



Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 and for the year ended June 30, 2022, 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.

Basis for Opinions

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

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement Nos. 87, *Leases* and 92, *Omnibus*. Our opinions are not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 1 to the financial statements, in 2022, the City restated beginning balances to reflect the requirements of GASB Statement Nos. 87. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic

Required Supplementary Information (Continued)

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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Manassas, Virginia's basic financial statements. The accompanying combining and individual fund financial statements and schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2022, on our consideration of 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 City of Manassas, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 23, 2022

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2022

The Management's Discussion and Analysis (MD&A) section of the City of Manassas, Virginia (City), Annual Comprehensive Financial Report (ACFR) provides a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2022. The MD&A should be read in conjunction with our letter of transmittal found in the Introductory Section of this report, and the City's Financial Statements that follow this section.

The MD&A identifies the City as the Primary Government. We have also included information about the "Total Reporting Unit", which is the City and its component units, the Manassas City Public Schools (MCPS) and the Economic Development Authority (EDA). Due to the material relationship between the City and MCPS, we believe that Total Reporting Unit information more accurately reflects the financial condition of the City of Manassas.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Total Reporting Unit including Component Units exceeded its liabilities and deferred inflows of resources at June 30, 2022 by \$537,286,331 (net position). The Total Reporting Unit's net position invested in capital assets is \$393,561,341 and \$3,830,122 is restricted in its use. The remaining net position, \$139,894,868, 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, 2022 by \$529,215,570 (net position). The City's net position invested in capital assets is \$367,773,733 with \$2,108,530 restricted in its use, and the remaining balance of \$159,333,307 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 \$38,536,300 of debt outstanding relating to MCPS (excluding unamortized bond premiums and deferred charges of \$3,768,089).
- The unassigned fund balance for the City's general fund at June 30, 2022 was \$28,857,727. This amount is 20% of total general fund actual operating revenues of \$144,288,640 for fiscal year 2022. 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 \$21,935,521 over the prior year, a 34% increase. Aside from the balance unassigned per policy, the remaining fund balance has been committed for specific uses such as future capital projects, transportation improvements, and employee pension and OPEB benefits. The majority of the fund balance increase is due to federal Coronavirus State and Local Recovery Fiscal Recovery Funds (CSLFRF) revenues of \$10 million, and increases in tax revenues including business license tax of \$1.9 million, personal property tax of \$2 million, sales tax of \$1.6 million, meals tax of \$1.4 million, and recordation taxes of \$1 million. Micron's continued \$3 billion local expansion has driven the increase in business taxes and has contributed to the economic growth in the area, which has led to increases in sales, meals, and recordation taxes. Assessment increases in personal property including used car values, has fueled the increase in the related taxes. Economic growth with continued increases in online purchases has driven up sales taxes. The strong local real estate market has led to increases in assessed values and thus real estate and recordation taxes. In addition, red light photo enforcement fines have increased \$713,000, as fiscal year 2022 (FY 2022) was the first full-year of enforcement. These revenue increases were complemented by a \$1.2 million budget savings in shared services expenditures with Prince William County due the timing of capital improvement costs at the Adult Detention Center and fewer incarcerations in the correction system as well as a true-down of actual expenditures from the prior year being included in the annual bill, \$1 million savings due to a timing delay of museum plaza work, \$845,000 of savings in the Finance and Community Development departments from vacancies and under-filled positions as well as a timing delay of park maintenance expenditures and facility set up/relocation technology costs, a \$402,000 temporary debt service decrease in George Mason Freedom Center and Hylton Center costs, and \$387,000 timing delay in paving expenditures.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2022

FINANCIAL HIGHLIGHTS (CONTINUED):

- The City implemented provisions of GASB Statement No. 87, *Leases*, during the fiscal year ended June 30, 2022. Statement No. 87, *Leases* requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. A description of GASB No. 87 and its financial impact can be found in Note 1 of this report under Adoption of accounting principles.

OVERVIEW OF THE FINANCIAL STATEMENTS:

Government-wide 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 annual comprehensive financial report (ACFR) also contains other supplementary information in addition to the basic financial statements themselves.

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.

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 two categories: governmental funds and proprietary funds.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Fund Financial Statements: (Continued)

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These funds are reported on the modified accrual basis of accounting, which measures cash and other liquid assets that can be readily converted to cash.

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major general fund, general capital projects fund, and NVT A capital projects fund. Data from the other eight 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 four non-major governmental funds - Social Services, PEG, Owens Brooke district, and Fire and Rescue. Budgetary comparisons for these funds have also been provided.

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 the 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 external 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.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2022

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.

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. 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.

The City's component units do not issue separate financial statements. Therefore, you will find fund statements for MCPS and for the EDA near the end 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 \$48,332,659, which represents 17.5%, in fiscal year 2022. Significant changes in net position include the \$21.9 million increase in the general fund described in detail under the Financial Highlights section, including CSLFRF revenues, commercial expansions and development resulting in increased revenue from business license, sales, meals, and recordation taxes, which provides evidence of continued economic growth in the City. Due to the required accounting adjustments for capital outlays, to depreciate capital assets over their useful lives instead of in the year of payment, and other capital transactions, Governmental activities' net position increased by an additional \$26.5 million in FY 2022. Significant capital additions were recorded for completed sidewalk and trail projects and for the progress made on the new public safety building and Rt 28 widening projects, which are anticipated to be complete in FY 2023.

The net position of the business-type activities increased \$4,409,627, which represents 2.2%, in fiscal year 2022; all funds except Water increased their net position in FY 2022, meaning revenues and contributions exceeded expenses. Total revenues remained consistent with fiscal year 2021; however there were lower capital contributions and grants received by the airport for the funding of infrastructure improvements, offset by higher charges for services in Electric due to increased consumption, power cost adjustment (PCA) charges, and collections as the moratorium placed on the collection of penalties on late payments ended. Transfers out increased as the water fund's contribution to capital projects increased.

The net position of MCPS has increased \$13,858,261 in fiscal year 2022, which represents 230%). Compared to fiscal year 2021, MCPS saw a \$8.6 million increase in State and Federal revenues, coupled with an \$7.8 million decrease in expenses. Increased funding was primarily due to an increase in sales tax of \$1.6 million, increased State support of \$2 million to assist with a mandated 5% salary increase and a return from virtual learning, increased Federal school food funding of \$3.8 million as students returned to in-person education, and an increase of \$1 million in Federal funding related to the COVID-19 pandemic. The decrease in expenses is primarily due to a reduction in pension expense. These items are offset by a \$4 million decrease in the local funding transferred to MCPS to reflect MCPS debt service being paid directly by the City's debt service fund, rather than funding being transferred to MCPS, then billed for payment and recorded as City revenue received from MCPS.

The net position of the EDA decreased \$9,147, or 3.8% in fiscal year 2022, due to incentives issued to local businesses during the year.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

The following tables summarize the Statement of Net Position for the reporting unit as of June 30, 2022.

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-----------------------------------|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|
| | FY 2022 | FY 2021 | FY 2022 | FY 2021 | FY 2022 | FY 2021 |
| Current assets | \$ 217,254,178 | \$ 174,559,442 | \$ 172,794,064 | \$ 103,758,593 | \$ 390,048,242 | \$ 278,318,035 |
| Capital assets | 301,331,969 | 272,728,123 | 162,256,446 | 159,002,839 | 463,588,415 | 431,730,962 |
| Total assets | <u>\$ 518,586,147</u> | <u>\$ 447,287,565</u> | <u>\$ 335,050,510</u> | <u>\$ 262,761,432</u> | <u>\$ 853,636,657</u> | <u>\$ 710,048,997</u> |
| Deferred outflows of resources | \$ 11,815,718 | \$ 12,721,393 | \$ 3,128,172 | \$ 3,463,543 | \$ 14,943,890 | \$ 16,184,936 |
| Current liabilities | \$ 35,429,686 | \$ 41,733,064 | \$ 7,930,077 | \$ 7,499,900 | \$ 43,359,763 | \$ 49,232,964 |
| Long-term liabilities | 147,183,360 | 140,169,552 | 75,035,058 | 57,950,110 | 222,218,418 | 198,119,662 |
| Total liabilities | <u>\$ 182,613,046</u> | <u>\$ 181,902,616</u> | <u>\$ 82,965,135</u> | <u>\$ 65,450,010</u> | <u>\$ 265,578,181</u> | <u>\$ 247,352,626</u> |
| Deferred inflows of resources | \$ 23,439,161 | \$ 2,089,343 | \$ 50,347,635 | \$ 318,590 | \$ 73,786,796 | \$ 2,407,933 |
| Net position: | | | | | | |
| Net Investment | | | | | | |
| in capital assets | \$ 250,655,968 | \$ 235,226,731 | \$ 123,711,751 | \$ 120,740,539 | \$ 367,773,733 | \$ 355,967,270 |
| Restricted | 469,337 | 378,547 | 1,639,193 | 1,712,956 | 2,108,530 | 2,091,503 |
| Unrestricted (deficit) | 73,224,353 | 40,411,721 | 79,514,968 | 78,002,790 | 159,333,307 | 118,414,511 |
| Total net position | <u>\$ 324,349,658</u> | <u>\$ 276,016,999</u> | <u>\$ 204,865,912</u> | <u>\$ 200,456,285</u> | <u>\$ 529,215,570</u> | <u>\$ 476,473,284</u> |

Note: The sum of net investment in capital assets of the Governmental and Business Activities does not equal the net investment in capital assets of the total primary government, because the \$6,593,986 of debt related to the governmental activities is reflected in the business activities, reducing unrestricted net position. The assets are reflected in the governmental activities as net investment in capital assets. The total primary government matches the assets with the debt and reports the net amount of the investment in capital assets. The total adjustment was \$0 in FY 2021 and \$6,593,986 in FY 2022.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

| | MCPS | | EDA | | Total Reporting Unit | |
|----------------------------------|-----------------------|-----------------------|-------------------|-------------------|-----------------------|-----------------------|
| | FY 2022 | FY 2021 | FY 2022 | FY 2021 | FY 2022 | FY 2021 |
| Current assets | \$ 36,934,211 | \$ 32,476,798 | \$ 470,088 | \$ 551,505 | \$ 427,452,541 | \$ 311,346,338 |
| Capital assets | 73,275,193 | 74,633,541 | - | - | 536,863,608 | 506,364,503 |
| Total assets | <u>\$ 110,209,404</u> | <u>\$ 107,110,339</u> | <u>\$ 470,088</u> | <u>\$ 551,505</u> | <u>\$ 964,316,149</u> | <u>\$ 817,710,841</u> |
| Deferred outflows of resources | \$ 28,691,937 | \$ 28,455,445 | \$ - | \$ - | \$ 43,635,827 | \$ 44,640,381 |
| Current liabilities | \$ 7,457,274 | \$ 8,755,590 | \$ 238,545 | \$ 310,815 | \$ 51,055,582 | \$ 58,299,369 |
| Long-term liabilities | 76,104,102 | 120,425,682 | - | - | 298,322,520 | 318,545,344 |
| Total liabilities | <u>\$ 83,561,376</u> | <u>\$ 129,181,272</u> | <u>\$ 238,545</u> | <u>\$ 310,815</u> | <u>\$ 349,378,102</u> | <u>\$ 376,844,713</u> |
| Deferred inflows of resources | \$ 47,500,747 | \$ 12,418,038 | \$ - | \$ - | \$ 121,287,543 | \$ 14,825,971 |
| Net position: | | | | | | |
| Net Investment in capital assets | \$ 68,091,997 | \$ 69,796,038 | \$ - | \$ - | \$ 393,561,341 | \$ 379,391,750 |
| Restricted | 1,721,592 | - | - | - | 3,830,122 | 2,091,503 |
| Unrestricted (deficit) | (61,974,371) | (75,829,564) | 231,543 | 240,690 | 139,894,868 | 89,197,195 |
| Total net position | <u>\$ 7,839,218</u> | <u>\$ (6,033,526)</u> | <u>\$ 231,543</u> | <u>\$ 240,690</u> | <u>\$ 537,286,331</u> | <u>\$ 470,680,448</u> |

Note: The sum of net investment in capital assets of the primary government and the component unit does not equal the net investment in capital assets of the total reporting unit, because the debt related to the component unit is reflected in the primary government's general governmental activities, reducing unrestricted net position. The assets are reflected in the component unit as net investment in capital assets. The total reporting unit matches the assets with the debt and reports the net amount of the investment in capital assets. The total adjustment was \$46,371,558 in FY 2021 and \$42,304,389 in FY 2022.

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2022**

The following tables summarize the changes in net position for the reporting unit for the year ended June 30, 2022.

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|-------------------------|----------------|--------------------------|----------------|-----------------------------|----------------|
| | FY 2022 | FY 2021 | FY 2022 | FY 2021 | FY 2022 | FY 2021 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 5,250,454 | \$ 4,205,907 | \$ 82,429,870 | \$ 75,954,185 | \$ 87,680,324 | \$ 80,160,092 |
| Operating grants, contributions | 19,398,061 | 12,387,798 | 562,185 | 309,691 | 19,960,246 | 12,697,489 |
| Capital grants, contributions | 11,777,883 | 4,566,255 | 2,582,449 | 7,092,161 | 14,360,332 | 11,658,416 |
| General Revenues: | | | | | | |
| Property Taxes | 99,681,923 | 96,386,551 | - | - | 99,681,923 | 96,386,551 |
| Other Taxes | 28,208,309 | 25,216,205 | - | - | 28,208,309 | 25,216,205 |
| Unrestricted grants | 7,635,256 | 7,789,313 | - | - | 7,635,256 | 7,789,313 |
| City appropriation to component unit | - | - | - | - | - | - |
| Other | 5,760,201 | 9,937,784 | 1,550,675 | 158,995 | 7,310,876 | 10,096,779 |
| Total revenues | \$ 177,712,087 | \$ 160,489,813 | \$ 87,125,179 | \$ 83,515,032 | \$ 264,837,266 | \$ 244,004,845 |
| Expenses: | | | | | | |
| General government | \$ 10,976,583 | \$ 11,006,912 | \$ - | \$ - | \$ 10,976,583 | \$ 11,006,912 |
| Public safety | 35,766,225 | 34,099,231 | - | - | 35,766,225 | 34,099,231 |
| Public works | 13,974,928 | 13,639,534 | - | - | 13,974,928 | 13,639,534 |
| Health and human services | 9,296,420 | 9,914,759 | - | - | 9,296,420 | 9,914,759 |
| Culture, rec, development | 7,434,504 | 8,937,553 | - | - | 7,434,504 | 8,937,553 |
| Interest on long-term debt | 3,599,287 | 2,989,404 | - | - | 3,599,287 | 2,989,404 |
| Electric | - | - | 39,445,854 | 36,408,785 | 39,445,854 | 36,408,785 |
| Water | - | - | 10,734,745 | 9,404,179 | 10,734,745 | 9,404,179 |
| Sewer | - | - | 15,085,095 | 14,399,612 | 15,085,095 | 14,399,612 |
| Airport | - | - | 4,789,597 | 4,613,173 | 4,789,597 | 4,613,173 |
| Stormwater | - | - | 2,130,035 | 1,628,618 | 2,130,035 | 1,628,618 |
| Solid Waste | - | - | 3,520,097 | 3,574,079 | 3,520,097 | 3,574,079 |
| Education | 55,341,610 | 59,531,330 | - | - | 55,341,610 | 59,531,330 |
| Economic Development | - | - | - | - | - | - |
| Total expenses | \$ 136,389,557 | \$ 140,118,723 | \$ 75,705,423 | \$ 70,028,446 | \$ 212,094,980 | \$ 210,147,169 |
| Increase (decrease) in net position before transfers | \$ 41,322,530 | \$ 20,371,090 | \$ 11,419,756 | \$ 13,486,586 | \$ 52,742,286 | \$ 33,857,676 |
| Transfers | 7,010,129 | 3,504,961 | (7,010,129) | (3,504,961) | - | - |
| Change in net position | \$ 48,332,659 | \$ 23,876,051 | \$ 4,409,627 | \$ 9,981,625 | \$ 52,742,286 | \$ 33,857,676 |
| Net position beginning, as restated | 276,016,999 | 252,140,948 | 200,456,285 | 190,474,660 | 476,473,284 | 442,615,608 |
| Net position ending | \$ 324,349,658 | \$ 276,016,999 | \$ 204,865,912 | \$ 200,456,285 | \$ 529,215,570 | \$ 476,473,284 |

Note: Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis related to the implementation of GASB 87 has not been restated.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2022

The following tables summarize the changes in net position for the reporting unit for the year ended June 30, 2022.

| | MCPS | | EDA | | Total Reporting Unit | |
|--|-----------------------|-----------------------|-------------------|---------------------|-----------------------|-----------------------|
| | FY 2022 | FY 2021 | FY 2022 | FY 2021 | FY 2022 | FY 2021 |
| Program revenues: | | | | | | |
| Charges for services | \$ 379,741 | \$ 410,524 | \$ 13,816 | \$ 14,505 | \$ 88,073,881 | \$ 80,585,121 |
| Operating grants, contributions | 75,721,474 | 67,134,251 | - | 490,521 | 95,681,720 | 80,322,261 |
| Capital grants, contributions | - | - | 89,880 | - | 14,450,212 | 11,658,416 |
| General Revenues: | | | | | | |
| Property Taxes | - | - | - | - | 99,681,923 | 96,386,551 |
| Other Taxes | - | - | - | - | 28,208,309 | 25,216,205 |
| Unrestricted grants | - | - | - | - | 7,635,256 | 7,789,313 |
| City appropriation to component unit | 55,341,610 | 59,531,330 | - | - | 55,341,610 | 59,531,330 |
| Other | 803,304 | 227,534 | 188,249 | 1,334 | 8,302,429 | 10,325,647 |
| Total revenues | \$ 132,246,129 | \$ 127,303,639 | \$ 291,945 | \$ 506,360 | \$ 397,375,340 | \$ 371,814,844 |
| Expenses: | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ 10,976,583 | \$ 11,006,912 |
| Public safety | - | - | - | - | 35,766,225 | 34,099,231 |
| Public works | - | - | - | - | 13,974,928 | 13,639,534 |
| Health and human services | - | - | - | - | 9,296,420 | 9,914,759 |
| Culture, rec, development | - | - | - | - | 7,434,504 | 8,937,553 |
| Interest on long-term debt | - | - | - | - | 3,599,287 | 2,989,404 |
| Electric | - | - | - | - | 39,445,854 | 36,408,785 |
| Water | - | - | - | - | 10,734,745 | 9,404,179 |
| Sewer | - | - | - | - | 15,085,095 | 14,399,612 |
| Airport | - | - | - | - | 4,789,597 | 4,613,173 |
| Stormwater | - | - | - | - | 2,130,035 | 1,628,618 |
| Solid Waste | - | - | - | - | 3,520,097 | 3,574,079 |
| Education | 118,387,868 | 126,202,791 | - | - | 173,729,478 | 185,734,121 |
| Economic Development | - | - | 301,092 | 607,352 | 301,092 | 607,352 |
| Total expenses | \$ 118,387,868 | \$ 126,202,791 | \$ 301,092 | \$ 607,352 | \$ 330,783,940 | \$ 336,957,312 |
| Increase (decrease) in net position before transfers | \$ 13,858,261 | \$ 1,100,848 | \$ (9,147) | \$ (100,992) | \$ 66,591,400 | \$ 34,857,532 |
| Transfers | - | - | - | - | - | - |
| Change in net position | \$ 13,858,261 | \$ 1,100,848 | \$ (9,147) | \$ (100,992) | \$ 66,591,400 | \$ 34,857,532 |
| Net position beginning, as restated - Note 1 | (6,019,043) | (7,134,374) | 240,690 | 341,682 | 470,694,931 | 435,822,916 |
| Net position ending | \$ 7,839,218 | \$ (6,033,526) | \$ 231,543 | \$ 240,690 | \$ 537,286,331 | \$ 470,680,448 |

Note: Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis related to the implementation of GASB 87 has not been restated.

CITY OF MANASSAS, VIRGINIA

Management’s Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

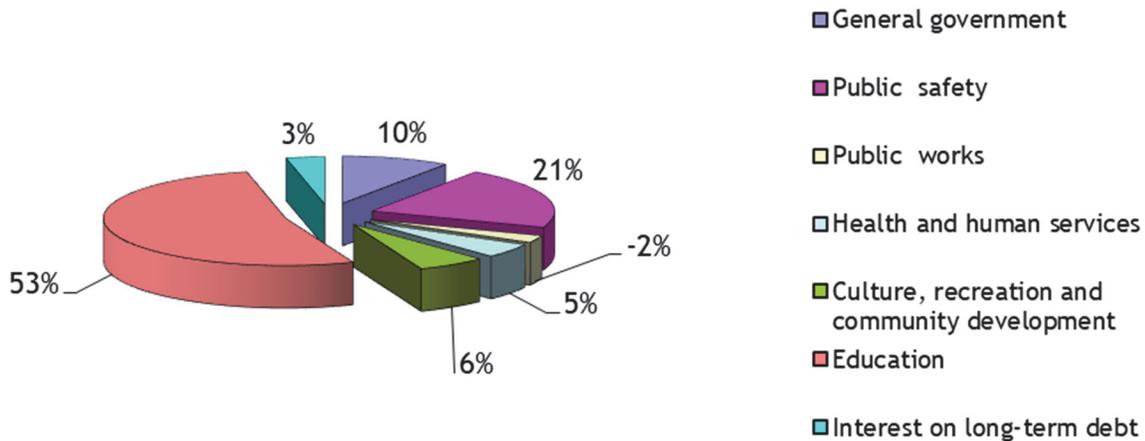
Governmental Activities

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 \$100 million, a decrease of \$19 million over last fiscal year, or 16%. A large portion of the decrease in net cost is due to an increase of \$6.4 million in federal revenues received to assist with the COVID-19 pandemic. These funds were used to assist with public safety salaries, thus contributing to the Public Safety net program cost decrease of \$6.5 million. Likewise, Public works’ net program cost decrease of \$7 million is due to an increase in State and Federal funding for transportation projects, as significant progress was made on the Rt 28 widening project. Education expenses are showing a decrease of \$4.2 million in program expenses; however, this decrease is due to a change in how funding for debt service for MCPS is being accounted for in the financial statements. The City’s general fund has transferred \$6 million to its debt service fund for MCPS’ current and future debt service. If added to the \$55 million shown below, this amount would increase Education expenses to \$61 million discussed in the City’s budget.

Governmental Activities Expenses and Program Revenues

| | Program Expenses FY 2022 | Program Revenues FY 2022 | Net Program Cost FY 2022 | Net Program Cost FY 2021 |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| General government | \$ 10,976,583 | \$ 881,105 | \$ 10,095,478 | \$ 10,407,613 |
| Public safety | 35,766,225 | 13,713,747 | 22,052,478 | 28,573,402 |
| Public works | 13,974,928 | 16,591,735 | (2,616,807) | 4,358,731 |
| Health and human services | 9,296,420 | 4,200,833 | 5,095,587 | 5,456,135 |
| Culture, recreation and community development | 7,434,504 | 1,038,978 | 6,395,526 | 7,642,148 |
| Education | 55,341,610 | - | 55,341,610 | 59,531,330 |
| Interest on long-term debt | 3,599,287 | - | 3,599,287 | 2,989,404 |
| Total | \$ 136,389,557 | \$ 36,426,398 | \$ 99,963,159 | \$ 118,958,763 |

Governmental Activities Net Program Costs



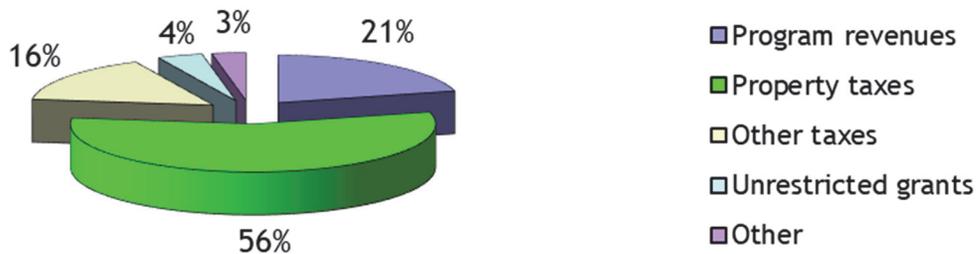
CITY OF MANASSAS, VIRGINIA

Management’s Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

In addition to program revenues of \$36.4 million, 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 2022 are \$141.3 million, or 80% of total governmental activities’ revenues of \$177.7 million. Governmental activities’ revenues in fiscal year 2022 increased \$17.2 million over fiscal year 2021, due mostly to a \$15 million increase in program revenues, including a \$6.4 million increase in COVID-19 Federal grant funding used for public safety salaries, a \$7 million increase public works’ State and Federal funding for transportation capital projects, and a \$1 million increase in public safety charges for services due primarily to red light camera fines. As mentioned in previous sections, the City also saw FY 2022 increases in property and other taxes, totaling \$6.2 million over FY 2021, offset by a \$1.7 million decrease in investment earnings due fair market value adjustments of invested funds, and also offset by a \$2.5 million decrease in payments received from MCPS, as debt service funding procedures were changed to be paid directly by the City. The chart below indicates that the property taxes continue to be the largest source of revenue for the governmental activities.

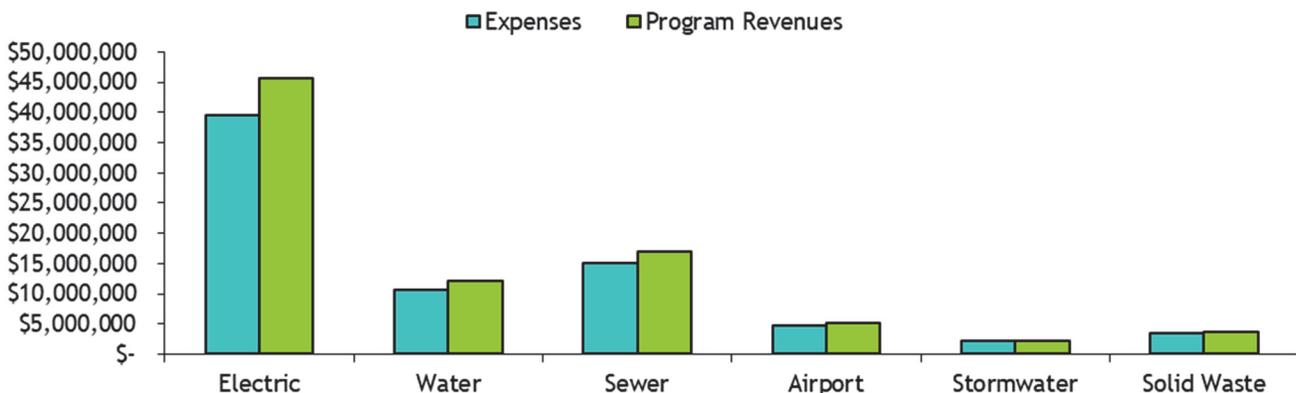
Governmental Activities Revenues



Business-type Activities

For the City’s business-type activities, total net position increased \$4.4 million to \$204.9 million for the fiscal year. The net (expenses)/revenues for total business-type activities were positive with program revenues of \$85.6 million exceeding expenses of \$75.7 million by \$9.9 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 \$1.1 million that are reflected as revenues, to assist with the completion of runway rehabilitation and taxiway construction and rehab, along with airfield paving. The Water and Electric funds received capital contributions of \$1.4 million to assist with the funding of 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, 2022

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 2022, the City's governmental funds reported combined ending fund balances of \$168,267,078, an increase of \$42,251,869 from fiscal year 2021. As detailed in the Financial Highlights section, the fund balance of the general fund increased \$21,935,521, due primarily to revenue increases. The fund balance of the General Capital Projects fund increased \$12,022,802 in fiscal year 2022, due primarily to projects that have received their funding but significant work has crossed into the next fiscal year. These projects include the Manassas Museum renovation (+\$5 million), the City Hall renovation (+\$9 million), and Stonewall Park improvements (+\$2 million), offset by FY 2022 spending on the new Public Safety Building that was anticipated in the prior year (-\$4 million). The fund balance of the NVT A Capital Projects fund increased \$1,633,397 in FY 2022, again due primarily to projects that have received their funding but significant work has crossed into the next fiscal year. These projects include \$4.3 million in bond funds which will be allocated to future projects, to be utilized as part of the annual NVT A-match requirement, offset by FY 2022 spending anticipated in prior years on Sidewalk infill (-\$1 million), and the Grant Ave water main (-\$2 million). The fund balance of nonmajor governmental funds increased \$6,660,149, primarily due to a planned increase of in the Debt Service Fund to expand service capacity and facilitate the funding of future school construction, and an increase in the Fire Rescue Fund, primarily due to long lead times for the manufacture and delivery of a new fire truck and salary savings from staff vacancies.

The general fund is the main operating fund of the City. At the end of fiscal year 2022 total fund balance of the general fund was \$87,170,610, and the unassigned fund balance was \$28,857,727. As noted in the beginning of this document, per City policy, the unassigned fund balance represents 20% of total 2022 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 (\$843,919); 2) legally required to be maintained intact; 3) restricted for particular purposes (\$916,691); 4) committed for particular purposes (\$42,514,091); or 5) assigned for particular purposes (\$14,038,182). Committed fund balance has increased in FY 2022 as the City remains diligent in its long-term financial planning efforts to ensure stability if additional funding is needed for capital and infrastructure projects, or employee benefits.

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 2022 for the Electric, Water, Sewer, Airport, Stormwater, and the only non-major enterprise fund, Solid Waste, was \$204,865,912. The \$79,514,968 unrestricted portion of net position increased \$1,512,178 from FY 2021. The remaining \$123,711,751 is invested in capital assets net of related debt, and \$1,639,193 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, 2022

GENERAL FUND BUDGETARY HIGHLIGHTS

In fiscal year 2022, the City's general fund revenues exceeded the revised revenue budget by \$19 million. Total expenditures ended the year under the revised budget by \$9 million, and other financing sources were under the revised budget by \$332,143. The net change in general fund balance was \$21.9 million. Details of the budget results can be seen in Exhibit 7 of the basic financial statements.

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

- Total departmental expenditures were \$3.5 million less than budget largely related to staff vacancies and under-filled positions, paving started in FY 2022 to be completed in the next fiscal year, and savings on seasonal employees due to reduced pool hours for summer 2022.
- Non-departmental expenditures were \$5.7 million less than budget due primarily to shared services savings of \$2.6 million from the timing of capital improvements of the Adult Detention Center, fewer incarcerations in the correction system and a true-down of prior year costs applied in FY 2022, and a temporary restructuring of GMU Freedom Center and Hylton Performing Arts Center debt service. Community investment expenses of \$2 million have been carried forward to FY 2023, along with museum plaza work and citizen pandemic assistance, \$1 million combined.
- General fund revenues were \$19 million greater than budgeted in FY 2022. General property taxes were \$2.3 million greater than budget due primarily to increased personal property assessed values as previously discussed, coupled with modest increases in real estate taxes, due to increased assessments in the strong housing market. Other taxes exceeded budget by \$6.4 million, due primarily to increased revenue from sales tax, meals tax, business license tax, and recordation tax as the City continues to show increased economic growth with the help of commercial expansion and development and a strong housing market. Fines increased \$1 million due to a full year of red-light photo enforcement. Federal funding was \$10 million greater than budget due to the use of CSLFRF (ARPA) funds during the year. Investment income saw a loss of \$1.7 million due to fair market value adjustments on invested funds.
- An additional \$10 million was placed in the general fund balance committed for future priorities of City Council, and \$5.3 million was committed for employee benefits.

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, 2022 is \$368 million, an increase of \$11.8 million from June 30, 2021. 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, plus any unspent bond proceeds, and minus lease liabilities. The most significant changes in net investment in capital assets for the year includes the increases to governmental net assets due to ongoing projects like the new public safety building, Rt 28 widening, new trails and sidewalks, and increase to business-activities' investment-in-plant due to the progress made on and completion of water and electric infrastructure improvements.

The following tables summarize the capital assets of the City and MCPS. Additional information on the capital assets is found in Note 6 to the basic financial statements.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION: (CONTINUED)

| | Capital Assets | | Accumulated Depreciation | | Capital Assets net of Accumulated Depreciation | | Net Increase (Decrease) Capital Assets |
|-----------------------------------|----------------|------------------|--------------------------|----------------|--|---------|--|
| | FY 2022 | FY 2022 | FY 2022 | FY 2021 | FY 2022 | FY 2021 | |
| GOVERNMENTAL ACTIVITIES | | | | | | | |
| Land | \$ 118,178,814 | \$ - | \$ 118,178,814 | \$ 117,941,512 | \$ 237,302 | | |
| Construction in progress | 49,693,836 | - | 49,693,836 | 20,374,227 | 29,319,609 | | |
| Buildings and improvements | 59,722,915 | (34,426,345) | 25,296,570 | 24,753,254 | 543,316 | | |
| Leased buildings and improvements | 1,144,162 | (355,849) | 788,313 | - | 788,313 | | |
| Machinery and equipment | 31,893,322 | (17,173,004) | 14,720,318 | 14,447,799 | 272,519 | | |
| Infrastructure | 199,819,444 | (107,165,326) | 92,654,118 | 95,211,331 | (2,557,213) | | |
| Total | \$ 460,452,493 | \$ (159,120,524) | \$ 301,331,969 | \$ 272,728,123 | \$ 28,603,846 | | |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Land | \$ 14,916,202 | \$ - | \$ 14,916,202 | \$ 14,803,955 | \$ 112,247 | | |
| Construction in progress | 8,935,697 | - | 8,935,697 | 4,564,096 | 4,371,601 | | |
| Investment in plant | 277,567,118 | (170,071,870) | 107,495,248 | 107,649,486 | (154,238) | | |
| Infrastructure | 28,541,516 | (12,890,762) | 15,650,754 | 16,298,473 | (647,719) | | |
| Leased infrastructure | 47,853 | (8,317) | 39,536 | - | 39,536 | | |
| Machinery and equipment | 5,947,640 | (4,719,848) | 1,227,792 | 1,352,231 | (124,439) | | |
| Purchased capacity | 35,373,346 | (21,382,129) | 13,991,217 | 14,334,598 | (343,381) | | |
| Total | \$ 371,329,372 | \$ (209,072,926) | \$ 162,256,446 | \$ 159,002,839 | \$ 3,253,607 | | |
| TOTAL PRIMARY GOVERNMENT | | | | | | | |
| Land | \$ 133,095,016 | \$ - | \$ 133,095,016 | \$ 132,745,467 | \$ 349,549 | | |
| Construction in progress | 58,629,533 | - | 58,629,533 | 24,938,323 | 33,691,210 | | |
| Buildings and improvements | 59,722,915 | (34,426,345) | 25,296,570 | 24,753,254 | 543,316 | | |
| Investment in plant | 277,567,118 | (170,071,870) | 107,495,248 | 107,649,486 | (154,238) | | |
| Machinery and equipment | 37,840,962 | (21,892,852) | 15,948,110 | 15,800,030 | 148,080 | | |
| Leased assets | 1,192,015 | (364,166) | 827,849 | - | 827,849 | | |
| Infrastructure | 228,360,960 | (120,056,088) | 108,304,872 | 111,509,804 | (3,204,932) | | |
| Purchased capacity | 35,373,346 | (21,382,129) | 13,991,217 | 14,334,598 | (343,381) | | |
| Total | \$ 831,781,865 | \$ (368,193,450) | \$ 463,588,415 | \$ 431,730,962 | \$ 31,857,453 | | |
| MCPS | | | | | | | |
| Land | \$ 2,336,649 | \$ - | \$ 2,336,649 | \$ 2,336,649 | \$ - | | |
| Construction in progress | 1,440,261 | - | 1,440,261 | 3,095,381 | (1,655,120) | | |
| Buildings and improvements | 195,056,505 | (130,908,552) | 64,147,953 | 64,815,037 | (667,084) | | |
| Leased buildings and improvements | 817,792 | (403,370) | 414,422 | - | 414,422 | | |
| Leased machinery and equipment | 148,050 | (126,553) | 21,497 | 148,050 | (126,553) | | |
| Machinery and equipment | 11,766,936 | (6,852,525) | 4,914,411 | 4,251,987 | 662,424 | | |
| Total | \$ 211,566,193 | \$ (138,291,000) | \$ 73,275,193 | \$ 74,647,104 | \$ (1,371,911) | | |

Note: Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis related to the implementation of GASB 87 has not been restated; however, MCPS beginning balance has been restated for capital lease that now qualifies as a GASB 87 financing lease.

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2022**

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 to the basic financial statements.

| | Governmental Activities | | Business Activities | | Total Primary Government | |
|--------------------------|-------------------------|-----------------------|----------------------|----------------------|--------------------------|-----------------------|
| | FY 2022 | FY2021 | FY 2022 | FY2021 | FY 2022 | FY2021 |
| General obligation bonds | \$ 106,507,350 | \$ 86,350,200 | \$ 62,002,650 | \$ 42,536,215 | \$ 168,510,000 | \$ 128,886,415 |
| Premium on bonds | 11,304,697 | 8,742,447 | 6,273,862 | 4,007,770 | 17,578,559 | 12,750,217 |
| Lease liabilities (1) | 819,227 | - | 38,831 | - | 858,058 | - |
| Compensated absences | 4,026,449 | 3,659,735 | 1,269,595 | 1,291,836 | 5,296,044 | 4,951,571 |
| Net OPEB liability | 11,580,259 | 13,836,100 | 2,033,879 | 2,708,894 | 13,614,138 | 16,544,994 |
| Net Pension liability | 12,945,378 | 27,581,070 | 3,416,241 | 7,405,395 | 16,361,619 | 34,986,465 |
| | <u>\$ 147,183,360</u> | <u>\$ 140,169,552</u> | <u>\$ 75,035,058</u> | <u>\$ 57,950,110</u> | <u>\$ 222,218,418</u> | <u>\$ 198,119,662</u> |

| | MCPS | | Total Reporting Unit | |
|--------------------------|----------------------|-----------------------|-----------------------|-----------------------|
| | FY 2022 | FY2021 | FY 2022 | FY2021 |
| General obligation bonds | \$ - | \$ - | \$ 168,510,000 | \$ 128,886,415 |
| Premium on bonds | - | - | 17,578,559 | 12,750,217 |
| Capital leases | 4,347,723 | 4,613,643 | 4,347,723 | 4,613,643 |
| Lease liabilities (1) | 443,194 | - | 1,301,252 | - |
| Compensated absences | 2,857,458 | 3,070,187 | 8,153,502 | 8,021,758 |
| Net OPEB liability | 14,321,320 | 15,864,037 | 27,935,458 | 32,409,031 |
| Net Pension liability | 52,412,815 | 96,728,845 | 68,774,434 | 131,715,310 |
| | <u>\$ 74,382,510</u> | <u>\$ 120,276,712</u> | <u>\$ 296,600,928</u> | <u>\$ 318,396,374</u> |

(1) The prior year comparative information included in this discussion and analysis related to the implementation of GASB 87 (Leases) has not been restated.

The City's long-term obligations of \$222.2 million include outstanding general obligation (GO) bonds of \$168.5 million and bond premiums of \$17.6 million. The total reflects an increase of \$44.5 million, due to the issuance of \$58.2 million in GO and refunding bonds, offset by \$2.8 million of defeased bonds, and \$10.8 million of annual debt service payments and premium amortization. OPEB obligations payable saw a decrease of \$2.9 million in FY 2022. Based upon actuarial reports received from VRS, the City's net pension liability decreased by \$18.6 million.

The net decrease to the MCPS' total long-term obligations is \$46 million, primarily as a result of a \$44.3 million decrease in net pension liability, and a \$1.5 million decrease in OPEB obligations payable.

In May 2021, Standard & Poor's affirmed the City's bond rating of AAA and assigned a stable outlook, and in June 2021 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, 2021 was \$5,680,909,000, making the 2022 legal debt limitation of the City \$568,090,900. The City's general obligation debt applicable to the limit is \$168,510,000, leaving a legal debt margin for creation of additional debt of \$399,580,900.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2022

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The unemployment rate for the City as of June 2022 was 2.7%, which is slightly lower than the state rate (3.0%) and below the national rate (3.8%). The City's rate is lower than the June 2021 rate of 4.4%, indicating a continued trend of economic growth.
- Real property taxable assessed values increased 5.14% in January 2021 (used for fiscal year 2022 tax levies) to \$5,680,909,000 up by \$277,823,760 over the previous year. Real property taxable assessed values increased 9.65% percent in January 2022 (to be used for fiscal year 2023 tax levies) to \$6,229,338,800 up by \$548,429,800 over the previous year. The total direct real property tax rate is decreasing 6.09% from \$1.429 per \$100 of value in fiscal year 2022, to \$1.342 per \$100 of value in fiscal year 2023.
- The City is projecting assessed values to continue increasing marginally in 2023 and has taken this factor into consideration in the projection of the FY 2023 Budget and the development of the FY 2024 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, 9800 Godwin Drive, Manassas, VA, 20110. General information relating to the City of Manassas is available on the City's website <http://www.manassasva.gov>.

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of Net Position
June 30, 2022

| | Primary Government | | | Discretely Presented Component Units | |
|--|-------------------------|--------------------------|-----------------------|--------------------------------------|--------------------------------|
| | Governmental Activities | Business-type Activities | Total | Manassas City Public Schools | Economic Development Authority |
| ASSETS | | | | | |
| Cash and investments | \$ 170,462,448 | \$ 83,630,746 | \$ 254,093,194 | \$ 30,998,499 | \$ 470,088 |
| Cash and investments - restricted | 30,978,782 | 25,929,017 | 56,907,799 | 52,162 | - |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Taxes, including penalties | 3,921,847 | - | 3,921,847 | - | - |
| Accounts | 540,442 | 12,435,333 | 12,975,775 | 163,683 | - |
| Leases receivable | 1,322,055 | 47,181,706 | 48,503,761 | - | - |
| Due from other governments | 7,835,110 | 697,517 | 8,532,627 | 3,998,275 | - |
| Due from component unit | 237,605 | - | 237,605 | - | - |
| Prepaid items | 1,955,889 | - | 1,955,889 | - | - |
| Inventories | - | 2,919,745 | 2,919,745 | - | - |
| Pension asset | - | - | - | 1,721,592 | - |
| Capital assets: | | | | | |
| Nondepreciable | 167,872,650 | 23,851,899 | 191,724,549 | 3,776,910 | - |
| Depreciable, net | 133,459,319 | 138,404,547 | 271,863,866 | 69,498,283 | - |
| Total assets | <u>\$ 518,586,147</u> | <u>\$ 335,050,510</u> | <u>\$ 853,636,657</u> | <u>\$ 110,209,404</u> | <u>\$ 470,088</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred loss on refunding | \$ 354,079 | \$ 484,211 | \$ 838,290 | \$ - | \$ - |
| OPEB related deferred outflows | 2,153,868 | 187,674 | 2,341,542 | 3,117,470 | - |
| Pension related deferred outflows | 9,307,771 | 2,456,287 | 11,764,058 | 25,574,467 | - |
| Total deferred outflows of resources | <u>\$ 11,815,718</u> | <u>\$ 3,128,172</u> | <u>\$ 14,943,890</u> | <u>\$ 28,691,937</u> | <u>\$ -</u> |
| LIABILITIES | | | | | |
| Accounts payable and other current liabilities | \$ 11,329,610 | \$ 5,675,264 | \$ 17,004,874 | \$ 7,457,274 | \$ 940 |
| Deposits | 2,604,136 | 1,087,888 | 3,692,024 | - | - |
| Accrued interest payable | 1,996,075 | 1,119,391 | 3,115,466 | - | - |
| Due to other governments | 131,400 | - | 131,400 | - | - |
| Due to primary government | - | - | - | - | 237,605 |
| Unearned revenue | 19,368,465 | 47,534 | 19,415,999 | - | - |
| Long-term liabilities: | | | | | |
| Net OPEB liability - due in more than one year | 11,580,259 | 2,033,879 | 13,614,138 | 14,321,320 | - |
| Net pension liability - due in more than one year | 12,945,378 | 3,416,241 | 16,361,619 | 54,134,407 | - |
| Due within one year | 10,131,305 | 4,022,290 | 14,153,595 | 1,158,548 | - |
| Due in more than one year | 112,526,418 | 65,562,648 | 178,089,066 | 6,489,827 | - |
| Total liabilities | <u>\$ 182,613,046</u> | <u>\$ 82,965,135</u> | <u>\$ 265,578,181</u> | <u>\$ 83,561,376</u> | <u>\$ 238,545</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Leases related | \$ 5,615,297 | \$ 45,912,040 | \$ 51,527,337 | \$ - | \$ - |
| OPEB related deferred inflows | 3,830,168 | 742,709 | 4,572,877 | 3,053,446 | - |
| Pension related deferred inflows | 13,993,696 | 3,692,886 | 17,686,582 | 44,447,301 | - |
| Total deferred inflows of resources | <u>\$ 23,439,161</u> | <u>\$ 50,347,635</u> | <u>\$ 73,786,796</u> | <u>\$ 47,500,747</u> | <u>\$ -</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | \$ 250,655,968 | \$ 123,711,751 | \$ 367,773,733 | \$ 68,091,997 | \$ - |
| Restricted for: | | | | | |
| Nonexpendable Cemetery principal | 100,000 | - | 100,000 | - | - |
| Expendable Cemetery principal | 369,337 | - | 369,337 | - | - |
| Future capital projects | - | 1,639,193 | 1,639,193 | - | - |
| Net pension asset | - | - | - | 1,721,592 | - |
| Unrestricted | 73,224,353 | 79,514,968 | 159,333,307 | (61,974,371) | 231,543 |
| Total net position | <u>\$ 324,349,658</u> | <u>\$ 204,865,912</u> | <u>\$ 529,215,570</u> | <u>\$ 7,839,218</u> | <u>\$ 231,543</u> |

The sum of the primary government columns does not equal the Total column by a difference of \$6,593,986 because the bonds payable related to the Governmental Activities are reflected in the Business-type Activities column reducing unrestricted net position. The assets are reflected in the Governmental Activities column as net investment in capital assets. The Total column matches the assets with the debt and reports the net amount of the net investment in capital assets.

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

Statement of Activities
For the Year Ended June 30, 2022

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---|-----------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| PRIMARY GOVERNMENT: | | | | |
| Governmental activities: | | | | |
| General government | \$ 10,976,583 | \$ 520,147 | \$ 360,958 | \$ - |
| Public safety | 35,766,225 | 3,431,236 | 10,282,511 | - |
| Public works | 13,974,928 | 337,859 | 4,480,673 | 11,773,203 |
| Health and human services | 9,296,420 | - | 4,200,833 | - |
| Culture, recreation and community development | 7,434,504 | 961,212 | 73,086 | 4,680 |
| Education | 55,341,610 | - | - | - |
| Interest on long-term debt | 3,599,287 | - | - | - |
| Total government activities | \$ <u>136,389,557</u> | \$ <u>5,250,454</u> | \$ <u>19,398,061</u> | \$ <u>11,777,883</u> |
| Business-type activities: | | | | |
| Electric | \$ 39,445,854 | \$ 44,406,871 | \$ 131,177 | \$ 1,100,000 |
| Water | 10,734,745 | 11,706,089 | 39,016 | 351,106 |
| Sewer | 15,085,095 | 16,815,785 | 122,431 | 7,795 |
| Airport | 4,789,597 | 3,680,614 | 258,224 | 1,123,548 |
| Stormwater | 2,130,035 | 2,206,915 | - | - |
| Solid Waste | 3,520,097 | 3,613,596 | 11,337 | - |
| Total business-type activities | \$ <u>75,705,423</u> | \$ <u>82,429,870</u> | \$ <u>562,185</u> | \$ <u>2,582,449</u> |
| Total primary government | \$ <u>212,094,980</u> | \$ <u>87,680,324</u> | \$ <u>19,960,246</u> | \$ <u>14,360,332</u> |
| COMPONENT UNITS: | | | | |
| Manassas City Public Schools | \$ 118,387,868 | \$ 379,741 | \$ 75,721,474 | \$ - |
| Economic Development Authority | 301,092 | 13,816 | - | 89,880 |
| Total component units | \$ <u>118,688,960</u> | \$ <u>393,557</u> | \$ <u>75,721,474</u> | \$ <u>89,880</u> |

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

Statement of Activities
For the Year Ended June 30, 2022

| Functions/Programs | 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 |
| PRIMARY GOVERNMENT: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ (10,095,478) | | \$ (10,095,478) | | |
| Public safety | (22,052,478) | | (22,052,478) | | |
| Public works | 2,616,807 | | 2,616,807 | | |
| Health and human services | (5,095,587) | | (5,095,587) | | |
| Culture, recreation and community development | (6,395,526) | | (6,395,526) | | |
| Education | (55,341,610) | | (55,341,610) | | |
| Interest on long-term debt | (3,599,287) | | (3,599,287) | | |
| Total government activities | \$ (99,963,159) | | \$ (99,963,159) | | |
| Business-type activities: | | | | | |
| Electric | | \$ 6,192,194 | \$ 6,192,194 | | |
| Water | | 1,361,466 | 1,361,466 | | |
| Sewer | | 1,860,916 | 1,860,916 | | |
| Airport | | 272,789 | 272,789 | | |
| Stormwater | | 76,880 | 76,880 | | |
| Solid Waste | | 104,836 | 104,836 | | |
| Total business-type activities | | \$ 9,869,081 | \$ 9,869,081 | | |
| Total primary government | | | \$ (90,094,078) | | |
| COMPONENT UNITS: | | | | | |
| Manassas City Public Schools | | | | \$ (42,286,653) | \$ - |
| Economic Development Authority | | | | - | (197,396) |
| Total component units | | | | \$ (42,286,653) | \$ (197,396) |
| General revenues: | | | | | |
| General property taxes | \$ 99,681,923 | \$ - | \$ 99,681,923 | \$ - | \$ - |
| Local sales and use taxes | 12,324,357 | - | 12,324,357 | - | - |
| Business licenses | 5,277,651 | - | 5,277,651 | - | - |
| Meals taxes | 5,490,401 | - | 5,490,401 | - | - |
| Other local taxes | 5,115,900 | - | 5,115,900 | - | - |
| Unrestricted grants | 7,635,256 | - | 7,635,256 | - | - |
| Unrestricted investment earnings | (1,288,039) | 1,468,992 | 180,953 | 49,399 | 746 |
| Other unrestricted revenues | 3,606,722 | 80,289 | 3,687,011 | 753,905 | - |
| Gain on disposal of capital assets | 441,518 | 1,394 | 442,912 | - | 187,503 |
| Payments from component unit | 3,000,000 | - | 3,000,000 | - | - |
| Payments from City | - | - | - | 55,341,610 | - |
| Transfers | 7,010,129 | (7,010,129) | - | - | - |
| Total general revenues and transfers | \$ 148,295,818 | \$ (5,459,454) | \$ 142,836,364 | \$ 56,144,914 | \$ 188,249 |
| Change in net position | \$ 48,332,659 | \$ 4,409,627 | \$ 52,742,286 | \$ 13,858,261 | \$ (9,147) |
| Net position - beginning, as restated | 276,016,999 | 200,456,285 | 476,473,284 | (6,019,043) | 240,690 |
| Net position - ending | \$ 324,349,658 | \$ 204,865,912 | \$ 529,215,570 | \$ 7,839,218 | \$ 231,543 |

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

Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2022

| | General | General Capital Projects Fund | NVTA Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|-----------------------|--|-------------------------------------|--------------------------------|--------------------------------|
| Assets: | | | | | |
| Cash and investments | \$ 114,037,186 | \$ 5,906,290 | \$ 11,855,151 | \$ 32,462,209 | \$ 164,260,836 |
| Cash and investments - restricted | - | 23,331,513 | 7,177,932 | 469,337 | 30,978,782 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Taxes, including penalties | 3,681,984 | - | - | 239,863 | 3,921,847 |
| Accounts | 535,953 | - | - | - | 535,953 |
| Leases receivable | 1,322,055 | - | - | - | 1,322,055 |
| Prepaid items | 613,005 | - | - | 909,808 | 1,522,813 |
| Due from component unit | - | - | - | 237,605 | 237,605 |
| Due from other governments | 3,267,066 | - | 4,092,752 | 475,292 | 7,835,110 |
| Due from other funds | 230,914 | - | - | - | 230,914 |
| Total assets | <u>\$ 123,688,163</u> | <u>\$ 29,237,803</u> | <u>\$ 23,125,835</u> | <u>\$ 34,794,114</u> | <u>\$ 210,845,915</u> |
| Liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 5,509,169 | \$ 1,316,079 | \$ 2,339,106 | \$ 446,598 | \$ 9,610,952 |
| Retainage payable | - | 1,373,813 | 182,594 | - | 1,556,407 |
| Deposits | 2,604,136 | - | - | - | 2,604,136 |
| Unearned revenue | 19,368,465 | - | - | - | 19,368,465 |
| Due to other governments | 131,400 | - | - | - | 131,400 |
| Due to other funds | - | - | - | 230,914 | 230,914 |
| Total liabilities | <u>\$ 27,613,170</u> | <u>\$ 2,689,892</u> | <u>\$ 2,521,700</u> | <u>\$ 677,512</u> | <u>\$ 33,502,274</u> |
| Deferred inflows of resources: | | | | | |
| Unavailable revenue | \$ 3,210,314 | \$ - | \$ - | \$ 172,180 | \$ 3,382,494 |
| Leases related | 5,694,069 | - | - | - | 5,694,069 |
| Total deferred inflows of resources | <u>\$ 8,904,383</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 172,180</u> | <u>\$ 9,076,563</u> |
| Fund balances: | | | | | |
| Nonspendable | \$ 843,919 | \$ - | \$ - | \$ 1,009,808 | \$ 1,853,727 |
| Restricted | 916,691 | 23,331,513 | 7,177,932 | 5,706,193 | 37,132,329 |
| Committed | 42,514,091 | 3,216,398 | 13,426,203 | 27,079,876 | 86,236,568 |
| Assigned | 14,038,182 | - | - | 148,545 | 14,186,727 |
| Unassigned | 28,857,727 | - | - | - | 28,857,727 |
| Total fund balances | <u>\$ 87,170,610</u> | <u>\$ 26,547,911</u> | <u>\$ 20,604,135</u> | <u>\$ 33,944,422</u> | <u>\$ 168,267,078</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 123,688,163</u> | <u>\$ 29,237,803</u> | <u>\$ 23,125,835</u> | <u>\$ 34,794,114</u> | <u>\$ 210,845,915</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, 2022

| | | | |
|--|----|---------------------|-----------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | | \$ | 168,267,078 |
| 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. | | | 294,154,168 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | | 3,461,266 |
| 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. | | | 11,366,420 |
| 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 | \$ | 354,079 | |
| Pension related items | | 8,671,813 | |
| OPEB related items | | <u>2,103,836</u> | 11,129,728 |
| 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 | \$ | (106,507,350) | |
| Premium on bonds payable | | (11,304,697) | |
| Accrued interest on debt | | (1,996,075) | |
| Lease liabilities | | (810,534) | |
| Net pension liability | | (12,060,880) | |
| Net OPEB liability | | <u>(11,038,059)</u> | (143,717,595) |
| Compensated absences are not reported as fund liabilities. | | | (3,641,659) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | | |
| Pension related items | \$ | (13,037,572) | |
| OPEB related items | | <u>(3,632,176)</u> | (16,669,748) |
| Net position of governmental activities | | | <u>\$ 324,349,658</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, 2022

| | General | General Capital Projects Fund | NVTA Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|-----------------|--|-------------------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| General property taxes | \$ 87,118,544 | \$ - | \$ - | \$ 11,842,709 | \$ 98,961,253 |
| Other local taxes | 28,391,669 | - | - | - | 28,391,669 |
| Permits, fees and licenses | 819,854 | - | - | 110,904 | 930,758 |
| Fines and forfeitures | 1,802,176 | - | - | - | 1,802,176 |
| Revenue from the use of money and property | (1,070,836) | - | 115 | 8,199 | (1,062,522) |
| Charges for services | 896,920 | - | - | 878,608 | 1,775,528 |
| Payment in lieu of debt service | - | - | - | 3,000,000 | 3,000,000 |
| Recovered costs | 3,233,450 | - | - | - | 3,233,450 |
| Miscellaneous | 580,527 | 4,680 | - | 202,443 | 787,650 |
| Contribution from component unit, net | - | - | - | 204,759 | 204,759 |
| Intergovernmental | 22,516,336 | - | 11,496,570 | 4,508,143 | 38,521,049 |
| Total revenues | \$ 144,288,640 | \$ 4,680 | \$ 11,496,685 | \$ 20,755,765 | \$ 176,545,770 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government administration | \$ 10,077,540 | \$ 79,820 | \$ 209,813 | \$ 1,763 | \$ 10,368,936 |
| Public safety | 23,969,634 | - | - | 9,985,000 | 33,954,634 |
| Public works | 8,241,711 | - | 176,131 | 5,038 | 8,422,880 |
| Health and human services | 3,311,646 | - | - | 5,985,668 | 9,297,314 |
| Culture, recreation, and community development | 6,927,750 | 36,945 | - | 1,869 | 6,966,564 |
| Education | 55,341,610 | - | - | - | 55,341,610 |
| Capital outlay | 1,881,856 | 21,590,113 | 14,205,344 | 707,345 | 38,384,658 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | 7,036,511 | 7,036,511 |
| Interest and other fiscal charges | - | - | - | 3,848,993 | 3,848,993 |
| Bond issuance costs | 3,294 | 192,569 | - | - | 195,863 |
| Total expenditures | \$ 109,755,041 | \$ 21,899,447 | \$ 14,591,288 | \$ 27,572,187 | \$ 173,817,963 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 34,533,599 | \$ (21,894,767) | \$ (3,094,603) | \$ (6,816,422) | \$ 2,727,807 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | \$ 2,104,070 | \$ 4,725,000 | \$ 3,528,000 | \$ 13,942,740 | \$ 24,299,810 |
| Transfers out | (14,709,671) | - | - | (761,069) | (15,470,740) |
| Sale of capital assets | - | - | - | 294,900 | 294,900 |
| Issuance of bonds | 1,049,200 | 25,987,619 | 1,067,381 | - | 28,104,200 |
| Premium on bonds | 212,904 | 3,204,950 | 132,619 | - | 3,550,473 |
| Payment to refunded bond escrow agent | (1,254,581) | - | - | - | (1,254,581) |
| Total other financing sources (uses) | \$ (12,598,078) | \$ 33,917,569 | \$ 4,728,000 | \$ 13,476,571 | \$ 39,524,062 |
| Net change in fund balances | \$ 21,935,521 | \$ 12,022,802 | \$ 1,633,397 | \$ 6,660,149 | \$ 42,251,869 |
| Fund balances - beginning | 65,235,089 | 14,525,109 | 18,970,738 | 27,284,273 | 126,015,209 |
| Fund balances - ending | \$ 87,170,610 | \$ 26,547,911 | \$ 20,604,135 | \$ 33,944,422 | \$ 168,267,078 |

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, 2022**

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

Net change in fund balances - total governmental funds \$ 42,251,869

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 | \$ 38,386,421 | |
| Depreciation | <u>(8,482,587)</u> | 29,903,834 |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. (631,246)

The transfer of capital assets from enterprise funds to governmental activities are reported as transfers in the government-wide statement of activities. 53,741

The transfer of capital assets from governmental activities to enterprise fund are reported as transfers out in the government-wide statement of activities. (2,761,089)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 616,080

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

| | | |
|---|------------------|--------------|
| Principal payments | \$ 7,036,511 | |
| Proceeds from issuance of long-term obligations | (31,654,673) | |
| Payment to refunded bond escrow agent | 1,254,581 | |
| Loss on refunding | (1,467) | |
| Amortization of bond premium | 961,159 | |
| Amortization of deferred charge on refunding | <u>(204,538)</u> | (22,608,427) |

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 | \$ (318,061) | |
| OPEB expense | (142,031) | |
| Pension expense | 524,633 | |
| Accrued interest | <u>(309,309)</u> | (244,768) |

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. 1,752,665

Change in net position of governmental activities \$ 48,332,659

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, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| General property taxes | \$ 84,737,000 | \$ 84,737,000 | \$ 87,118,544 | \$ 2,381,544 |
| Other local taxes | 22,025,000 | 22,025,000 | 28,391,669 | 6,366,669 |
| Permits, fees, and licenses | 500,000 | 500,000 | 819,854 | 319,854 |
| Fines and forfeitures | 810,000 | 810,000 | 1,802,176 | 992,176 |
| Revenue from the use of money and property | 577,000 | 577,000 | (1,070,836) | (1,647,836) |
| Charges for services | 500,000 | 500,000 | 896,920 | 396,920 |
| Recovered costs | 3,233,450 | 3,233,450 | 3,233,450 | - |
| Proffers | - | - | 140,488 | 140,488 |
| Miscellaneous | 199,000 | 274,024 | 440,039 | 166,015 |
| Intergovernmental revenues: | | | | |
| Commonwealth: | | | | |
| PPTRA | 3,786,000 | 3,786,000 | 3,786,634 | 634 |
| Communications tax | 2,000,000 | 2,000,000 | 2,062,773 | 62,773 |
| Highway maintenance | 4,048,000 | 4,048,000 | 4,062,718 | 14,718 |
| Other | 1,960,500 | 2,257,018 | 2,350,206 | 93,188 |
| Federal | 510,000 | 493,936 | 10,254,005 | 9,760,069 |
| Total revenues | \$ 124,885,950 | \$ 125,241,428 | \$ 144,288,640 | \$ 19,047,212 |
| EXPENDITURES | | | | |
| Departmental: | | | | |
| City council | \$ 434,480 | \$ 434,480 | \$ 370,800 | \$ 63,680 |
| Clerk's office | 311,570 | 311,570 | 292,691 | 18,879 |
| City manager | 1,213,570 | 1,317,770 | 1,244,122 | 73,648 |
| City attorney | 493,550 | 493,550 | 397,400 | 96,150 |
| Electoral board | 371,500 | 431,975 | 425,634 | 6,341 |
| Treasurer | 906,840 | 906,840 | 861,512 | 45,328 |
| Commissioner of the revenue | 1,535,390 | 1,535,790 | 1,507,373 | 28,417 |
| Finance and administration | 2,076,110 | 2,262,196 | 1,830,062 | 432,134 |
| Human resources | 2,008,950 | 2,152,371 | 1,941,586 | 210,785 |
| Police | 17,465,900 | 18,614,131 | 18,036,147 | 577,984 |
| Engineering | 1,319,800 | 1,352,341 | 1,114,937 | 237,404 |
| Public works | 8,089,760 | 8,915,011 | 8,455,507 | 459,504 |
| Economic development | 1,060,080 | 1,245,910 | 1,000,487 | 245,423 |
| Community development | 4,439,300 | 4,978,620 | 4,251,060 | 727,560 |
| Contingency | 300,000 | 300,000 | - | 300,000 |
| Total departmental expenditures | \$ 42,026,800 | \$ 45,252,555 | \$ 41,729,318 | \$ 3,523,237 |
| Shared services | \$ 13,674,200 | \$ 14,174,200 | \$ 11,600,086 | \$ 2,574,114 |
| Interest and fees on long-term debt | - | - | 3,294 | (3,294) |
| Contributions | 137,500 | 137,500 | 137,500 | - |
| Grants and donations | 500,000 | 222,832 | - | 222,832 |
| Community investment | 374,000 | 2,044,930 | 9,959 | 2,034,971 |
| Pandemic | - | 1,888,025 | 933,274 | 954,751 |
| Education | 55,341,610 | 55,341,610 | 55,341,610 | - |
| Total expenditures | \$ 112,054,110 | \$ 119,061,652 | \$ 109,755,041 | \$ 9,306,611 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 12,831,840 | \$ 6,179,776 | \$ 34,533,599 | \$ 28,353,823 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 2,311,870 | \$ 2,311,870 | \$ 2,104,070 | \$ (207,800) |
| Transfers out | (15,143,710) | (15,242,091) | (14,709,671) | 532,420 |
| Issuance of bonds | - | - | 1,049,200 | 1,049,200 |
| Payment to refunded bond escrow agent | - | - | (1,254,581) | (1,254,581) |
| Premium on bonds | - | - | 212,904 | 212,904 |
| Total other financing sources (uses) | \$ (12,831,840) | \$ (12,930,221) | \$ (12,598,078) | \$ 332,143 |
| Net change in fund balances | \$ - | \$ (6,750,445) | \$ 21,935,521 | \$ 28,685,966 |
| Fund balances - beginning | | | 65,235,089 | |
| Fund balances - ending | | | \$ 87,170,610 | |

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

Statement of Net Position
Proprietary Funds
June 30, 2022

| | Business-type Activities - Enterprise Funds | | | |
|--|---|---------------|---------------|---------------|
| | Electric Fund | Water Fund | Sewer Fund | Airport Fund |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments - unrestricted | \$ 24,323,303 | \$ 21,338,480 | \$ 21,281,388 | \$ 10,148,409 |
| Cash and investments - restricted | - | 16,140,312 | 3,800,000 | - |
| Accounts receivable, net | 8,049,799 | 1,399,076 | 2,298,720 | 377,046 |
| Leases receivable - current portion | - | 161,170 | - | 686,673 |
| Due from other governments | - | - | - | 697,517 |
| Prepaid items | - | - | - | - |
| Inventories | 2,422,544 | 446,329 | 50,872 | - |
| Total current assets | \$ 34,795,646 | \$ 39,485,367 | \$ 27,430,980 | \$ 11,909,645 |
| Noncurrent assets: | | | | |
| Leases receivable - noncurrent portion | \$ - | \$ 513,297 | \$ - | \$ 45,820,566 |
| Capital assets: | | | | |
| Nondepreciable | 1,273,229 | 8,410,509 | 1,839,311 | 8,779,299 |
| Depreciable, net | 24,380,297 | 41,120,174 | 28,296,641 | 28,850,899 |
| Total capital assets, net | \$ 25,653,526 | \$ 49,530,683 | \$ 30,135,952 | \$ 37,630,198 |
| Total noncurrent assets | \$ 25,653,526 | \$ 50,043,980 | \$ 30,135,952 | \$ 83,450,764 |
| Total assets | \$ 60,449,172 | \$ 89,529,347 | \$ 57,566,932 | \$ 95,360,409 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred loss on refunding | \$ - | \$ 30,051 | \$ 409,436 | \$ 44,724 |
| OPEB related deferred outflows | 105,873 | 43,507 | 17,069 | 14,573 |
| Pension related deferred outflows | 1,398,375 | 505,570 | 305,350 | 176,036 |
| Total deferred outflows of resources | \$ 1,504,248 | \$ 579,128 | \$ 731,855 | \$ 235,333 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 3,496,306 | \$ 1,269,341 | \$ 109,378 | \$ 336,097 |
| Retainage payable | - | 80,799 | - | - |
| Deposits | 775,409 | 186,511 | - | 125,968 |
| Accrued interest payable | 26,969 | 630,468 | 349,850 | 11,282 |
| Unearned revenue | - | 1,650 | 8,050 | 37,834 |
| Compensated absences - current portion | 116,945 | 46,248 | 13,751 | 12,528 |
| Lease liabilities - current portion | 9,288 | - | - | - |
| Bonds payable and other obligations - current portion | 234,471 | 1,652,197 | 1,461,922 | 185,000 |
| Total current liabilities | \$ 4,659,388 | \$ 3,867,214 | \$ 1,942,951 | \$ 708,709 |
| Noncurrent liabilities: | | | | |
| Bonds payable and other obligations - noncurrent portion | \$ 3,371,450 | \$ 36,484,038 | \$ 17,230,002 | \$ 600,000 |
| Compensated absences - noncurrent portion | 662,689 | 262,074 | 77,921 | 70,995 |
| Lease liabilities - noncurrent portion | 29,543 | - | - | - |
| Net OPEB liability | 1,147,379 | 471,493 | 184,979 | 157,925 |
| Net pension liability | 1,944,881 | 703,155 | 424,685 | 244,833 |
| Total noncurrent liabilities | \$ 7,155,942 | \$ 37,920,760 | \$ 17,917,587 | \$ 1,073,753 |
| Total liabilities | \$ 11,815,330 | \$ 41,787,974 | \$ 19,860,538 | \$ 1,782,462 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Leases related | \$ - | \$ 640,117 | \$ - | \$ 45,271,923 |
| OPEB related deferred inflows | 418,986 | 172,175 | 67,547 | 57,668 |
| Pension related deferred inflows | 2,102,377 | 760,096 | 459,075 | 264,659 |
| Total deferred inflows of resources | \$ 2,521,363 | \$ 1,572,388 | \$ 526,622 | \$ 45,594,250 |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 21,907,601 | \$ 33,123,359 | \$ 15,593,040 | \$ 36,592,535 |
| Restricted for future capital projects | - | - | - | - |
| Unrestricted | 25,709,126 | 13,624,754 | 22,318,587 | 11,626,495 |
| Total net position | \$ 47,616,727 | \$ 46,748,113 | \$ 37,911,627 | \$ 48,219,030 |

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

Statement of Net Position
Proprietary Funds
June 30, 2022

| | 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 | \$ 4,134,147 | \$ 2,405,019 | \$ 83,630,746 | \$ 6,201,612 |
| Cash and investments - restricted | 5,988,705 | - | 25,929,017 | - |
| Accounts receivable, net | 109,879 | 200,813 | 12,435,333 | 4,489 |
| Leases receivable - current portion | - | - | 847,843 | - |
| Due from other governments | - | - | 697,517 | - |
| Prepaid items | - | - | - | 433,076 |
| Inventories | - | - | 2,919,745 | - |
| Total current assets | \$ 10,232,731 | \$ 2,605,832 | \$ 126,460,201 | \$ 6,639,177 |
| Noncurrent assets: | | | | |
| Leases receivable - noncurrent portion | \$ - | \$ - | \$ 46,333,863 | \$ - |
| Capital assets: | | | | |
| Nondepreciable | 3,549,551 | - | 23,851,899 | 14,706 |
| Depreciable, net | 15,702,822 | 53,714 | 138,404,547 | 7,163,095 |
| Total capital assets, net | \$ 19,252,373 | \$ 53,714 | \$ 162,256,446 | \$ 7,177,801 |
| Total noncurrent assets | \$ 19,252,373 | \$ 53,714 | \$ 208,590,309 | \$ 7,177,801 |
| Total assets | \$ 29,485,104 | \$ 2,659,546 | \$ 335,050,510 | \$ 13,816,978 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred loss on refunding | \$ - | \$ - | \$ 484,211 | \$ - |
| OPEB related deferred outflows | 3,822 | 2,830 | 187,674 | 50,032 |
| Pension related deferred outflows | 48,108 | 22,848 | 2,456,287 | 635,958 |
| Total deferred outflows of resources | \$ 51,930 | \$ 25,678 | \$ 3,128,172 | \$ 685,990 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 174,753 | \$ 208,590 | \$ 5,594,465 | \$ 162,007 |
| Retainage payable | - | - | 80,799 | 244 |
| Deposits | - | - | 1,087,888 | - |
| Accrued interest payable | 100,822 | - | 1,119,391 | - |
| Unearned revenue | - | - | 47,534 | - |
| Compensated absences - current portion | 564 | 403 | 190,439 | 57,719 |
| Lease liabilities - current portion | - | - | 9,288 | 8,693 |
| Bonds payable and other obligations - current portion | 288,973 | - | 3,822,563 | - |
| Total current liabilities | \$ 565,112 | \$ 208,993 | \$ 11,952,367 | \$ 228,663 |
| Noncurrent liabilities: | | | | |
| Bonds payable and other obligations - noncurrent portion | \$ 6,768,459 | \$ - | \$ 64,453,949 | \$ - |
| Compensated absences - noncurrent portion | 3,193 | 2,284 | 1,079,156 | 327,071 |
| Lease liabilities - noncurrent portion | - | - | 29,543 | - |
| Net OPEB liability | 41,432 | 30,671 | 2,033,879 | 542,200 |
| Net pension liability | 66,910 | 31,777 | 3,416,241 | 884,498 |
| Total noncurrent liabilities | \$ 6,879,994 | \$ 64,732 | \$ 71,012,768 | \$ 1,753,769 |
| Total liabilities | \$ 7,445,106 | \$ 273,725 | \$ 82,965,135 | \$ 1,982,432 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Leases related | \$ - | \$ - | \$ 45,912,040 | \$ - |
| OPEB related deferred inflows | 15,130 | 11,203 | 742,709 | 197,992 |
| Pension related deferred inflows | 72,329 | 34,350 | 3,692,886 | 956,124 |
| Total deferred inflows of resources | \$ 87,459 | \$ 45,553 | \$ 50,347,635 | \$ 1,154,116 |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 16,441,502 | \$ 53,714 | \$ 123,711,751 | \$ 7,169,108 |
| Restricted for future capital projects | 1,639,193 | - | 1,639,193 | - |
| Unrestricted | 3,923,774 | 2,312,232 | 79,514,968 | 4,197,312 |
| Total net position | \$ 22,004,469 | \$ 2,365,946 | \$ 204,865,912 | \$ 11,366,420 |

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, 2022

Business-type Activities - Enterprise Funds

| | Electric Fund | Water Fund | Sewer Fund | Airport Fund |
|---|----------------------|-----------------------|----------------------|-----------------------|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 41,103,600 | \$ 11,244,897 | \$ 16,102,227 | \$ 3,680,614 |
| Service reimbursements | 3,155,795 | - | - | - |
| Connection charges | 147,476 | 461,192 | 713,558 | - |
| Total operating revenues | <u>\$ 44,406,871</u> | <u>\$ 11,706,089</u> | <u>\$ 16,815,785</u> | <u>\$ 3,680,614</u> |
| OPERATING EXPENSES | | | | |
| Personal services | \$ 5,152,237 | \$ 2,851,777 | \$ 1,036,974 | \$ 764,212 |
| Contractual services | 1,289,249 | 480,930 | 951,302 | 601,562 |
| Supplies | 1,433,108 | 2,441,008 | 113,604 | 79,636 |
| Internal and other services | 1,722,309 | 1,908,511 | 1,053,786 | 534,027 |
| Purchased power | 27,526,781 | - | - | - |
| Contract treatment charges | - | - | 10,307,139 | - |
| Depreciation and amortization | 2,067,721 | 1,901,733 | 862,045 | 2,771,321 |
| Total operating expenses | <u>\$ 39,191,405</u> | <u>\$ 9,583,959</u> | <u>\$ 14,324,850</u> | <u>\$ 4,750,758</u> |
| Operating income (loss) | <u>\$ 5,215,466</u> | <u>\$ 2,122,130</u> | <u>\$ 2,490,935</u> | <u>\$ (1,070,144)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Intergovernmental grants | \$ 131,177 | \$ 39,016 | \$ 122,431 | \$ 258,224 |
| Investment earnings | 44,063 | 81,170 | 44,820 | 1,288,208 |
| Gain (loss) on sale of assets | (67,083) | 1,394 | (15,686) | - |
| Utility relief program | (131,177) | (39,016) | (122,431) | - |
| Other/insurance recoveries | 42,771 | 28,330 | 1,663 | 2,493 |
| Interest expense and fiscal charges | (109,930) | (1,111,770) | (622,128) | (38,839) |
| Total nonoperating revenues (expenses) | <u>\$ (90,179)</u> | <u>\$ (1,000,876)</u> | <u>\$ (591,331)</u> | <u>\$ 1,510,086</u> |
| Income before contributions and transfers | <u>\$ 5,125,287</u> | <u>\$ 1,121,254</u> | <u>\$ 1,899,604</u> | <u>\$ 439,942</u> |
| Capital contributions | \$ 1,100,000 | \$ 2,506,874 | \$ 613,116 | \$ 1,123,548 |
| Transfers in | - | - | - | - |
| Transfers out | (1,856,373) | (7,420,890) | (940,214) | - |
| Change in net position | <u>\$ 4,368,914</u> | <u>\$ (3,792,762)</u> | <u>\$ 1,572,506</u> | <u>\$ 1,563,490</u> |
| Total net position - beginning | 43,247,813 | 50,540,875 | 36,339,121 | 46,655,540 |
| Total net position - ending | <u>\$ 47,616,727</u> | <u>\$ 46,748,113</u> | <u>\$ 37,911,627</u> | <u>\$ 48,219,030</u> |

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, 2022

| | Business-type Activities - Enterprise Funds | | | Governmental |
|---|---|---------------------------------------|------------------------------|----------------------|
| | Stormwater Fund | Other Nonmajor Enterprise Funds | Total Enterprise Funds | Internal |
| | | | | Service Funds |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 2,191,632 | \$ 3,613,596 | \$ 77,936,566 | \$ 9,433,124 |
| Service reimbursements | - | - | 3,155,795 | - |
| Connection charges | 15,283 | - | 1,337,509 | - |
| Total operating revenues | <u>\$ 2,206,915</u> | <u>\$ 3,613,596</u> | <u>\$ 82,429,870</u> | <u>\$ 9,433,124</u> |
| OPERATING EXPENSES | | | | |
| Personal services | \$ 147,345 | \$ 139,117 | \$ 10,091,662 | \$ 2,761,500 |
| Contractual services | 568,003 | 3,100,309 | 6,991,355 | 1,821,150 |
| Supplies | 13,419 | 6,575 | 4,087,350 | 1,576,132 |
| Internal and other services | 509,536 | 265,235 | 5,993,404 | 1,214,431 |
| Purchased power | - | - | 27,526,781 | - |
| Contract treatment charges | - | - | 10,307,139 | - |
| Depreciation and amortization | 697,893 | 8,861 | 8,309,574 | 1,378,838 |
| Total operating expenses | <u>\$ 1,936,196</u> | <u>\$ 3,520,097</u> | <u>\$ 73,307,265</u> | <u>\$ 8,752,051</u> |
| Operating income (loss) | <u>\$ 270,719</u> | <u>\$ 93,499</u> | <u>\$ 9,122,605</u> | <u>\$ 681,073</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Intergovernmental grants | \$ - | \$ 11,337 | \$ 562,185 | \$ - |
| Investment earnings | 6,674 | 4,057 | 1,468,992 | 9,751 |
| Gain (loss) on sale of assets | - | - | (81,375) | 138,527 |
| Utility relief program | - | - | (292,624) | - |
| Other/insurance recoveries | - | 5,032 | 80,289 | 35,183 |
| Interest expense and fiscal charges | (193,839) | - | (2,076,506) | (276) |
| Total nonoperating revenues (expenses) | <u>\$ (187,165)</u> | <u>\$ 20,426</u> | <u>\$ (339,039)</u> | <u>\$ 183,185</u> |
| Income before contributions and transfers | <u>\$ 83,554</u> | <u>\$ 113,925</u> | <u>\$ 8,783,566</u> | <u>\$ 864,258</u> |
| Capital contributions | \$ - | \$ - | \$ 5,343,538 | \$ - |
| Transfers in | 500,000 | - | 500,000 | 888,407 |
| Transfers out | - | - | (10,217,477) | - |
| Change in net position | <u>\$ 583,554</u> | <u>\$ 113,925</u> | <u>\$ 4,409,627</u> | <u>\$ 1,752,665</u> |
| Total net position - beginning | <u>21,420,915</u> | <u>2,252,021</u> | <u>200,456,285</u> | <u>9,613,755</u> |
| Total net position - ending | <u>\$ 22,004,469</u> | <u>\$ 2,365,946</u> | <u>\$ 204,865,912</u> | <u>\$ 11,366,420</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, 2022

| | Enterprise Funds | | | |
|--|------------------|----------------|---------------|----------------|
| | Electric Fund | Water Fund | Sewer Fund | Airport Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers and users | \$ 42,021,292 | \$ 12,965,154 | \$ 17,061,560 | \$ 2,381,430 |
| Cash paid to suppliers | (30,983,804) | (3,010,173) | (11,406,842) | (706,144) |
| Cash paid to and for employees | (5,464,676) | (2,832,407) | (979,584) | (817,770) |
| Payments for interfund services used | (1,722,309) | (1,908,511) | (1,053,786) | (534,027) |
| Net cash provided by (used for) operating activities | \$ 3,850,503 | \$ 5,214,063 | \$ 3,621,348 | \$ 323,489 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers to other funds | \$ (1,856,373) | \$ (7,420,890) | \$ (940,214) | \$ - |
| Transfers from other funds | - | - | - | - |
| Nonoperating grants received | - | - | - | 110,224 |
| Net cash provided by (used for) noncapital financing activities | \$ (1,856,373) | \$ (7,420,890) | \$ (940,214) | \$ 110,224 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchases of capital assets | \$ (2,805,920) | \$ (3,539,472) | \$ (635,795) | \$ (1,159,662) |
| Capital grants and contributions received (issued) | 1,100,000 | 351,106 | 7,795 | 967,371 |
| Proceeds from issuance of debt | - | 16,555,800 | 3,450,000 | - |
| Premium on issuance of debt | - | 1,928,448 | 375,599 | - |
| Payment to refunded bonds escrow agent | - | (1,663,049) | - | - |
| Principal paid on debt | (216,222) | (1,121,800) | (1,115,000) | (536,414) |
| Other/insurance recoveries | 42,771 | 28,330 | 1,663 | 2,493 |
| Interest paid on debt | (125,901) | (1,106,645) | (696,588) | (27,548) |
| Proceeds from sales of capital assets | - | 1,394 | - | - |
| Net cash provided by (used for) capital and related financing activities | \$ (2,005,272) | \$ 11,434,112 | \$ 1,387,674 | \$ (753,760) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment income | \$ 44,063 | \$ 81,170 | \$ 44,820 | \$ 1,288,208 |
| Net cash provided by (used for) investing activities | \$ 44,063 | \$ 81,170 | \$ 44,820 | \$ 1,288,208 |
| Net increase (decrease) in cash and cash equivalents | \$ 32,921 | \$ 9,308,455 | \$ 4,113,628 | \$ 968,161 |
| Cash and investments - beginning - including restricted | 24,290,382 | 28,170,337 | 20,967,760 | 9,180,248 |
| Cash and investments - ending - including restricted | \$ 24,323,303 | \$ 37,478,792 | \$ 25,081,388 | \$ 10,148,409 |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ 5,215,466 | \$ 2,122,130 | \$ 2,490,935 | \$ (1,070,144) |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | | | |
| Depreciation expense | 2,067,721 | 1,901,733 | 862,045 | 2,771,321 |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | (2,344,771) | 1,285,682 | 265,355 | (136,168) |
| Leases receivable | - | 49,378 | - | 715,223 |
| Prepaid items | 11,000 | - | - | - |
| Inventories | (553,261) | 40,069 | (6,439) | - |
| Deferred outflows of resources - pension related items | 155,274 | 25,623 | (18,534) | 30,326 |
| Deferred outflows of resources - OPEB related items | 17,718 | 4,269 | 2,316 | 1,847 |
| Accounts payable and accrued expenses | (192,405) | (128,304) | (28,358) | (24,946) |
| Deposits | (17,764) | 14,490 | - | 68,194 |
| Unearned revenue | (23,044) | (6,757) | (19,580) | 4,106 |
| Compensated absences | (40,542) | 27,936 | 9,818 | (6,047) |
| Net pension liability | (2,372,238) | (772,870) | (372,288) | (328,583) |
| Net OPEB liability | (409,688) | (130,432) | (59,254) | (48,941) |
| Deferred inflows of resources - leases related | - | (83,728) | - | (1,950,539) |
| Deferred inflows of resources - pension related items | 2,016,688 | 730,799 | 443,256 | 253,277 |
| Deferred inflows of resources - OPEB related items | 320,349 | 134,045 | 52,076 | 44,563 |
| Net cash provided by (used for) operating activities | \$ 3,850,503 | \$ 5,214,063 | \$ 3,621,348 | \$ 323,489 |
| Noncash investing, capital, and financing activities: | | | | |
| Capital contributions | \$ - | \$ 2,155,768 | \$ 605,321 | \$ - |

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, 2022

| | 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 | \$ 2,350,180 | \$ 3,694,191 | \$ 80,473,807 | \$ 9,428,635 |
| Cash paid to suppliers | (539,236) | (3,137,632) | (49,783,831) | (3,535,190) |
| Cash paid to and for employees | (187,624) | (142,892) | (10,424,953) | (2,786,120) |
| Payments for interfund services used | (509,536) | (265,235) | (5,993,404) | (1,214,431) |
| Net cash provided by (used for) operating activities | \$ 1,113,784 | \$ 148,432 | \$ 14,271,619 | \$ 1,892,894 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers to other funds | \$ - | \$ - | \$ (10,217,477) | \$ - |
| Transfers from other funds | 500,000 | - | 500,000 | 888,407 |
| Nonoperating grants received | - | 11,337 | 121,561 | - |
| Net cash provided by (used for) noncapital financing activities | \$ 500,000 | \$ 11,337 | \$ (9,595,916) | \$ 888,407 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchases of capital assets | \$ (231,630) | \$ - | \$ (8,372,479) | \$ (2,284,502) |
| Capital grants and contributions received (issued) | - | - | 2,426,272 | - |
| Proceeds from issuance of debt | 4,175,000 | - | 24,180,800 | - |
| Premium on issuance of debt | 453,288 | - | 2,757,335 | - |
| Payment to refunded bonds escrow agent | - | - | (1,663,049) | - |
| Principal paid on debt | (110,000) | - | (3,099,436) | (9,424) |
| Other/insurance recoveries | - | 5,032 | 80,289 | 35,183 |
| Interest paid on debt | (164,224) | - | (2,120,906) | (276) |
| Proceeds from sales of capital assets | - | - | 1,394 | 149,991 |
| Net cash provided by (used for) capital and related financing activities | \$ 4,122,434 | \$ 5,032 | \$ 14,190,220 | \$ (2,109,028) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment income | \$ 6,674 | \$ 4,057 | \$ 1,468,992 | \$ 9,751 |
| Net cash provided by (used for) investing activities | \$ 6,674 | \$ 4,057 | \$ 1,468,992 | \$ 9,751 |
| Net increase (decrease) in cash and cash equivalents | \$ 5,742,892 | \$ 168,858 | \$ 20,334,915 | \$ 682,024 |
| Cash and investments - beginning - including restricted | 4,379,960 | 2,236,161 | 89,224,848 | 5,519,588 |
| Cash and investments - ending - including restricted | \$ 10,122,852 | \$ 2,405,019 | \$ 109,559,763 | \$ 6,201,612 |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ 270,719 | \$ 93,499 | \$ 9,122,605 | \$ 681,073 |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | | | |
| Depreciation expense | 697,893 | 8,861 | 8,309,574 | 1,378,838 |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | 143,265 | 80,595 | (706,042) | (4,489) |
| Leases receivable | - | - | 764,601 | - |
| Prepaid items | - | - | 11,000 | (85,419) |
| Inventories | - | - | (519,631) | - |
| Deferred outflows of resources - pension related items | 14,755 | 1,331 | 208,775 | 46,400 |
| Deferred outflows of resources - OPEB related items | 1,249 | (60) | 27,339 | 7,786 |
| Accounts payable and accrued expenses | 42,186 | (30,748) | (362,575) | (52,489) |
| Deposits | - | - | 64,920 | - |
| Unearned revenue | - | - | (45,275) | - |
| Compensated absences | (5,993) | (7,413) | (22,241) | 48,653 |
| Net pension liability | (107,767) | (35,408) | (3,989,154) | (1,011,569) |
| Net OPEB liability | (22,466) | (4,234) | (675,015) | (186,227) |
| Deferred inflows of resources - leases related | - | - | (2,034,267) | - |
| Deferred inflows of resources - pension related items | 68,862 | 33,016 | 3,545,898 | 918,489 |
| Deferred inflows of resources - OPEB related items | 11,081 | 8,993 | 571,107 | 151,848 |
| Net cash provided by (used for) operating activities | \$ 1,113,784 | \$ 148,432 | \$ 14,271,619 | \$ 1,892,894 |
| Noncash investing, capital, and financing activities: | | | | |
| Capital contributions | \$ - | \$ - | \$ 2,761,089 | \$ - |

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1–Summary of Significant Accounting Policies

Financial 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 accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized 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 provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the 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. General capital asset acquisitions, including entering into contracts giving the government the right to use lease assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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 as 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. All other revenue items are considered to be measurable and available only when the government receives cash.

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

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

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, and Merchant Museum Fund.

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 NVT A Capital Projects Fund. The General Capital Projects Fund and NVT A 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.

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

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

Fiduciary funds (Trust and Custodial Funds) account for assets held by the government in a trustee capacity or as custodian for individuals, private organizations, other governmental units, or other funds and utilize the accrual basis of accounting. These funds include private-purpose trust funds which are reported using the accrual basis of accounting. 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.

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.

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

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

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 noncurrent 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.”

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 \$537,045 in the general fund, \$9,054 in the fire rescue fund, \$51,459 in the electric fund, \$10,290 in the water fund, \$17,371 in the sewer fund, \$830 in the stormwater fund and \$1,517 in the nonmajor enterprise fund.

Note 1–Summary of Significant Accounting Policies: (Continued)**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)***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 are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure 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 in excess of one year. For infrastructure assets the same estimated minimum useful life is used (in excess of one year).

As the City and MCPS constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, and infrastructure of the primary government, as well as the component unit, are depreciated/amortized 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 |
| Lease Buildings and Improvements | 5-40 |
| Lease Infrastructure | 10-50 |
| Lease Machinery, equipment and software | 3-25 |

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

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

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.

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 either not in spendable form, or are 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.

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

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

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, which does not lapse at year-end, 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 grant that authority to any individual. In the general fund, the City maintains an unassigned fund balance to be used for unanticipated emergencies of at least 15% of the actual current year GAAP basis operating revenues exclusive of other financing sources. The City's policy was amended at the end for FY2020 to allow staff to increase the general fund unassigned fund balance at their discretion.

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, 2022 include \$12,696,318 in the general capital project fund, and \$8,637,415 in the NVTA 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/amortization 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.

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

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

Net Position (Continued)

- 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 assets 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 assets 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.
- 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.

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)

- The City reports deferred inflows of resources in the government-wide and governmental fund financial statements. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

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.

Leases

The City and MCPS lease various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The City and MCPS recognize lease liabilities and intangible right-to-use lease assets (lease assets) in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

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

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

Leases (Continued)

Lessor

The City recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City and MCPS use the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the City and MCPS use their estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

The City and MCPS monitor changes in circumstances that would require a remeasurement or modification of its leases. The City and MCPS will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

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

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

Adoption of Accounting Principles:

The City implemented provisions of Governmental Accounting Standards Board Statement Nos. 87, *Leases* and 92, *Omnibus 2020* during the fiscal year ended June 30, 2022. Statement No. 87, *Leases* requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 92, *Omnibus 2020* addresses a variety of topics, including leases. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the leases:

| | Governmental Activities | General Fund | Building Maintenance Fund | Component Unit MCPS |
|--|-----------------------------|---------------------|---------------------------------|---------------------------|
| Leasee activity: | | | | |
| Lease assets | \$ 1,144,162 | \$ - | \$ 18,117 | \$ 965,842 |
| Lease liabilities | <u>\$ 1,144,162</u> | <u>\$ -</u> | <u>\$ 18,117</u> | <u>\$ 965,842</u> |
| Lessor activity: | | | | |
| Leases receivable | \$ 2,605,431 | \$ 2,605,431 | \$ - | \$ - |
| Deferred inflows of resources - leases | <u>\$ 2,605,431</u> | <u>\$ 2,605,431</u> | <u>\$ -</u> | <u>\$ -</u> |
| | Business-type Activities | Electric Fund | Water Fund | Airport Fund |
| Leasee activity: | | | | |
| Lease assets | \$ 47,853 | \$ 47,853 | \$ - | \$ - |
| Lease liabilities | <u>\$ 47,853</u> | <u>\$ 47,853</u> | <u>\$ -</u> | <u>\$ -</u> |
| Lessor activity: | | | | |
| Leases receivable | \$ 47,946,307 | \$ - | \$ 723,845 | \$ 47,222,462 |
| Deferred inflows of resources - leases | <u>\$ 47,946,307</u> | <u>\$ -</u> | <u>\$ 723,845</u> | <u>\$ 47,222,462</u> |

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

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

The implementation of this Statement resulted in the following restatement of net position:

| | <u>Net Position Component Unit School Board</u> |
|---|---|
| Balance as previously reported July 1, 2021 | \$ (6,033,526) |
| Implementation of GASB 87 | 14,483 |
| Balance as restated, July 1, 2021 | <u>\$ (6,019,043)</u> |

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, and Fire and Rescue 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 a resolution 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 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.

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.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

Note 3–Deposits and Investments: (Continued)

Investments: (Continued)

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 | \$ 113,411,330 | AAAm | 0.10 |
| SNAP | 56,088,012 | AAAm | 0.15 |
| VIP | 120,230,455 | AAAm/AA+f | 0.57 |
| U.S. Treasury Securities | 80,330 | AA+ | 1.71 |
| Money Market | 68,684 | N/A | N/A |
| Corporate Notes | 260,016 | BBB to AA | 3.61 |
| Common Stocks | 982,446 | Various | N/A |
| Mutual Funds | 34,288 | Various | N/A |
| Total investments | <u>\$ 291,155,561</u> | | |

*Average maturity in years

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, 2022:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|----------------------------------|---------------------|----------------|---------------------|
| Common stocks/equity securities: | | | |
| Large Cap | \$ 829,124 | \$ - | \$ 829,124 |
| Mid Cap | 100,353 | - | 100,353 |
| International | 52,969 | - | 52,969 |
| Mutual funds | 34,288 | - | 34,288 |
| Debt securities: | | | |
| U.S. Treasury securities | 80,330 | - | 80,330 |
| Corporate Notes | 260,016 | - | 260,016 |
| Total | <u>\$ 1,357,080</u> | <u>\$ -</u> | <u>\$ 1,357,080</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.

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, 2022 (Continued)

Note 3–Deposits and Investments: (Continued)

Concentration of Credit Risk: (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 | \$ 21,271,196 | \$ 31,050,661 | \$ 470,088 |
| Investments | 289,729,797 | - | - |
| Investments held in trust | - | 1,425,764 | - |
| Total | <u>\$ 311,000,993</u> | <u>\$ 32,476,425</u> | <u>\$ 470,088</u> |
| Statement of Net Position: | | | |
| Cash and investments | \$ 254,093,194 | \$ 30,998,499 | \$ 470,088 |
| Cash and investments - restricted | 56,907,799 | 52,162 | - |
| Fiduciary funds cash and investments | - | 1,425,764 | - |
| Total | <u>\$ 311,000,993</u> | <u>\$ 32,476,425</u> | <u>\$ 470,088</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.

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 | \$ - | \$ 1,775,433 |
| Title VI-B | - | 189,725 |
| Title I/IV | - | 432,603 |
| CARES grants | - | 1,059,083 |
| Northern Va. Special Education Regional Program | - | 329,407 |
| Other federal and state school funds | - | 212,024 |
| Local sales tax | 2,321,333 | - |
| Prince William County | 363,321 | - |
| Transportation capital grants | 4,086,953 | - |
| Welfare grants | 409,134 | - |
| Communication tax | 329,963 | - |
| Airport grants | 697,517 | - |
| Other federal, state and local funds | 324,406 | - |
| Total | <u>\$ 8,532,627</u> | <u>\$ 3,998,275</u> |

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022 (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 \$ 230,914

The balance above consists of interfund loans from the general fund to the social services fund, which are short term obligations at June 30, 2022.

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

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------------|----------------------|----------------------|
| General fund | \$ 2,104,070 | \$ 14,709,671 |
| General Capital Projects fund | 4,725,000 | - |
| NVTA Capital Projects fund | 3,528,000 | - |
| Nonmajor governmental funds | 13,942,740 | 761,069 |
| Electric fund | - | 1,856,373 |
| Water fund | - | 7,420,890 |
| Sewer fund | - | 940,214 |
| Stormwater fund | 500,000 | - |
| Internal Service | 888,407 | - |
| | <u>\$ 25,688,217</u> | <u>\$ 25,688,217</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, 2022 (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 | \$ 117,941,512 | \$ 327,182 | \$ (89,880) | \$ 118,178,814 |
| Construction in progress | 20,374,227 | 36,262,768 | (6,943,159) | 49,693,836 |
| Total capital assets not being depreciated | <u>\$ 138,315,739</u> | <u>\$ 36,589,950</u> | <u>\$ (7,033,039)</u> | <u>\$ 167,872,650</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 57,497,908 | \$ 2,258,243 | \$ (33,236) | \$ 59,722,915 |
| Lease buildings and improvements | 1,144,162 | - | - | 1,144,162 |
| Machinery, equipment and software | 31,897,731 | 3,151,012 | (3,155,421) | 31,893,322 |
| Infrastructure | 197,719,943 | 2,907,772 | (808,271) | 199,819,444 |
| Total capital assets being depreciated | <u>\$ 288,259,744</u> | <u>\$ 8,317,027</u> | <u>\$ (3,996,928)</u> | <u>\$ 292,579,843</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ (32,744,654) | \$ (1,691,927) | \$ 10,236 | \$ (34,426,345) |
| Lease buildings and improvements | - | (355,849) | - | (355,849) |
| Machinery, equipment and software | (17,449,932) | (2,358,864) | 2,635,792 | (17,173,004) |
| Infrastructure | (102,508,612) | (5,454,785) | 798,071 | (107,165,326) |
| Total accumulated depreciation | <u>\$ (152,703,198)</u> | <u>\$ (9,861,425)</u> | <u>\$ 3,444,099</u> | <u>\$ (159,120,524)</u> |
| Total capital assets being depreciated, net | <u>\$ 135,556,546</u> | <u>\$ (1,544,398)</u> | <u>\$ (552,829)</u> | <u>\$ 133,459,319</u> |
| Governmental activities capital assets, net | <u>\$ 273,872,285</u> | <u>\$ 35,045,552</u> | <u>\$ (7,585,868)</u> | <u>\$ 301,331,969</u> |

*Beginning balances have been adjusted to reflect implementation of GASB 87.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

Note 6—Capital Assets: (Continued)

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

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 503,918 |
| Public safety | 1,341,344 |
| Public works | 5,654,897 |
| Health and human services | 268,503 |
| Culture and recreation | 713,925 |
| Internal services funds amounts charged to functions based on usage | 1,378,838 |
| Total depreciation expense - governmental activities | <u>\$ 9,861,425</u> |

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 | \$ 14,803,955 | \$ 112,247 | \$ - | \$ 14,916,202 |
| Construction in progress | 4,564,096 | 8,187,578 | (3,815,977) | 8,935,697 |
| Total capital assets not being depreciated | <u>\$ 19,368,051</u> | <u>\$ 8,299,825</u> | <u>\$ (3,815,977)</u> | <u>\$ 23,851,899</u> |
| Capital assets, being depreciated: | | | | |
| Investment in plant | \$ 271,021,432 | \$ 6,825,369 | \$ (279,683) | \$ 277,567,118 |
| Infrastructure | 28,492,677 | 48,839 | - | 28,541,516 |
| Lease infrastructure | 47,853 | - | - | 47,853 |
| Machinery and equipment | 5,821,153 | 186,300 | (59,813) | 5,947,640 |
| Purchased capacity | 35,373,346 | - | - | 35,373,346 |
| Total capital assets being depreciated | <u>\$ 340,756,461</u> | <u>\$ 7,060,508</u> | <u>\$ (339,496)</u> | <u>\$ 347,477,473</u> |
| Accumulated depreciation: | | | | |
| Investment in plant | \$ (163,371,946) | \$ (6,953,979) | \$ 254,055 | \$ (170,071,870) |
| Infrastructure | (12,194,204) | (696,558) | - | (12,890,762) |
| Lease infrastructure | - | (8,317) | - | (8,317) |
| Machinery and equipment | (4,468,922) | (307,339) | 56,413 | (4,719,848) |
| Purchased capacity | (21,038,748) | (343,381) | - | (21,382,129) |
| Total accumulated depreciation | <u>\$ (201,073,820)</u> | <u>\$ (8,309,574)</u> | <u>\$ 310,468</u> | <u>\$ (209,072,926)</u> |
| Total capital assets being depreciated, net | <u>\$ 139,682,641</u> | <u>\$ (1,249,066)</u> | <u>\$ (29,028)</u> | <u>\$ 138,404,547</u> |
| Business-type activities capital assets, net | <u>\$ 159,050,692</u> | <u>\$ 7,050,759</u> | <u>\$ (3,845,005)</u> | <u>\$ 162,256,446</u> |

*Beginning balances have been adjusted to reflect implementation of GASB 87.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

Note 6–Capital Assets: (Continued)

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

| | | |
|---------------------------|----|------------------|
| Electric fund | \$ | 2,067,721 |
| Water fund | | 1,901,733 |
| Sewer fund | | 862,045 |
| Airport fund | | 2,771,321 |
| Stormwater fund | | 697,893 |
| Nonmajor enterprise funds | | 8,861 |
| Total | \$ | <u>8,309,574</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 | \$ | 13,934,641 |
| Streets capital projects | | 8,756,502 |
| Stormwater management | | 647,993 |
| Sewer capital projects | | 162,397 |
| Water capital projects | | 4,701,473 |
| Electric capital projects | | 5,120 |
| Airport capital projects | | 714,544 |
| MCPS capital projects | | 3,357,220 |
| Total | \$ | <u>32,279,890</u> |

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (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 | 3,095,381 | 1,437,761 | (3,092,881) | 1,440,261 |
| Total capital assets not being depreciated | <u>\$ 5,432,030</u> | <u>\$ 1,437,761</u> | <u>\$ (3,092,881)</u> | <u>\$ 3,776,910</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 189,706,700 | \$ 5,395,354 | \$ (45,549) | \$ 195,056,505 |
| Lease buildings and improvements | 817,792 | - | - | 817,792 |
| Lease machinery and equipment | 148,050 | - | - | 148,050 |
| Machinery and equipment | 10,395,123 | 1,388,981 | (17,168) | 11,766,936 |
| Total capital assets being depreciated | <u>\$ 201,067,665</u> | <u>\$ 6,784,335</u> | <u>\$ (62,717)</u> | <u>\$ 207,789,283</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ (124,891,663) | \$ (6,044,219) | \$ 27,330 | \$ (130,908,552) |
| Lease buildings and improvements | - | (403,370) | - | (403,370) |
| Lease machinery and equipment | - | (126,553) | - | (126,553) |
| Machinery and equipment | (6,143,136) | (726,557) | 17,168 | (6,852,525) |
| Total accumulated depreciation | <u>\$ (131,034,799)</u> | <u>\$ (7,300,699)</u> | <u>\$ 44,498</u> | <u>\$ (138,291,000)</u> |
| Total capital assets being depreciated, net | <u>\$ 70,032,866</u> | <u>\$ (516,364)</u> | <u>\$ (18,219)</u> | <u>\$ 69,498,283</u> |
| MCPS capital assets, net | <u>\$ 75,464,896</u> | <u>\$ 921,397</u> | <u>\$ (3,111,100)</u> | <u>\$ 73,275,193</u> |

*Beginning balances have been restated to reflect implementation of GASB 87.

Depreciation expense of \$7,300,699 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) | \$ 2,466,104 |
| Leases related | 5,694,069 |
| Deferred vehicle license taxes, meal taxes and other items (General Fund) | <u>744,210</u> |
| Total deferred inflows of resources for the general fund | <u>\$ 8,904,383</u> |
| Deferred property tax revenue, representing uncollected tax billings (Special Revenue Funds) | <u>172,180</u> |
| Total deferred inflows of resources | <u><u>\$ 9,076,563</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. In addition deferred inflows of resources related to leases total \$45,912,040 in the enterprise funds.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (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 | \$ 86,350,200 | \$ 28,104,200 | \$ 7,947,050 | \$ 106,507,350 | \$ 8,210,890 |
| Premium on bonds | 8,742,447 | 3,550,473 | 988,223 | 11,304,697 | 964,920 |
| Lease liabilities | 1,144,162 | - | 324,935 | 819,227 | 351,528 |
| Compensated absences | 3,659,735 | 3,735,450 | 3,368,736 | 4,026,449 | 603,967 |
| Governmental activities long-term liabilities | <u>\$ 99,896,544</u> | <u>\$ 35,390,123</u> | <u>\$ 12,628,944</u> | <u>\$ 122,657,723</u> | <u>\$ 10,131,305</u> |
| <u>Business-type Activities</u> | | | | | |
| General obligation bonds | \$ 42,536,215 | \$ 24,180,800 | \$ 4,714,365 | \$ 62,002,650 | \$ 3,364,110 |
| Premium on bonds | 4,007,770 | 2,757,335 | 491,243 | 6,273,862 | 458,453 |
| Lease liabilities | 47,853 | - | 9,022 | 38,831 | 9,288 |
| Compensated absences | 1,291,836 | 1,008,025 | 1,030,266 | 1,269,595 | 190,439 |
| Business-type activities long-term activities | <u>\$ 47,883,674</u> | <u>\$ 27,946,160</u> | <u>\$ 6,244,896</u> | <u>\$ 69,584,938</u> | <u>\$ 4,022,290</u> |
| Total Primary Government | <u>\$ 147,780,218</u> | <u>\$ 63,336,283</u> | <u>\$ 18,873,840</u> | <u>\$ 192,242,661</u> | <u>\$ 14,153,595</u> |

*Beginning balances have been adjusted to reflect implementation of GASB 87.

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, \$384,790 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 2022 legal debt limit is \$568,090,900. With general obligation debt applicable to the limit of \$168,510,000, the City has a legal debt margin of \$399,580,900.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (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:

| | <u>Beginning Balance*</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due Within One year</u> |
|---|-------------------------------|---------------------|---------------------|---------------------------|--------------------------------|
| MCPS | | | | | |
| Lease liabilities | \$ 965,842 | \$ - | \$ 522,648 | \$ 443,194 | \$ 443,194 |
| Energy performance contract | 4,613,643 | - | 265,920 | 4,347,723 | 286,735 |
| Compensated absences | 3,070,187 | 1,302,060 | 1,514,789 | 2,857,458 | 428,619 |
| Governmental activities long-term liabilities | <u>\$ 8,649,672</u> | <u>\$ 1,302,060</u> | <u>\$ 2,303,357</u> | <u>\$ 7,648,375</u> | <u>\$ 1,158,548</u> |

*Beginning balances have been adjusted to reflect implementation of GASB 87.

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

| <u>Series</u> | <u>Maturity Date</u> | <u>Interest Rates</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--------------------------------|-----------------------------------|-----------------------|------------------------------------|-------------------------------------|
| General obligation bonds: | | | | |
| Series 2010D | 07/01/2024 | 2.00 - 5.00% | \$ 428,400 | \$ 411,600 |
| Series 2010 D Refunding | 07/01/2024 | 2.00 - 5.00% | 4,665,000 | - |
| Series 2014A | 05/01/2034 | 3.00 - 5.00% | 6,630,900 | 2,669,100 |
| Series 2014C Refunding | 07/01/2030 | 2.00 - 5.00% | 854,250 | 7,015,750 |
| Series 2014C | 07/01/2034 | 2.00 - 5.00% | 25,160,000 | - |
| Series 2014D Refunding | 07/01/2025 | 0.50 - 3.00% | - | 785,000 |
| Series 2016 Airport Refunding | 10/01/2031 | 1.5344% | - | - |
| Series 2016 | 07/01/2036 | 2.00 - 5.00% | 12,000,000 | 4,955,000 |
| Series 2016 Refunding | 07/01/2025 | 2.00 - 5.00% | 4,895,000 | - |
| Series 2019 | 07/01/2039 | 3.00 - 5.00% | 23,890,000 | 22,145,000 |
| Series 2021 | 01/01/2042 | 1.75 - 5.00% | 27,055,000 | 22,790,000 |
| Series 2021 Refunding | 01/01/2030 | 5.00% | 928,800 | 1,231,200 |
| Total general obligation bonds | | | <u>\$ 106,507,350</u> | <u>\$ 62,002,650</u> |
| <u>Description</u> | <u>Fiscal Year Lease Ends</u> | <u>Discount Rate</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
| Leases: | | | | |
| 9327 West Main Street Lease | 2023 | 2.00% | \$ 8,693 | \$ - |
| Piedmont Family Services Lease | 2025 | 3.00% | 618,983 | - |
| Piedmont Fire and Rescue Lease | 2025 | 7.43% | 191,551 | - |
| NOVEC Fiber Lease | 2026 | 2.95% | - | 38,831 |
| Total lease liabilities | | | <u>\$ 819,227</u> | <u>\$ 38,831</u> |

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (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 | General Obligation Bonds | | | |
|----------------------------------|--------------------------|---------------|--------------------------|---------------|
| | Governmental Activities | | Business-type Activities | |
| | Principal | Interest | Principal | Interest |
| 2023 | \$ 8,210,890 | \$ 3,986,165 | \$ 3,364,110 | \$ 2,244,739 |
| 2024 | 8,387,995 | 3,571,870 | 3,522,005 | 2,078,077 |
| 2025 | 8,570,835 | 3,148,596 | 3,689,165 | 1,903,323 |
| 2026 | 7,199,395 | 2,764,715 | 3,860,605 | 1,723,779 |
| 2027 | 6,013,670 | 2,445,191 | 3,826,330 | 1,539,278 |
| 2028-2032 | 31,424,035 | 8,144,903 | 16,165,965 | 5,298,816 |
| 2033-2037 | 25,975,530 | 2,800,503 | 15,819,470 | 2,482,557 |
| 2038-2042 | 10,725,000 | 590,500 | 11,755,000 | 649,991 |
| Total | \$ 106,507,350 | \$ 27,452,443 | \$ 62,002,650 | \$ 17,920,560 |

| Fiscal Year Ending June 30 | Lease Liabilities | | | |
|----------------------------------|-------------------------|-----------|--------------------------|----------|
| | Governmental Activities | | Business-type Activities | |
| | Principal | Interest | Principal | Interest |
| 2023 | \$ 351,528 | \$ 26,648 | \$ 9,288 | \$ 1,145 |
| 2024 | 372,244 | 12,191 | 9,563 | 871 |
| 2025 | 95,455 | 653 | 9,845 | 589 |
| 2026 | - | - | 10,135 | 299 |
| Total | \$ 819,227 | \$ 39,492 | \$ 38,831 | \$ 2,904 |

Debt Refunding

On July 8, 2021 the City of Manassas, Virginia issued \$52,285,000 in General Obligation Public Improvement and Refunding Bonds. \$2,440,000 of the issuance with an effective interest rate of 5.00% represented proceeds issued to refund \$2,850,000 of 2010 Bonds. The bonds will be repaid in various installments from January 1, 2022 to January 1, 2030. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$67,629. The refunding reduced the total debt service payments over the next 9 years by \$372,618 and resulted in an economic gain of \$360,398.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

Note 8—Long-Term Debt: (Continued)

Leases

Leases outstanding as of June 30 are totaled below:

| Description | Fiscal Year Lease Ends | Discount Rate | MCPS |
|----------------------------------|---------------------------|---------------|-------------------|
| Leases: | | | |
| Central Office Lease | 2023 | 3.00% | \$ 404,672 |
| Central Office Lease - Expansion | 2023 | 3.00% | 16,575 |
| Copiers | 2023 | 7.48% | 21,947 |
| Total lease liabilities | | | \$ <u>443,194</u> |

Energy Performance Contract - MCPS

An equipment 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 annual requirements to amortize long-term debt and related interest for MCPS:

| | MCPS | | | |
|-----------|-----------------------------|-------------------|-------------------|-----------------|
| | Energy Performance Contract | | Lease Liabilities | |
| | Principal | Interest | Principal | Interest |
| 2023 | \$ 286,735 | \$ 138,053 | \$ 443,194 | \$ 7,124 |
| 2024 | 308,584 | 128,948 | - | - |
| 2025 | 331,508 | 119,150 | - | - |
| 2026 | 355,554 | 108,624 | - | - |
| 2027 | 380,769 | 97,334 | - | - |
| 2028-2032 | 2,170,187 | 294,989 | - | - |
| 2033 | 514,386 | 16,333 | - | - |
| Total | \$ <u>4,347,723</u> | \$ <u>903,431</u> | \$ <u>443,194</u> | \$ <u>7,124</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.

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 (PWMRADDC) 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 2021 was paid to the City in March 2022. The fiscal year 2022 amount has not been finalized as of the date of this report; however, an estimate was accrued and \$41,549 is included in due from other governments. Amounts are subject to change for the most recent year based on verification by PWMRADDC.

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. The City returned \$500,000 to the Commonwealth of Virginia during the fiscal year.

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, 2022 is 17.0172%.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (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 ten Sewage System Revenue Bond issues outstanding: one issued in 2010, two issued in 2011, two issued in 2013, 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, 2022, the City’s committed share of UOSA’s remaining debt service (including interest) is as follows:

| | <u>Principal</u> | <u>Interest</u> |
|-----------|----------------------|----------------------|
| 2023 \$ | 1,974,388 | \$ 1,506,086 |
| 2024 | 2,024,838 | 1,455,526 |
| 2025 | 2,081,730 | 1,400,712 |
| 2026 | 2,742,504 | 1,342,379 |
| 2027 | 2,262,649 | 1,273,677 |
| 2028-2032 | 11,624,343 | 5,523,172 |
| 2033-2037 | 12,142,089 | 4,050,492 |
| 2038-2042 | 11,989,782 | 1,960,888 |
| 2043-2047 | 3,816,962 | 676,358 |
| 2048-2052 | 2,397,645 | 201,499 |
| Total | <u>\$ 53,056,930</u> | <u>\$ 19,390,789</u> |

In addition to the debt service above the City is responsible for total debt service of \$4,776,351 through 2043 related to the 2020 purchase of additional capacity.

The sewer fund made scheduled payments in fiscal year 2022 for its share of UOSA’s operating costs and debt service costs of \$7,075,716 and \$3,714,390, 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 2022.

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.

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%.

Note 10–Joint Ventures: (Continued)

Potomac and Rappahannock Transportation Commission (PRTC) (Continued)

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 2022, the City received \$2,773,216 of these taxes, representing the 30% funds and \$1,232,072 representing the 70% funds.

Note 12–Pension Plans:

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.

Note 12–Pension Plans: (Continued)

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 with a membership date 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 with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before 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 with a membership date 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.

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.

Note 12—Pension Plans: (Continued)***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, 2020 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 | 299 | 96 |
| Inactive members: | | |
| Vested inactive members | 86 | 30 |
| Non-vested inactive members | 131 | 35 |
| Long-term disability (LTD) | - | - |
| Inactive members active elsewhere in VRS | 139 | 47 |
| Total inactive members | <u>356</u> | <u>112</u> |
| Active members | <u>462</u> | <u>107</u> |
| Total covered employees | <u><u>1,117</u></u> | <u><u>315</u></u> |

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, 2022 was 12.80% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$4,130,443 and \$4,038,225 for the years ended June 30, 2022 and June 30, 2021, respectively.

Note 12–Pension Plans: (Continued)

Employees Covered by Benefit Terms (Continued)

The Component Unit School Board’s contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2022 was 4.78% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$163,471 and \$155,481 for the years ended June 30, 2022 and June 30, 2021, 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, 2021. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021.

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, 2020, 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, 2021.

| | |
|---------------------------------------|---|
| 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 |

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022 (Continued)

Note 12–Pension Plans: (Continued)

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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, 2020, 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, 2021.

| | |
|---------------------------------------|---|
| 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 |

Note 12–Pension Plans: (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:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Note 12–Pension Plans: (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) | Long-Term Target Asset Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return* |
|--------------------------------------|--|---|---|
| Public Equity | 34.00% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP - Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| Total | 100.00% | | 4.89% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.39% |

*The above allocation provides a one-year expected return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (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, 2021, 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, 2021, 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, 2021 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, 2020 | \$ 163,660,071 | \$ 128,673,606 | \$ 34,986,465 |
| Changes for the year: | | | |
| Service cost | \$ 3,761,361 | \$ - | \$ 3,761,361 |
| Interest | 10,770,446 | - | 10,770,446 |
| Differences between expected and actual experience | 389,503 | - | 389,503 |
| Assumption changes | 7,077,109 | - | 7,077,109 |
| Contributions - employer | - | 4,038,225 | (4,038,225) |
| Contributions - employee | - | 1,624,425 | (1,624,425) |
| Net investment income | - | 35,044,511 | (35,044,511) |
| Benefit payments, including refunds | (8,195,823) | (8,195,823) | - |
| Administrative expenses | - | (87,202) | 87,202 |
| Other changes | - | 3,306 | (3,306) |
| Net changes | \$ 13,802,596 | \$ 32,427,442 | \$ (18,624,846) |
| Balances at June 30, 2021 | \$ 177,462,667 | \$ 161,101,048 | \$ 16,361,619 |

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (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, 2020 | \$ 18,990,819 | \$ 17,914,930 | \$ 1,075,889 |
| Changes for the year: | | | |
| Service cost | \$ 323,712 | \$ - | \$ 323,712 |
| Interest | 1,252,783 | - | 1,252,783 |
| Differences between expected and actual experience | 83,528 | - | 83,528 |
| Assumption changes | 727,780 | - | 727,780 |
| Contributions - employer | - | 155,561 | (155,561) |
| Contributions - employee | - | 179,852 | (179,852) |
| Net investment income | - | 4,861,701 | (4,861,701) |
| Benefit payments, including refunds | (862,156) | (862,156) | - |
| Administrative expenses | - | (12,286) | 12,286 |
| Other changes | - | 456 | (456) |
| Net changes | \$ 1,525,647 | \$ 4,323,128 | \$ (2,797,481) |
| Balances at June 30, 2021 | \$ 20,516,466 | \$ 22,238,058 | \$ (1,721,592) |

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 | Current Discount | 1% Increase |
| | (5.75%) | (6.75%) | (7.75%) |
| Primary Government | | | |
| Net Pension Liability (Asset) | \$ 41,247,797 | \$ 16,361,619 | \$ (3,999,887) |
| Component Unit School Board (Nonprofessional) | | | |
| Net Pension Liability (Asset) | \$ 986,033 | \$ (1,721,592) | \$ (3,951,421) |

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (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, 2022, the City and Component Unit School Board (nonprofessional) recognized pension expense of \$3,324,649 and (\$112,727), respectively. At June 30, 2022, 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 | \$ 1,285,542 | \$ 288,192 | \$ 56,679 | \$ - |
| Change in assumptions | 6,348,073 | - | 427,044 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 17,398,390 | - | 2,413,033 |
| Employer contributions subsequent to the measurement date | 4,130,443 | - | 163,471 | - |
| Total | <u>\$ 11,764,058</u> | <u>\$ 17,686,582</u> | <u>\$ 647,194</u> | <u>\$ 2,413,033</u> |

\$4,130,443 and \$163,471 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, 2023. 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) |
|--------------------|--------------------|---|
| 2023 | \$ (715,893) | \$ (222,657) |
| 2024 | (1,531,308) | (410,596) |
| 2025 | (2,516,293) | (561,933) |
| 2026 | (5,289,473) | (734,124) |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-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)

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, 2022 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$10,211,141 and \$9,855,830 for the years ended June 30, 2022 and June 30, 2021, respectively.

In June 2021, the Commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2022, the Manassas City Public Schools division reported a liability of \$54,134,407 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was .69733% as compared to .65730% at June 30, 2020.

For the year ended June 30, 2022, the Manassas City Public Schools recognized pension expense of \$356,554. 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, 2022 (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, 2022, 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 | \$ - | \$ 4,610,841 |
| Change in assumptions | 9,484,206 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 34,114,055 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 5,231,926 | 3,309,372 |
| Employer contributions subsequent to the measurement date | 10,211,141 | - |
| Total | <u>\$ 24,927,273</u> | <u>\$ 42,034,268</u> |

\$10,211,141 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, 2023. 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> | |
|---------------------------|----------------|
| 2023 | \$ (7,057,016) |
| 2024 | (5,588,412) |
| 2025 | (6,068,695) |
| 2026 | (8,623,929) |
| 2027 | 19,916 |

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

| | |
|---------------------------------------|---|
| 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 |

Note 12—Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

Note 12—Pension Plans: (Continued)

Component Unit School Board (Professional) (Continued)

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, 2021, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | <u>Teacher Employee Retirement Plan</u> | |
|---|---|------------------|
| Total Pension Liability | \$ | 53,381,141 |
| Plan Fiduciary Net Position | | 45,617,878 |
| Employers' Net Pension Liability (Asset) | \$ | <u>7,763,263</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | 85.46% |

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) | \$ 104,476,474 | \$ 54,134,407 | \$ 12,721,333 |

Note 12—Pension Plans: (Continued)**Component Unit School Board (Professional) (Continued)*****Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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 | \$ 11,764,058 | \$ 17,686,582 | \$ 16,361,619 | \$ 3,324,649 |
| Totals | <u>\$ 11,764,058</u> | <u>\$ 17,686,582</u> | <u>\$ 16,361,619</u> | <u>\$ 3,324,649</u> |
| | Component Unit School Board | | | |
| | Deferred Outflows | Deferred Inflows | Net Pension Liability (Asset) | Pension Expense |
| VRS Pension Plans: | | | | |
| School Board Nonprofessional | \$ 647,194 | \$ 2,413,033 | \$ (1,721,592) | \$ (112,727) |
| School Board Professional | 24,927,273 | 42,034,268 | 54,134,407 | 356,554 |
| Totals | <u>\$ 25,574,467</u> | <u>\$ 44,447,301</u> | <u>\$ 52,412,815</u> | <u>\$ 243,827</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.

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

Plan Description (Continued)

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.

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, seatbelt 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 \$8,722 as of June 30, 2022.

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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% 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, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$182,482 and \$178,624 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions to the School Professional Plan were \$346,369 and \$333,381 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions to the School Nonprofessional Plan were \$21,504 and \$20,239 for the years ended June 30, 2022 and June 30, 2021, respectively.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (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, 2022, the Primary Government, School Board (Professional), and School Board (Nonprofessional) reported liabilities of \$1,865,396, \$3,481,404, and \$211,315 for their proportionate share of the Net GLI OPEB Liability, respectively. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Primary Government, School Board (Professional), and School Board (Nonprofessional)’s proportions were .1602%, .2990%, and .0181% respectively, as compared to .15550%, .28107%, and .01736% at June 30, 2020.

For the year ended June 30, 2022, the Primary Government, School Board (Professional), and School Board (Nonprofessional) recognized GLI OPEB expense of \$83,312, \$114,784, and (\$368), 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, 2022, 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 | \$ 212,755 | \$ 14,213 | \$ 397,066 | \$ 26,526 | \$ 24,101 | \$ 1,610 |
| Net difference between projected and actual earnings on GLI OPEB plan investments | - | 445,230 | - | 830,936 | - | 50,436 |
| Change in assumptions | 102,839 | 255,226 | 191,929 | 476,330 | 11,650 | 28,912 |
| Changes in proportion | 68,615 | 37,861 | 292,197 | 252,262 | 9,728 | 22,091 |
| Employer contributions subsequent to the measurement date | 182,482 | - | 346,369 | - | 21,504 | - |
| Total | \$ 566,691 | \$ 752,530 | \$ 1,227,561 | \$ 1,586,054 | \$ 66,983 | \$ 103,049 |

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022 (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)

\$182,482, \$346,369, and \$21,504 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, 2023. 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> |
|---------------------------|-------------------------------|--------------------------------|-----------------------------------|
| 2023 | \$ (85,007) | \$ (199,350) | \$ (19,435) |
| 2024 | (66,775) | (153,299) | (13,135) |
| 2025 | (68,916) | (112,553) | (8,641) |
| 2026 | (132,142) | (229,532) | (15,061) |
| 2027 | (15,481) | (10,128) | (1,298) |
| Thereafter | - | - | - |

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021. 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 Annual Report.

| | |
|--|---|
| 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 |

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers (Continued)

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

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

Actuarial Assumptions: (Continued)

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

| | <u>GLI OPEB Plan</u> |
|---|----------------------|
| Total GLI OPEB Liability | \$ 3,577,346 |
| Plan Fiduciary Net Position | 2,413,074 |
| GLI Net OPEB Liability (Asset) | <u>\$ 1,164,272</u> |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 67.45% |

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

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

NET GLI OPEB Liability (Continued)

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.

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) | Long-Term Target Asset Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return* |
|--------------------------------------|--|---|---|
| Public Equity | 34.00% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP - Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| Total | 100.00% | | 4.89% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.39% |

*The above allocation provides a one-year expected return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022 (Continued)

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 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, 2021, 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, 2021 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 | Current Discount | 1% Increase |
| | (5.75%) | (6.75%) | (7.75%) |
| Proportionate share of the GLI Plan Net OPEB Liability: | | | |
| Primary Government | \$ 2,725,411 | \$ 1,865,396 | \$ 1,170,894 |
| School Professional | 5,086,457 | 3,481,404 | 2,185,250 |
| School Nonprofessional | 308,739 | 211,315 | 132,641 |

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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-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 as well as 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 LODA Program. 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. 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, 2022 was \$722.55 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 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 \$108,852 and \$112,439 for the years ended June 30, 2022 and June 30, 2021, 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, 2022, the entity reported a liability of \$3,601,491 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2021 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2021, the entity's proportion was .81670% as compared to .82054% at June 30, 2020.

For the year ended June 30, 2022, the entity recognized LODA OPEB expense of \$299,957. 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, 2022 (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, 2022, 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 | \$ 300,268 | \$ 545,297 |
| Net difference between projected and actual earnings on LODA OPEB program investments | - | 20,855 |
| Change in assumptions | 996,652 | 172,276 |
| Change in proportionate share | 11,865 | 178,157 |
| Employer contributions subsequent to the measurement date | <u>108,852</u> | <u>-</u> |
| Total | <u>\$ 1,417,637</u> | <u>\$ 916,585</u> |

\$108,852 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, 2023. 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> | |
|---------------------------|-----------|
| 2023 | \$ 51,050 |
| 2024 | 52,009 |
| 2025 | 52,291 |
| 2026 | 52,591 |
| 2027 | 70,257 |
| Thereafter | 114,002 |

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, 2020, 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, 2021. 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 Annual Report.

| | |
|--|-----------------------------|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| Locality employees | N/A |
| Medical cost trend rates assumption: | |
| Under age 65 | 7.00%-4.75% |
| Ages 65 and older | 5.375%-4.75% |
| Year of ultimate trend rate: | |
| Under age 65 | Fiscal year ended 2029 |
| Ages 65 and older | Fiscal year ended 2024 |
| Investment rate of return | 2.16%, including inflation* |

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return.

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022 (Continued)

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |

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, 2021, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

| | <u>LODA Program</u> |
|---|---------------------|
| Total LODA OPEB Liability | \$ 448,542 |
| Plan Fiduciary Net Position | 7,553 |
| LODA Net OPEB Liability (Asset) | <u>\$ 440,989</u> |
| Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability | 1.68% |

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.

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 2.16% 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 2.16% 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, 2021.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.16%. 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, 2021, 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 2.16%, 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 (1.16%) or one percentage point higher (3.16%) than the current rate:

| | Discount Rate | | |
|---|------------------------|--------------------|------------------------|
| | 1% Decrease (1.16%) | Current (2.16%) | 1% Increase (3.16%) |
| Primary Government's proportionate share of the LODA Net OPEB Liability | \$ 4,143,035 | \$ 3,601,491 | \$ 3,171,189 |

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 7.00% 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 (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

| | Health Care Trend Rates | | |
|---|--|--|--|
| | 1% Decrease (6.00% decreasing to 3.75%) | Current (7.00% decreasing to 4.75%) | 1% Increase (8.00% decreasing to 5.75%) |
| Primary Government's proportionate share of the LODA Net OPEB Liability | 2,955,114 | 3,601,491 | 4,430,278 |

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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-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.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (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, 2020 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 | 147 | 36 |
| Inactive members: | | |
| Vested inactive members | 7 | 3 |
| Non-vested inactive members | - | - |
| Inactive members active elsewhere in VRS | - | - |
| Total inactive members | <u>154</u> | <u>39</u> |
| Active members | 435 | 107 |
| Total covered employees | <u><u>589</u></u> | <u><u>146</u></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, 2022 were .19% and .25% 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, 2020. 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 \$59,893 and \$58,764 for the years ended June 30, 2022 and June 30, 2021, respectively. Contributions from the School Board (Nonprofessional) to the HIC Plan were \$9,956 and \$9,370 for the years ended June 30, 2022 and June 30, 2021, respectively.

During the 2020 session, House Bill 1513 was enacted. This bill required the addition of Health Insurance Credit benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021, employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers and resulted in approximately \$2.5 million of additional employer contributions in FY 2021.

Net HIC OPEB Liability

The net HIC OPEB liability was measured as of June 30, 2021. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

| | |
|--|---|
| 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 |

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

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:

| Asset Class (Strategy) | Long-Term Target Asset Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return* |
|--------------------------------------|--|---|---|
| Public Equity | 34.00% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP - Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| Total | 100.00% | | 4.89% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.39% |

*The above allocation provides a one-year expected return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

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

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, 2021, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2021 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, 2020 | \$ 1,088,745 | \$ 564,502 | \$ 524,243 |
| Changes for the year: | | | |
| Service cost | \$ 21,494 | \$ - | \$ 21,494 |
| Interest | 70,872 | - | 70,872 |
| Differences between expected and actual experience | (6,144) | - | (6,144) |
| Assumption changes | 17,387 | - | 17,387 |
| Contributions - employer | - | 58,501 | (58,501) |
| Net investment income | - | 145,988 | (145,988) |
| Benefit payments | (77,576) | (77,576) | - |
| Administrative expenses | - | (1,682) | 1,682 |
| Net changes | \$ 26,033 | \$ 125,231 | \$ (99,198) |
| Balances at June 30, 2021 | \$ 1,114,778 | \$ 689,733 | \$ 425,045 |

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (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, 2020 | \$ 270,052 | \$ 186,797 | \$ 83,255 |
| Changes for the year: | | | |
| Service cost | \$ 4,211 | \$ - | \$ 4,211 |
| Interest | 17,541 | - | 17,541 |
| Differences between expected and actual experience | 2,254 | - | 2,254 |
| Assumption changes | 2,847 | - | 2,847 |
| Contributions - employer | - | 9,376 | (9,376) |
| Net investment income | - | 47,602 | (47,602) |
| Benefit payments | (20,378) | (20,378) | - |
| Administrative expenses | - | (535) | 535 |
| Net changes | \$ 6,475 | \$ 36,065 | \$ (29,590) |
| Balances at June 30, 2021 | \$ 276,527 | \$ 222,862 | \$ 53,665 |

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 | \$ 550,358 | \$ 425,045 | \$ 319,427 |
| School Nonprofessional | 84,495 | 53,665 | 27,508 |

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (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, 2022, the Primary Government and School Board (Nonprofessional) recognized HIC Plan OPEB expense of \$42,866 and \$5,898, respectively. At June 30, 2022, 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 | \$ 24,520 | \$ 5,480 | \$ 8,581 | \$ 2,235 |
| Net difference between projected and actual earnings on HIC OPEB plan investments | - | 69,734 | - | 22,568 |
| Change in assumptions | 29,587 | 8,012 | 4,985 | 577 |
| Employer contributions subsequent to the measurement date | 59,893 | - | 9,956 | |
| Total | \$ 114,000 | \$ 83,226 | \$ 23,522 | \$ 25,380 |

\$59,893 and \$9,956 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, 2023. 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 |
|--------------------|--------------------|------------------------|
| 2023 | \$ (9,316) | \$ (2,643) |
| 2024 | (9,141) | (1,965) |
| 2025 | (6,356) | (2,172) |
| 2026 | (11,473) | (5,270) |
| 2027 | 5,770 | 236 |
| Thereafter | 1,397 | - |

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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-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, 2022 was 1.21% 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, 2019. 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 \$775,956 and \$746,552 for the years ended June 30, 2022 and June 30, 2021, 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, 2022, the Manassas City Public Schools reported a liability of \$8,954,692 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, 2021 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, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the Manassas City Public School’s proportion of the VRS Teacher Employee HIC was .69764% as compared to .65964% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized VRS Teacher Employee HIC OPEB expense of \$685,164. 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, 2022 (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, 2022, 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 | \$ - | \$ 156,259 |
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | - | 117,960 |
| Change in assumptions | 242,062 | 35,988 |
| Change in proportionate share | 552,062 | 505,087 |
| Employer contributions subsequent to the measurement date | <u>775,956</u> | <u>-</u> |
| Total | <u>\$ 1,570,080</u> | <u>\$ 815,294</u> |

\$775,956 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, 2023. 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> | |
|---------------------------|-------------|
| 2023 | \$ (55,080) |
| 2024 | (56,420) |
| 2025 | (42,600) |
| 2026 | 5,843 |
| 2027 | 57,377 |
| Thereafter | 69,710 |

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, 2020, 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, 2021.

| | |
|---------------------------------------|---|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50%-5.95% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation |

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)**Note 16–Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)****Mortality Rates - Teachers: (Continued)**

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

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, 2021, 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 | \$ | 1,477,874 |
| Plan Fiduciary Net Position | | 194,305 |
| Teacher Employee Net HIC OPEB Liability (Asset) | \$ | <u>1,283,569</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | | 13.15% |

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>Long-Term Target Asset 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% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP - Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| Total | <u>100.00%</u> | | <u>4.89%</u> |
| | | Inflation | <u>2.50%</u> |
| | | Expected arithmetic nominal return* | <u>7.39%</u> |

*The above allocation provides a one-year expected return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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, 2021, 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, 2021 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 | \$ 10,080,501 | \$ 8,954,692 | \$ 8,001,988 |

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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2021-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, 2021 (valuation date), the following employees were covered by the benefit terms:

| | | |
|---------------------------|----|------------|
| Total active employees | \$ | 459 |
| Total retirees | | 22 |
| Total spouses of retirees | | 8 |
| Total | \$ | <u>489</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, 2022 was \$313,454.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed July 1, 2021.

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

The total OPEB liability in the July 1, 2021 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 | 3.54% |

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

| Changes in Net OPEB Liability - Primary Government | |
|---|-----------------------------|
| | Total OPEB Liability |
| Balances at June 30, 2021 | \$ 9,989,163 |
| Changes for the year: | |
| Service cost | 455,637 |
| Interest | 222,241 |
| Economic/demographic gains or losses | (1,743,241) |
| Changes in assumptions | (888,140) |
| Benefit payments | (313,454) |
| Net changes | (2,266,957) |
| Balances at June 30, 2022 | \$ 7,722,206 |

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)**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 (2.54%) or one percentage point higher (4.54%) than the current discount rate:

| | Rate | | |
|----------------------|------------------------|----------------------------------|------------------------|
| | 1% Decrease (2.54%) | Current Discount Rate (3.54%) | 1% Increase (4.54%) |
| Total OPEB liability | \$ 8,446,371 | \$ 7,722,206 | \$ 7,064,523 |

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 (7.30% decreasing to an ultimate rate of 2.90%) or one percentage point higher (9.30% decreasing to an ultimate rate of 4.90%) than the current healthcare cost trend rates:

| | Rates | | |
|----------------------|---|--|---|
| | 1% Decrease (7.30% decreasing to 2.90%) | Healthcare Cost Trend (8.30% decreasing to 3.90%) | 1% Increase (9.30% decreasing to 4.90%) |
| Total OPEB liability | \$ 6,825,226 | \$ 7,722,206 | \$ 8,790,437 |

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

For the year ended June 30, 2022, the City recognized OPEB expense in the amount of \$276,548. At June 30, 2022, 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 | \$ - | \$ 1,986,624 |
| Changes in assumptions | 243,214 | 833,912 |
| Total | <u>\$ 243,214</u> | <u>\$ 2,820,536</u> |

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022 (Continued)

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> | |
|---------------------------|--------------|
| 2023 | \$ (401,330) |
| 2024 | (404,673) |
| 2025 | (412,631) |
| 2026 | (412,631) |
| 2027 | (392,086) |
| Thereafter | (553,971) |

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 who retired prior to July 1, 2013 with at least fifteen (15) years of service. 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 March 1, 2022 (valuation date), the following employees were covered by the benefit terms:

| | | |
|------------------------|----|-------------------|
| Total active employees | \$ | 805 |
| Total retirees | | <u>19</u> |
| Total | \$ | <u><u>824</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, 2022 was \$135,289.

Total OPEB Liability

MCPS’s total OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation Performed March 25, 2020.

Actuarial Assumptions

The total OPEB liability in the March 25, 2020 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 | 1.92% |

Mortality rates were based on the Pri-2012 total dataset employee headcount weighted mortality with MP-2021.

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

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

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

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.

Changes in Total OPEB Liability

| Changes in Net OPEB Liability - MCPS | | Total OPEB Liability |
|--|----|----------------------|
| Balances at June 30, 2021 | \$ | 2,195,361 |
| Changes for the year: | | |
| Service cost | | 108,220 |
| Interest | | 51,864 |
| Differences between expected and actual experience | | (178,793) |
| Changes in assumptions | | (421,119) |
| Benefit payments | | (135,289) |
| Net changes | | (575,117) |
| Balances at June 30, 2022 | \$ | 1,620,244 |

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 (.92%) or one percentage point higher (2.92%) than the current discount rate:

| | Rate | | |
|----------------------|-----------------------|----------------------------------|------------------------|
| | 1% Decrease (.92%) | Current Discount Rate (1.92%) | 1% Increase (2.92%) |
| Total OPEB liability | \$ 1,738,032 | \$ 1,620,244 | \$ 1,506,933 |

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

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

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 (5.00% decreasing to an ultimate rate of 2.94%) or one percentage point higher (7.00% decreasing to an ultimate rate of 4.94%) than the current healthcare cost trend rates:

| | <u>Rates</u> | | |
|----------------------|--|--|--|
| | <u>1% Decrease (5.00% decreasing to 2.94%)</u> | <u>Healthcare Cost Trend (6.00% decreasing to 3.94%)</u> | <u>1% Increase (7.00% decreasing to 4.94%)</u> |
| Total OPEB liability | \$ 1,465,160 | \$ 1,620,244 | \$ 1,803,858 |

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

For the year ended June 30, 2022, MCPS recognized OPEB expense in the amount of \$37,101. At June 30, 2022, 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 | \$ 129,524 | \$ 134,095 |
| Changes in assumptions | 84,633 | 389,574 |
| Employer contributions subsequent to the measurement date | 15,167 | - |
| Total | <u>\$ 229,324</u> | <u>\$ 523,669</u> |

\$15,167 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, 2023. 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> | |
|---------------------------|--------------|
| 2023 | \$ (122,980) |
| 2024 | (100,570) |
| 2025 | (108,361) |
| 2026 | 22,399 |
| 2027 | - |

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (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 (Continued)

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 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) | \$ 566,691 | \$ 752,530 | \$ 1,865,396 | \$ 83,312 |
| LODA Plan (Note 14) | 1,417,637 | 916,585 | 3,601,491 | 299,957 |
| HIC Plan (Note 15) | 114,000 | 83,226 | 425,045 | 42,866 |
| City Local Plan (Note 17) | 243,214 | 2,820,536 | 7,722,206 | 276,548 |
| Totals | <u>\$ 2,341,542</u> | <u>\$ 4,572,877</u> | <u>\$ 13,614,138</u> | <u>\$ 702,683</u> |
| Component Unit School Board | | | | |
| VRS Pension Plans: | | | | |
| GLI Plan - Professional (Note 13) | \$ 1,227,561 | \$ 1,586,054 | \$ 3,481,404 | \$ 114,784 |
| GLI Plan - Nonprofessional (Note 13) | 66,983 | 103,049 | 211,315 | (368) |
| HIC Plan - Nonprofessional (Note 15) | 23,522 | 25,380 | 53,665 | 5,898 |
| Teacher HIC Plan (Note 16) | 1,570,080 | 815,294 | 8,954,692 | 685,164 |
| MCPS Local Plan (Note 18) | 229,324 | 523,669 | 1,620,244 | 37,101 |
| Totals | <u>\$ 3,117,470</u> | <u>\$ 3,053,446</u> | <u>\$ 14,321,320</u> | <u>\$ 842,579</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, 2022 (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 | NVT Capital Projects | Other Governmental Funds |
|---|-----------------------------|--------------------------------|-----------------------------|--------------------------------|
| Nonspendable: | | | | |
| Cemetery fund principal | \$ - | \$ - | \$ - | \$ 100,000 |
| Prepays | 613,005 | - | - | 909,808 |
| Long-term advances due from other funds | 230,914 | - | - | - |
| Total nonspendable | <u>\$ 843,919</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,009,808</u> |
| Restricted for: | | | | |
| Police E-Summons Program | \$ 283,372 | \$ - | \$ - | \$ - |
| Proffers for development | 633,319 | - | - | - |
| Bond proceeds and escrows not yet spent | - | 23,331,513 | 7,177,932 | - |
| Communication systems | - | - | - | 1,152,748 |
| Fire and rescue system | - | - | - | 3,930,224 |
| Road maintenance | - | - | - | 136,404 |
| Museum system | - | - | - | 117,480 |
| Cemetery maintenance | - | - | - | 369,337 |
| Total restricted | <u>\$ 916,691</u> | <u>\$ 23,331,513</u> | <u>\$ 7,177,932</u> | <u>\$ 5,706,193</u> |
| Committed to: | | | | |
| Capital reserve | \$ 21,619,405 | \$ - | \$ - | \$ - |
| Land sale proceeds | 438,723 | - | - | - |
| Employee benefits | 10,447,000 | - | - | - |
| Museum system | 8,963 | - | - | - |
| Council priorities | 10,000,000 | - | - | - |
| City Debt service | - | - | - | 9,290,288 |
| School Debt Service | - | - | - | 6,578,544 |
| Capital projects | - | 3,216,398 | 13,426,203 | 11,211,044 |
| Total committed | <u>\$ 42,514,091</u> | <u>\$ 3,216,398</u> | <u>\$ 13,426,203</u> | <u>\$ 27,079,876</u> |
| Assigned to: | | | | |
| Transportation | \$ 6,712,967 | \$ - | \$ - | \$ - |
| Subsequent year appropriation | 6,457,506 | - | - | - |
| Police department | 867,709 | - | - | - |
| Capital projects | - | - | - | 7,446 |
| Fire and rescue system | - | - | - | 141,099 |
| Total assigned | <u>\$ 14,038,182</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 148,545</u> |
| Unassigned | <u>\$ 28,857,727</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total fund balance | <u><u>\$ 87,170,610</u></u> | <u><u>\$ 26,547,911</u></u> | <u><u>\$ 20,604,135</u></u> | <u><u>\$ 33,944,422</u></u> |

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

Note 22–Major Customer:

The City has one major sewer and water customer. This customer accounted for approximately 18% of total sewer fund revenues and approximately 24% 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. The note recorded with the EDA was paid off in FY2020.

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 was 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. The note was paid in full during FY2021.

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. The balance on this payable at June 30, 2022 is \$237,605.

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 \$237,605 as of June 30, 2022.

In June 2022, the City conveyed land to the EDA and subsequently the EDA sold this land for \$1,056,300 to Buchanan Landing LLC. The EDA received \$276,633, net of expenses and site work reimbursement, for the sale. These funds were remitted to the City per their agreement and were recorded in the Gateway Capital Projects Fund.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

Note 24–Lease Receivable

The City leases property to third parties. The following summarizes the balances related to these leases for the year ended June 30, 2022:

| Lease Description | Governmental Activities | | |
|--|--------------------------|--------------------------------|--|
| | Discount Rate | Lease Receivable June 30, 2022 | Deferred Inflow of Resporces June 30, 2022 |
| Center for the Arts | 2.16% | \$ 27,660 | \$ 27,413 |
| USPS | 1.74% | 8,563 | 8,765 |
| Amazon 3795 lf of 30 - 2" conduits | 5.00% | - | 1,640,880 |
| Amazon 6088 lf of 18 - 2" conduits | 5.00% | - | 1,579,396 |
| Fiberlight - ROW user fee | 5.00% | 675,411 | 643,275 |
| Above Net Communucations | 5.00% | 610,421 | 581,185 |
| Metro Duct | 5.00% | - | 547,519 |
| Metro Duct | 5.00% | - | 586,864 |
| Total | | \$ 1,322,055 | \$ 5,615,297 |
| Lease Description | Business-type Activities | | |
| | Discount Rate | Lease Receivable June 30, 2022 | Deferred Inflow of Resporces June 30, 2022 |
| T-Mobile Prince William Water Tank | 4.00% | \$ 67,457 | \$ 65,223 |
| Sprint/Nextel Quarry Tower | 5.00% | 423,286 | 395,328 |
| Verizon WTP Lease | 3.00% | 101,534 | 98,839 |
| Lamar - site access | 1.61% | 82,190 | 80,727 |
| Aerographics (Encompass Industries) | 2.83% | 305,708 | 297,076 |
| Aerosolutions | 2.90% | 333,656 | 324,987 |
| Manassas FBO, LLC (APP Jet Center) Area A | 2.90% | 6,276,242 | 6,113,178 |
| Manassas FBO, LLC (APP Jet Center) Area D | 2.90% | 1,587,177 | 1,545,940 |
| Manassas FBO, LLC (APP Jet Center) Areas B&C | 3.77% | 3,474,189 | 3,352,969 |
| Manassas FBO, LLC (10520 Wakeman Drive)Pcl4 | 2.90% | 6,165,086 | 6,004,809 |
| Manassas FBO, LLC (old Colgan)(AviationLn-Pcl 5) | 2.90% | 1,071,528 | 1,043,690 |
| Boeing 10447 Wakeman Drive | 2.90% | 1,741,105 | 1,695,878 |
| Aurora Flight Sciences (E-7 Area 2 Land) | 2.90% | 1,790,040 | 1,743,661 |
| Delta Fox - Parcel N-3 | 2.90% | 1,652,725 | 1,609,787 |
| Flightworks (Lot N-1) | 2.90% | 1,867,570 | 1,819,042 |
| Manassas Condo Hangar 16A-1 (1.2520 ac) | 2.84% | 214,735 | 209,172 |
| Manassas Condo Hangar 16A (1.4030 ac) | 2.84% | 252,636 | 245,576 |
| Manassas Condo Hangar 16B -2 | 2.90% | 647,163 | 630,390 |
| MJ Colgan Associates (E-4-A) (Area 2) | 2.90% | 871,836 | 849,268 |
| MJ Colgan Associates (E-4-A) (Area 1) | 2.85% | 864,780 | 843,181 |
| Optical Air Data Systems (lot N-2) | 2.90% | 1,187,586 | 1,156,727 |
| Manassas FBO, LLC (APP Jet)(Airport Dev.)(FrkMshLn) | 2.90% | 1,035,719 | 1,008,647 |
| Aurora - CNOVA 9950 Wakeman Drive LLC (E7 Area 1 Bldg) | 2.90% | 392,728 | 387,087 |
| Aurora Flight Sciences - A Boeing Company (E7-Area 1 Land) | 2.87% | 642,326 | 625,864 |
| Chantilly Air II (Parcels 5/6) | 2.90% | 2,624,493 | 2,556,375 |
| Chantilly Air II (10660 Skyview) | 2.90% | 9,199,826 | 8,960,210 |
| Chantilly Air II (N-4) | 2.90% | 2,308,385 | 2,248,409 |
| Total | | \$ 47,181,706 | \$ 45,912,040 |

Lease revenue totaled \$341,644 and \$2,135,107 for the Governmental and Business-type Activities respectively for the year ended June 30, 2022. Lease interest revenue totaled \$66,824 and \$1,299,326 for the Governmental and Business-type Activities respectively for the year ended June 30, 2022.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (Continued)

Note 24—Lease Receivable

Expected future payments, which are included in the measurement of the lease receivable at June 30, 2022 are as follows:

| Fiscal Year Ending June 30 | Governmental Activities | | Business-type Activities | |
|----------------------------------|-------------------------|------------|--------------------------|---------------|
| | Principal | Interest | Principal | Interest |
| 2023 | \$ 88,810 | \$ 63,824 | \$ 847,843 | \$ 1,394,049 |
| 2024 | 61,134 | 60,693 | 885,905 | 1,366,897 |
| 2025 | 70,407 | 57,510 | 955,767 | 1,338,948 |
| 2026 | 80,459 | 53,855 | 1,019,174 | 1,308,245 |
| 2027 | 91,344 | 49,684 | 997,878 | 1,277,194 |
| 2028-2032 | 440,937 | 172,497 | 5,423,799 | 5,912,190 |
| 2033-2037 | 254,944 | 99,673 | 7,420,487 | 4,983,592 |
| 2038-2042 | 234,020 | 24,191 | 10,749,187 | 3,638,306 |
| 2043-2047 | - | - | 8,324,437 | 1,997,720 |
| 2048-2052 | - | - | 4,187,278 | 1,234,940 |
| 2053-2057 | - | - | 4,799,375 | 599,005 |
| 2058-2062 | - | - | 1,570,576 | 40,574 |
| Total | \$ 1,322,055 | \$ 581,927 | \$ 47,181,706 | \$ 25,091,660 |

Note 25—New Accounting Standards:

The Governmental Accounting Standards Board has issued the following statement which are not yet effective.

Statement No. 91, *Conduit Debt Obligations*, 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.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Note 25–New Accounting Standards: (Continued)

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Note 26–COVID-19:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the City, COVID-19 impacted various parts of its 2022 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the City is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2023.

CARES Act Funding

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, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. During fiscal year 2021 the City received total CRF funding of \$3,964,323. In addition, the School Board received CRF funding from the Virginia Department of Education in the amount of \$1,335,845. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. All CRF funds were spent as of June 30, 2021.

Note 26–COVID-19: (CONTINUED)

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

In June 2021, the City received its share of the first half of the CSLFRF funds. The City received an additional allotment in 2022 with the final payment received in July 2022, after fiscal year end. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$19,293,465 are reported as unearned revenue as of June 30, 2022.

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

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.

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, 2021

| | 2021 | 2020 | 2019 | 2018 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability | | | | |
| Service cost | \$ 3,761,361 | \$ 3,687,277 | \$ 3,348,683 | \$ 3,281,414 |
| Interest | 10,770,446 | 10,228,666 | 9,967,112 | 9,355,438 |
| Changes in benefit terms | - | - | - | - |
| Differences between expected and actual experience | 389,503 | 2,056,312 | (1,188,795) | 3,307,708 |
| Changes of assumptions | 7,077,109 | - | 4,715,768 | - |
| Benefit payments | (8,195,823) | (7,695,960) | (7,692,616) | (6,720,110) |
| Net change in total pension liability | <u>\$ 13,802,596</u> | <u>\$ 8,276,295</u> | <u>\$ 9,150,152</u> | <u>\$ 9,224,450</u> |
| Total pension liability - beginning | 163,660,071 | 155,383,776 | 146,233,624 | 137,009,174 |
| Total pension liability - ending (a) | <u>\$ 177,462,667</u> | <u>\$ 163,660,071</u> | <u>\$ 155,383,776</u> | <u>\$ 146,233,624</u> |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 4,038,225 | \$ 3,496,335 | \$ 3,397,643 | \$ 3,374,925 |
| Contributions - employee | 1,624,425 | 1,595,404 | 1,541,055 | 1,476,196 |
| Net investment income | 35,044,511 | 2,448,747 | 8,153,026 | 8,606,814 |
| Benefit payments | (8,195,823) | (7,695,960) | (7,692,616) | (6,720,110) |
| Administrator charges | (87,202) | (83,724) | (81,453) | (74,302) |
| Other | 3,306 | (2,901) | (5,149) | (7,672) |
| Net change in plan fiduciary net position | <u>\$ 32,427,442</u> | <u>\$ (242,099)</u> | <u>\$ 5,312,506</u> | <u>\$ 6,655,851</u> |
| Plan fiduciary net position - beginning | 128,673,606 | 128,915,705 | 123,603,199 | 116,947,348 |
| Plan fiduciary net position - ending (b) | <u>\$ 161,101,048</u> | <u>\$ 128,673,606</u> | <u>\$ 128,915,705</u> | <u>\$ 123,603,199</u> |
| City of Manassas's net pension liability (asset) - ending (a) - (b) | \$ 16,361,619 | \$ 34,986,465 | \$ 26,468,071 | \$ 22,630,425 |
| Plan fiduciary net position as a percentage of the total pension liability | 90.78% | 78.62% | 82.97% | 84.52% |
| Covered payroll | \$ 32,965,603 | \$ 31,886,653 | \$ 30,792,053 | \$ 30,139,672 |
| City of Manassas's net pension liability (asset) as a percentage of covered payroll | 49.63% | 109.72% | 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.

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, 2021

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability | | | | |
| Service cost | \$ 3,282,771 | \$ 3,290,768 | \$ 3,146,516 | \$ 3,172,984 |
| Interest | 9,240,455 | 8,867,229 | 8,777,037 | 8,352,384 |
| Changes in benefit terms | - | - | - | - |
| Differences between expected and actual experience | (3,055,659) | (84,432) | (4,724,636) | - |
| Changes of assumptions | (906,327) | - | - | - |
| Benefit payments | (7,117,141) | (6,366,376) | (5,454,561) | (5,463,217) |
| Net change in total pension liability | <u>\$ 1,444,099</u> | <u>\$ 5,707,189</u> | <u>\$ 1,744,356</u> | <u>\$ 6,062,151</u> |
| Total pension liability - beginning | 135,565,075 | 129,857,886 | 128,113,530 | 122,051,379 |
| Total pension liability - ending (a) | <u>\$ 137,009,174</u> | <u>\$ 135,565,075</u> | <u>\$ 129,857,886</u> | <u>\$ 128,113,530</u> |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 3,290,895 | \$ 3,842,806 | \$ 3,837,337 | \$ 3,549,681 |
| Contributions - employee | 1,488,053 | 1,436,792 | 1,424,567 | 1,357,566 |
| Net investment income | 12,859,256 | 1,828,870 | 4,649,051 | 13,881,967 |
| Benefit payments | (7,117,141) | (6,366,376) | (5,454,561) | (5,463,217) |
| Administrator charges | (74,990) | (65,416) | (62,878) | (74,624) |
| Other | (11,350) | (858) | (1,239) | 985 |
| Net change in plan fiduciary net position | <u>\$ 10,434,723</u> | <u>\$ 675,818</u> | <u>\$ 4,392,277</u> | <u>\$ 13,252,358</u> |
| Plan fiduciary net position - beginning | 106,512,625 | 105,836,807 | 101,444,530 | 88,192,172 |
| Plan fiduciary net position - ending (b) | <u>\$ 116,947,348</u> | <u>\$ 106,512,625</u> | <u>\$ 105,836,807</u> | <u>\$ 101,444,530</u> |
| City of Manassas's net pension liability (asset) - ending (a) - (b) | \$ 20,061,826 | \$ 29,052,450 | \$ 24,021,079 | \$ 26,669,000 |
| Plan fiduciary net position as a percentage of the total pension liability | 85.36% | 78.57% | 81.50% | 79.18% |
| Covered payroll | \$ 29,415,449 | \$ 28,400,292 | \$ 27,994,452 | \$ 28,181,695 |
| City of Manassas's net pension liability (asset) as a percentage of covered payroll | 68.20% | 102.30% | 85.81% | 94.63% |

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, 2021

| | 2021 | 2020 | 2019 | 2018 |
|---|-----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | |
| Service cost | \$ 323,712 | \$ 310,307 | \$ 300,745 | \$ 322,077 |
| Interest | 1,252,783 | 1,204,682 | 1,185,656 | 1,155,111 |
| Changes in benefit terms | - | - | - | - |
| Differences between expected and actual experience | 83,528 | 38,963 | (316,678) | (266,528) |
| Changes of assumptions | 727,780 | - | 530,099 | - |
| Benefit payments | (862,156) | (820,552) | (760,701) | (787,909) |
| Net change in total pension liability | \$ 1,525,647 | \$ 733,400 | \$ 939,121 | \$ 422,751 |
| Total pension liability - beginning | 18,990,819 | 18,257,419 | 17,318,298 | 16,895,547 |
| Total pension liability - ending (a) | \$ 20,516,466 | \$ 18,990,819 | \$ 18,257,419 | \$ 17,318,298 |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 155,561 | \$ 150,637 | \$ 151,855 | \$ 222,228 |
| Contributions - employee | 179,852 | 166,996 | 166,518 | 161,710 |
| Net investment income | 4,861,701 | 342,572 | 1,148,942 | 1,217,722 |
| Benefit payments | (862,156) | (820,552) | (760,701) | (787,909) |
| Administrator charges | (12,286) | (11,909) | (11,549) | (10,647) |
| Other | 456 | (404) | (722) | (1,080) |
| Net change in plan fiduciary net position | \$ 4,323,128 | \$ (172,660) | \$ 694,343 | \$ 802,024 |
| Plan fiduciary net position - beginning | 17,914,930 | 18,087,590 | 17,393,247 | 16,591,223 |
| Plan fiduciary net position - ending (b) | \$ 22,238,058 | \$ 17,914,930 | \$ 18,087,590 | \$ 17,393,247 |
| School Division's net pension liability (asset) - ending (a) - (b) | \$ (1,721,592) | \$ 1,075,889 | \$ 169,829 | \$ (74,949) |
| Plan fiduciary net position as a percentage of the total pension liability | 108.39% | 94.33% | 99.07% | 100.43% |
| Covered payroll | \$ 3,747,987 | \$ 3,572,271 | \$ 3,509,934 | \$ 3,413,924 |
| School Division's net pension liability (asset) as a percentage of covered payroll | -45.93% | 30.12% | 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.

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, 2021

| | 2017 | 2016 | 2015 | 2014 |
|---|----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | |
| Service cost | \$ 348,188 | \$ 433,172 | \$ 444,147 | \$ 448,462 |
| Interest | 1,169,530 | 1,130,232 | 1,046,485 | 986,400 |
| Changes in benefit terms | - | - | - | - |
| Differences between expected and actual experience | (915,888) | (288,681) | 348,312 | - |
| Changes of assumptions | (29,443) | - | - | - |
| Benefit payments | (768,817) | (657,835) | (627,286) | (525,710) |
| Net change in total pension liability | <u>\$ (196,430)</u> | <u>\$ 616,888</u> | <u>\$ 1,211,658</u> | <u>\$ 909,152</u> |
| Total pension liability - beginning | 17,091,977 | 16,475,089 | 15,263,431 | 14,354,279 |
| Total pension liability - ending (a) | <u>\$ 16,895,547</u> | <u>\$ 17,091,977</u> | <u>\$ 16,475,089</u> | <u>\$ 15,263,431</u> |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 234,665 | \$ 293,302 | \$ 327,770 | \$ 371,110 |
| Contributions - employee | 182,986 | 187,296 | 210,271 | 213,775 |
| Net investment income | 1,829,777 | 261,358 | 662,902 | 1,971,754 |
| Benefit payments | (768,817) | (657,835) | (627,286) | (525,710) |
| Administrator charges | (10,701) | (9,371) | (9,037) | (10,484) |
| Other | (1,621) | (111) | 244 | (280) |
| Net change in plan fiduciary net position | <u>\$ 1,466,289</u> | <u>\$ 74,639</u> | <u>\$ 564,864</u> | <u>\$ 2,020,165</u> |
| Plan fiduciary net position - beginning | 15,124,934 | 15,050,295 | 14,485,431 | 12,465,266 |
| Plan fiduciary net position - ending (b) | <u>\$ 16,591,223</u> | <u>\$ 15,124,934</u> | <u>\$ 15,050,295</u> | <u>\$ 14,485,431</u> |
| School Division's net pension liability (asset) - ending (a) - (b) | \$ 304,324 | \$ 1,967,043 | \$ 1,424,794 | \$ 778,000 |
| Plan fiduciary net position as a percentage of the total pension liability | 98.20% | 88.49% | 91.35% | 94.90% |
| Covered payroll | \$ 3,453,646 | \$ 3,782,730 | \$ 4,211,076 | \$ 4,279,686 |
| School Division's net pension liability (asset) as a percentage of covered payroll | 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, 2021

| <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> |
|-------------------------|--|--|-----------------------------------|---|---|
| 2021 | 0.70% | \$ 54,134,407 | 61,698,503 | 87.74% | 85.46% |
| 2020 | 0.66% | 95,652,956 | 57,828,741 | 165.41% | 71.47% |
| 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, 2022

| 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 | | | | | |
| 2022 | \$ 4,130,443 | \$ 4,130,443 | \$ - | \$ 33,692,654 | 12.26% |
| 2021 | 4,038,225 | 4,038,225 | - | 32,965,603 | 12.25% |
| 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) | | | | | |
| 2022 | \$ 163,471 | \$ 163,471 | \$ - | \$ 3,982,238 | 4.11% |
| 2021 | 155,481 | 155,481 | - | 3,747,987 | 4.15% |
| 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) | | | | | |
| 2022 | \$ 10,211,141 | \$ 10,211,141 | \$ - | \$ 64,128,603 | 15.92% |
| 2021 | 9,855,830 | 9,855,830 | - | 61,698,503 | 15.97% |
| 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% |

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Notes to Required Supplementary Information
 Pension Plans
 For the Year Ended June 30, 2022

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Component Unit School Board - Professional Employees:

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

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, 2021

| 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 | | | | | |
| 2021 | 0.1602% | \$ 1,865,396 | \$ 33,078,522 | 5.64% | 67.45% |
| 2020 | 0.1555% | 2,595,040 | 32,001,776 | 8.11% | 52.64% |
| 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) | | | | | |
| 2021 | 0.0181% | \$ 211,315 | \$ 3,747,987 | 5.64% | 67.45% |
| 2020 | 0.0174% | 289,710 | 3,572,271 | 8.11% | 52.64% |
| 2019 | 0.0179% | 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) | | | | | |
| 2021 | 0.2990% | \$ 3,481,404 | \$ 61,737,314 | 5.64% | 67.45% |
| 2020 | 0.2811% | 4,690,598 | 57,844,644 | 8.11% | 52.64% |
| 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, 2022

| <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 | | | | | |
| 2022 | \$ 182,482 | \$ 182,482 | \$ - | \$ 33,792,972 | 0.54% |
| 2021 | 178,624 | 178,624 | - | 33,078,522 | 0.54% |
| 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) | | | | | |
| 2022 | \$ 21,504 | \$ 21,504 | \$ - | \$ 3,982,238 | 0.54% |
| 2021 | 20,239 | 20,239 | - | 3,747,987 | 0.54% |
| 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) | | | | | |
| 2022 | \$ 346,369 | \$ 346,369 | \$ - | \$ 64,142,499 | 0.54% |
| 2021 | 333,381 | 333,381 | - | 61,737,314 | 0.54% |
| 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, 2022

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

Non-Largest Ten Locality Employers - General Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Non-Largest Ten Locality Employers - Hazardous Duty Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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, 2021

| 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) |
|---------------------------|---|--|--|--|---|
| 2021 | 0.8167% \$ | 3,601,491 \$ | Not Applicable | Not Applicable | 1.68% |
| 2020 | 0.8205% | 3,436,548 | Not Applicable | Not Applicable | 1.02% |
| 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, which is the total payroll of employees in the OPEB plan, is not applicable.

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, 2022

| <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>Covered- Employee Payroll * (4)</u> | <u>Contributions as a % of Covered- Employee Payroll (5)</u> |
|-------------|--|---|---|--|--|
| 2022 | \$ 108,852 | \$ 108,852 | \$ - | \$ Not Applicable | Not Applicable |
| 2021 | 112,439 | 112,439 | - | Not Applicable | Not Applicable |
| 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, which is the total payroll of employees in the OPEB plan, is not applicable.

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, 2022

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, 2020 valuation were based on results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |

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, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total HIC OPEB Liability | | | | | |
| Service cost | \$ 21,494 | \$ 22,035 | \$ 20,493 | \$ 21,187 | \$ 21,716 |
| Interest | 70,872 | 67,788 | 67,420 | 66,503 | 66,592 |
| Changes in benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | (6,144) | 32,959 | 2,062 | (545) | - |
| Changes of assumptions | 17,387 | - | 25,958 | - | (27,092) |
| Benefit payments | (77,576) | (76,609) | (73,009) | (75,077) | (49,915) |
| Net change in total HIC OPEB liability | \$ 26,033 | \$ 46,173 | \$ 42,924 | \$ 12,068 | \$ 11,301 |
| Total HIC OPEB Liability - beginning | 1,088,745 | 1,042,572 | 999,648 | 987,580 | 976,279 |
| Total HIC OPEB Liability - ending (a) | \$ 1,114,778 | \$ 1,088,745 | \$ 1,042,572 | \$ 999,648 | \$ 987,580 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 58,501 | \$ 57,329 | \$ 55,729 | \$ 49,319 | \$ 47,773 |
| Net investment income | 145,988 | 11,346 | 35,076 | 38,174 | 56,707 |
| Benefit payments | (77,576) | (76,609) | (73,009) | (75,077) | (49,915) |
| Administrator charges | (1,682) | (1,071) | (756) | (873) | (915) |
| Other | - | (5) | (41) | (2,882) | 2,882 |
| Net change in plan fiduciary net position | \$ 125,231 | \$ (9,010) | \$ 16,999 | \$ 8,661 | \$ 56,532 |
| Plan fiduciary net position - beginning | 564,502 | 573,512 | 556,513 | 547,852 | 491,320 |
| Plan fiduciary net position - ending (b) | \$ 689,733 | \$ 564,502 | \$ 573,512 | \$ 556,513 | \$ 547,852 |
| City of Manassas's net HIC OPEB liability - ending (a) - (b) | \$ 425,045 | \$ 524,243 | \$ 469,060 | \$ 443,135 | \$ 439,728 |
| Plan fiduciary net position as a percentage of the total HIC OPEB liability | 61.87% | 51.85% | 55.01% | 55.67% | 55.47% |
| Covered payroll | \$ 30,928,221 | \$ 30,179,573 | \$ 29,320,079 | \$ 29,006,150 | \$ 28,065,796 |
| City of Manassas's net HIC OPEB liability as a percentage of covered payroll | 1.37% | 1.74% | 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, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total HIC OPEB Liability | | | | | |
| Service cost | \$ 4,211 | \$ 4,048 | \$ 3,914 | \$ 4,356 | \$ 5,061 |
| Interest | 17,541 | 16,188 | 16,419 | 16,223 | 15,904 |
| Changes in benefit terms | - | 9,412 | - | - | - |
| Differences between expected and actual experience | 2,254 | 10,707 | (3,647) | (2,030) | - |
| Changes of assumptions | 2,847 | - | 6,062 | - | (3,347) |
| Benefit payments | (20,378) | (20,243) | (14,734) | (16,752) | (9,367) |
| Net change in total HIC OPEB liability | \$ 6,475 | \$ 20,112 | \$ 8,014 | \$ 1,797 | \$ 8,251 |
| Total HIC OPEB Liability - beginning | 270,052 | 249,940 | 241,926 | 240,129 | 231,878 |
| Total HIC OPEB Liability - ending (a) | \$ 276,527 | \$ 270,052 | \$ 249,940 | \$ 241,926 | \$ 240,129 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 9,376 | \$ 7,859 | \$ 7,721 | \$ 8,790 | \$ 9,073 |
| Net investment income | 47,602 | 3,848 | 12,003 | 13,103 | 19,367 |
| Benefit payments | (20,378) | (20,243) | (14,734) | (16,752) | (9,367) |
| Administrator charges | (535) | (355) | (259) | (300) | (314) |
| Other | - | (2) | (14) | (982) | 982 |
| Net change in plan fiduciary net position | \$ 36,065 | \$ (8,893) | \$ 4,717 | \$ 3,859 | \$ 19,741 |
| Plan fiduciary net position - beginning | 186,797 | 195,690 | 190,973 | 187,114 | 167,373 |
| Plan fiduciary net position - ending (b) | \$ 222,862 | \$ 186,797 | \$ 195,690 | \$ 190,973 | \$ 187,114 |
| School Board's net HIC OPEB liability - ending (a) - (b) | \$ 53,665 | \$ 83,255 | \$ 54,250 | \$ 50,953 | \$ 53,015 |
| Plan fiduciary net position as a percentage of the total HIC OPEB liability | 80.59% | 69.17% | 78.29% | 78.94% | 77.92% |
| Covered payroll | \$ 3,747,987 | \$ 3,572,271 | \$ 3,509,934 | \$ 3,416,924 | \$ 3,453,646 |
| School Board's net HIC OPEB liability as a percentage of covered payroll | 1.43% | 2.33% | 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, 2022

| <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 | | | | | |
| 2022 | \$ 59,893 | \$ 59,893 | \$ - | \$ 31,522,769 | 0.1900% |
| 2021 | 58,764 | 58,764 | - | 30,928,221 | 0.1900% |
| 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) | | | | | |
| 2022 | \$ 9,956 | \$ 9,956 | \$ - | \$ 3,982,238 | 0.2500% |
| 2021 | 9,370 | 9,370 | - | 3,747,987 | 0.2500% |
| 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, 2022

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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Non-Largest Ten Locality Employers - Hazardous Duty Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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, 2021

| 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) |
|-------------|---|---|---|--|---|
| 2021 | 0.6976% | \$ 8,954,692 | \$ 61,698,503 | 14.51% | 13.15% |
| 2020 | 0.6596% | 8,605,113 | 57,828,741 | 14.88% | 9.95% |
| 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, 2022

| <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> |
|-------------|--|---|---|---|--|
| 2022 | \$ 775,956 | \$ 775,956 | \$ - | \$ 64,128,603 | 1.21% |
| 2021 | 746,552 | 746,552 | - | 61,698,503 | 1.21% |
| 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, 2022

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

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, 2022

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Total OPEB liability | | | | | |
| Service cost | \$ 455,637 | \$ 478,651 | \$ 383,403 | \$ 368,592 | \$ 383,873 |
| Interest | 222,241 | 219,344 | 351,232 | 359,308 | 323,594 |
| Changes in assumptions | (888,140) | 43,014 | 214,552 | 354,860 | (347,338) |
| Differences between expected and actual experience | (1,743,241) | - | (774,515) | - | - |
| Benefit payments | (313,454) | (394,388) | (364,744) | (328,893) | (283,663) |
| Net change in total OPEB liability | \$ (2,266,957) | \$ 346,621 | \$ (190,072) | \$ 753,867 | \$ 76,466 |
| Total OPEB liability - beginning | 9,989,163 | 9,642,542 | 9,832,614 | 9,078,747 | 9,002,281 |
| Total OPEB liability - ending | <u>\$ 7,722,206</u> | <u>\$ 9,989,163</u> | <u>\$ 9,642,542</u> | <u>\$ 9,832,614</u> | <u>\$ 9,078,747</u> |
| | | | | | |
| Covered-employee payroll | \$ 33,734,572 | \$ 32,502,185 | \$ 31,012,306 | \$ 29,645,000 | \$ 29,645,000 |
| | | | | | |
| Primary Governments' total OPEB liability (asset) as a percentage of covered-employee payroll | 22.89% | 30.73% | 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, 2022

Valuation Date: 7/1/2021
Measurement Date: 6/30/2022

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 | 3.54% |
| Inflation | 2.50% |
| Healthcare Trend Rate | The healthcare trend rate assumption starts at 8.30% in 2021 and gradually decreases to 3.90% 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, 2022

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------------------|-------------------------|-------------------------|----------------------------|----------------------------|
| Total OPEB liability | | | | | |
| Service cost | \$ 108,220 | \$ 90,807 | \$ 85,738 | \$ 83,229 | \$ 93,415 |
| Interest | 51,864 | 62,778 | 70,559 | 71,604 | 63,823 |
| Changes in assumptions | (421,119) | 126,949 | (97,977) | (7,003) | (134,493) |
| Differences between expected and actual experience | (178,793) | 7,455 | 213,263 | 53,776 | |
| Benefit payments | (135,289) | (189,146) | (223,520) | (252,776) | (325,000) |
| Net change in total OPEB liability | <u>(575,117)</u> | <u>98,843</u> | <u>48,063</u> | <u>\$ (51,170)</u> | <u>\$ (302,255)</u> |
| Total OPEB liability - beginning | <u>2,195,361</u> | <u>2,096,518</u> | <u>2,048,455</u> | <u>2,099,625</u> | <u>2,401,880</u> |
| Total OPEB liability - ending | <u><u>1,620,244</u></u> | <u><u>2,195,361</u></u> | <u><u>2,096,518</u></u> | <u><u>\$ 2,048,455</u></u> | <u><u>\$ 2,099,625</u></u> |
| | | | | | |
| Covered-employee payroll | 68,110,841 | 65,446,490 | 61,401,012 | \$ 63,886,718 | \$ 62,362,862 |
| | | | | | |
| Manassas City Public School's total OPEB liability (asset) as a percentage of covered-employee payroll | 2.38% | 3.35% | 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, 2022

Valuation Date: 3/25/2020
Measurement Date: 6/30/2021

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 | 1.92% |
| Inflation | 2.50% |
| Healthcare Trend Rate | The healthcare trend rate assumption starts at 6.00% in 2022 and gradually decreases to 3.94% by the year 2075 |
| Salary Increase Rates | 1.00% to 3.45% 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-2021, healthy post-retirement employees was calculated using the Pri-2012 Total Dataset Retiree Amount-Weighted Mortality with MP-2021 and the disabled was calculated using the Pri-2012 Total Dataset Disabled Amount-Weighted Mortality with MP-2021. |

OTHER SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements and Schedules

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.

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 care 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, 2022

| | Special Revenue Funds | Capital Projects Funds | Debt Service Fund | Permanent Cemetery Maintenance Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|------------------------------|-------------------------|---|--|
| ASSETS | | | | | |
| Cash and investments | \$ 5,611,442 | \$ 10,981,935 | \$ 15,868,832 | \$ - | \$ 32,462,209 |
| Cash and investments - restricted | - | - | - | 469,337 | 469,337 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Taxes | 239,863 | - | - | - | 239,863 |
| Prepaid items | 909,808 | - | - | - | 909,808 |
| Due from component unit | - | 237,605 | - | - | 237,605 |
| Due from other governments | 475,292 | - | - | - | 475,292 |
| Total assets | <u>\$ 7,236,405</u> | <u>\$ 11,219,540</u> | <u>\$ 15,868,832</u> | <u>\$ 469,337</u> | <u>\$ 34,794,114</u> |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | \$ 445,548 | \$ 1,050 | \$ - | \$ - | \$ 446,598 |
| Due to other funds | 230,914 | - | - | - | 230,914 |
| Total liabilities | <u>\$ 676,462</u> | <u>\$ 1,050</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 677,512</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue | \$ 172,180 | \$ - | \$ - | \$ - | \$ 172,180 |
| FUND BALANCES | | | | | |
| Nonspendable | \$ 909,808 | \$ - | \$ - | \$ 100,000 | \$ 1,009,808 |
| Restricted | 5,336,856 | - | - | 369,337 | 5,706,193 |
| Committed | - | 11,211,044 | 15,868,832 | - | 27,079,876 |
| Assigned | 141,099 | 7,446 | - | - | 148,545 |
| Total fund balances | <u>\$ 6,387,763</u> | <u>\$ 11,218,490</u> | <u>\$ 15,868,832</u> | <u>\$ 469,337</u> | <u>\$ 33,944,422</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 7,236,405</u> | <u>\$ 11,219,540</u> | <u>\$ 15,868,832</u> | <u>\$ 469,337</u> | <u>\$ 34,794,114</u> |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2022

| | Special Revenue Funds | Capital Projects Funds | Debt Service Fund | Permanent Cemetery Maintenance Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|------------------------------|-------------------------|---|--|
| REVENUES | | | | | |
| General property taxes | \$ 11,842,709 | \$ - | \$ - | \$ - | \$ 11,842,709 |
| Permits, fees, and licenses | 110,904 | - | - | - | 110,904 |
| Revenue from the use of money and property | 7,409 | - | - | 790 | 8,199 |
| Charges for services | 788,608 | - | - | 90,000 | 878,608 |
| Payment in lieu of debt service | - | - | 3,000,000 | - | 3,000,000 |
| Miscellaneous | 202,443 | - | - | - | 202,443 |
| Contribution from component unit, net | - | 204,759 | - | - | 204,759 |
| Intergovernmental | 4,508,143 | - | - | - | 4,508,143 |
| Total revenues | <u>\$ 17,460,216</u> | <u>\$ 204,759</u> | <u>\$ 3,000,000</u> | <u>\$ 90,790</u> | <u>\$ 20,755,765</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government administration | \$ 1,748 | \$ 15 | \$ - | \$ - | \$ 1,763 |
| Public safety | 9,985,000 | - | - | - | 9,985,000 |
| Public works | 5,038 | - | - | - | 5,038 |
| Health and human services | 5,985,668 | - | - | - | 5,985,668 |
| Cultural, recreation, and community development | - | 1,869 | - | - | 1,869 |
| Capital outlay | 389,334 | 318,011 | - | - | 707,345 |
| Debt service: | | | | | |
| Principal | 315,511 | - | 6,721,000 | - | 7,036,511 |
| Interest and fiscal charges | 39,563 | - | 3,809,430 | - | 3,848,993 |
| Total expenditures | <u>\$ 16,721,862</u> | <u>\$ 319,895</u> | <u>\$ 10,530,430</u> | <u>\$ -</u> | <u>\$ 27,572,187</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 738,354</u> | <u>\$ (115,136)</u> | <u>\$ (7,530,430)</u> | <u>\$ 90,790</u> | <u>\$ (6,816,422)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | \$ 2,097,056 | \$ 300,000 | \$ 11,545,684 | \$ - | \$ 13,942,740 |
| Transfers out | (761,069) | - | - | - | (761,069) |
| Sale of capital assets | 294,900 | - | - | - | 294,900 |
| Total other financing sources (uses) | <u>\$ 1,630,887</u> | <u>\$ 300,000</u> | <u>\$ 11,545,684</u> | <u>\$ -</u> | <u>\$ 13,476,571</u> |
| Net change in fund balances | \$ 2,369,241 | \$ 184,864 | \$ 4,015,254 | \$ 90,790 | \$ 6,660,149 |
| Fund balances - beginning | 4,018,522 | 11,033,626 | 11,853,578 | 378,547 | 27,284,273 |
| Fund balances - ending | <u>\$ 6,387,763</u> | <u>\$ 11,218,490</u> | <u>\$ 15,868,832</u> | <u>\$ 469,337</u> | <u>\$ 33,944,422</u> |

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2022

| | Social Services Fund | PEG Fund | Owens Brooke District Fund | Fire Rescue Fund | Merchant Museum Fund | Total |
|---|----------------------------|---------------------|-------------------------------------|------------------------|----------------------------|---------------------|
| ASSETS | | | | | | |
| Cash and investments | \$ - | \$ 1,152,748 | \$ 136,672 | \$ 4,204,542 | \$ 117,480 | \$ 5,611,442 |
| Receivables (net of allowance for uncollectibles): | | | | | | |
| Taxes receivable | - | - | - | 239,863 | - | 239,863 |
| Prepaid items | - | - | - | 909,808 | - | 909,808 |
| Due from other governments | 409,134 | - | - | 66,158 | - | 475,292 |
| Total assets | <u>\$ 409,134</u> | <u>\$ 1,152,748</u> | <u>\$ 136,672</u> | <u>\$ 5,420,371</u> | <u>\$ 117,480</u> | <u>\$ 7,236,405</u> |
| LIABILITIES | | | | | | |
| Accounts payable and accrued expenses | \$ 178,220 | \$ - | \$ 268 | \$ 267,060 | \$ - | \$ 445,548 |
| Due to other funds | 230,914 | - | - | - | - | 230,914 |
| Total liabilities | <u>\$ 409,134</u> | <u>\$ -</u> | <u>\$ 268</u> | <u>\$ 267,060</u> | <u>\$ -</u> | <u>\$ 676,462</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue | \$ - | \$ - | \$ - | \$ 172,180 | \$ - | \$ 172,180 |
| FUND BALANCES | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ 909,808 | \$ - | \$ 909,808 |
| Restricted | - | 1,152,748 | 136,404 | 3,930,224 | 117,480 | 5,336,856 |
| Assigned | - | - | - | 141,099 | - | 141,099 |
| Total fund balances | <u>\$ -</u> | <u>\$ 1,152,748</u> | <u>\$ 136,404</u> | <u>\$ 4,981,131</u> | <u>\$ 117,480</u> | <u>\$ 6,387,763</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 409,134</u> | <u>\$ 1,152,748</u> | <u>\$ 136,672</u> | <u>\$ 5,420,371</u> | <u>\$ 117,480</u> | <u>\$ 7,236,405</u> |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2022

| | Social Services Fund | PEG Fund | Owens Brooke District Fund | Fire Rescue Fund | Merchant Museum Fund | Total |
|--|----------------------------|---------------------|-------------------------------------|------------------------|----------------------------|----------------------|
| REVENUES | | | | | | |
| General property taxes | \$ - | \$ - | \$ 40,429 | \$ 11,802,280 | \$ - | \$ 11,842,709 |
| Permits, fees and licenses | - | - | - | 110,904 | - | 110,904 |
| Revenue from the use of money and property | - | 1,950 | 215 | 5,051 | 193 | 7,409 |
| Charges for services | - | - | - | 788,608 | - | 788,608 |
| Miscellaneous | - | 138,705 | - | 48,450 | 15,288 | 202,443 |
| Intergovernmental | 4,160,686 | - | - | 347,457 | - | 4,508,143 |
| Total revenues | <u>\$ 4,160,686</u> | <u>\$ 140,655</u> | <u>\$ 40,644</u> | <u>\$ 13,102,750</u> | <u>\$ 15,481</u> | <u>\$ 17,460,216</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government administration | \$ - | \$ 1,748 | \$ - | \$ - | \$ - | \$ 1,748 |
| Public safety | - | - | - | 9,985,000 | - | 9,985,000 |
| Public works | - | - | 5,038 | - | - | 5,038 |
| Health and human services | 5,985,668 | - | - | - | - | 5,985,668 |
| Capital outlay | - | - | - | 389,334 | - | 389,334 |
| Debt service: | | | | | | |
| Principal retirement | 249,433 | - | - | 66,078 | - | 315,511 |
| Interest and other fiscal charges | 22,641 | - | - | 16,922 | - | 39,563 |
| Total expenditures | <u>\$ 6,257,742</u> | <u>\$ 1,748</u> | <u>\$ 5,038</u> | <u>\$ 10,457,334</u> | <u>\$ -</u> | <u>\$ 16,721,862</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (2,097,056)</u> | <u>\$ 138,907</u> | <u>\$ 35,606</u> | <u>\$ 2,645,416</u> | <u>\$ 15,481</u> | <u>\$ 738,354</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | \$ 2,097,056 | \$ - | \$ - | \$ - | \$ - | \$ 2,097,056 |
| Transfers out | - | - | - | (761,069) | - | (761,069) |
| Sale of capital assets | - | - | - | 294,900 | - | 294,900 |
| Total other financing sources (uses) | <u>\$ 2,097,056</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (466,169)</u> | <u>\$ -</u> | <u>\$ 1,630,887</u> |
| Net change in fund balances | \$ - | \$ 138,907 | \$ 35,606 | \$ 2,179,247 | \$ 15,481 | \$ 2,369,241 |
| Fund balances - beginning | - | 1,013,841 | 100,798 | 2,801,884 | 101,999 | 4,018,522 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 1,152,748</u> | <u>\$ 136,404</u> | <u>\$ 4,981,131</u> | <u>\$ 117,480</u> | <u>\$ 6,387,763</u> |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2022

| | 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 | 5,019,630 | 5,092,069 | 4,160,686 | (931,383) |
| Total revenues | <u>\$ 5,019,630</u> | <u>\$ 5,092,069</u> | <u>\$ 4,160,686</u> | <u>\$ (931,383)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ - | \$ - | \$ - | \$ - |
| Public works | - | - | - | - |
| Health and human services | 7,349,556 | 7,421,995 | 5,985,668 | 1,436,327 |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal retirement | 249,433 | 249,433 | 249,433 | - |
| Interest and other fiscal charges | 22,641 | 22,641 | 22,641 | - |
| Total expenditures | <u>\$ 7,621,630</u> | <u>\$ 7,694,069</u> | <u>\$ 6,257,742</u> | <u>\$ 1,436,327</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (2,602,000)</u> | <u>\$ (2,602,000)</u> | <u>\$ (2,097,056)</u> | <u>\$ 504,944</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>\$ 2,602,000</u> | <u>\$ 2,602,000</u> | <u>\$ 2,097,056</u> | <u>\$ (504,944)</u> |
| Total other financing sources (uses) | <u>\$ 2,602,000</u> | <u>\$ 2,602,000</u> | <u>\$ 2,097,056</u> | <u>\$ (504,944)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2022

| | PEG Fund | | | | Owens Brooke District Fund | | | |
|---|-------------------|-------------------|-------------------|-------------------|----------------------------|------------------|------------------|------------------|
| | Budgeted Amounts | | Actual | Variance with | Budgeted Amounts | | Actual | Variance with |
| | Original | Final | | Final Budget | Original | Final | | Final Budget |
| | | | | Positive | | | | Positive |
| | | | (Negative) | | | | (Negative) | |
| REVENUES | | | | | | | | |
| General property taxes | \$ - | \$ - | \$ - | \$ - | \$ 40,200 | \$ 40,200 | \$ 40,429 | \$ 229 |
| Revenue from the use of money and property | - | - | 1,950 | 1,950 | - | - | 215 | 215 |
| Miscellaneous | 150,000 | 150,000 | 138,705 | (11,295) | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - | - | - |
| Total revenues | <u>\$ 150,000</u> | <u>\$ 150,000</u> | <u>\$ 140,655</u> | <u>\$ (9,345)</u> | <u>\$ 40,200</u> | <u>\$ 40,200</u> | <u>\$ 40,644</u> | <u>\$ 444</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government administration | \$ - | \$ - | \$ 1,748 | \$ (1,748) | \$ - | \$ - | \$ - | \$ - |
| Public works | - | - | - | - | 40,200 | 40,200 | 5,038 | 35,162 |
| Health and human services | - | - | - | - | - | - | - | - |
| Capital outlay | 150,000 | 150,000 | - | 150,000 | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - |
| Interest and other fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | <u>\$ 150,000</u> | <u>\$ 150,000</u> | <u>\$ 1,748</u> | <u>\$ 148,252</u> | <u>\$ 40,200</u> | <u>\$ 40,200</u> | <u>\$ 5,038</u> | <u>\$ 35,162</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 138,907</u> | <u>\$ 138,907</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 35,606</u> | <u>\$ 35,606</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total other financing sources (uses) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 138,907</u> | <u>\$ 138,907</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 35,606</u> | <u>\$ 35,606</u> |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2022

| | Fire Rescue Fund | | | Variance with Final Budget Positive (Negative) |
|---|----------------------|-----------------------|----------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| General property taxes | \$ 11,695,690 | \$ 11,695,690 | \$ 11,802,280 | \$ 106,590 |
| Permits, fees and licenses | 65,000 | 65,000 | 110,904 | 45,904 |
| Revenue from the use of money and property | 15,000 | 15,000 | 5,051 | (9,949) |
| Charges for services | 675,000 | 675,000 | 788,608 | 113,608 |
| Miscellaneous | - | - | 48,450 | 48,450 |
| Intergovernmental | 400,000 | 478,949 | 347,457 | (131,492) |
| Total revenues | <u>\$ 12,850,690</u> | <u>\$ 12,929,639</u> | <u>\$ 13,102,750</u> | <u>\$ 173,111</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | \$ 11,403,714 | \$ 11,527,692 | \$ 9,985,000 | \$ 1,542,692 |
| Capital outlay | 393,976 | 1,623,569 | 389,334 | 1,234,235 |
| Debt service: | | | | |
| Principal retirement | 66,078 | 66,078 | 66,078 | - |
| Interest and other fiscal charges | 16,922 | 16,922 | 16,922 | - |
| Total expenditures | <u>\$ 11,880,690</u> | <u>\$ 13,234,261</u> | <u>\$ 10,457,334</u> | <u>\$ 2,776,927</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 970,000</u> | <u>\$ (304,622)</u> | <u>\$ 2,645,416</u> | <u>\$ 2,950,038</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ (770,000) | \$ (770,000) | \$ (761,069) | \$ 8,931 |
| Sale of capital assets | - | - | 294,900 | 294,900 |
| Total other financing sources (uses) | <u>\$ (770,000)</u> | <u>\$ (770,000)</u> | <u>\$ (466,169)</u> | <u>\$ 303,831</u> |
| Net change in fund balances | <u>\$ 200,000</u> | <u>\$ (1,074,622)</u> | <u>\$ 2,179,247</u> | <u>\$ 3,253,869</u> |

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2022

| | Gateway Capital Projects Fund | Transportation Capital Projects Fund | Total |
|---|--|---|----------------------|
| ASSETS | | | |
| Cash and investments | \$ 10,965,969 | \$ 15,966 | \$ 10,981,935 |
| Due from component unit | 237,605 | - | 237,605 |
| Total assets | <u>\$ 11,203,574</u> | <u>\$ 15,966</u> | <u>\$ 11,219,540</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ 1,050 | \$ - | \$ 1,050 |
| Total liabilities | <u>\$ 1,050</u> | <u>\$ -</u> | <u>\$ 1,050</u> |
| FUND BALANCES | | | |
| Committed | \$ 11,195,078 | \$ 15,966 | \$ 11,211,044 |
| Assigned | 7,446 | - | 7,446 |
| Total fund balances | <u>\$ 11,202,524</u> | <u>\$ 15,966</u> | <u>\$ 11,218,490</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 11,203,574</u> | <u>\$ 15,966</u> | <u>\$ 11,219,540</u> |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 For the Year Ended June 30, 2022

| | Gateway Capital Projects Fund | Transportation Capital Projects Fund | Total |
|--|--|---|-----------------------------|
| REVENUES | | | |
| Contribution from component unit, net | \$ 204,759 | \$ - | \$ 204,759 |
| Total revenues | <u>\$ 204,759</u> | <u>\$ -</u> | <u>\$ 204,759</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government administration | \$ 15 | \$ - | \$ 15 |
| Culture, recreation, and community development | 1,869 | - | 1,869 |
| Capital outlay | 6,539 | 311,472 | 318,011 |
| Total expenditures | <u>\$ 8,423</u> | <u>\$ 311,472</u> | <u>\$ 319,895</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 196,336</u> | <u>\$ (311,472)</u> | <u>\$ (115,136)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | \$ - | \$ 300,000 | \$ 300,000 |
| Total other financing sources (uses) | <u>\$ -</u> | <u>\$ 300,000</u> | <u>\$ 300,000</u> |
| Net change in fund balances | \$ 196,336 | \$ (11,472) | \$ 184,864 |
| Fund balances - beginning | 11,006,188 | 27,438 | 11,033,626 |
| Fund balances - ending | <u><u>\$ 11,202,524</u></u> | <u><u>\$ 15,966</u></u> | <u><u>\$ 11,218,490</u></u> |

NONMAJOR ENTERPRISE FUNDS

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

Statement of Net Position
 Nonmajor Enterprise Funds
 June 30, 2022

| | <u>Solid Waste Fund</u> |
|---|---------------------------------|
| ASSETS | |
| Current assets: | |
| Cash and investments | \$ 2,405,019 |
| Accounts receivable, net | 200,813 |
| Total current assets | <u>\$ 2,605,832</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Depreciable, net | \$ 53,714 |
| Total capital assets, net | <u>\$ 53,714</u> |
| Total assets | <u>\$ 2,659,546</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| OPEB related deferred outflows | \$ 2,830 |
| Pension related deferred outflows | 22,848 |
| Total deferred outflows of resources | <u>\$ 25,678</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable and accrued expenses | \$ 208,590 |
| Compensated absences - current portion | 403 |
| Total current liabilities | <u>\$ 208,993</u> |
| Noncurrent liabilities: | |
| Compensated absences - noncurrent portion | \$ 2,284 |
| Net OPEB liability | 30,671 |
| Net pension liability | 31,777 |
| Total noncurrent liabilities | <u>\$ 64,732</u> |
| Total liabilities | <u>\$ 273,725</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| OPEB related deferred inflows | \$ 11,203 |
| Pension related deferred inflows | 34,350 |
| Total deferred inflows of resources | <u>\$ 45,553</u> |
| NET POSITION | |
| Net investment in capital assets | \$ 53,714 |
| Unrestricted | 2,312,232 |
| Total net position | <u>\$ 2,365,946</u> |

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2022

| | <u>Solid Waste Fund</u> |
|---|---------------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 3,613,596 |
| Total operating revenues | <u>\$ 3,613,596</u> |
| OPERATING EXPENSES | |
| Personal services | \$ 139,117 |
| Contractual services | 3,100,309 |
| Supplies | 6,575 |
| Internal and other services | 265,235 |
| Depreciation and amortization | 8,861 |
| Total operating expenses | <u>\$ 3,520,097</u> |
| Operating income (loss) | <u>\$ 93,499</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Intergovernmental grants | \$ 11,337 |
| Investment earnings | 4,057 |
| Other/insurance recoveries | 5,032 |
| Total nonoperating revenues (expenses) | <u>\$ 20,426</u> |
| Change in net position | \$ 113,925 |
| Total net position - beginning | <u>2,252,021</u> |
| Total net position - ending | <u><u>\$ 2,365,946</u></u> |

Statement of Cash Flows
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2022

| | <u>Solid Waste Fund</u> |
|--|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers and users | \$ 3,694,191 |
| Cash paid to suppliers | (3,137,632) |
| Cash paid to and for employees | (142,892) |
| Payments for interfund services used | (265,235) |
| Net cash provided by (used for) operating activities | <u>\$ 148,432</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Nonoperating grants received | \$ 11,337 |
| Net cash provided by (used for) noncapital financing activities | <u>\$ 11,337</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Other/insurance recoveries | \$ 5,032 |
| Net cash provided by (used for) capital and related financing activities | <u>\$ 5,032</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Investment income | \$ 4,057 |
| Net cash provided by (used for) investing activities | <u>\$ 4,057</u> |
| Net increase (decrease) in cash and cash equivalents | \$ 168,858 |
| Cash and investments - beginning | 2,236,161 |
| Cash and investments - ending | <u><u>\$ 2,405,019</u></u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | |
| Operating income (loss) | \$ 93,499 |
| 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 | 80,595 |
| Deferred outflows of resources - pension related items | 1,331 |
| Deferred outflows of resources - OPEB related items | (60) |
| Accounts payable and accrued expenses | (30,748) |
| Compensated absences | (7,413) |
| Net pension liability | (35,408) |
| Net OPEB liability | (4,234) |
| Deferred inflows of resources - pension related items | 33,016 |
| Deferred inflows of resources - OPEB related items | 8,993 |
| Total adjustments | <u>\$ 54,933</u> |
| Net cash provided by (used for) operating activities | <u><u>\$ 148,432</u></u> |

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.

Combining Statement of Net Position
Internal Service Funds
June 30, 2022

| | Building Maintenance Fund | Vehicle Maintenance Fund | Information Technology Fund | Total |
|---|---------------------------------|--------------------------------|-----------------------------------|----------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 1,607,471 | \$ 1,863,371 | \$ 2,730,770 | \$ 6,201,612 |
| Accounts receivable, net | - | 4,489 | - | 4,489 |
| Prepaid items | - | - | 433,076 | 433,076 |
| Total current assets | <u>\$ 1,607,471</u> | <u>\$ 1,867,860</u> | <u>\$ 3,163,846</u> | <u>\$ 6,639,177</u> |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Nondepreciable | \$ - | \$ 14,706 | \$ - | \$ 14,706 |
| Depreciable, net | 435,911 | 5,033,870 | 1,693,314 | 7,163,095 |
| Total capital assets, net | <u>\$ 435,911</u> | <u>\$ 5,048,576</u> | <u>\$ 1,693,314</u> | <u>\$ 7,177,801</u> |
| Total assets | <u>\$ 2,043,382</u> | <u>\$ 6,916,436</u> | <u>\$ 4,857,160</u> | <u>\$ 13,816,978</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| OPEB related deferred outflows | \$ 5,082 | \$ 14,121 | \$ 30,829 | \$ 50,032 |
| Pension related deferred outflows | 57,999 | 193,152 | 384,807 | 635,958 |
| Total deferred outflows of resources | <u>\$ 63,081</u> | <u>\$ 207,273</u> | <u>\$ 415,636</u> | <u>\$ 685,990</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 67,674 | \$ 38,984 | \$ 55,349 | \$ 162,007 |
| Retainage payable | 244 | - | - | 244 |
| Compensated absences - current portion | 5,405 | 20,515 | 31,799 | 57,719 |
| Lease liabilities - current portion | 8,693 | - | - | 8,693 |
| Total current liabilities | <u>\$ 82,016</u> | <u>\$ 59,499</u> | <u>\$ 87,148</u> | <u>\$ 228,663</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences - noncurrent portion | \$ 30,626 | \$ 116,249 | \$ 180,196 | \$ 327,071 |
| Net OPEB liability | 55,078 | 153,022 | 334,100 | 542,200 |
| Net pension liability | 80,665 | 268,638 | 535,195 | 884,498 |
| Total noncurrent liabilities | <u>\$ 166,369</u> | <u>\$ 537,909</u> | <u>\$ 1,049,491</u> | <u>\$ 1,753,769</u> |
| Total liabilities | <u>\$ 248,385</u> | <u>\$ 597,408</u> | <u>\$ 1,136,639</u> | <u>\$ 1,982,432</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| OPEB related deferred inflows | \$ 20,112 | \$ 55,879 | \$ 122,001 | \$ 197,992 |
| Pension related deferred inflows | 87,197 | 290,392 | 578,535 | 956,124 |
| Total deferred inflows of resources | <u>\$ 107,309</u> | <u>\$ 346,271</u> | <u>\$ 700,536</u> | <u>\$ 1,154,116</u> |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 427,218 | \$ 5,048,576 | \$ 1,693,314 | \$ 7,169,108 |
| Unrestricted | 1,323,551 | 1,131,454 | 1,742,307 | 4,197,312 |
| Total net position | <u>\$ 1,750,769</u> | <u>\$ 6,180,030</u> | <u>\$ 3,435,621</u> | <u>\$ 11,366,420</u> |

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
 Internal Service Funds
 For the Year Ended June 30, 2022

| | <u>Building Maintenance Fund</u> | <u>Vehicle Maintenance Fund</u> | <u>Information Technology Fund</u> | <u>Total</u> |
|---|--|---|--|----------------------|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 1,638,120 | \$ 3,709,805 | \$ 4,085,199 | \$ 9,433,124 |
| Total operating revenues | <u>\$ 1,638,120</u> | <u>\$ 3,709,805</u> | <u>\$ 4,085,199</u> | <u>\$ 9,433,124</u> |
| OPERATING EXPENSES | | | | |
| Personal services | \$ 314,556 | \$ 725,222 | \$ 1,721,722 | \$ 2,761,500 |
| Contractual services | 393,135 | 178,161 | 1,249,854 | 1,821,150 |
| Supplies | 89,529 | 1,197,955 | 288,648 | 1,576,132 |
| Internal and other services | 463,241 | 484,680 | 266,510 | 1,214,431 |
| Depreciation and amortization | 65,956 | 1,062,832 | 250,050 | 1,378,838 |
| Total operating expenses | <u>\$ 1,326,417</u> | <u>\$ 3,648,850</u> | <u>\$ 3,776,784</u> | <u>\$ 8,752,051</u> |
| Operating income (loss) | <u>\$ 311,703</u> | <u>\$ 60,955</u> | <u>\$ 308,415</u> | <u>\$ 681,073</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment earnings | \$ 2,801 | \$ 2,122 | \$ 4,828 | \$ 9,751 |
| Gain (loss) on sale of capital assets | - | 138,527 | - | 138,527 |
| Other/insurance recoveries | - | 26,526 | 8,657 | 35,183 |
| Interest expense and fiscal charges | (276) | - | - | (276) |
| Total nonoperating revenues (expenses) | <u>\$ 2,525</u> | <u>\$ 167,175</u> | <u>\$ 13,485</u> | <u>\$ 183,185</u> |
| Income before transfers | <u>\$ 314,228</u> | <u>\$ 228,130</u> | <u>\$ 321,900</u> | <u>\$ 864,258</u> |
| Transfers in | \$ - | \$ 888,407 | \$ - | \$ 888,407 |
| Change in net position | <u>\$ 314,228</u> | <u>\$ 1,116,537</u> | <u>\$ 321,900</u> | <u>\$ 1,752,665</u> |
| Total net position - beginning | 1,436,541 | 5,063,493 | 3,113,721 | 9,613,755 |
| Total net position - ending | <u>\$ 1,750,769</u> | <u>\$ 6,180,030</u> | <u>\$ 3,435,621</u> | <u>\$ 11,366,420</u> |

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2022

| | Building Maintenance Fund | Vehicle Maintenance Fund | Information Technology Fund | Total |
|--|---------------------------------|--------------------------------|-----------------------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers and users | \$ 1,638,120 | \$ 3,705,316 | \$ 4,085,199 | \$ 9,428,635 |
| Cash paid to suppliers | (556,921) | (1,356,716) | (1,621,553) | (3,535,190) |
| Cash paid to and for employees | (326,264) | (749,240) | (1,710,616) | (2,786,120) |
| Payments for interfund services used | (463,241) | (484,680) | (266,510) | (1,214,431) |
| Net cash provided by (used for) operating activities | <u>\$ 291,694</u> | <u>\$ 1,114,680</u> | <u>\$ 486,520</u> | <u>\$ 1,892,894</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers from other funds | \$ - | \$ 888,407 | \$ - | \$ 888,407 |
| Net cash provided by (used for) noncapital financing activities | <u>\$ -</u> | <u>\$ 888,407</u> | <u>\$ -</u> | <u>\$ 888,407</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchases of capital assets | \$ (91,655) | \$ (1,995,990) | \$ (196,857) | \$ (2,284,502) |
| Principal paid on leases | (9,424) | - | - | (9,424) |
| Interest paid on leases | (276) | - | - | (276) |
| Other/insurance recoveries | - | 26,526 | 8,657 | 35,183 |
| Proceeds from sales of capital assets | - | 149,991 | - | 149,991 |
| Net cash provided by (used for) capital and related financing activities | <u>\$ (101,355)</u> | <u>\$ (1,819,473)</u> | <u>\$ (188,200)</u> | <u>\$ (2,109,028)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment income | \$ 2,801 | \$ 2,122 | \$ 4,828 | \$ 9,751 |
| Net cash provided by (used for) investing activities | <u>\$ 2,801</u> | <u>\$ 2,122</u> | <u>\$ 4,828</u> | <u>\$ 9,751</u> |
| Net increase (decrease) in cash and cash equivalents | \$ 193,140 | \$ 185,736 | \$ 303,148 | \$ 682,024 |
| Cash and investments - beginning - including restricted | 1,414,331 | 1,677,635 | 2,427,622 | 5,519,588 |
| Cash and investments - ending - including restricted | <u>\$ 1,607,471</u> | <u>\$ 1,863,371</u> | <u>\$ 2,730,770</u> | <u>\$ 6,201,612</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ 311,703 | \$ 60,955 | \$ 308,415 | \$ 681,073 |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | | | |
| Depreciation expense | \$ 65,956 | \$ 1,062,832 | \$ 250,050 | \$ 1,378,838 |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | - | (4,489) | - | (4,489) |
| Prepaid expenses | - | - | (85,419) | (85,419) |
| Deferred outflows of resources - pension related items | 9,448 | 24,295 | 12,657 | 46,400 |
| Deferred outflows of resources - OPEB related items | 688 | 3,017 | 4,081 | 7,786 |
| Accounts payable and accrued expenses | (74,257) | 19,400 | 2,368 | (52,489) |
| Compensated absences | 3,544 | 26,537 | 18,572 | 48,653 |
| Net pension liability | (106,750) | (335,581) | (569,238) | (1,011,569) |
| Net OPEB liability | (17,621) | (62,887) | (105,719) | (186,227) |
| Deferred inflows of resources - pension related items | 83,477 | 278,399 | 556,613 | 918,489 |
| Deferred inflows of resources - OPEB related items | 15,506 | 42,202 | 94,140 | 151,848 |
| Total adjustments | <u>(20,009)</u> | <u>1,053,725</u> | <u>178,105</u> | <u>1,211,821</u> |
| Net cash provided by (used for) operating activities | <u>\$ 291,694</u> | <u>\$ 1,114,680</u> | <u>\$ 486,520</u> | <u>\$ 1,892,894</u> |

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 and other local budget allocations 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.

School Student Activity Fund - to account for and report funds collected at the schools in connecton with student athletics, clubs, various fundraising activities and private donations.

FIDUCIARY FUNDS

Private Purpose Trust Funds - 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, 2022

| | School Operating Fund | School Capital Projects Fund | School Food Service Fund | School Student Activity Fund | Total Governmental Funds |
|---|-----------------------------|---------------------------------------|--------------------------------|---------------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 22,711,032 | \$ 6,090,486 | \$ 1,728,301 | \$ 468,680 | \$ 30,998,499 |
| Cash and cash equivalents - restricted | - | - | - | 52,162 | 52,162 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Accounts receivable | 158,877 | - | - | 4,806 | 163,683 |
| Due from other governmental units | 3,975,703 | - | 22,572 | - | 3,998,275 |
| Total assets | <u>\$ 26,845,612</u> | <u>\$ 6,090,486</u> | <u>\$ 1,750,873</u> | <u>\$ 525,648</u> | <u>\$ 35,212,619</u> |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | \$ 6,727,289 | \$ 357,513 | \$ 312,750 | \$ - | \$ 7,397,552 |
| Retainage payable | - | 34,766 | 24,956 | - | 59,722 |
| Total liabilities | <u>\$ 6,727,289</u> | <u>\$ 392,279</u> | <u>\$ 337,706</u> | <u>\$ -</u> | <u>\$ 7,457,274</u> |
| FUND BALANCES | | | | | |
| Restricted | \$ - | \$ - | \$ - | \$ 525,648 | \$ 525,648 |
| Assigned | 20,118,323 | 5,698,207 | 1,413,167 | - | 27,229,697 |
| Total fund balances | <u>\$ 20,118,323</u> | <u>\$ 5,698,207</u> | <u>\$ 1,413,167</u> | <u>\$ 525,648</u> | <u>\$ 27,755,345</u> |
| Total liabilities and fund balances | <u>\$ 26,845,612</u> | <u>\$ 6,090,486</u> | <u>\$ 1,750,873</u> | <u>\$ 525,648</u> | <u>\$ 35,212,619</u> |

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 Discretely Presented Component Unit School Board
 June 30, 2022

| | | | |
|--|----|---------------------|-------------------------|
| Total fund balances per Exhibit 46 - Balance Sheet - Governmental Funds | \$ | 27,755,345 | |
| 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. | | | 73,275,193 |
| Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds. | | | |
| Pension related items | \$ | 25,574,467 | |
| OPEB related items | | <u>3,117,470</u> | 28,691,937 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | | |
| Energy performance contract | \$ | (4,347,723) | |
| Lease liabilities | | (443,194) | |
| Net pension liability/asset | | (52,412,815) | |
| Net OPEB liability | | <u>(14,321,320)</u> | (71,525,052) |
| Compensated absences are not reported as fund liabilities. | | | (2,857,458) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | | |
| Pension related items | \$ | (44,447,301) | |
| OPEB related items | | <u>(3,053,446)</u> | <u>(47,500,747)</u> |
| Net position of governmental activities | \$ | | <u><u>7,839,218</u></u> |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit School Board
For the Year Ended June 30, 2022

| | School Operating Fund | School Capital Projects Fund | School Food Service Fund | School Student Activity Fund | Total Governmental Funds |
|---|-----------------------------|---------------------------------------|--------------------------------|---------------------------------------|--------------------------------|
| REVENUES | | | | | |
| Fines and forfeitures | \$ 218,513 | \$ - | \$ - | \$ - | \$ 218,513 |
| Revenue from the use of money and property | 49,399 | - | - | 11,338 | 60,737 |
| Charges for services | 246,588 | - | 133,153 | - | 379,741 |
| Miscellaneous | - | - | - | 524,054 | 524,054 |
| Recovered costs | - | - | - | - | - |
| Intergovernmental revenues: | | | | | |
| Local government | 52,341,610 | 3,000,000 | - | - | 55,341,610 |
| Commonwealth | 61,262,497 | - | 43,939 | - | 61,306,436 |
| Federal | 8,959,819 | - | 5,027,447 | - | 13,987,266 |
| Total revenues | <u>\$ 123,078,426</u> | <u>\$ 3,000,000</u> | <u>\$ 5,204,539</u> | <u>\$ 535,392</u> | <u>\$ 131,818,357</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Education | \$ 114,435,234 | \$ - | \$ 3,799,598 | \$ 459,148 | \$ 118,693,980 |
| Capital outlay | 3,563,392 | 1,322,174 | 243,649 | - | 5,129,215 |
| Payment in lieu of debt service | 3,000,000 | - | - | - | 3,000,000 |
| Debt service: | | | | | |
| Principal retirement | 788,568 | - | - | - | 788,568 |
| Interest and other fiscal charges | 172,457 | - | - | - | 172,457 |
| Total expenditures | <u>\$ 121,959,651</u> | <u>\$ 1,322,174</u> | <u>\$ 4,043,247</u> | <u>\$ 459,148</u> | <u>\$ 127,784,220</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 1,118,775</u> | <u>\$ 1,677,826</u> | <u>\$ 1,161,292</u> | <u>\$ 76,244</u> | <u>\$ 4,034,137</u> |
| Net change in fund balances | \$ 1,118,775 | \$ 1,677,826 | \$ 1,161,292 | \$ 76,244 | \$ 4,034,137 |
| Fund balances - beginning | 18,999,548 | 4,020,381 | 251,875 | 449,404 | 23,721,208 |
| Fund balances - ending | <u>\$ 20,118,323</u> | <u>\$ 5,698,207</u> | <u>\$ 1,413,167</u> | <u>\$ 525,648</u> | <u>\$ 27,755,345</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, 2022

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

| | | | |
|--|--|----|--------------------|
| Net change in fund balances - total governmental funds | | \$ | 4,034,137 |
| 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 depreciation exceeded capital outlays in the current period. | | | |
| Capital outlays | | \$ | 5,129,215 |
| Depreciation | | | <u>(7,300,699)</u> |
| | | | (2,171,484) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. | | | |
| | | | (18,219) |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | | |
| Principal payments | | | 788,568 |
| 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 | | \$ | 212,729 |
| OPEB expense | | | 434,594 |
| Pension expense | | | <u>10,150,164</u> |
| | | | 10,797,487 |
| Special contributions received from the Commonwealth for the teacher cost sharing pool are not reported in governmental funds. | | | |
| | | | <u>427,772</u> |
| Change in net position of governmental activities | | \$ | <u>13,858,261</u> |

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2022

| | School Operating Fund | | | Variance with Final Budget Positive (Negative) |
|---|-----------------------|-----------------------|-----------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Fines and forfeitures | \$ - | \$ - | \$ 218,513 | \$ 218,513 |
| Revenue from the use of money and property | - | - | 49,399 | 49,399 |
| Charges for services | 588,750 | 588,750 | 246,588 | (342,162) |
| Local government | 58,361,610 | 58,361,610 | 52,341,610 | (6,020,000) |
| Commonwealth | 60,902,000 | 60,902,000 | 61,262,497 | 360,497 |
| Federal | 3,915,741 | 17,949,929 | 8,959,819 | (8,990,110) |
| Total revenues | <u>\$ 123,768,101</u> | <u>\$ 137,802,289</u> | <u>\$ 123,078,426</u> | <u>\$ (14,723,863)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | \$ 87,147,222 | \$ 92,627,312 | \$ 85,998,688 | \$ 6,628,624 |
| Administration, attendance, and health | 8,131,106 | 9,211,750 | 7,353,138 | 1,858,612 |
| Pupil Transportation | 4,899,421 | 4,974,421 | 4,527,601 | 446,820 |
| Operation and maintenance | 8,769,778 | 11,705,269 | 9,956,487 | 1,748,782 |
| Technology | 6,975,094 | 8,126,756 | 7,900,606 | 226,150 |
| Facilities | 439,153 | 5,287,465 | 2,229,514 | 3,057,951 |
| Food services | - | 272,920 | 32,592 | 240,328 |
| Payment in lieu of debt service | - | - | 3,000,000 | (3,000,000) |
| Contingency | 840,999 | 590,991 | - | 590,991 |
| Debt service: | | | | |
| Principal retirement | 6,565,328 | 6,565,328 | 788,568 | 5,776,760 |
| Interest and other fiscal charges | - | - | 172,457 | (172,457) |
| Total expenditures | <u>\$ 123,768,101</u> | <u>\$ 139,362,212</u> | <u>\$ 121,959,651</u> | <u>\$ 17,402,561</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ (1,559,923)</u> | <u>\$ 1,118,775</u> | <u>\$ 2,678,698</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ (2,170,000) | \$ (2,170,000) | \$ - | \$ 2,170,000 |
| Total other financing sources and uses | <u>\$ (2,170,000)</u> | <u>\$ (2,170,000)</u> | <u>\$ -</u> | <u>\$ 2,170,000</u> |
| Net change in fund balances | <u>\$ (2,170,000)</u> | <u>\$ (3,729,923)</u> | <u>\$ 1,118,775</u> | <u>\$ 4,848,698</u> |
| Fund balances - beginning | | | 18,999,548 | |
| Fund balances - ending | | | <u>\$ 20,118,323</u> | |

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2022

| | School Food Service Fund | | | Variance with Final Budget Positive (Negative) |
|---|--------------------------|---------------------|---------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Fines and forfeitures | \$ - | \$ - | \$ - | \$ - |
| Revenue from the use of money and property | - | - | - | - |
| Charges for services | 739,000 | 739,000 | 133,153 | (605,847) |
| Local government | - | - | - | - |
| Commonwealth | 115,520 | 115,520 | 43,939 | (71,581) |
| Federal | 3,005,000 | 3,005,000 | 5,027,447 | 2,022,447 |
| Total revenues | <u>\$ 3,859,520</u> | <u>\$ 3,859,520</u> | <u>\$ 5,204,539</u> | <u>\$ 1,345,019</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | \$ - | \$ - | \$ - | \$ - |
| Administration, attendance, and health | - | - | - | - |
| Pupil Transportation | - | - | - | - |
| Operation and maintenance | - | - | - | - |
| Technology | 83,094 | 322,333 | 18,539 | 303,794 |
| Facilities | - | - | - | - |
| Food services | 3,977,949 | 3,977,949 | 4,024,708 | (46,759) |
| Payment in lieu of debt service | - | - | - | - |
| Contingency | 125,000 | 125,000 | - | 125,000 |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and other fiscal charges | - | - | - | - |
| Total expenditures | <u>\$ 4,186,043</u> | <u>\$ 4,425,282</u> | <u>\$ 4,043,247</u> | <u>\$ 382,035</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (326,523)</u> | <u>\$ (565,762)</u> | <u>\$ 1,161,292</u> | <u>\$ 1,727,054</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ - | \$ - | \$ - | \$ - |
| Total other financing sources and uses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net change in fund balances | <u>\$ (326,523)</u> | <u>\$ (565,762)</u> | <u>\$ 1,161,292</u> | <u>\$ 1,727,054</u> |
| Fund balances - beginning | | | 251,875 | |
| Fund balances - ending | | | <u>\$ 1,413,167</u> | |

Statement of Fiduciary Net Position
Discretely Presented Component Unit School Board
June 30, 2022

| | Private-Purpose Trust Funds | | Total |
|--------------------------------|------------------------------------|--|--------------|
| | Nancy Lyons Scholarship Fund | E. Shreve Brent Scholarship Fund | |
| ASSETS | | | |
| Cash and investments | \$ 55,294 | \$ 1,370,470 | \$ 1,425,764 |
| NET POSITION | | | |
| Restricted: | | | |
| Held in trust for scholarships | \$ 55,294 | \$ 1,370,470 | \$ 1,425,764 |

Statement of Changes in Fiduciary Net Position
Discretely Presented Component Unit School Board
For the Year Ended June 30, 2022

| | Private-Purpose Trust Funds | | Total |
|--------------------------|------------------------------------|--|--------------|
| | Nancy Lyons Scholarship Fund | E. Shreve Brent Scholarship Fund | |
| ADDITIONS | | | |
| Investment earnings | \$ (6,770) | \$ (182,282) | \$ (189,052) |
| Total additions | \$ (6,770) | \$ (182,282) | \$ (189,052) |
| DEDUCTIONS | | | |
| Scholarships | \$ 8,000 | \$ 7,500 | \$ 15,500 |
| Total deductions | \$ 8,000 | \$ 7,500 | \$ 15,500 |
| Change in net position | \$ (14,770) | \$ (189,782) | \$ (204,552) |
| Net position - beginning | 70,064 | 1,560,252 | 1,630,316 |
| Net position - ending | \$ 55,294 | \$ 1,370,470 | \$ 1,425,764 |

**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.

Statement of Net Position
Economic Development Authority
June 30, 2022

ASSETS

Current assets:

| | |
|----------------------|-------------------|
| Cash and investments | \$ 470,088 |
| Total assets | <u>\$ 470,088</u> |

LIABILITIES

Current liabilities:

| | |
|---------------------------------------|---------------|
| Accounts payable and accrued expenses | \$ 940 |
| Total current liabilities | <u>\$ 940</u> |

Noncurrent liabilities:

| | |
|--|-------------------|
| Due to primary government - noncurrent portion | \$ 237,605 |
| Total noncurrent liabilities | <u>\$ 237,605</u> |
| Total liabilities | <u>\$ 238,545</u> |

NET POSITION

| | |
|--------------------|-------------------|
| Unrestricted | \$ 231,543 |
| Total net position | <u>\$ 231,543</u> |

Statement of Revenues, Expenses, and Changes in Fund Net Position
Economic Development Authority
For the Year Ended June 30, 2022

OPERATING REVENUES

| | |
|--------------------------|------------------|
| Charges for services | \$ 13,816 |
| Total operating revenues | <u>\$ 13,816</u> |

OPERATING EXPENSES

| | |
|-----------------------------|------------------|
| Contractual services | \$ 32,308 |
| Supplies | 95 |
| Grants | 62,707 |
| Internal and other services | 1,223 |
| Total operating expenses | <u>\$ 96,333</u> |

| | |
|-------------------------|--------------------|
| Operating income (loss) | <u>\$ (82,517)</u> |
|-------------------------|--------------------|

NONOPERATING REVENUES (EXPENSES)

| | |
|--|--------------------|
| Investment earnings | \$ 746 |
| Gain on sale of capital assets | 187,503 |
| Contribution to primary government | (204,759) |
| Total nonoperating revenues (expenses) | <u>\$ (16,510)</u> |

| | |
|--|--------------------|
| Income (loss) before contributions and transfers | <u>\$ (99,027)</u> |
|--|--------------------|

| | |
|------------------------|-------------------|
| Capital contributions | \$ 89,880 |
| Change in net position | <u>\$ (9,147)</u> |

| | |
|--------------------------------|--------------------------|
| Total net position - beginning | <u>240,690</u> |
| Total net position - ending | <u><u>\$ 231,543</u></u> |

Statement of Cash Flows
Economic Development Authority
For the Year Ended June 30, 2022

| | |
|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers and users | \$ 13,816 |
| Cash paid to suppliers | (32,799) |
| Cash paid to grantees | (62,707) |
| Payments for interfund services used | (1,223) |
| Net cash provided by (used for) operating activities | <u>\$ (82,913)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Contributions to primary government | \$ (276,633) |
| Net cash provided by (used for) noncapital financing activities | <u>\$ (276,633)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Proceeds from sales of capital assets | \$ 277,383 |
| Net cash provided by (used for) capital and related financing activities | <u>\$ 277,383</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest earnings | \$ 746 |
| Net cash provided by (used for) investing activities | <u>\$ 746</u> |
| Net increase (decrease) in cash and cash equivalents | \$ (81,417) |
| Cash and investments - beginning - including restricted | 551,505 |
| Cash and investments - ending - including restricted | <u>\$ 470,088</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | |
| Operating income (loss) | \$ (82,517) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Changes in assets and liabilities: | |
| Accounts payable | (396) |
| Net cash provided by (used for) operating activities | <u>\$ (82,913)</u> |