Discretely Presented Component Unit School Board
 June 30, 2020

Total fund balances per Exhibit 46 - Balance Sheet - Governmental Funds	\$	19,873,238	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			77,683,592
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	19,887,977	
OPEB related items		<u>2,440,480</u>	22,328,457
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Capital leases	\$	(5,126,472)	
Net pension liability		(89,186,597)	
Net OPEB liability		<u>(16,081,972)</u>	(110,395,041)
Compensated absences are not reported as fund liabilities.			(2,636,987)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(13,009,981)	
OPEB related items		<u>(1,415,226)</u>	<u>(14,425,207)</u>
Net position of governmental activities	\$		<u><u>(7,571,948)</u></u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit School Board
For the Year Ended June 30, 2020

	School Operating Fund	School Capital Projects Fund	School Food Service Fund	Total Governmental Funds
REVENUES				
Fines and forfeitures	\$ 144,744	\$ -	\$ -	\$ 144,744
Revenue from the use of money and property	135,863	8,107	-	143,970
Charges for services	362,113	-	561,990	924,103
Intergovernmental revenues:				
Local government	55,932,369	3,723,986	-	59,656,355
Commonwealth	53,272,657	-	107,233	53,379,890
Federal	3,818,879	-	2,727,931	6,546,810
Total revenues	<u>\$ 113,666,625</u>	<u>\$ 3,732,093</u>	<u>\$ 3,397,154</u>	<u>\$ 120,795,872</u>
EXPENDITURES				
Current:				
Education	\$ 100,986,455	\$ -	\$ 3,608,684	\$ 104,595,139
Capital outlay	-	4,318,454	-	4,318,454
Payment in lieu of debt service	5,679,809	-	-	5,679,809
Debt service:				
Principal retirement	336,517	-	-	336,517
Interest and other fiscal charges	185,136	-	-	185,136
Total expenditures	<u>\$ 107,187,917</u>	<u>\$ 4,318,454</u>	<u>\$ 3,608,684</u>	<u>\$ 115,115,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,478,708</u>	<u>\$ (586,361)</u>	<u>\$ (211,530)</u>	<u>\$ 5,680,817</u>
Net change in fund balances	\$ 6,478,708	\$ (586,361)	\$ (211,530)	\$ 5,680,817
Fund balances - beginning	8,438,668	3,308,713	2,445,040	14,192,421
Fund balances - ending	<u>\$ 14,917,376</u>	<u>\$ 2,722,352</u>	<u>\$ 2,233,510</u>	<u>\$ 19,873,238</u>

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Discretely Presented Component Unit School Board
For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds \$ 5,680,817

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 the capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 4,205,904	
Depreciation	<u>(6,533,872)</u>	(2,327,968)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. (254,951)

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 assets. 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.

Principal payments		336,517
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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	\$ (382,914)	
OPEB expense	347,612	
Pension expense	<u>199,418</u>	<u>164,116</u>

Change in net assets of governmental activities \$ 3,598,531

CITY OF MANASSAS, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2020

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 144,744	\$ 144,744
Revenue from the use of money and property	-	-	135,863	135,863
Charges for services	509,000	509,000	362,113	(146,887)
Local government	55,889,475	55,889,475	55,932,369	42,894
Commonwealth	53,955,079	53,955,079	53,272,657	(682,422)
Federal	3,794,772	4,845,723	3,818,879	(1,026,844)
Total revenues	<u>\$ 114,148,326</u>	<u>\$ 115,199,277</u>	<u>\$ 113,666,625</u>	<u>\$ (1,532,652)</u>
EXPENDITURES				
Current:				
Instruction	\$ 79,681,312	\$ 80,548,090	\$ 75,733,601	\$ 4,814,489
Administration, attendance, and health	7,229,305	7,295,940	6,514,242	781,698
Pupil Transportation	4,135,534	4,140,034	3,894,918	245,116
Operation and maintenance	8,616,520	8,691,471	7,700,345	991,126
Technology	7,257,685	8,113,039	6,730,094	1,382,945
Facilities	413,457	413,457	413,255	202
Food services	-	-	-	-
Capital lease payment	520,673	520,673	521,653	(980)
Payment in lieu of debt service	5,679,809	5,679,809	5,679,809	-
Contingency	540,999	403,041	-	403,041
Total expenditures	<u>\$ 114,075,294</u>	<u>\$ 115,805,554</u>	<u>\$ 107,187,917</u>	<u>\$ 8,617,637</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 73,032</u>	<u>\$ (606,277)</u>	<u>\$ 6,478,708</u>	<u>\$ 7,084,985</u>
Net change in fund balances	<u>\$ 73,032</u>	<u>\$ (606,277)</u>	<u>\$ 6,478,708</u>	<u>\$ 7,084,985</u>
Fund balances - beginning			<u>8,438,668</u>	
Fund balances - ending			<u>\$ 14,917,376</u>	

School Food Service Fund				Variance with Final Budget Positive (Negative)
Budgeted Amounts		Actual		
Original	Final			
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
847,650	847,650	561,990		(285,660)
-	-	-	-	-
110,891	110,891	107,233		(3,658)
2,960,100	2,960,100	2,727,931		(232,169)
<u>\$ 3,918,641</u>	<u>\$ 3,918,641</u>	<u>\$ 3,397,154</u>		<u>\$ (521,487)</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,034,583	4,063,083	3,608,684		454,399
-	-	-	-	-
-	-	-	-	-
135,000	135,000	-		135,000
<u>\$ 4,169,583</u>	<u>\$ 4,198,083</u>	<u>\$ 3,608,684</u>		<u>\$ 589,399</u>
<u>\$ (250,942)</u>	<u>\$ (279,442)</u>	<u>\$ (211,530)</u>		<u>\$ 67,912</u>
<u>\$ (250,942)</u>	<u>\$ (279,442)</u>	<u>\$ (211,530)</u>		<u>\$ 67,912</u>
		2,445,040		
		<u>\$ 2,233,510</u>		

Statement of Changes in Assets and Liabilities
Discretely Presented Component Unit
School Activity Funds
June 30, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
ASSETS				
Cash:				
Osborn High School	\$ 244,076	\$ 339,641	\$ 369,951	\$ 213,766
Grace E. Metz Middle School	48,012	59,252	53,452	53,812
Mayfield Intermediate School	22,352	59,576	47,699	34,229
Baldwin Intermediate School	19,186	24,085	33,342	9,929
Baldwin Elementary School	21,959	14,653	19,003	17,609
Jennie Dean Elementary	42,353	20,546	24,077	38,822
R.C. Haydon Elementary School	8,904	14,389	14,614	8,679
George C. Round Elementary School	36,145	12,585	10,688	38,042
Weems Elementary School	33,426	29,149	31,313	31,262
Total assets	<u>\$ 476,413</u>	<u>\$ 573,876</u>	<u>\$ 604,139</u>	<u>\$ 446,150</u>
LIABILITIES				
Amounts held for student activity funds	<u>\$ 476,413</u>	<u>\$ 573,876</u>	<u>\$ 604,139</u>	<u>\$ 446,150</u>

Combining Statement of Fiduciary Net Position
Discretely Presented Component Unit School Board
Private-Purpose Trust Funds
June 30, 2020

	Nancy Lyons Scholarship Fund	E. Shreve Brent Scholarship Fund	Total
ASSETS			
Cash and investments	\$ 64,792	\$ 1,258,199	\$ 1,322,991
NET ASSETS			
Held in trust for scholarships	\$ 64,792	\$ 1,258,199	\$ 1,322,991

Combining Statement of Changes in Fiduciary Net Position
Discretely Presented Component Unit School Board
Private-Purpose Trust Funds
For the Year Ended June 30, 2020

	Nancy Lyons Scholarship Fund	E. Shreve Brent Scholarship Fund	Total
ADDITIONS			
Investment earnings	\$ (5,242)	\$ 39,286	\$ 34,044
Total additions	<u>\$ (5,242)</u>	<u>\$ 39,286</u>	<u>\$ 34,044</u>
DEDUCTIONS			
Scholarships	\$ 6,000	\$ 5,000	\$ 11,000
Total deductions	<u>\$ 6,000</u>	<u>\$ 5,000</u>	<u>\$ 11,000</u>
Change in net position	\$ (11,242)	\$ 34,286	\$ 23,044
Net position - beginning	76,034	1,223,913	1,299,947
Net position - ending	<u>\$ 64,792</u>	<u>\$ 1,258,199</u>	<u>\$ 1,322,991</u>

**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.

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Statement of Net Position
Economic Development Authority
June 30, 2020

ASSETS

Current assets:

Cash and investments	\$ 691,682
Note receivable, net - current portion	710,000
Total assets	<u>\$ 1,401,682</u>

LIABILITIES

Current liabilities:

Due to primary government - current portion	\$ 710,000
Total current liabilities	<u>\$ 710,000</u>

Noncurrent liabilities:

Due to primary government - noncurrent portion	\$ 350,000
Total noncurrent liabilities	<u>\$ 350,000</u>
Total liabilities	<u>\$ 1,060,000</u>

NET POSITION

Unrestricted	\$ 341,682
Total net position	<u><u>\$ 341,682</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Position
Economic Development Authority
For the Year Ended June 30, 2020

OPERATING REVENUES

Charges for services	\$ 15,115
Contribution from primary government	40,000
Total operating revenues	<u>\$ 55,115</u>

OPERATING EXPENSES

Contractual services	\$ 8,994
Grants	200,000
Internal and other services	432
Total operating expenses	<u>\$ 209,426</u>

Operating income (loss)	<u>\$ (154,311)</u>
-------------------------	---------------------

NONOPERATING REVENUES (EXPENSES)

Investment earnings	\$ 2,514
Gain on sale of capital assets	373,028
Contribution to primary government	(395,548)
Total nonoperating revenues (expenses)	<u>\$ (20,006)</u>

Income before contributions and transfers	<u>\$ (174,317)</u>
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Capital contributions	<u>\$ 23,068</u>
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Change in net position	\$ (151,249)
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Total net position - beginning	<u>492,931</u>
Total net position - ending	<u><u>\$ 341,682</u></u>

Statement of Cash Flows
Economic Development Authority
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers and users	\$ 15,115
Cash paid to suppliers	(16,853)
Cash paid to grantees	(200,000)
Payments for interfund services used	(432)
Other receipts (payments)	40,000
Net cash provided by (used for) operating activities	<u>\$ (162,170)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Contributions to primary government	\$ (1,792,480)
Net cash provided by (used for) noncapital financing activities	<u>\$ (1,792,480)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments on notes receivable	\$ 1,420,000
Proceeds from sales of capital assets	373,028
Net cash provided by (used for) capital and related financing activities	<u>\$ 1,793,028</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earnings	\$ 2,514
Net cash provided by (used for) investing activities	<u>\$ 2,514</u>

Net increase (decrease) in cash and cash equivalents \$ (159,108)

Cash and investments - beginning - including restricted 850,790
Cash and investments - ending - including restricted 691,682

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

Operating income (loss)	\$ (154,311)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Accounts payable	(7,859)
Net cash provided by (used for) operating activities	<u>\$ (162,170)</u>

Noncash investing, capital, and financing activities:

Noncash capital contributions	<u>\$ 23,068</u>
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