

City of Manassas, Virginia Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2018



THIS PAGE IS INTENTIONALLY LEFT BLANK.

**CITY OF MANASSAS, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018**



**PREPARED BY:
CITY OF MANASSAS, VIRGINIA
FINANCE DEPARTMENT**

THIS PAGE IS INTENTIONALLY LEFT BLANK.

**CITY OF MANASSAS, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

	Page(s)
INTRODUCTORY SECTION	
Officials	i
Organizational Chart.....	ii
Letter of Transmittal	iii-vi
Certificate of Achievement.....	vii
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4a-4p
<u>Basic Financial Statements:</u>	
Government-Wide Financial Statements:	
Exhibit 1 – Statement of Net Position	5
Exhibit 2 – Statement of Activities	6-7
Fund Financial Statements:	
Exhibit 3 – Balance Sheet – Governmental Funds	8
Exhibit 4 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	9
Exhibit 5 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	10
Exhibit 6 – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Exhibit 7 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund.....	12-13
Exhibit 8 – Statement of Net Position – Proprietary Funds	14-15
Exhibit 9 – Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	16-17
Exhibit 10 – Statement of Cash Flows – Proprietary Funds.....	18-21
Notes to Financial Statements	22-98

Required Supplementary Information:

Exhibit 11-A – Schedule of Changes in Net OPEB Liability and Related Ratios.....	99
Exhibit 11-B – Schedule of OPEB Contributions – VRS Health Insurance Credit.....	100
Exhibit 11-C – Schedule of Employer’s Share of Net OPEB Liability – VRS Plans	101
Exhibit 11-D – Schedule of OPEB Contributions – VRS Plans.....	102
Exhibits 12 and 13 – Schedule of Changes in Net Pension Liability and Related Ratios	103-104
Exhibit 14 – Schedule of Pension Contributions.....	105
Exhibit 15 – Schedule of Employer’s Share of Net Pension Liability – VRS Teacher Retirement Plan.....	106
Exhibit 16 – Schedule of Pension Contributions – VRS Teacher Retirement Plan.....	107
Notes to Required Supplementary Information.....	108-109

Other Supplementary Information:**Combining and Individual Fund Statements and Schedules:**

Nonmajor Governmental Funds	110-111
Exhibit 17 – Combining Balance Sheet – Nonmajor Governmental Funds.....	112
Exhibit 18 – Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds.....	113
Exhibit 19 – Combining Balance Sheet – Nonmajor Special Revenue Funds.....	114
Exhibit 20 – Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Special Revenue Funds.....	115
Exhibit 20A – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds	116-117
Exhibit 21 – Combining Balance Sheet – Nonmajor Capital Project Funds.....	118
Exhibit 22 – Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Capital Project Funds.....	119
Nonmajor Enterprise Funds	120
Exhibit 23 –Statement of Net Position.....	121
Exhibit 24 –Statement of Revenue, Expenses, and Changes in Fund Net Position.....	122
Exhibit 25 –Statement of Cash Flows	123
Internal Service Funds	124
Exhibit 26 – Combining Statement of Net Position	125
Exhibit 27 – Combining Statement of Revenue, Expenses, and Changes in Fund Net Position.....	126
Exhibit 28 – Combining Statement of Cash Flows	127

FINANCIAL SECTION (Continued)

Page(s)

Discretely Presented Component Unit – Manassas City Public Schools	128
Exhibit 29 – Balance Sheet – Governmental Funds	129
Exhibit 30 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Discretely Presented Component Unit - MCPS	130
Exhibit 31 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	131
Exhibit 32 – Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities – Discretely Presented Component Unit - MCPS	132
Exhibit 33 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Operating Fund	133
Exhibit 34 – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Food Service Fund	134
Exhibit 35 – Statement of Changes in Assets and Liabilities – School Activity Funds	135
Exhibit 36 – Combining Statement of Fiduciary Net Position – Private-Purpose Trust Funds	136
Exhibit 37 – Combining Statement of Changes in Fiduciary Net Position – Private-Purpose Trust Funds	137
Discretely Presented Component Unit – Economic Development Authority	138
Exhibit 38 – Statement of Net Position	139
Exhibit 39 – Statement of Revenues, Expenses, and Changes in Fund Net Position	140
Exhibit 40 – Statement of Cash Flows	141

STATISTICAL SECTION

Narrative	142
Table 1 – Net Position by Component	143-144
Table 2 – Changes in Net Position	145-148
Table 3 – Program Revenues by Function/Program	149
Table 4 – Fund Balances of Governmental Funds	150
Table 5 – Changes in Fund Balances of Governmental Funds	151-152
Table 6 – Governmental Activities Tax Revenue by Source	153
Table 7 – Assessed Value and Estimated Actual Value of Taxable Property	154
Table 8 – Property Tax Rates	155
Table 9 – Principal Real Property Taxpayers	156
Table 10 – Real Property Tax Levies	157-158
Table 10a – Real Property Tax Levies and Collections	157-158
Table 11 – Ratios of Outstanding Debt by Type	159
Table 12 – Ratios of General Bonded Debt Outstanding Supported by Taxpayers	160
Table 13 – Legal Debt Margin Information	161-162
Table 14 – Demographic and Economic Statistics	163
Table 15 – Principal Employers	164
Table 16 – Full-time Equivalent City Government Employees by Function	165
Table 17 – Operating Indicators by Function	166
Table 18 – Capital Assets Statistics by Function	167

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	168-169
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By The Uniform Guidance	170-171
Summary of Compliance Matters	172
Schedule of Findings and Questioned Costs	173-177
Schedule of Prior Audit Findings.....	178-180
Schedule of Expenditures of Federal Awards	181-182

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA

CITY COUNCIL

Harry J. Parrish II, Mayor
Sheryl L. Bass, Vice Mayor

Marc T. Aveni
Ian T. Lovejoy
Mark D. Wolfe

Ken D. Elston
Pamela J. Sebesky

CITY MANAGER

William Patrick Pate

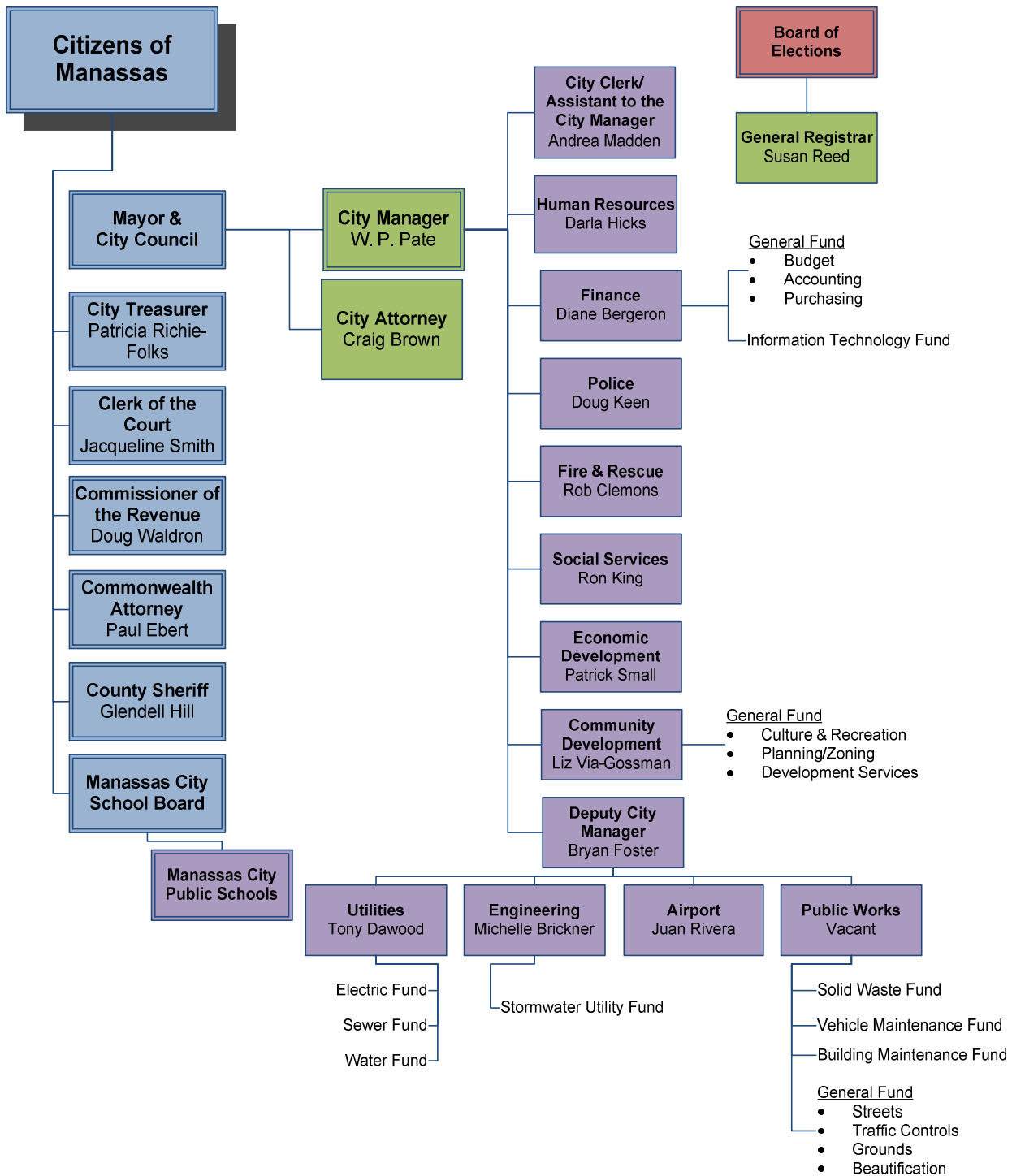
**MANASSAS CITY PUBLIC SCHOOLS
SCHOOL BOARD**

Sanford S. Williams, Chair
Kristen Kiefer, Vice Chair
Scott M. Albrecht
Tim Demeria
Peter B. O'Hanlon
Suzanne W. Seaberg
Robyn R. Williams

SUPERINTENDENT OF SCHOOLS

Dr. Kevin Newman (beginning July 2, 2018)
Dr. Catherine B. Magouyrk (through June 30, 2018)

CITY OF MANASSAS, VIRGINIA ORGANIZATIONAL CHART



- Key:
- Elected
 - Appointed
 - Departments
 - State Agency



November 28, 2018

Honorable Mayor Parrish, City Council Members and Citizens
City of Manassas
Manassas, Virginia:

The Comprehensive Annual Financial Report (CAFR) of the City of Manassas, Virginia, (the City) for the fiscal year ended June 30, 2018 is hereby submitted. The Code of the Commonwealth of Virginia requires that all local governments shall be audited annually with a report to the governing body by December 31. This report is published to fulfill that requirement.

As management, we assume full responsibility for the completeness and reliability of all the information contained in this report. To provide a reasonable basis for making these representations, we have established a comprehensive internal control framework that is established for this purpose. Because the cost of internal controls should not outweigh their benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City's financial statements have been audited by Brown, Edwards & Company LLP, a firm of licensed certified public accountants. **The independent auditor has issued an unmodified ("clean") opinion on the City's financial statements for the fiscal year ended June 30, 2018.** The independent auditor's report is located at the front of the Financial Section of the CAFR.

Management's Discussion and Analysis (MD&A) is found immediately following the independent auditor's report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The independent audit of the financial statements of the City was part of a broader federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. These reports are available in the Single Audit Section of the CAFR.

Profile of the City

The City of Manassas is a community of approximately 41,501 residents located in Northern Virginia within the Washington, D. C. Metropolitan Statistical Area. Surrounded by Prince William County, the City is thirty miles southwest of the Nation's Capital and encompasses a land area of ten square miles. The Town of Manassas received its charter in 1873 and operated as a town in Prince William County until May 1, 1975, when it became an independent City of the Commonwealth of Virginia. The City is a regional employment and activity center with a strong employment base in advanced manufacturing, defense contracting, and healthcare. Manassas is a transportation, economic, and cultural hub built around a thriving historic downtown established near a strategic railroad junction.

Governmental Organization

The City of Manassas government is organized under a charter, adopted by the General Assembly of Virginia, and amended from time-to-time, which authorizes a council-manager form of government. The governing body, the Mayor and a six-member City Council, is elected at-large for staggered four-year terms and makes policies for administration of the City. The City Council appoints a City Manager to act as Chief Administrative Officer of the City. The City Manager serves at the pleasure of the City Council, carries out its policies, directs business procedures and appoints and may remove all employees, including the heads of the departments as provided by the City Charter.

The City Treasurer and the Commissioner of the Revenue are constitutional officers elected at-large by the voters. The General Registrar is appointed by the three-member Electoral Board. Elected officials shared with Prince William County and the City of Manassas Park are the Commonwealth's Attorney, Clerk of the Court and Sheriff. The Judges of the Circuit Court, General District Court, and Juvenile and Domestic Relations Court are appointed by the State Legislature.

The seven City School Board members are elected at-large for staggered four-year terms. The City Council must, to the extent required by applicable law and is otherwise appropriate, appropriate all funds of the School Board and issue debt to finance school capital projects. The Auditor of Public Accounts for the Commonwealth of Virginia has determined that school board financial statements must be displayed as discretely presented component units in the comprehensive annual financial reports of the primary governments in the Commonwealth which have responsibility for school systems. The Manassas City School Board does not issue its own financial statements.

The Economic Development Authority (EDA) of the City of Manassas, Virginia, is a political subdivision of the Commonwealth of Virginia that was originally established as The Industrial Development Authority of the Town of Manassas, Virginia in 1972, under the Industrial Development and Revenue Bond Act. In fiscal year 2017, certain criteria were met under Generally Accepted Accounting Principle (GASB) 14, that required the City to report the EDA as a component unit in the comprehensive annual financial reports. There are no other entities in the report.

Operations of the City

The City of Manassas provides the full range of municipal services including public safety (police, fire, and rescue), highway and streets, health and social services, public improvements, planning and zoning, recreation and cultural services, and general administrative services. The City also operates six proprietary functions: the electric, water, sewer and stormwater utilities, solid waste collection, and a regional airport.

The City Council and the School Board adopted a joint budget agreement in October 2015 to provide a predictable local revenue source to support education in the City, using the fiscal year 2016 budgeted transfer amount of \$52,808,380 as the base, with 2.625% annual increases through fiscal year 2019.

The annual operating budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit their recommended budgets to the City Manager in the December/January timeframe. The City Manager uses these recommendations as the starting point for developing his proposed budget. The City Manager presents his proposed budget to the City Council, usually in the beginning of March. The School Board presents the proposed budget for MCPS to the City Council by April 1. The City Council holds numerous public work sessions on the budget in March and April. City Council is required to hold a public hearing and adopt a budget by June 30 for the fiscal year beginning July 1. The MCPS budget is appropriated and controlled at the total budget level. The City's appropriated budget is controlled at the fund level. City Council must approve all transfers between funds greater than \$10,000. Department directors may make transfers of appropriations within a department and the City Manager may transfer between departments within a fund.

Local Economy and Long-term Financial Planning

In 2018, the City continued to show steady economic growth. The taxable real estate assessed values for the 2018 tax year (values as of January 1, 2017) increased 1.97% while the average residential assessment increased 2.47% and the average commercial assessment increased 1.08%. The 2018 residential / commercial assessment ratio is 63.9 / 36.1, a small change from the 2017 ratio of 63.6 / 36.4. Combined general property tax revenues among all classes of properties increased 6.7% in fiscal year 2018. Other tax revenues saw a 6.4% decline in 2018. The 2018 meals tax revenues grew 6.1%, while sales taxes decreased 15.9%. The sales tax decrease was due to a taxpayer filing error which resulted in the State reducing sales tax proceeds to the City by \$1,042,990 to account for four years of restated revenues due to this error. Other local taxes increased a modest 1.3% for the fiscal year. The City's unemployment rate dropped to 2.8% in 2018, well below the national rate of 4.2% and from a high of 7.3% in 2009 during the recession.

In July 2016, Standard & Poor's upgraded the City's general obligation bond rating to AAA and assigned a stable outlook and Moody's affirmed their Aa1 bond rating for the City.

In August 2015, the City Council adopted comprehensive financial policies to ensure City assets and resources are prudently safeguarded and properly accounted for, to manage City finances wisely, and to plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities. In June 2017, the City's fund balance policy was modified to maintain an unassigned general fund balance of 15% of the greater of current year actual or next year budgeted general fund operating revenues. **At the end of the fiscal year, the unassigned general fund balance was \$17,211,952, which is within the policy guidelines.**

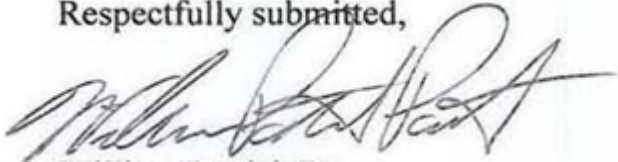
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Manassas for its CAFR for the fiscal year ended June 30, 2017. This was the thirty-fifth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Manassas also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2017. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. A Distinguished Budget Presentation Award is valid for a period of one year only. We believe our current budget continues to meet the Distinguished Budget Presentation Award Program requirements and we have submitted it to the GFOA to determine its eligibility for another award.

The preparation of this report could not be accomplished without the skill, effort, and dedicated services of the entire staff of the Finance Department, with the effort spearheaded by the Accounting Division. We would like to express our appreciation to all members of the Department and most especially to Stephanie Scherer, Accounting Manager, for her role in the preparation of the CAFR. We wish to thank all City Departments and the Manassas City Schools for their assistance in providing the data necessary to prepare this report. The Mayor and the members of the City Council are to be commended for their support in strategically planning and managing the fiscal policies of the City.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "William Patrick Pate", written over a light blue horizontal line.

William Patrick Pate
City Manager

A handwritten signature in blue ink, appearing to read "Diane V. Bergeron", written over a light blue horizontal line.

Diane V. Bergeron
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Manassas
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manassas, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Restatement of Beginning Net Position

As described in Note 19 to the financial statements, in 2018 the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*, and also recognized previously unrecorded capital asset transactions. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance and should be considered in assessing the results of our audit.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 28, 2018

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2018

As management of the City of Manassas, Virginia (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii-vi of this report. Throughout this section, information is presented about the City, the primary government. We have also included information about the "Total Reporting Unit", which is the total of the City and its discretely presented component units, the Manassas City Public Schools (MCPS) and the Manassas Economic Development Authority (EDA). Due to the material relationship between the City, MCPS, and the EDA, 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, 2018 by \$351,705,220 (net position). The Total Reporting Unit's net position invested in capital assets is \$352,328,218 and \$3,662,210 is restricted in its use. The remaining net position, (\$4,285,208), is unrestricted. The deficit in unrestricted net position is primarily due to the MCPS net pension and OPEB liability balances and associated deferred inflows of resources.
- 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, 2018 by \$367,431,279 (net position). The City's net position invested in capital assets is \$330,419,708, with \$2,261,407 restricted in its use, and the remaining balance of \$34,750,164 is unrestricted. The deficit in unrestricted net position of the Governmental Activities (\$21,326,052) is the result of 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 \$53,365,825 of debt outstanding relating to MCPS.
- The unassigned fund balance for the City's general fund at June 30, 2018 was \$17,211,952. This amount is 15% of total general fund budgeted operating revenues of \$114,746,330 for fiscal year 2019. The City Council established a policy in June 2017 to maintain the general fund unassigned fund balance at 15% of the greater of actual current year general fund revenues excluding other financing sources, or budgeted next year general fund revenues excluding other financing sources. General fund unassigned fund balance as a percent of general fund revenues is in accordance with the City's Unassigned Fund Balance Policy.
- The fund balance of the general fund increased \$2,862,755 over the prior year, a 9% increase. The increase is primarily due to an increase in property taxes from rate increases, increases in proffers received from development projects, additional investment income due to a rise in interest rates, and an increase in meals taxes due to successful marketing efforts and community events drawing more visitors to Historic Manassas.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented in fiscal year 2018. This required a restatement of beginning net position for the proprietary funds, governmental activities, and MCPS on the government-wide financial statements. Under previous guidance, other post-employment benefits (OPEB) obligations were recorded incrementally over time, and the total liability was only disclosed; now the total liability is recorded. A detailed description of GASB 75 and its \$24.6 million financial impact can be found in Note 19 on page 95 of this report. Because similar information was previously disclosed, the effect of this new standard is not expected to negatively impact how governmental entities are viewed. Prior year comparative information included in this analysis has not been restated because the information to restate prior years is not readily available.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

The ***statement of net position*** presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference between the four 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 welfare, and culture, recreation, and community development. The business-type activities of the City include electric, water, sewer and stormwater utilities, solid waste collection and a regional airport.

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

The government-wide financial statements can be found on pages 5-7 of this report.

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Fund Financial Statements

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 8-13 of this report.

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

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

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Fund Financial Statements (Continued)

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

The basic proprietary fund financial statements can be found on pages 14-21 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-98 of this report.

Other Information - In addition to the basic financial statements, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. These schedules for the City's defined benefit pension and OPEB plans are provided on pages 99-109 of this report. The combining statements referred to earlier in connection with non-major governmental and enterprise funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 110-127 of this report.

MCPS, the City's component unit, does not issue separate financial statements. Therefore you will find fund statements for MCPS on pages 128-137 of this report. Likewise, you will find fund statements for the EDA on pages 138-141 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.

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The City's governmental activities' net position increased by \$15,520,835 in fiscal year 2018 (from the restated beginning net position of \$188,759,549, from \$197,184,124). The restatement of \$8.4 million is due to the accrual of an additional OPEB liability, for the implementation of GASB 75. Significant changes in net position include an increase of \$3.6 million in tax revenue from increased rates and assessments, \$1.4 million of other revenue, including investment income and meals tax, and a \$1 million increase in charges for services, including proffers and EMS fees. Increases to assessed values provides evidence of continued economic growth in the City, and as noted earlier, increases to meals tax is an indicator of successful economic development efforts resulting in more visitors. Lastly, in FY 2017 governmental activities' had net transfers-out of \$9.8 million, due to the transfer of infrastructure capital assets to the stormwater enterprise fund; however, in FY 2018 there are net transfers-in of \$4.4 million, as the enterprise funds contributed for various capital projects and recurring expenditures noted below. These increases are offset \$5.8 million of revenue recognized from the sale of land for development in FY 2017, which did not recur in the current year.

The net position of the business-type activities increased \$9,920,900 in fiscal year 2018 (from the restated beginning net position of \$153,229,995, from \$152,022,891). The restatement of \$1.2 million was due to GASB 75, offset by capital asset items, further described in note 19 on page 95. Total revenues for the electric, water, sewer, and stormwater utilities, and airport and solid waste funds exceeded expenses by \$14.2 million, and the business activities transferred \$4.4 million to the governmental activities, to fund utility portions of transportation capital projects, payment in lieu of taxes, and vehicle purchases. Revenues increased \$4.7 million over FY 2017 primarily due to Electric PCA rate increase, increased connection fees as development expanded in the City, and additional investment income as rates increased. Business activities also saw a decrease in expenses, as a one-time charge of \$3.3 million for a UOSA true-up reconciliation did not recur, depreciation expense decreased, as several 20-year assets were fully depreciated in the prior year, and Engineering personnel were transferred to the general fund.

The net position of MCPS has increased a moderate \$384,194 in fiscal year 2018 [from the restated beginning net position of (\$16,642,158) from (\$2,010,846), due to GASB 75]. MCPS saw a \$1 million increase in State funding offset by a \$1.4 reduction in local funding. The local reduction is due to the prior year transfer of bond proceeds. MCPS also had a decrease in capital outlays as projects completed.

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following tables summarize the Statement of Net Position for the reporting unit as of June 30, 2018.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2018	FY 2017	FY 2018	FY 2017 (Restated)	FY 2018	FY 2017 (Restated)
Current assets	\$ 86,214,410	\$ 80,305,106	\$ 73,859,923	\$ 71,478,721	\$ 160,074,333	\$ 151,783,827
Capital assets	242,791,310	241,447,146	131,949,717	132,560,324	374,741,027	374,007,470
Total assets	<u>\$ 329,005,720</u>	<u>\$ 321,752,252</u>	<u>\$ 205,809,640</u>	<u>\$ 204,039,045</u>	<u>\$ 534,815,360</u>	<u>\$ 525,791,297</u>
Deferred outflows of resources	\$ 4,117,833	\$ 6,193,998	\$ 1,681,885	\$ 2,328,603	\$ 5,799,718	\$ 8,522,601
Current liabilities	\$ 8,423,666	\$ 7,804,958	\$ 5,422,715	\$ 10,652,887	\$ 13,846,381	\$ 18,457,845
Long-term liabilities	114,739,008	120,856,528	37,373,386	40,279,401	152,112,394	161,135,929
Total liabilities	<u>\$ 123,162,674</u>	<u>\$ 128,661,486</u>	<u>\$ 42,796,101</u>	<u>\$ 50,932,288</u>	<u>\$ 165,958,775</u>	<u>\$ 179,593,774</u>
Deferred inflows of resources	\$ 5,680,495	\$ 2,100,640	\$ 1,544,529	\$ 645,052	\$ 7,225,024	\$ 2,745,692
Net position:						
Net Investment						
in capital assets	\$ 225,362,179	\$ 224,620,939	\$ 105,057,529	\$ 103,269,214	\$ 330,419,708	\$ 327,890,153
Restricted	244,257	253,104	2,017,150	2,138,217	2,261,407	2,391,321
Unrestricted (deficit)	(21,326,052)	(27,689,919)	56,076,216	49,382,877	34,750,164	21,692,958
Total net position	<u>\$ 204,280,384</u>	<u>\$ 197,184,124</u>	<u>\$ 163,150,895</u>	<u>\$ 154,790,308</u>	<u>\$ 367,431,279</u>	<u>\$ 351,974,432</u>

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

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	MCPS		EDA		Total Reporting Unit	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017 (Restated)
Current assets	\$ 24,274,824	\$ 27,723,815	\$ 1,617,530	\$ 3,126,678	\$ 185,966,687	\$ 182,634,320
Capital assets	79,469,142	79,422,004	-	-	454,210,169	453,429,474
Total assets	<u>\$ 103,743,966</u>	<u>\$ 107,145,819</u>	<u>\$ 1,617,530</u>	<u>\$ 3,126,678</u>	<u>\$ 640,176,856</u>	<u>\$ 636,063,794</u>
Deferred outflows of resources	\$ 12,907,063	\$ 17,318,065	\$ -	\$ -	\$ 18,706,781	\$ 25,840,666
Current liabilities	\$ 14,374,253	\$ 15,646,485	\$ 1,085,625	\$ 2,534,964	\$ 29,306,259	\$ 36,639,294
Long-term liabilities	104,470,768	106,551,333	-	-	256,583,162	267,687,262
Total liabilities	<u>\$ 118,845,021</u>	<u>\$ 122,197,818</u>	<u>\$ 1,085,625</u>	<u>\$ 2,534,964</u>	<u>\$ 285,889,421</u>	<u>\$ 304,326,556</u>
Deferred inflows of resources	\$ 14,063,972	\$ 4,276,912	\$ -	\$ -	\$ 21,288,996	\$ 7,022,604
Net position:						
Net Investment						
in capital assets	\$ 78,653,662	\$ 79,206,749	\$ -	\$ -	\$ 352,328,218	\$ 350,200,497
Restricted	1,400,803	4,985,005	-	-	3,662,210	7,376,326
Unrestricted (deficit)	(96,312,429)	(86,202,600)	531,905	591,714	(4,285,208)	(7,021,523)
Total net position	<u>\$ (16,257,964)</u>	<u>\$ (2,010,846)</u>	<u>\$ 531,905</u>	<u>\$ 591,714</u>	<u>\$ 351,705,220</u>	<u>\$ 350,555,300</u>

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

The sum of net investment in capital assets of the primary government and the component unit does not equal net investment in capital assets of the total reporting unit, because the debt related to the component unit is reflected in the primary government's general governmental activities reducing unrestricted net position. The assets are reflected in the component unit as net investment in capital assets. The total reporting unit matches the assets with the debt and reports the net amount of the net investment in capital assets. The total adjustment was \$56,745,152 in FY 2018 and \$56,896,406 in FY 2017.

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following tables summarize the changes in net position for the reporting unit for the year ended June 30, 2018.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2018	FY 2017 (Restated)	FY 2018	FY 2017	FY 2018	FY 2017 (Restated)
Revenues:						
Program revenues:						
Charges for services	\$ 4,605,727	\$ 3,671,170	\$ 77,789,611	\$ 73,462,969	\$ 82,395,338	\$ 77,134,139
Operating grants, contributions	8,797,776	8,003,903	88,789	65,507	8,886,565	8,069,410
Capital grants, contributions	2,159,714	2,636,725	2,774,579	3,591,414	4,934,293	6,228,139
General Revenues:						
Property Taxes	83,090,745	79,451,231	-	-	83,090,745	79,451,231
Other Taxes	19,038,693	20,636,558	-	-	19,038,693	20,636,558
Unrestricted grants	7,980,187	8,032,305	-	-	7,980,187	8,032,305
City appropriation to component unit	-	-	-	-	-	-
Other	12,310,688	10,879,058	576,866	329,491	12,887,554	11,208,549
Total revenues	\$ 137,983,530	\$ 133,310,950	\$ 81,229,845	\$ 77,449,381	\$ 219,213,375	\$ 210,760,331
Expenses:						
General government	\$ 9,113,451	\$ 9,317,421	\$ -	\$ -	\$ 9,113,451	\$ 9,317,421
Public safety	30,135,534	29,347,211	-	-	30,135,534	29,347,211
Public works	12,362,448	11,242,030	-	-	12,362,448	11,242,030
Health and welfare	8,416,497	8,094,092	-	-	8,416,497	8,094,092
Culture, rec, development	7,507,275	7,909,986	-	-	7,507,275	7,909,986
Interest on long-term debt	2,801,905	2,899,640	-	-	2,801,905	2,899,640
Bond issuance costs	-	393,281	-	-	-	393,281
Electric	-	-	37,636,140	37,573,386	37,636,140	37,573,386
Water	-	-	8,031,152	7,870,578	8,031,152	7,870,578
Sewer	-	-	12,653,486	15,974,768	12,653,486	15,974,768
Airport	-	-	3,990,689	4,277,596	3,990,689	4,277,596
Stormwater	-	-	1,766,011	1,178,358	1,766,011	1,178,358
Solid Waste	-	-	2,879,907	2,769,954	2,879,907	2,769,954
Education	56,477,145	57,870,687	-	-	56,477,145	57,870,687
Economic Development	-	-	-	-	-	-
Total expenses	\$ 126,814,255	\$ 127,074,348	\$ 66,957,385	\$ 69,644,640	\$ 193,771,640	\$ 196,718,988
Increase (decrease) in net position before transfers	\$ 11,169,275	\$ 6,236,602	\$ 14,272,460	\$ 7,804,741	\$ 25,441,735	\$ 14,041,343
Transfers	4,351,560	(9,884,832)	(4,351,560)	9,884,832	-	-
Special item	-	5,789,202	-	-	-	5,789,202
Change in net position	\$ 15,520,835	\$ 2,140,972	\$ 9,920,900	\$ 17,689,573	\$ 25,441,735	\$ 19,830,545
Net position beginning	197,184,124	194,243,677	152,022,891	134,333,318	349,207,015	328,576,995
Restatement - Note 19	(8,424,575)	799,475	1,207,104	-	(7,217,471)	799,475
Net position beginning, as restated	188,759,549	195,043,152	153,229,995	134,333,318	341,989,544	329,376,470
Net position ending	\$ 204,280,384	\$ 197,184,124	\$ 163,150,895	\$ 152,022,891	\$ 367,431,279	\$ 349,207,015

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

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	MCPS		EDA		Total Reporting Unit	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017 (Restated)
Program revenues:						
Charges for services	\$ 1,261,037	\$ 1,326,352	\$ 6,624	\$ 6,772	\$ 83,662,999	\$ 78,467,263
Operating grants, contributions	56,195,657	55,159,535	-	-	65,082,222	63,228,945
Capital grants, contributions	-	-	-	177,540	4,934,293	6,405,679
General Revenues:						
Property Taxes	-	-	-	-	83,090,745	79,451,231
Other Taxes	-	-	-	-	19,038,693	20,636,558
Unrestricted grants	-	-	-	-	7,980,187	8,032,305
City appropriation to component unit	56,477,145	57,870,687	-	241,000	56,477,145	58,111,687
Other	171,757	145,933	7,236	5,619,591	13,066,547	16,974,073
Total revenues	\$ 114,105,596	\$ 114,502,507	\$ 13,860	\$ 6,044,903	\$ 333,332,831	\$ 331,307,741
Expenses:						
General government	\$ -	\$ -	\$ -	\$ -	\$ 9,113,451	\$ 9,317,421
Public safety	-	-	-	-	30,135,534	29,347,211
Public works	-	-	-	-	12,362,448	11,242,030
Health and welfare	-	-	-	-	8,416,497	8,094,092
Culture, rec, development	-	-	-	-	7,507,275	7,909,986
Interest on long-term debt	-	-	-	-	2,801,905	2,899,640
Bond issuance costs	-	-	-	-	-	393,281
Electric	-	-	-	-	37,636,140	37,573,386
Water	-	-	-	-	8,031,152	7,870,578
Sewer	-	-	-	-	12,653,486	15,974,768
Airport	-	-	-	-	3,990,689	4,277,596
Stormwater	-	-	-	-	1,766,011	1,178,358
Solid Waste	-	-	-	-	2,879,907	2,769,954
Education	113,721,402	116,745,929	-	-	170,198,547	174,616,616
Economic Development	-	-	73,669	6,089,061	73,669	6,089,061
Total expenses	\$ 113,721,402	\$ 116,745,929	\$ 73,669	\$ 6,089,061	\$ 307,566,711	\$ 319,553,978
Increase (decrease) in net position before transfers	\$ 384,194	\$ (2,243,422)	\$ (59,809)	\$ (44,158)	\$ 25,766,120	\$ 11,753,763
Transfers	-	-	-	-	-	-
Special item	-	-	-	-	-	5,789,202
Change in net position	\$ 384,194	\$ (2,243,422)	\$ (59,809)	\$ (44,158)	\$ 25,766,120	\$ 17,542,965
Net position beginning	(2,010,846)	232,576	591,714	635,872	347,787,883	329,445,443
Restatement - Note 19	(14,631,312)	-	-	-	(21,848,783)	799,475
Net position beginning, as restated	(16,642,158)	232,576	591,714	635,872	325,939,100	330,244,918
Net position ending	\$ (16,257,964)	\$ (2,010,846)	\$ 531,905	\$ 591,714	\$ 351,705,220	\$ 347,787,883

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

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

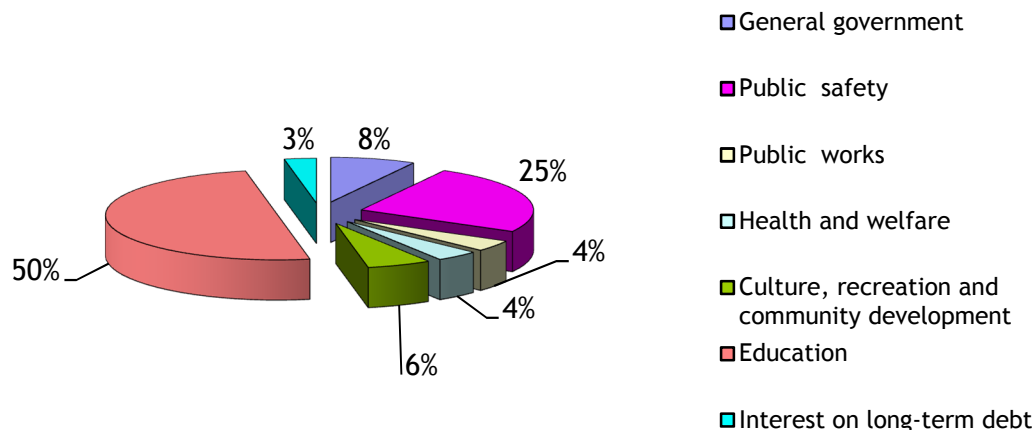
Governmental Activities

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 \$111,251,038, a decrease of \$1,511,512 over last fiscal year. The decrease is primarily due to a decrease in net education expenses of \$1.3 million due to the prior year transfer of bond proceeds, offset by the standard transfer increase of 2.625% per the 2016 joint budget agreement. The balance of the decrease is due to bond issuance costs from the prior year not recurring. There were immaterial changes to the other program areas; Public works had increased net program costs due to the transfer of the Engineering department from utilities, and Public safety had increased net program costs primarily due to increased shared services costs with Prince William County for the Adult Detention Center.

Governmental Activities Expenses and Program Revenues

	Program Expenses FY 2018	Program Revenues FY 2018	Net Program Cost FY 2018	Net Program Cost FY 2017
General government	\$ 9,113,451	\$ 513,881	\$ 8,599,570	\$ 8,836,450
Public safety	30,135,534	2,440,825	27,694,709	27,216,013
Public works	12,362,448	7,535,871	4,826,577	4,431,336
Health and welfare	8,416,497	3,837,530	4,578,967	4,704,931
Culture, recreation and community development	7,507,275	1,235,110	6,272,165	6,410,212
Education	56,477,145	-	56,477,145	57,870,687
Interest on long-term debt	2,801,905	-	2,801,905	2,899,640
Bond issuance costs	-	-	-	393,281
Total	\$ 126,814,255	\$ 15,563,217	\$ 111,251,038	\$ 112,762,550

Governmental Activities Net Program Costs



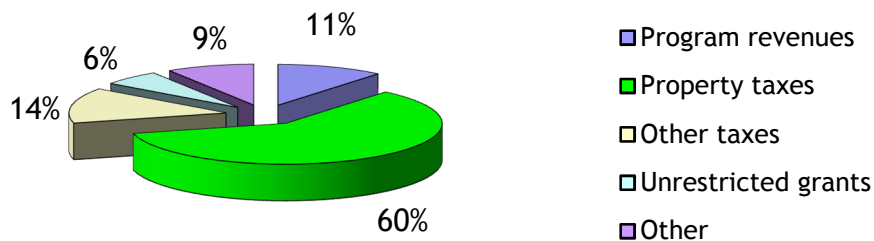
CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

In addition to program revenues of \$15,563,217, 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 2018 are \$122,420,313 for total governmental activities revenues of \$137,983,530. Governmental activities' revenues in fiscal year 2018 are \$4,672,580 more than fiscal year 2017, due mostly to an increase in property taxes, meals taxes, and additional proffer revenue, as previously discussed. The chart below indicates that the property taxes continue to be the largest source of revenue for the governmental activities.

Governmental Activities Revenues



Business-type Activities

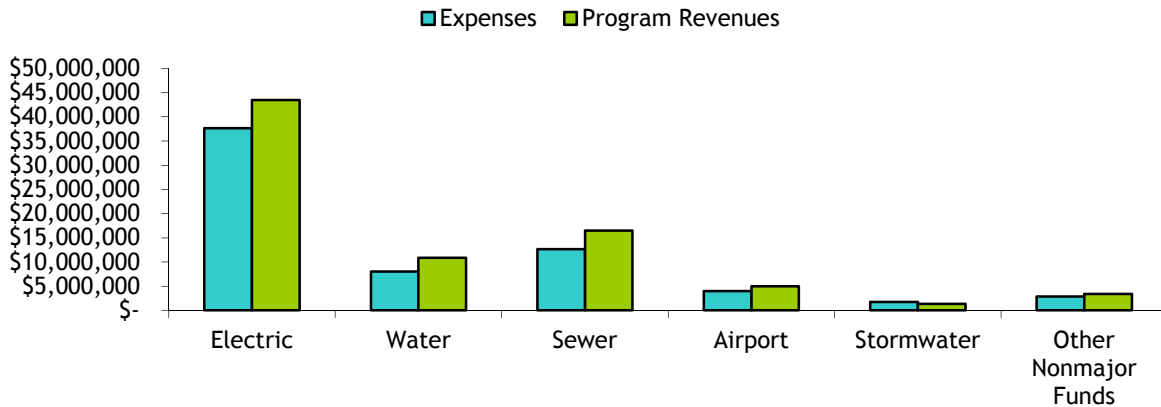
For the City's business-type activities, total net position increased \$9.9 million to \$163 million for the year. The net (expenses)/revenues for all business type activities were positive with program revenues of \$80.6 million exceeding expenses by \$13.7 million. The cost of all business-type activities in fiscal year 2018 was \$66.9 million. As previously detailed, revenues increased and expenses decreased from the prior year, indicating healthy business activities for the City. As depicted in the chart below, program revenues offset the cost of doing business for all funds except Stormwater, which was established as an enterprise fund in 2015, and will develop positive operating income over time. The Airport Fund received capital grants of \$2,090,844 and the Stormwater Fund received capital grants of \$80,896 that are reflected as revenues.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

Business-type Activities Expenses and Program Revenues



FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

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

Governmental Funds

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

At the end of fiscal year 2018, the City's governmental funds reported combined ending fund balances of \$71,298,785 an increase of \$7,059,551 from fiscal year 2017. As detailed in the Financial Highlights section, the fund balance of the general fund increased \$2,862,755. The fund balance of other governmental funds increased \$4,196,796, primarily due to schedule changes for the timing of NVTa capital projects, and deferred revenue received from the 2017 land sale for development.

The general fund is the main operating fund of the City. At the end of fiscal year 2018 total fund balance of the general fund was \$33,950,068 and the unassigned fund balance \$17,211,952. As noted in the beginning of this document, per City policy, the unassigned fund balance represents 15% of total general fund revenues of \$114,746,330, budgeted for fiscal year 2019. The remainder of fund balance is either nonspendable, restricted, committed or assigned to indicate that it is 1) not in spendable form (\$203,183), 2) legally required to be maintained intact, 3) restricted for particular purposes (\$984,556), 4) committed for particular purposes (\$13,004,378), or 5) assigned for particular purposes (\$2,545,999).

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS (CONTINUED)

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 2018 for the Electric, Water, Sewer, Airport, Stormwater, and the non-major enterprise fund was \$163,150,895. The \$56,076,216 unrestricted portion of net position increased \$6,693,339 from FY 2017. The remaining \$105,057,529 is invested in capital assets net of related debt, and \$2,017,150 is restricted for capital projects. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

In fiscal year 2018, the City's general fund revenues exceeded the revised revenue budget by \$2,534,613. Total expenditures ended the year under the revised budget by \$4,006,983, and other financing sources were under the revised budget by \$690,739. The net change in general fund balance was \$2,862,755. Details of the budget results can be seen in Exhibit 7 on page 12 of this report.

Some of the highlights of comparing the final budget to actual for the fiscal year include the following:

- Total departmental expenditures were \$3,100,545 less than budget largely related to staff vacancies and employee benefit choices, fewer contract services and motor vehicle purchases required than anticipated, shared services charges from Prince William County lower than budgeted, and timing of the pay classification plan.
- General property taxes exceeded budgeted amounts by \$627,023 due to tax rate and assessed value increases. Revenues from the use of money and property exceeded budget by \$630,262 due to interest rate increases. Proffers exceeded budget by \$1,207,245 due to the timing of receipts for The Landing at Cannon Branch (Gateway), Manassas Station, and Grants Corner development projects, net of a \$359,935 increase in Education expenditures for excess proffers transferred to MCPS.
- The City's 2016 funding agreement with the MCPS provided an additional \$1.4 million in funding to the schools in 2018, for a total of \$55,617,210. In addition, \$859,935 of proffers were transferred to the schools for expenditures related to capital improvements, in excess of the \$500,000 that was budgeted.
- An additional \$2.8 million was placed in the general fund balance committed for capital projects, in accordance with the City's fund balance policy.
- The City has completed phases 1 through 4 of the implementation of a new ERP financial management system with Tyler Technologies (Financials, Revenue/Tax, Payroll, Work Orders). Phase 5 (EnerGov for permitting), and add-ons to phase 2 are due for completion in fiscal year 2019. Phase 6 (Utility Billing) is anticipated in late fiscal year 2019 or early 2020.

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2018**

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, 2018 is \$330,419,708, an increase of \$2,529,555 from June 30, 2017. Net investment in capital assets is calculated as net capital assets minus outstanding bonds for capital improvements and the associated unamortized bond premiums, plus the associated unamortized deferred charges on bond refundings, and plus any unspent bond proceeds. The most significant change in net investment in capital assets for the year includes the \$1.6 million purchase of a land parcel for the construction of a new fire station. In addition, this year the deduction for outstanding bonds and bond premiums is reduced, as debt payments were made without additional debt being added.

The following tables summarize the capital assets of the City and MCPS. Additional information on the capital assets is found in Note 6 on pages 37-40 of this report.

	Capital Assets FY 2018	Accumulated Depreciation FY 2018	Capital Assets net of Accumulated Depreciation		Net Increase (Decrease) Capital Assets
			FY 2018	FY 2017 (Restated)	
Governmental Activities					
Land	\$ 116,766,034	\$ -	\$ 116,766,034	\$ 115,153,342	\$ 1,612,692
Construction in progress	5,334,143	-	5,334,143	3,214,289	2,119,854
Buildings and improvements	40,247,781	(29,754,304)	10,493,477	10,925,134	(431,657)
Machinery and equipment	26,406,750	(14,799,181)	11,607,569	10,637,541	970,028
Infrastructure	187,267,904	(88,677,817)	98,590,087	101,516,840	(2,926,753)
Total	<u>\$ 376,022,612</u>	<u>\$ (133,231,302)</u>	<u>\$ 242,791,310</u>	<u>\$ 241,447,146</u>	<u>\$ 1,344,164</u>
Business-type Activities					
Land	\$ 14,760,959	\$ -	\$ 14,760,959	\$ 14,583,118	\$ 177,841
Construction in progress	4,668,655	-	4,668,655	9,103,178	(4,434,523)
Investment in Plant	236,086,663	(150,582,451)	85,504,212	85,532,794	(28,582)
Infrastructure	28,485,941	(10,082,489)	18,403,452	13,440,722	4,962,730
Machinery and equipment	4,557,708	(3,596,464)	961,244	862,808	98,436
Purchased capacity	27,153,050	(19,501,855)	7,651,195	9,037,702	(1,386,507)
Total	<u>\$ 315,712,976</u>	<u>\$ (183,763,259)</u>	<u>\$ 131,949,717</u>	<u>\$ 132,560,322</u>	<u>\$ (610,605)</u>
Total Primary Government					
Land	\$ 131,526,993	\$ -	\$ 131,526,993	\$ 129,736,460	\$ 1,790,533
Construction in progress	10,002,798	-	10,002,798	12,317,467	(2,314,669)
Buildings and improvements	40,247,781	(29,754,304)	10,493,477	10,925,134	(431,657)
Investment in Plant	236,086,663	(150,582,451)	85,504,212	85,532,794	(28,582)
Machinery and equipment	30,964,458	(18,395,645)	12,568,813	11,500,349	1,068,464
Infrastructure	215,753,845	(98,760,306)	116,993,539	114,957,562	2,035,977
Purchased capacity	27,153,050	(19,501,855)	7,651,195	9,037,702	(1,386,507)
Total	<u>\$ 691,735,588</u>	<u>\$ (316,994,561)</u>	<u>\$ 374,741,027</u>	<u>\$ 374,007,468</u>	<u>\$ 733,559</u>
MCPS					
Land	\$ 2,336,649	\$ -	\$ 2,336,649	\$ 2,336,649	\$ -
Construction in progress	2,029,391	-	2,029,391	2,291,810	(262,419)
Buildings and improvements	179,059,736	(107,234,074)	71,825,662	71,569,311	256,351
Machinery and equipment	9,714,458	(6,437,018)	3,277,440	3,224,234	53,206
Total	<u>\$ 193,140,234</u>	<u>\$ (113,671,092)</u>	<u>\$ 79,469,142</u>	<u>\$ 79,422,004</u>	<u>\$ 47,138</u>

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Obligations

The following tables summarize the long-term debt of the City and MCPS. Additional information on long-term debt is found in Note 8 on pages 42-46 of this report.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
General obligation bonds	\$ 76,674,475	\$ 83,502,015	\$ 27,149,734	\$ 29,498,562	\$ 103,824,209	\$ 113,000,577
Premium on bonds	7,798,810	8,400,637	2,318,623	2,506,574	10,117,433	10,907,211
Capital leases	100,024	149,686	-	-	100,024	149,686
Compensated absences	2,823,191	2,657,651	905,236	911,776	3,728,427	3,569,427
Net OPEB liability	11,997,677	3,712,011	2,282,798	744,567	14,280,475	4,456,578
Net Pension liability	15,344,831	22,434,528	4,716,995	6,617,922	20,061,826	29,052,450
Total	<u>\$ 114,739,008</u>	<u>\$ 120,856,528</u>	<u>\$ 37,373,386</u>	<u>\$ 40,279,401</u>	<u>\$ 152,112,394</u>	<u>\$ 161,135,929</u>

	MCPS		Total Reporting Unit	
	FY 2018	FY 2017	FY 2018	FY 2017
General obligation bonds	\$ -	\$ -	\$ 103,824,209	\$ 113,000,577
Premium on bonds	-	-	10,117,433	10,907,211
Capital leases	94,028	215,255	194,052	364,941
Compensated absences	2,082,776	2,109,035	5,811,203	5,678,462
Net OPEB liability	15,932,640	1,474,000	30,213,115	5,930,578
Net Pension liability	86,361,324	102,753,043	106,423,150	131,805,493
Total	<u>\$ 104,470,768</u>	<u>\$ 106,551,333</u>	<u>\$ 256,583,162</u>	<u>\$ 267,687,262</u>

The City's long term obligations of \$152 million include outstanding general obligation (GO) bonds of \$103,824,209 and bond premiums of \$10,117,433. The total reflects a decrease of \$9,966,146 from the prior year, due to annual debt service payments and premium amortization. The decrease in capital lease obligation is due to annual amortization. OPEB obligation payable saw a dramatic increase of \$9,823,897 in FY 2018 due to the implementation of GASB 75, which requires the total OPEB liability to be recognized. In addition to the City's local OPEB plan, the Virginia Retirement System (VRS) plans in which the City participates were also recorded. These plans include the Health Insurance Credit, Group Life Insurance, and Line of Duty Act. Based upon actuarial reports received from VRS, the City's net pension liability decreased by \$8,990,624, helping to offset the new OPEB liabilities. The net decrease to the MCPS total long term obligations is \$2,080,565. This decrease is primarily the result of a \$16 million decrease in net pension liability, offset by a \$14 million increase in OPEB obligation payable, which is also due to the implementation of GASB 75.

In July 2016, Standard & Poor's upgraded the City's bond rating to AAA from AA+ and assigned a stable outlook, and Moody's affirmed the City's Aa1 bond rating. This reflects the City's solid financial position and prudent fiscal management.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Obligations (Continued)

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, 2017 was \$4,807,755,000, making the 2018 legal debt limitation of the City \$480,775,500. The City's general obligation debt applicable to the limit is \$103,824,209, leaving a legal debt margin for creation of additional debt of \$376,951,291. Additional information on the City's long-term debt can be found in Note 8 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The unemployment rate for the City as of June 2018 was 2.8%, which is below the state rate (3.3%) and the national rate (4.2%).
- Real property taxable assessed values increased 1.97% in January 2017 (used for fiscal year 2018 tax levies) to \$4,807,755,000 up by \$92,755,300 over the previous year. Real property taxable assessed values increased 1.69% percent in January 2018 (to be used for fiscal year 2019 tax levies) to \$4,889,020,400 up by \$81,265,400 over the previous year. The total direct real property tax rate is increasing 1.39% from \$1.440 per \$100 of value in fiscal year 2018, to \$1.460 per \$100 of value.
- The City is projecting assessed values to continue increasing marginally in 2019 and has taken this factor into consideration in the projection of the FY2019 Budget and the development of the FY2020 Budget which is currently underway.
- At June 30, 2018, the general fund unassigned fund balance was \$17,211,952. The City has appropriated \$600,000 of this amount as a funding source in the FY2019 Budget.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK.

GOVERNMENT WIDE FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2018

Exhibit 1

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-type Activities	Total	Manassas City Public Schools	Economic Development Authority
ASSETS					
Cash and investments (Note 3)	\$ 69,074,365	\$ 56,007,879	\$ 125,082,244	\$ 18,369,241	\$ 531,905
Cash and investments - restricted (Note 3)	8,082,225	4,008,532	12,090,757	1,400,803	-
Receivables, net:					
Taxes, including penalties	4,116,703	-	4,116,703	-	-
Accounts	215,153	11,596,199	11,811,352	982,092	-
Notes (Note 20)	-	-	-	-	1,085,625
Due from other governments (Note 4)	3,394,783	217,186	3,611,969	3,522,688	-
Due from component unit (Note 20)	1,085,625	-	1,085,625	-	-
Prepays	245,556	-	245,556	-	-
Inventories	-	2,030,127	2,030,127	-	-
Capital assets: (Note 6)					
Nondepreciable	122,100,177	19,429,614	141,529,791	4,366,040	-
Depreciable, net	120,691,133	112,520,103	233,211,236	75,103,102	-
Total assets	<u>329,005,720</u>	<u>205,809,640</u>	<u>534,815,360</u>	<u>103,743,966</u>	<u>1,617,530</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	1,172,231	880,879	2,053,110	-	-
OPEB related deferred outflows (Notes 14, 15, and 16)	284,250	47,756	332,006	1,034,174	-
Pension related deferred outflows (Notes 12 and 13)	2,661,352	753,250	3,414,602	11,872,889	-
Total deferred outflows of resources	<u>4,117,833</u>	<u>1,681,885</u>	<u>5,799,718</u>	<u>12,907,063</u>	<u>-</u>
LIABILITIES					
Accounts payable and other current liabilities	3,645,071	3,309,972	6,955,043	14,374,253	-
Deposits	2,072,242	1,342,610	3,414,852	-	-
Due to other governments (Notes 9, 10)	1,192,043	-	1,192,043	-	-
Due to primary government (Note 20)	-	-	-	-	1,085,625
Accrued interest	1,414,310	437,994	1,852,304	-	-
Unearned revenues (Note 7)	100,000	332,139	432,139	-	-
Noncurrent liabilities:					
Net OPEB liability (Notes 14, 15, and 16)	11,997,677	2,282,798	14,280,475	15,932,640	-
Net pension liability (Notes 12 and 13)	15,344,831	4,716,995	20,061,826	86,361,324	-
Due within one year (Note 8)	6,156,925	2,313,513	8,470,438	406,444	-
Due in more than one year (Note 8)	81,239,575	28,060,080	109,299,655	1,770,360	-
Total liabilities	<u>123,162,674</u>	<u>42,796,101</u>	<u>165,958,775</u>	<u>118,845,021</u>	<u>1,085,625</u>
DEFERRED INFLOWS OF RESOURCES					
OPEB related deferred inflows (Notes 14, 15, and 16)	723,582	122,948	846,530	1,049,980	-
Pension related deferred inflows (Notes 12 and 13)	4,956,913	1,421,581	6,378,494	13,013,992	-
Total deferred inflows of resources	<u>5,680,495</u>	<u>1,544,529</u>	<u>7,225,024</u>	<u>14,063,972</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	225,362,179	105,057,529	330,419,708	78,653,662	-
Restricted for:					
Nonexpendable Cemetery principal	100,000	-	100,000	-	-
Expendable Cemetery funds	144,257	-	144,257	-	-
Future capital projects	-	2,017,150	2,017,150	1,400,803	-
Unrestricted	(21,326,052)	56,076,216	34,750,164	(96,312,429)	531,905
Total net position	<u>\$ 204,280,384</u>	<u>\$ 163,150,895</u>	<u>\$ 367,431,279</u>	<u>\$ (16,257,964)</u>	<u>\$ 531,905</u>

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

CITY OF MANASSAS, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 9,113,451	\$ 229,448	\$ 284,433	\$ -
Public safety	30,135,534	1,915,546	525,279	-
Public works	12,362,448	1,374,423	4,031,734	2,129,714
Health and welfare	8,416,497	35,946	3,801,584	-
Culture, recreation and community development	7,507,275	1,050,364	154,746	30,000
Education	56,477,145	-	-	-
Interest on long-term debt	2,801,905	-	-	-
Total governmental activities	<u>126,814,255</u>	<u>4,605,727</u>	<u>8,797,776</u>	<u>2,159,714</u>
Business-type activities:				
Electric	37,636,140	43,482,903	-	-
Water	8,031,152	10,692,383	-	195,472
Sewer	12,653,486	16,046,193	-	465,151
Airport	3,990,689	2,842,173	80,896	2,090,884
Stormwater	1,766,011	1,299,839	-	23,072
Solid Waste	2,879,907	3,426,120	7,893	-
Total business-type activities	<u>66,957,385</u>	<u>77,789,611</u>	<u>88,789</u>	<u>2,774,579</u>
Total primary government	<u>\$ 193,771,640</u>	<u>\$ 82,395,338</u>	<u>\$ 8,886,565</u>	<u>\$ 4,934,293</u>
Discretely presented component units:				
Manassas City Public Schools	\$ 113,721,402	\$ 1,261,037	\$ 56,195,657	\$ -
Economic Development Authority	<u>73,669</u>	<u>6,624</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 113,795,071</u>	<u>\$ 1,267,661</u>	<u>\$ 56,195,657</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes
Sales taxes
Business license taxes
Meals taxes
Other taxes

Unrestricted grants
Unrestricted investment earnings
Other unrestricted revenues
Gain on sale of capital assets
Insurance recoveries
Payments from component unit
Payments from City

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated (Note 19)

Net position - ending

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

Net (Expenses) Revenues and Changes in Net Position				
Primary Government			Discretely Presented Component Units	
Governmental Activities	Business-type Activities	Total	Manassas City Public Schools	Economic Development Authority
\$ (8,599,570)		\$ (8,599,570)		
(27,694,709)		(27,694,709)		
(4,826,577)		(4,826,577)		
(4,578,967)		(4,578,967)		
(6,272,165)		(6,272,165)		
(56,477,145)		(56,477,145)		
(2,801,905)		(2,801,905)		
<u>(111,251,038)</u>		<u>(111,251,038)</u>		
	\$ 5,846,763	5,846,763		
	2,856,703	2,856,703		
	3,857,858	3,857,858		
	1,023,264	1,023,264		
	(443,100)	(443,100)		
	<u>554,106</u>	<u>554,106</u>		
-	13,695,594	13,695,594		
<u>(111,251,038)</u>	<u>13,695,594</u>	<u>(97,555,444)</u>		
			\$ (56,264,708)	\$ -
			<u>-</u>	<u>(67,045)</u>
			<u>\$ (56,264,708)</u>	<u>\$ (67,045)</u>
83,090,745	-	83,090,745	-	-
7,136,019	-	7,136,019	-	-
3,846,019	-	3,846,019	-	-
4,194,883	-	4,194,883	-	-
3,861,772	-	3,861,772	-	-
7,980,187	-	7,980,187	-	-
762,585	500,672	1,263,257	74,596	2,180
4,085,261	76,194	4,161,455	97,161	5,056
87,890	-	87,890	-	-
17,277	-	17,277	-	-
7,357,675	-	7,357,675	-	-
-	-	-	56,477,145	-
<u>4,351,560</u>	<u>(4,351,560)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>126,771,873</u>	<u>(3,774,694)</u>	<u>122,997,179</u>	<u>56,648,902</u>	<u>7,236</u>
15,520,835	9,920,900	25,441,735	384,194	(59,809)
<u>188,759,549</u>	<u>153,229,995</u>	<u>341,989,544</u>	<u>(16,642,158)</u>	<u>591,714</u>
<u>\$ 204,280,384</u>	<u>\$ 163,150,895</u>	<u>\$ 367,431,279</u>	<u>\$ (16,257,964)</u>	<u>\$ 531,905</u>

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

THIS PAGE IS INTENTIONALLY LEFT BLANK.

FUND FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK.

**CITY OF MANASSAS, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

Exhibit 3

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 36,450,041	\$ 29,212,333	\$ 65,662,374
Cash and investments - restricted	-	8,082,225	8,082,225
Receivables, net:			
Taxes, including penalties	3,875,924	240,779	4,116,703
Accounts	215,153	-	215,153
Prepays	4,371	-	4,371
Due from component unit	-	1,085,625	1,085,625
Due from other governments	2,538,383	856,400	3,394,783
Due from other funds (Note 5)	198,812	-	198,812
	<u>43,282,684</u>	<u>39,477,362</u>	<u>82,760,046</u>
Total assets	<u>\$ 43,282,684</u>	<u>\$ 39,477,362</u>	<u>\$ 82,760,046</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 2,807,001	\$ 662,341	\$ 3,469,342
Retainage payable	-	29,877	29,877
Deposits	2,072,242	-	2,072,242
Unearned revenue	100,000	-	100,000
Due to other governments	1,192,043	-	1,192,043
Due to other funds	-	198,812	198,812
	<u>6,171,286</u>	<u>891,030</u>	<u>7,062,316</u>
Total liabilities	<u>6,171,286</u>	<u>891,030</u>	<u>7,062,316</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue (Note 7 and Note 21)	3,161,330	1,237,615	4,398,945
	<u>3,161,330</u>	<u>1,237,615</u>	<u>4,398,945</u>
Total deferred inflows of resources	<u>3,161,330</u>	<u>1,237,615</u>	<u>4,398,945</u>
FUND BALANCES (Note 18)			
Nonspendable	203,183	100,000	303,183
Restricted	984,556	13,108,974	14,093,530
Committed	13,004,378	20,643,480	33,647,858
Assigned	2,545,999	3,496,263	6,042,262
Unassigned	17,211,952	-	17,211,952
	<u>33,950,068</u>	<u>37,348,717</u>	<u>71,298,785</u>
Total fund balances	<u>33,950,068</u>	<u>37,348,717</u>	<u>71,298,785</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 43,282,684</u>	<u>\$ 39,477,362</u>	<u>\$ 82,760,046</u>

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

CITY OF MANASSAS, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Exhibit 4

Total fund balances for governmental funds (Exhibit 3)	\$ 71,298,785
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	237,541,916
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,398,945
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.	6,355,417
Deferred refunding losses are not financial resources and, therefore, are not reported in the funds.	1,172,231
Financial statement elements related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows related to:	
Pensions	2,472,786
Other postemployment benefits	270,970
Deferred inflows related to:	
Pensions	(4,612,116)
Other postemployment benefits	(689,389)
Net pension liability	(14,109,153)
Net other postemployment benefit liability	(11,380,642)
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	(76,674,475)
Premium on bonds payable	(7,798,810)
Accrued interest payable	(1,414,310)
Compensated absences	(2,551,771)
Net position of governmental activities	<u>\$ 204,280,384</u>

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

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

Exhibit 5

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
General property taxes	\$ 74,579,023	\$ 9,069,409	\$ 83,648,432
Other local taxes	18,878,986	-	18,878,986
Permits, fees and licenses	798,175	79,176	877,351
Fines and forfeitures	713,993	-	713,993
Revenues from use of money and property	985,242	113,146	1,098,388
Charges for services	655,530	739,184	1,394,714
Payment in lieu of debt service	-	7,357,675	7,357,675
Recovered costs	3,419,610	-	3,419,610
Miscellaneous	1,910,904	292,786	2,203,690
Contribution from component unit	-	1,447,500	1,447,500
Intergovernmental	12,411,663	6,250,778	18,662,441
Total revenues	<u>114,353,126</u>	<u>25,349,654</u>	<u>139,702,780</u>
EXPENDITURES			
Current:			
General government administration	8,652,898	311,830	8,964,728
Public safety	20,928,841	9,393,600	30,322,441
Public works	7,308,128	8,364	7,316,492
Health and welfare	2,760,524	5,821,617	8,582,141
Culture, recreation, and community development	7,009,552	6,000	7,015,552
Education	56,477,145	-	56,477,145
Capital outlay	1,118,931	6,788,745	7,907,676
Debt service:			
Principal retirement	-	6,827,540	6,827,540
Interest and fiscal charges	-	3,245,467	3,245,467
Total expenditures	<u>104,256,019</u>	<u>32,403,163</u>	<u>136,659,182</u>
Excess (deficiency) of revenues over expenditures	<u>10,097,107</u>	<u>(7,053,509)</u>	<u>3,043,598</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,844,923	11,859,075	13,703,998
Transfers out	<u>(9,079,275)</u>	<u>(608,770)</u>	<u>(9,688,045)</u>
Total other financing sources (uses)	<u>(7,234,352)</u>	<u>11,250,305</u>	<u>4,015,953</u>
Net change in fund balances	2,862,755	4,196,796	7,059,551
Fund balance - beginning	<u>31,087,313</u>	<u>33,151,921</u>	<u>64,239,234</u>
Fund balance - ending	<u>\$ 33,950,068</u>	<u>\$ 37,348,717</u>	<u>\$ 71,298,785</u>

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

CITY OF MANASSAS, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Exhibit 6

Net change in fund balances - total governmental funds (Exhibit 5)	\$	7,059,551
--	----	-----------

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions of \$7,950,420 exceeded depreciation of \$7,116,364 in the current period.	834,056
---	---------

In the Statement of Activities, only the <i>gain or loss</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the <i>cost</i> of the property sold.	(73,185)
---	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,845,480)
--	-------------

The transfer of capital assets from enterprise funds to governmental activities are reported as transfers in the government-wide statement of activities.	9,700
---	-------

Governmental funds report employer other postemployment benefit and pension contributions as expenditures. However, in the Statement of Activities, the cost of OPEB and pension benefits earned net of employee contributions is reported as OPEB or pension expense. contributions is reported as pension expense.

Pension expense net of employer contributions	2,015,244
OPEB expense net of employer contributions	(285,653)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal repayments	6,827,540
Amortization of bond premium	601,827
Amortization of deferred charge on refunding	(274,331)

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	(152,017)
Accrued interest	118,087

Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	685,496
--	---------

Change in net position of governmental activities	\$	<u>15,520,835</u>
---	----	-------------------

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

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2018

Exhibit 7

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
General property taxes	\$ 73,952,000	\$ 73,952,000	\$ 74,579,023	\$ 627,023
Other local taxes	18,858,000	18,858,000	18,878,986	20,986
Permits, fees and licenses	783,100	783,100	798,175	15,075
Fines and forfeitures	717,000	717,000	713,993	(3,007)
Revenues from use of money and property	354,980	354,980	985,242	630,262
Charges for services	596,000	596,000	655,530	59,530
Recovered costs	3,457,610	3,457,610	3,419,610	(38,000)
Proffers	-	2,500	1,209,745	1,207,245
Miscellaneous	528,540	786,292	701,159	(85,133)
Intergovernmental:				
Commonwealth:				
PPTRA	3,786,630	3,786,630	3,786,634	4
Communications tax	2,700,000	2,700,000	2,639,320	(60,680)
Highway maintenance	3,760,000	3,760,000	3,828,004	68,004
Other	1,826,800	1,866,800	1,904,976	38,176
Federal	435,000	197,601	252,729	55,128
Total revenues	<u>111,755,660</u>	<u>111,818,513</u>	<u>114,353,126</u>	<u>2,534,613</u>
EXPENDITURES				
Departmental:				
City council	736,180	650,180	581,712	68,468
Clerk's office	378,470	379,726	342,849	36,877
City manager	1,017,100	1,017,100	978,478	38,622
City attorney	-	85,000	82,814	2,186
Electoral board	282,730	317,283	316,338	945
Treasurer	832,030	854,868	853,804	1,064
Commissioner of the revenue	1,307,760	1,331,829	1,319,597	12,232
Finance and administration	2,035,940	1,989,560	1,725,518	264,042
Human resources	1,876,880	2,089,052	1,621,704	467,348
Police	15,600,810	16,147,629	15,437,089	710,540
Engineering	1,640,100	1,640,100	1,359,060	281,040
Public works	7,024,400	7,415,638	7,063,499	352,139
Economic development	950,300	1,218,012	956,766	261,246
Community development	3,883,890	4,247,121	3,930,175	316,946
Contingency	310,000	286,850	-	286,850
Total departmental expenditures	<u>37,876,590</u>	<u>39,669,948</u>	<u>36,569,403</u>	<u>3,100,545</u>
Shared services	11,250,100	11,650,100	11,072,971	577,129
Contributions	136,500	136,500	136,500	-
Grants and donations	425,000	97,244	-	97,244
Community investment	374,000	592,000	-	592,000
Education	<u>55,617,210</u>	<u>56,117,210</u>	<u>56,477,145</u>	<u>(359,935)</u>
Total expenditures	<u>105,679,400</u>	<u>108,263,002</u>	<u>104,256,019</u>	<u>4,006,983</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 6,076,260</u>	<u>\$ 3,555,511</u>	<u>\$ 10,097,107</u>	<u>\$ 6,541,596</u>

Continued

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

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2018

Exhibit 7 (Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 5)	\$ 1,850,810	\$ 1,850,810	\$ 1,844,923	\$ (5,887)
Transfers out (Note 5)	<u>(9,452,070)</u>	<u>(9,775,901)</u>	<u>(9,079,275)</u>	<u>696,626</u>
Total other financing sources (uses)	<u>(7,601,260)</u>	<u>(7,925,091)</u>	<u>(7,234,352)</u>	<u>690,739</u>
Net change in fund balances	<u>\$ (1,525,000)</u>	<u>\$ (4,369,580)</u>	2,862,755	<u>\$ 7,232,335</u>
Fund Balance, Beginning			<u>31,087,313</u>	
Fund Balance, Ending			<u>\$ 33,950,068</u>	

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

CITY OF MANASSAS, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
ASSETS			
Current assets:			
Cash and investments - unrestricted	\$ 17,114,064	\$ 15,905,980	\$ 14,735,148
Cash and investments - restricted	554,810	1,436,572	-
Accounts receivable, net	7,550,222	1,360,564	2,193,735
Prepays	-	-	-
Due from other governments	-	-	-
Inventories	1,636,421	347,583	46,123
Total current assets	<u>26,855,517</u>	<u>19,050,699</u>	<u>16,975,006</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	785,187	3,198,442	2,247,724
Depreciable, net	<u>22,351,712</u>	<u>27,963,893</u>	<u>15,903,097</u>
Total capital assets, net	<u>23,136,899</u>	<u>31,162,335</u>	<u>18,150,821</u>
Total noncurrent assets	<u>23,136,899</u>	<u>31,162,335</u>	<u>18,150,821</u>
Total assets	<u>49,992,416</u>	<u>50,213,034</u>	<u>35,125,827</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	45,076	731,446
OPEB related deferred outflows	26,116	10,823	4,759
Pension related deferred outflows	<u>394,737</u>	<u>155,022</u>	<u>81,186</u>
Total deferred outflows of resources	<u>420,853</u>	<u>210,921</u>	<u>817,391</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	2,467,942	321,237	40,185
Retainage payable	-	-	18,866
Deposits	1,043,296	221,956	-
Accrued interest	33,522	117,533	218,975
Compensated absences	90,861	25,305	9,227
Bonds payable and other obligations - current	<u>202,206</u>	<u>579,012</u>	<u>904,075</u>
Total current liabilities	<u>3,837,827</u>	<u>1,265,043</u>	<u>1,191,328</u>
Noncurrent liabilities:			
Unearned revenue	-	324,089	8,050
Compensated absences	514,878	143,398	52,284
Net OPEB liability	1,247,741	540,991	233,951
Net pension liability	2,477,421	1,279,842	443,129
Bonds payable and other obligations	<u>4,251,283</u>	<u>6,694,538</u>	<u>10,069,826</u>
Total noncurrent liabilities	<u>8,491,323</u>	<u>8,982,858</u>	<u>10,807,240</u>
Total liabilities	<u>12,329,150</u>	<u>10,247,901</u>	<u>11,998,568</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB related deferred inflows	67,239	27,865	12,253
Pension related deferred inflows	<u>723,567</u>	<u>350,724</u>	<u>182,392</u>
Total deferred inflows of resources	<u>790,806</u>	<u>378,589</u>	<u>194,645</u>
NET POSITION			
Net investment in capital assets	19,163,204	25,290,025	7,889,500
Restricted for future capital projects	-	-	-
Unrestricted	<u>18,130,109</u>	<u>14,507,440</u>	<u>15,860,505</u>
Total net position	<u>\$ 37,293,313</u>	<u>\$ 39,797,465</u>	<u>\$ 23,750,005</u>

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

Business-type Activities- Enterprise Funds				Governmental Activities
Airport Fund	Stormwater Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 5,897,099	\$ 1,067,722	\$ 1,287,866	\$ 56,007,879	\$ 3,411,991
1,247,342	769,808	-	4,008,532	-
197,224	71,638	222,816	11,596,199	-
-	-	-	-	241,185
140,896	76,290	-	217,186	-
-	-	-	2,030,127	-
<u>7,482,561</u>	<u>1,985,458</u>	<u>1,510,682</u>	<u>73,859,923</u>	<u>3,653,176</u>
10,097,193	3,101,068	-	19,429,614	59,226
<u>27,808,042</u>	<u>18,460,860</u>	<u>32,499</u>	<u>112,520,103</u>	<u>5,190,168</u>
<u>37,905,235</u>	<u>21,561,928</u>	<u>32,499</u>	<u>131,949,717</u>	<u>5,249,394</u>
<u>37,905,235</u>	<u>21,561,928</u>	<u>32,499</u>	<u>131,949,717</u>	<u>5,249,394</u>
<u>45,387,796</u>	<u>23,547,386</u>	<u>1,543,181</u>	<u>205,809,640</u>	<u>8,902,570</u>
104,357	-	-	880,879	-
3,622	1,618	818	47,756	13,280
<u>56,318</u>	<u>56,164</u>	<u>9,823</u>	<u>753,250</u>	<u>188,566</u>
<u>164,297</u>	<u>57,782</u>	<u>10,641</u>	<u>1,681,885</u>	<u>201,846</u>
84,525	110,904	175,992	3,200,785	145,852
90,321	-	-	109,187	-
77,358	-	-	1,342,610	-
27,136	40,828	-	437,994	-
9,537	-	856	135,786	40,713
<u>375,589</u>	<u>116,845</u>	<u>-</u>	<u>2,177,727</u>	<u>49,463</u>
<u>664,466</u>	<u>268,577</u>	<u>176,848</u>	<u>7,404,089</u>	<u>236,028</u>
-	-	-	332,139	-
54,041	-	4,848	769,449	230,707
169,934	60,907	29,274	2,282,798	617,035
350,533	83,020	83,050	4,716,995	1,235,678
<u>3,468,620</u>	<u>2,806,364</u>	<u>-</u>	<u>27,290,631</u>	<u>50,561</u>
<u>4,043,128</u>	<u>2,950,291</u>	<u>117,172</u>	<u>35,392,012</u>	<u>2,133,981</u>
<u>4,707,594</u>	<u>3,218,868</u>	<u>294,020</u>	<u>42,796,101</u>	<u>2,370,009</u>
9,323	4,163	2,105	122,948	34,193
<u>105,125</u>	<u>37,252</u>	<u>22,521</u>	<u>1,421,581</u>	<u>344,797</u>
<u>114,448</u>	<u>41,415</u>	<u>24,626</u>	<u>1,544,529</u>	<u>378,990</u>
34,043,582	18,638,719	32,499	105,057,529	5,149,370
1,247,342	769,808	-	2,017,150	-
<u>5,439,127</u>	<u>936,358</u>	<u>1,202,677</u>	<u>56,076,216</u>	<u>1,206,047</u>
<u>\$ 40,730,051</u>	<u>\$ 20,344,885</u>	<u>\$ 1,235,176</u>	<u>\$ 163,150,895</u>	<u>\$ 6,355,417</u>

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

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
OPERATING REVENUES			
Charges for services	\$ 40,813,638	\$ 9,785,029	\$ 14,125,589
Service reimbursements	2,457,590	-	-
Connection charges	211,675	907,354	1,920,604
Total operating revenues	<u>43,482,903</u>	<u>10,692,383</u>	<u>16,046,193</u>
OPERATING EXPENSES			
Personal services	4,748,820	2,324,375	873,856
Contractual services	789,948	869,935	160,864
Supplies	652,601	817,579	94,373
Internal and other services	2,183,626	1,821,207	898,937
Purchased power	27,315,905	-	-
Contract treatment charges	-	-	8,790,714
Depreciation and amortization	1,777,835	1,952,976	1,412,117
Total operating expenses	<u>37,468,735</u>	<u>7,786,072</u>	<u>12,230,861</u>
Operating income (loss)	<u>6,014,168</u>	<u>2,906,311</u>	<u>3,815,332</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental grants	-	-	-
Investment earnings	119,139	163,514	150,926
Gain (loss) on sale of capital assets	(40,413)	-	(28,572)
Other/insurance recoveries	16,858	38,578	6,847
Interest expense and fiscal charges	(136,692)	(245,080)	(394,053)
Total nonoperating revenues (expenses)	<u>(41,108)</u>	<u>(42,988)</u>	<u>(264,852)</u>
Income (loss) before contributions and transfers	5,973,060	2,863,323	3,550,480
CAPITAL CONTRIBUTIONS	-	195,472	465,151
TRANSFERS IN (Note 5)	-	74,000	76,000
TRANSFERS OUT (Note 5)	<u>(2,555,628)</u>	<u>(1,172,700)</u>	<u>(828,389)</u>
Change in net position	3,417,432	1,960,095	3,263,242
Total net position - beginning, as restated (Note 19)	<u>33,875,881</u>	<u>37,837,370</u>	<u>20,486,763</u>
Total net position - ending	<u>\$ 37,293,313</u>	<u>\$ 39,797,465</u>	<u>\$ 23,750,005</u>

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

Exhibit 9				
Business-type Activities- Enterprise Funds				Governmental Activities
Airport Fund	Stormwater Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 2,842,173	\$ 1,239,497	\$ 3,426,120	\$ 72,232,046	\$ 7,888,077
-	-	-	2,457,590	-
-	60,342	-	3,099,975	-
<u>2,842,173</u>	<u>1,299,839</u>	<u>3,426,120</u>	<u>77,789,611</u>	<u>7,888,077</u>
650,621	319,458	159,920	9,077,050	2,478,407
295,820	351,920	2,524,221	4,992,708	1,350,067
94,182	38,070	6,158	1,702,963	1,313,613
474,419	277,361	186,413	5,841,963	1,584,391
-	-	-	27,315,905	-
-	-	-	8,790,714	-
2,377,639	709,391	3,195	8,233,153	926,217
<u>3,892,681</u>	<u>1,696,200</u>	<u>2,879,907</u>	<u>65,954,456</u>	<u>7,652,695</u>
(1,050,508)	(396,361)	546,213	11,835,155	235,382
80,896	-	7,893	88,789	-
54,818	5,136	7,139	500,672	21,062
-	-	-	(68,985)	87,890
13,749	-	162	76,194	17,277
(98,008)	(69,811)	-	(943,644)	(2,022)
<u>51,455</u>	<u>(64,675)</u>	<u>15,194</u>	<u>(346,974)</u>	<u>124,207</u>
(999,053)	(461,036)	561,407	11,488,181	359,589
2,090,884	23,072	-	2,774,579	-
-	64,857	-	214,857	325,907
-	-	-	(4,556,717)	-
1,091,831	(373,107)	561,407	9,920,900	685,496
<u>39,638,220</u>	<u>20,717,992</u>	<u>673,769</u>	<u>153,229,995</u>	<u>5,669,921</u>
<u>\$ 40,730,051</u>	<u>\$ 20,344,885</u>	<u>\$ 1,235,176</u>	<u>\$ 163,150,895</u>	<u>\$ 6,355,417</u>

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

CITY OF MANASSAS, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
OPERATING ACTIVITIES			
Cash received from customers and users	\$ 43,863,185	\$ 10,114,812	\$ 15,862,158
Cash paid to suppliers	(29,220,239)	(1,645,614)	(12,385,481)
Cash paid to employees	(5,081,862)	(2,468,433)	(979,650)
Payments for interfund services used	<u>(2,183,626)</u>	<u>(1,821,207)</u>	<u>(898,937)</u>
Net cash provided by operating activities	<u>7,377,458</u>	<u>4,179,558</u>	<u>1,598,090</u>
NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	74,000	76,000
Transfers to other funds	(2,555,628)	(1,172,700)	(828,389)
Non-operating grants received	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(2,555,628)</u>	<u>(1,098,700)</u>	<u>(752,389)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants and contributions received	-	-	-
Purchases of capital assets	(2,607,956)	(1,250,161)	(734,483)
Proceeds from sale of capital assets	-	-	-
Principal paid on capital debt	(265,920)	(846,540)	(770,000)
Interest paid on capital debt	(152,675)	(289,686)	(457,325)
Insurance recoveries	<u>16,858</u>	<u>38,578</u>	<u>6,847</u>
Net cash provided by (used in) capital and related financing activities	<u>(3,009,693)</u>	<u>(2,347,809)</u>	<u>(1,954,961)</u>
INVESTING ACTIVITIES			
Investment income	<u>119,139</u>	<u>163,514</u>	<u>150,926</u>
Net cash provided by investing activities	<u>119,139</u>	<u>163,514</u>	<u>150,926</u>
Net increase (decrease) in cash and investments	1,931,276	896,563	(958,334)
Cash and investments - beginning of year	<u>15,737,598</u>	<u>16,445,989</u>	<u>15,693,482</u>
Cash and investments - end of year	<u>\$ 17,668,874</u>	<u>\$ 17,342,552</u>	<u>\$ 14,735,148</u>
CASH AND INVESTMENTS IS COMPRISED OF THE FOLLOWING:			
Cash and investments - unrestricted	\$ 17,114,064	\$ 15,905,980	\$ 14,735,148
Cash and investments - restricted	<u>554,810</u>	<u>1,436,572</u>	<u>-</u>
Total	<u>\$ 17,668,874</u>	<u>\$ 17,342,552</u>	<u>\$ 14,735,148</u>

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

				Exhibit 10
Business-type Activities- Enterprise Funds				Governmental Activities
Airport Fund	Stormwater Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 2,738,656	\$ 1,293,097	\$ 3,425,552	\$ 77,297,460	\$ 7,888,077
(365,264)	(300,634)	(2,529,239)	(46,446,471)	(2,798,661)
(723,145)	(325,840)	(167,054)	(9,745,984)	(2,624,674)
<u>(474,419)</u>	<u>(277,361)</u>	<u>(186,413)</u>	<u>(5,841,963)</u>	<u>(1,474,118)</u>
<u>1,175,828</u>	<u>389,262</u>	<u>542,846</u>	<u>15,263,042</u>	<u>990,624</u>
-	64,857	-	214,857	325,907
-	-	-	(4,556,717)	-
<u>280,115</u>	<u>-</u>	<u>7,893</u>	<u>288,008</u>	<u>-</u>
<u>280,115</u>	<u>64,857</u>	<u>7,893</u>	<u>(4,053,852)</u>	<u>325,907</u>
776,994	1,024,930	-	1,801,924	-
(1,258,449)	(601,717)	-	(6,452,766)	(1,499,812)
-	-	-	-	87,890
(366,368)	(100,000)	-	(2,348,828)	(49,662)
(85,392)	(82,656)	-	(1,067,734)	(2,022)
<u>13,749</u>	<u>-</u>	<u>162</u>	<u>76,194</u>	<u>17,277</u>
<u>(919,466)</u>	<u>240,557</u>	<u>162</u>	<u>(7,991,210)</u>	<u>(1,446,329)</u>
<u>54,818</u>	<u>5,136</u>	<u>7,139</u>	<u>500,672</u>	<u>21,062</u>
<u>54,818</u>	<u>5,136</u>	<u>7,139</u>	<u>500,672</u>	<u>21,062</u>
591,295	699,812	558,040	3,718,652	(108,736)
<u>6,553,146</u>	<u>1,137,718</u>	<u>729,826</u>	<u>56,297,759</u>	<u>3,520,727</u>
<u>\$ 7,144,441</u>	<u>\$ 1,837,530</u>	<u>\$ 1,287,866</u>	<u>\$ 60,016,411</u>	<u>\$ 3,411,991</u>
\$ 5,897,099	\$ 1,067,722	\$ 1,287,866	\$ 56,007,879	\$ 3,411,991
<u>1,247,342</u>	<u>769,808</u>	<u>-</u>	<u>4,008,532</u>	<u>-</u>
<u>\$ 7,144,441</u>	<u>\$ 1,837,530</u>	<u>\$ 1,287,866</u>	<u>\$ 60,016,411</u>	<u>\$ 3,411,991</u>

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

CITY OF MANASSAS, VIRGINIA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Busines-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED BY			
OPERATING ACTIVITIES:			
Operating income (loss)	\$ 6,014,168	\$ 2,906,311	\$ 3,815,332
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,777,835	1,952,976	1,412,117
Pension expense net of employer contributions	(291,884)	(107,132)	(82,145)
OPEB expense net of employer contributions	29,046	12,037	5,293
(Increase) decrease in:			
Accounts receivable	406,799	(25,304)	(184,035)
Inventories	(4,412)	213	(2,598)
Prepaid expenses	-	-	-
Increase (decrease) in:			
Unearned revenue	-	(539,890)	-
Accounts payable and accrued expenses	(553,520)	(9,594)	(3,352,688)
Customer deposits	(26,517)	(12,377)	-
Compensated absences	25,943	2,318	(13,186)
Total adjustments	<u>1,363,290</u>	<u>1,273,247</u>	<u>(2,217,242)</u>
Net cash provided by operating activities	<u>\$ 7,377,458</u>	<u>\$ 4,179,558</u>	<u>\$ 1,598,090</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Carrying value of disposed capital assets	\$ 40,413	\$ -	\$ 28,572
Capital contributions	<u>\$ -</u>	<u>\$ 195,472</u>	<u>\$ 465,151</u>

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

Exhibit 10 (Continued)

Busines-type Activities- Enterprise Funds				Governmental Activities
Airport Fund	Stormwater Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<u>\$ (1,050,508)</u>	<u>\$ (396,361)</u>	<u>\$ 546,213</u>	<u>\$ 11,835,155</u>	<u>\$ 235,382</u>
2,377,639	709,391	3,195	8,233,153	926,217
(42,692)	1,626	(6,863)	(529,090)	(132,095)
4,024	1,799	911	53,110	14,770
12,571	(6,742)	(568)	202,721	-
-	-	-	(6,797)	-
-	-	-	-	(35,799)
-	-	-	(539,890)	-
11,712	80,577	(284)	(3,823,797)	(31,374)
(116,088)	-	-	(154,982)	-
(20,830)	(1,028)	242	(6,541)	13,523
<u>2,226,336</u>	<u>785,623</u>	<u>(3,367)</u>	<u>3,427,887</u>	<u>755,242</u>
<u>\$ 1,175,828</u>	<u>\$ 389,262</u>	<u>\$ 542,846</u>	<u>\$ 15,263,042</u>	<u>\$ 990,624</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 1,237,867</u>	<u>\$ 16,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies

Reporting Entity

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

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

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

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

Government-Wide and Fund Financial Statements

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

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Deposits and Investments

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

Fair Value Measurements

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

Receivables and Payables

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Inventories and Prepaid Items

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

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

Property Taxes

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

Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. At year end, the allowance for doubtful accounts is \$749,130 in the general fund, \$31,332 in the electric fund, \$6,734 in the water fund, \$10,929 in the sewer fund, \$348 in the stormwater fund and \$1,120 in the nonmajor enterprise fund.

Use of Estimates

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets

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

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

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

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

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

Compensated Absences

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Long-term Obligations

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

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

Fund Balances

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

The classifications are as follows:

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

Restricted Amounts

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Minimum Fund Balance Policy

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, 2018 include \$2,676,333 in the general capital project fund, \$656,992 in the NVTa capital projects fund, and \$973,193 in the school capital projects fund.

Net Position

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

Deferred Outflows and Inflows of Resources

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

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

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows and Inflows of Resources (continued)

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

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the City and MCPS' Plans and the additions to/deductions from the City and MCPS' Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MCPS Debt/Capital Asset Reporting

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

Note 3. Deposits and Investments

Deposits

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

Investments

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

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3. Deposits and Investments (Continued)

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

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

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

Investment Type	Carrying Value	S & P Credit Rating	Weighted Average Maturity*
LGIP	\$ 71,875,503	AAAm	0.23
SNAP	11,599,210	AAAm	0.23
VIP	12,036,299	AAAm	0.23
Wells Fargo	176	N/A	N/A
Money Market	96,715	N/A	N/A
U.S. Treasury Securities	10,226,578	AA+	2.15
Federal Agency Bonds and Notes	4,312,830	AA+	0.55
Corporate Notes	3,658,472	BBB to AAA	0.94
Commercial Paper	3,029,099	A-1	0.23
Certificates of Deposit	4,099,347	AA-, A-1	0.64
Common Stocks	968,432	Various	N/A
Mutual Funds	16,206	Various	N/A
Total investments	<u>\$ 121,918,867</u>		

* - Average Maturity in Years

Concentration of Credit Risk:

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

Issuer	Percent of Total Portfolio
Treasury Notes	8.39%

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3. Deposits and Investments (Continued)

Fair Value:

The City and MCPS categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City and MCPS have the following recurring fair value measurements as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Common stocks/equity securities:			
Consumer Discretionary	\$ 99,224	\$ -	\$ 99,224
Consumer Staples	63,940	-	63,940
Energy	41,595	-	41,595
Financials	145,128	-	145,128
Health Care	67,288	-	67,288
Industrials	76,257	-	76,257
Information Technology	185,881	-	185,881
Materials	73,411	-	73,411
Real Estate Investment Trusts	24,509	-	24,509
Other	191,199	-	191,199
Mutual funds	16,206	-	16,206
Commercial Paper	-	3,029,099	3,029,099
Debt securities:		-	-
U.S. Treasury securities	10,226,578	-	10,226,578
Federal Agency Bonds and Notes	4,312,830	-	4,312,830
Corporate Notes	-	3,658,472	3,658,472
	<u>\$ 15,524,046</u>	<u>\$ 6,687,571</u>	<u>\$ 22,211,617</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3. Deposits and Investments (Continued)

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

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

	<u>Primary Government</u>	<u>MCPS</u>	<u>EDA</u>
Deposits and investments:			
Deposits	\$ 17,848,333	\$ 18,369,241	\$ 531,905
Investments	119,324,668	1,400,803	-
Investments held in trust	-	1,193,396	-
	<u>\$ 137,173,001</u>	<u>\$ 20,963,440</u>	<u>\$ 531,905</u>
Statement of Net Position:			
Cash and investments	\$ 125,082,244	\$ 18,369,241	\$ 531,905
Cash and investments - restricted	12,090,757	1,400,803	-
Fiduciary fund cash and investments	-	1,193,396	-
	<u>\$ 137,173,001</u>	<u>\$ 20,963,440</u>	<u>\$ 531,905</u>

Cash and Investments - Restricted:

Restricted cash and investments consist of unspent bond proceeds related to bond issuances, amounts deposited in escrow for the purchase of property and funds restricted for expenditures for cemetery maintenance, tap fees restricted for capital purposes and land sale proceeds for the Airport fund that are restricted per FAA guidelines.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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	\$ -	\$ 951,100
Title VI-B	-	839,025
Title I/IV	-	539,379
Northern Va. Special Education Regional Program	-	787,808
State Funds - Medicaid	-	74,364
Other federal and state school funds	-	331,012
Local sales tax	1,401,609	-
Prince William County	531,466	-
Highway construction and transportation funds	448,022	-
Stormwater funds	76,290	-
Welfare grants	335,647	-
Communication tax	423,836	-
Airport grants	140,896	-
Other federal, state and local funds	254,203	-
Total	<u>\$ 3,611,969</u>	<u>\$ 3,522,688</u>

Note 5. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, consisted of the following:

Primary Government	
Due to general fund from:	
Non-major governmental funds	<u>\$ 198,812</u>

The balance above consists of interfund loans from the general fund to the social services fund, which are short term obligations at June 30, 2018.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

		Transfers In					Total Transfers Out
	General Fund	Nonmajor Governmental	Water Fund	Sewer Fund	Stormwater Fund	Internal Service	
Transfers Out:							
General fund	\$ -	\$ 9,079,275	\$ -	\$ -	\$ -	\$ -	\$ 9,079,275
Nonmajor governmental	24,113	519,800	-	-	64,857	-	608,770
Electric fund	914,330	1,380,000	74,000	76,000	-	111,298	2,555,628
Water fund	621,750	485,000	-	-	-	65,950	1,172,700
Sewer fund	284,730	395,000	-	-	-	148,659	828,389
	<u>\$ 1,844,923</u>	<u>\$ 11,859,075</u>	<u>\$ 74,000</u>	<u>\$ 76,000</u>	<u>\$ 64,857</u>	<u>\$ 325,907</u>	<u>\$ 14,244,762</u>

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 6. Capital Assets

Primary Government

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, not being depreciated:				
Land and land rights	\$ 115,153,342	\$ 1,612,692	\$ -	\$ 116,766,034
Construction in progress	3,214,289	6,129,246	(4,009,392)	5,334,143
Total capital assets not being depreciated	118,367,631	7,741,938	(4,009,392)	122,100,177
Capital assets, being depreciated:				
Buildings and improvements	39,462,266	785,515	-	40,247,781
Machinery, equipment and software	24,249,631	2,714,731	(557,612)	26,406,750
Infrastructure	186,445,329	2,227,138	(1,404,563)	187,267,904
Total capital assets being depreciated	250,157,226	5,727,384	(1,962,175)	253,922,435
Less accumulated depreciation for:				
Buildings and improvements	(28,537,132)	(1,217,172)	-	(29,754,304)
Machinery, equipment and software	(13,612,090)	(1,689,244)	502,153	(14,799,181)
Infrastructure	(84,928,489)	(5,136,165)	1,386,837	(88,677,817)
Total accumulated depreciation	(127,077,711)	(8,042,581)	1,888,990	(133,231,302)
Total capital assets being depreciated, net	123,079,515	(2,315,197)	(73,185)	120,691,133
Governmental activities capital assets, net	<u>\$ 241,447,146</u>	<u>\$ 5,426,741</u>	<u>\$ (4,082,577)</u>	<u>\$ 242,791,310</u>

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

Governmental activities:	
General government	\$ 455,068
Public safety	755,197
Public works	5,306,719
Culture and recreation	599,380
Internal service funds amounts charged to functions based on usage	926,217
Total depreciation expense – governmental activities	<u>\$ 8,042,581</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 6. Capital Assets (Continued)

Primary Government (Continued)

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

<u>Business Activities</u>	<u>Beginning Balance, As Restated*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, not being depreciated:				
Land and land rights	\$ 14,583,118	\$ 177,841	\$ -	\$ 14,760,959
Construction in progress	9,103,178	6,301,981	(10,736,504)	4,668,655
Total capital assets not being depreciated	23,686,296	6,479,822	(10,736,504)	19,429,614
Capital assets, being depreciated:				
Investment in plant	230,910,842	5,910,441	(734,620)	236,086,663
Infrastructure	22,815,155	5,670,786	-	28,485,941
Machinery and equipment	4,538,091	366,989	(347,372)	4,557,708
Purchased capacity	27,153,050	-	-	27,153,050
Total capital assets being depreciated	285,417,138	11,948,216	(1,081,992)	296,283,362
Less accumulated depreciation for:				
Investment in plant	(145,378,048)	(5,870,038)	665,635	(150,582,451)
Infrastructure	(9,374,433)	(708,056)	-	(10,082,489)
Machinery and equipment	(3,675,283)	(268,552)	347,371	(3,596,464)
Purchased capacity	(18,115,348)	(1,386,507)	-	(19,501,855)
Total accumulated depreciation	(176,543,112)	(8,233,153)	1,013,006	(183,763,259)
Total capital assets being depreciated, net	108,874,026	3,715,063	(68,986)	112,520,103
Business-type activities capital assets, net	<u>\$ 132,560,322</u>	<u>\$ 10,194,885</u>	<u>\$ (10,805,490)</u>	<u>\$ 131,949,717</u>

*- See Note 19

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 6. Capital Assets (Continued)
Primary Government (Continued)

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

Electric fund	\$ 1,777,835
Water fund	1,952,976
Sewer fund	1,412,117
Airport fund	2,377,639
Stormwater fund	709,391
Nonmajor enterprise funds	3,195
Total	<u>\$ 8,233,153</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. Amortization expense in the water fund in the current fiscal year totaled \$536,373.

The cost to the City in 1990 of its initial share of the Upper Occoquan Sewage Authority (UOSA) was \$597,051. This cost is recognized as purchased sewer treatment capacity. In December 2007, the City purchased from Fairfax County an additional one (1) million gallons per day (MGD) of UOSA sewer treatment capacity for \$17,002,658. The purchased sewer treatment capacity is recognized as an asset and is amortized over 20 years which is based on management's estimates since the term of the agreement was not explicitly stated. Amortization expense in the sewer fund in the current fiscal year totaled \$850,133.

Construction Commitments:

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

General capital projects	\$ 2,676,333
Gateway capital projects	70,895
Streets capital projects	713,269
Stormwater management	9,293
Sewer capital projects	25,523
Water capital projects	733,898
Electric capital projects	206,315
Airport capital projects	434,056
MCPS capital projects	939,680
Total	<u>\$ 5,809,262</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 6. Capital Assets (Continued)

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

<u>MCPS</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, not being depreciated:				
Land and land rights	\$ 2,336,649	\$ -	\$ -	\$ 2,336,649
Construction in progress	2,291,810	6,657,375	(6,919,794)	2,029,391
Total capital assets not being depreciated	4,628,459	6,657,375	(6,919,794)	4,366,040
Capital assets, being depreciated:				
Buildings and improvements	172,149,530	6,919,794	(9,588)	179,059,736
Machinery and equipment	9,965,473	661,615	(912,630)	9,714,458
Total capital assets being depreciated	182,115,003	7,581,409	(922,218)	188,774,194
Less accumulated depreciation for:				
Buildings and improvements	(100,580,219)	(6,658,170)	4,315	(107,234,074)
Machinery and equipment	(6,741,239)	(605,731)	909,952	(6,437,018)
Total accumulated depreciation	(107,321,458)	(7,263,901)	914,267	(113,671,092)
Total capital assets being depreciated, net	74,793,545	317,508	(7,951)	75,103,102
MCPS capital assets, net	<u>\$ 79,422,004</u>	<u>\$ 6,974,883</u>	<u>\$ (6,927,745)</u>	<u>\$ 79,469,142</u>

Depreciation expense of \$7,263,901 was charged to functions/programs of the respective Component Unit MCPS' governmental activities.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

	<u>Governmental Funds</u>
Deferred property tax revenue, representing uncollected tax billings (General Fund)	\$ 2,152,835
Deferred vehicle license taxes, meal taxes and other items (General Fund)	<u>1,008,495</u>
Total deferred inflows of resources for the general fund	<u>3,161,330</u>
Unavailable revenues related to the Gateway, Project, see Note 20 (Capital Project Funds)	1,085,625
Deferred property tax revenue, representing uncollected tax billings (Special Revenue Funds)	<u>151,990</u>
Total deferred inflows of resources	<u>\$ 4,398,945</u>

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

Unearned revenue in the water fund totaling \$324,089 represents water capacity sold to Prince William County Service Authority and the City of Manassas Park in the total amount of \$10,982,635. The City recognized these proceeds as unearned revenue in previous years and is amortizing the amounts over 20 years.

Additional unearned revenue in the enterprise funds represents sewer fund prepaid connection fees.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 8. Long-Term Debt

Changes in Long-Term Debt

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 83,502,015	\$ -	\$ 6,827,540	\$ 76,674,475	\$ 5,082,155
Premium on bonds	8,400,637	-	601,827	7,798,810	601,828
Capital leases	149,686	-	49,662	100,024	49,463
Compensated absences	<u>2,657,651</u>	<u>3,101,194</u>	<u>2,935,654</u>	<u>2,823,191</u>	<u>423,479</u>
Governmental activities long-term liabilities	<u>\$ 94,709,989</u>	<u>\$ 3,101,194</u>	<u>\$ 10,414,683</u>	<u>\$ 87,396,500</u>	<u>\$ 6,156,925</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:					
General obligation bonds	\$ 29,498,562	\$ -	\$ 2,348,828	\$ 27,149,734	\$ 1,993,434
Premium on bonds	2,506,574	-	187,951	2,318,623	184,293
Compensated absences	<u>911,776</u>	<u>810,302</u>	<u>816,842</u>	<u>905,236</u>	<u>135,786</u>
Business-type activities long-term liabilities	<u>\$ 32,916,912</u>	<u>\$ 810,302</u>	<u>\$ 3,353,621</u>	<u>\$ 30,373,593</u>	<u>\$ 2,313,513</u>
Total Primary Government	<u>\$ 127,626,901</u>	<u>\$ 3,911,496</u>	<u>\$ 13,768,304</u>	<u>\$ 117,770,093</u>	<u>\$ 8,470,438</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At June 30, \$271,420 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 8. Long-Term Debt (Continued)

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

<u>MCPS</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases	\$ 215,255	\$ -	\$ 121,227	\$ 94,028	\$ 94,028
Compensated absences	2,109,035	1,328,334	1,354,593	2,082,776	312,416
Governmental activities long-term liabilities	<u>\$ 2,324,290</u>	<u>\$ 1,328,334</u>	<u>\$ 1,475,820</u>	<u>\$ 2,176,804</u>	<u>\$ 406,444</u>

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

<u>Series</u>	<u>Maturity date</u>	<u>Interest rates</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Series 2004 VARF	4/1/2024	5.00%	\$ -	\$ 555,110
Series 2009 VRA Refunding	10/1/2021	4.13 - 5.13%	-	775,000
Series 2010 ABC VML/VACo	2/15/2030	2.00 - 6.07%	1,555,000	2,060,000
Series 2010 D	7/1/2024	2.00 - 5.00%	999,600	960,400
Series 2010 D Refunding	7/1/2024	2.00 - 5.00%	10,920,000	-
Series 2014A	5/1/2034	3.00 - 5.00%	8,192,975	3,322,025
Series 2014C Refunding	7/1/2030	2.00 - 5.00%	1,906,900	10,313,100
Series 2014C	7/1/2034	2.00 - 5.00%	30,360,000	-
Series 2014D Refunding	7/1/2025	0.50 - 3.00%	-	1,480,000
Series 2016 Airport Refunding	10/1/2031	1.5344%	-	1,809,099
Series 2016	7/1/2036	2.00 - 5.00%	14,695,000	5,875,000
Series 2016 Refunding	7/1/2025	2.00 - 5.00%	8,045,000	-
Total general obligation bonds			<u>76,674,475</u>	<u>27,149,734</u>
Total primary government			<u>\$ 76,674,475</u>	<u>\$ 27,149,734</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 8. Long-Term Debt (Continued)

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

Fiscal Year Ending June 30	Governmental Activities			
	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2019	\$ 5,082,155	\$ 2,977,601	\$ 49,463	\$ 2,221
2020	5,189,280	2,794,444	50,561	1,122
2021	5,272,840	2,613,053	-	-
2022	5,388,850	2,387,855	-	-
2023	5,549,540	2,116,101	-	-
2024-2028	23,007,375	6,731,008	-	-
2029-2033	18,333,475	2,768,100	-	-
2034-2037	8,850,960	322,827	-	-
	<u>\$ 76,674,475</u>	<u>\$ 22,710,989</u>	<u>\$ 100,024</u>	<u>\$ 3,343</u>

Fiscal Year Ending June 30	Business-Type Activities	
	General Obligation Bonds	
	Principal	Interest
2019	\$ 1,993,434	\$ 1,020,510
2020	2,050,627	952,561
2021	2,106,484	883,883
2022	2,179,993	800,475
2023	2,048,926	707,271
2024-2028	10,697,361	2,106,942
2029-2033	4,293,869	510,266
2034-2037	1,779,040	78,148
	<u>\$ 27,149,734</u>	<u>\$ 7,060,056</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 8. Long-Term Debt (Continued)

Prior Defeasance of Debt

The City defeased certain outstanding general obligation and revenue bonds payable in prior years. The proceeds were placed in trust to fund all future debt service payments. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2018, the following bonds are considered defeased:

	Beginning Balance	Increases	Decreases	Ending Balance
General obligation bonds				
Series 2007	\$ 10,160,000	\$ -	\$ (10,160,000)	\$ -
Series 2010D	1,680,000	-	-	1,680,000
Series 2014A	120,000	-	(60,000)	60,000
	<u>\$ 11,960,000</u>	<u>\$ -</u>	<u>\$ (10,220,000)</u>	<u>\$ 1,740,000</u>

Operating Leases – City and MCPS

The City and MCPS have various leases for real estate and equipment with non-cancelable lease terms. Total rental expense under operating leases of the City and MCPS for the year ended June 30, 2018 was \$436,906 and \$359,182, respectively. The future minimum lease payment for these leases is as follows:

	Primary Government	MCPS
Fiscal Year Ending June 30:		
2019	\$ 393,743	\$ 372,688
2020	343,416	383,869
2021	351,109	395,385
2022	364,774	407,247
2023	377,082	419,464
2024-2026	480,544	-
Total	<u>\$ 2,310,668</u>	<u>\$ 1,978,653</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 8. Long-Term Debt (Continued)

Capital Leases – Primary Government and MCPS

Capital leases for the City and MCPS expire at various dates through 2020. All leases are non-cancelable; however, they are contingent upon the City Council appropriating funds for each year's payments.

The assets acquired through capital leases are as follows:

	<u>Primary Government</u>	<u>MCPS</u>
Assets:		
Two Street Sweepers	\$ 356,370	\$ -
Copiers	-	473,079
Less: Accumulated Depreciation	<u>(205,343)</u>	<u>(384,377)</u>
Total	<u>\$ 151,027</u>	<u>\$ 88,702</u>

The following is a schedule of future minimum lease payments, including interest, for MCPS capital leases at June 30, 2018:

	<u>MCPS</u>
	<u>Capital Leases</u>
	<u>Principal</u> <u>Interest</u>
2019 \$	<u>94,028</u> <u>\$ 1,515</u>

Equipment Lease Purchase Agreement - MCPS

An equipment lease purchase agreement totaling \$5,378,195 was executed by MCPS on February 16, 2018 in connection with an energy performance contract. The funds are held in an escrow account by the lender, and are to finance the purchase and installation of certain energy saving equipment and other services for identified properties and buildings owned by MCPS. MCPS will record a liability for this agreement when eligible costs have been incurred. As of June 30, 2018, no eligible disbursements had been made from the escrow account. The obligation will bear interest at 3.13% with principal and interest due annually from February 2019 through 2033.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9. Contingent Liabilities and Commitments

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

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

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

The City's agreement with Prince William Manassas Regional Adult Detention Center (PWMRADC) requires periodic true-ups based on actual costs incurred for the City's prisoner day percentage, shared overhead costs and shared repairs. The final true-up for fiscal year 2017 was received in July 2018; therefore, the adjusted balance of \$405,849 receivable is included in due from other governments. The fiscal year 2018 amount has not been finalized as of the date of this report; however an estimate was accrued and \$144,543 is included in due to other governments. Amounts are subject to change for the most recent year based on verification by PWMRADC.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018 is 16.1%.

UOSA's current operating costs and annual debt service is funded by each of the participants based on their allocated capacity with certain modifications. UOSA currently has nine Sewage System Revenue Bond issues outstanding: one issued in 1995, one issued in 2010, two issued in 2011, two issued in 2013, one in 2014, and two in 2016. The sewer enterprise fund is funding 100 percent of the City's share of the debt issues. As of June 30, 2018, the City's committed share of UOSA's remaining debt service (including interest) is as follows:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,333,548	\$ 1,733,733
2020	1,380,445	1,686,123
2021	1,407,716	1,635,819
2022	1,687,853	1,601,201
2023	1,528,673	1,558,218
2024-2028	9,166,377	6,982,236
2029-2033	9,739,631	5,030,472
2034-2038	10,689,444	3,094,190
2039-2043	8,837,959	1,041,427
2044-2048	<u>1,412,253</u>	<u>129,578</u>
	<u>\$ 47,183,899</u>	<u>\$ 24,492,997</u>

The sewer fund made scheduled payments in fiscal year 2018 for its share of UOSA's operating costs and debt service costs of \$5,903,292 and \$2,887,422, respectively. In addition, the accrued debt service reconciliation true-up from 2017, totaling \$3,317,339, was paid in 2018.

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 2018.

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 10. Joint Ventures (Continued)

Potomac and Rappahannock Transportation Commission (PRTC)

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

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

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

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

Note 11. Jointly Governed Organization

Northern Virginia Transportation Authority (NVTA)

The NVTA was established under the provisions of the Code of Virginia, Title 15.2, Chapter 48.2 with the cities of Alexandria, Fairfax, Manassas, Manassas Park, and Falls Church and the counties of Arlington, Fairfax, Loudoun, and Prince William. The Authority is responsible for long-range transportation planning for regional transportation projects in Northern Virginia and sets regional transportation policies and priorities for regional transportation projects. While the jurisdictions have representatives as members of the governing body of the Authority, the jurisdictions do not have an explicit measurable equity interest in NVTA. Beginning in 2014, House Bill 2313 gave the Authority responsibility over the collection and distribution of certain dedicated taxes for transportation including 1% additional sales tax, 2% additional transient and occupancy tax and 1.5% additional grantor's tax. By law, 30% of these additional revenues are distributed to the jurisdictions provided they implement the commercial and industrial tax of 12.5 cents, or dedicate some other funds towards transportation. The other 70% will be used towards regional transportation projects approved by the Authority and implemented by the jurisdictions. In 2018, the City received \$1,707,350 of these taxes.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Defined Benefit Pension Plan

Plan Description

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

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

Plan 1 – Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and have not taken a refund.

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
 - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.
- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 – Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - **Eligibility** – Same as Plan 1.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- **Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Creditable Service –**
 - **Defined Benefit Component** – Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
 - **Defined Contributions Component** – Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting –**
 - **Defined Benefit Component** – Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component** – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
 - **Defined Benefit Component** – See definition under Plan 1.
 - **Defined Contribution Component** – The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component 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. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age** –
 - **Defined Benefit Component** – Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility** –
 - **Defined Benefit Component** – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility** –
 - **Defined Benefit Component** – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement** –
 - **Defined Benefit Component** – Same as Plan 2.
 - **Defined Contribution Component** – Not Applicable.
 - **Eligibility** – Same as Plan 1 and 2.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** –
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - **Defined Contribution Component** – Not Applicable.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	City	MCPS Non-Professional
Inactive members or their beneficiaries currently receiving benefits	241	76
Inactive members:		
Vested inactive members	75	24
Non-vested inactive members	108	37
Inactive members active elsewhere in VRS	116	46
Total inactive members	299	107
Active members	434	115
Total covered employees	974	298

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Defined Benefit Pension Plan (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City's contractually required contribution rate for the year ended June 30, 2018 was 11.45% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

The contractually required contribution rate for MCPS (Non-professional) for the year ended June 30, 2018 was 6.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$3,374,925 and \$3,290,895 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the pension plan from MCPS (Non-professional) were \$225,042 and \$231,849 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

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

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

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

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability - City

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2016	\$ 135,565,075	\$ 106,512,625	\$ 29,052,450
Changes for the year:			
Service cost	3,282,771	-	3,282,771
Interest	9,240,455	-	9,240,455
Changes of assumptions	(906,327)	-	(906,327)
Differences between expected and actual experience	(3,055,659)	-	(3,055,659)
Contributions – employer	-	3,290,895	(3,290,895)
Contributions – employee	-	1,488,053	(1,488,053)
Net investment income	-	12,859,256	(12,859,256)
Benefit payments, including refunds of employee contributions	(7,117,141)	(7,117,141)	-
Administrative expenses	-	(74,990)	74,990
Other changes	-	(11,350)	11,350
Net changes	1,444,099	10,434,723	(8,990,624)
Balances at June 30, 2017	\$ 137,009,174	\$ 116,947,348	\$ 20,061,826

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Defined Benefit Pension Plan (Continued)

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2016	\$ 17,091,977	\$ 15,124,934	\$ 1,967,043
Changes for the year:			
Service cost	348,188	-	348,188
Interest	1,169,530	-	1,169,530
Changes of assumptions	(29,443)	-	(29,443)
Differences between expected and actual experience	(915,888)	-	(915,888)
Contributions – employer	-	234,665	(234,665)
Contributions – employee	-	182,986	(182,986)
Net investment income	-	1,829,777	(1,829,777)
Benefit payments, including refunds of employee contributions	(768,817)	(768,817)	-
Administrative expenses	-	(10,701)	10,701
Other changes	-	(1,621)	1,621
Net changes	(196,430)	1,466,289	(1,662,719)
Balances at June 30, 2017	\$ 16,895,547	\$ 16,591,223	\$ 304,324

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
City's net pension liability	\$ 38,911,840	\$ 20,061,826	\$ 4,521,457
Component Unit:			
MCPS (Non-professional) net pension liability (asset)	\$ 2,550,648	\$ 304,324	\$ (1,554,919)

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2018, the City recognized pension expense of \$698,575. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (4,017,154)
Change of assumptions	-	(685,809)
Net difference between projected and actual earnings on pension plan investments	39,677	(1,675,531)
Employer contributions subsequent to the measurement date	3,374,925	-
Total	<u>\$ 3,414,602</u>	<u>\$ (6,378,494)</u>

For the year ended June 30, 2018, MCPS (Non-professional) recognized pension expense (income) of \$(158,572). At June 30, 2018, MCPS (Non-professional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 86,424	\$ (741,504)
Changes of assumptions	-	(19,428)
Net difference between projected and actual earnings on pension plan investments	-	(236,060)
Employer contributions subsequent to the measurement date	225,042	-
Total	<u>\$ 311,466</u>	<u>\$ (996,992)</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Defined Benefit Pension Plan (Continued)

The \$3,374,925 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2019	\$ (3,051,989)
2020	(1,117,273)
2021	(965,873)
2022	(1,203,682)
2023	-
Total	\$ <u>(6,338,817)</u>

The \$225,042 reported as deferred outflows of resources related to pensions resulting from MCPS (Non-professional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2019	\$ (460,477)
2020	(293,714)
2021	373
2022	(156,750)
2023	-
Total	\$ <u>(910,568)</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

General Information about the Teacher Cost Sharing Plan

Plan Description

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

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division’s contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$8,521,423 and \$7,956,390 for the years ended June 30, 2018 and June 30, 2017, respectively.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

General Information about the Teacher Cost Sharing Plan (Continued)

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

At June 30, 2018, the school division reported a liability of \$86,057,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.70% as compared to 0.72% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$6,705,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (6,094,000)
Change of assumptions	1,256,000	-
Net difference between projected and actual earnings on pension plan investments	-	(3,126,000)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,784,000	(2,797,000)
Employer contributions subsequent to the measurement date	8,521,423	-
Total	<u>\$ 11,561,423</u>	<u>\$ (12,017,000)</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

General Information about the Teacher Cost Sharing Plan (Continued)

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

The \$8,521,423 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2019	\$ (3,025,000)
2020	(251,000)
2021	(1,651,000)
2022	(3,458,000)
2023	(592,000)
Total	<u>\$ (8,977,000)</u>

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan are as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 45,417,520
Plan Fiduciary Net Position	<u>33,119,545</u>
Employers' Net Pension Liability (Asset)	<u>\$ 12,297,975</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

General Information about the Teacher Cost Sharing Plan (Continued)

Net Pension Liability (Continued)

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

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

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

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School division's proportionate share of the VRS teacher employee retirement plan net pension liability	<u>\$ 128,511,000</u>	<u>\$ 86,057,000</u>	<u>\$ 50,938,000</u>

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Plan Description and Benefits Provided

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

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

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

Employees Covered by Benefit Terms

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

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

Total OPEB Liability

The City's total OPEB liability of \$9,078,747 was measured as of June 30, 2018 and was determined based on an actuarial valuation performed as of June 30, 2017.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Actuarial Assumptions and other inputs

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

Discount rate	3.87%
Inflation	2.50%
Healthcare cost trend rates	7.40% - 4.20% over 67 years

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

Changes in the Total OPEB Liability

Balance at June 30, 2017	\$ 9,002,281
Changes for the year:	
Service cost	383,873
Interest	323,594
Assumption or other input changes	(347,338)
Benefit payments	(283,663)
Net changes	76,466
Balance at June 30, 2018	\$ 9,078,747

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	1.00% Decrease (2.87%)	Current Discount Rate (3.87%)	1.00% Increase (4.87%)
Total OPEB liability	\$ 10,051,776	\$ 9,078,747	\$ 8,211,270

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

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

	1.00% Decrease	Current Healthcare Cost Trend Rates	1.00% Increase
Total OPEB liability	\$ 8,000,904	\$ 9,078,747	\$ 10,373,195

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$650,526. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	(290,397)
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ (290,397)</u>

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

Year Ending June 30,	Reduction to OPEB Expense
2019	\$ (56,941)
2020	(56,941)
2021	(56,941)
2022	(56,941)
2023	(59,941)
Thereafter	(5,692)

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Plan Description and Benefits Provided

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

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

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

Employees Covered by Benefit Terms

As of the July 1, 2017 actuarial valuation, the following employees were covered by the benefit terms of the plan:

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

Total OPEB Liability

MCPS' total OPEB liability of \$2,099,625 was measured as of June 30, 2017 and was determined based on an actuarial valuation performed as of July 1, 2017.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Actuarial Assumptions and other inputs

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

Discount rate	3.58%
Salary increases, including inflation	Variable, 1.30% - 3.75%
Healthcare cost trend rates	Long-Run Medical Cost Trend Model baseline. Rates ranging from 5.5% to 3.9%.

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

Changes in assumptions and other inputs since prior valuation:

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

Changes in the Total OPEB Liability

Balance at June 30, 2017	<u>\$ 2,401,880</u>
Changes for the year:	
Service cost	93,415
Interest	63,823
Benefit changes	-
Differences between expected and actual experience	-
Assumption or other input changes	(134,493)
Benefit payments	<u>(325,000)</u>
Net changes	<u>(302,255)</u>
Balance at June 30, 2018	<u><u>\$ 2,099,625</u></u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

The following presents the total OPEB liability of MCPS, as well as what MCPS' total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current discount rate:

	1.00% Decrease (2.58%)	Current Discount Rate (3.58%)	1.00% Increase (4.58%)
Total OPEB liability	\$ 2,285,933	\$ 2,099,625	\$ 1,928,974

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

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

	1.00% Decrease (2.90%)	Current Healthcare Cost Trend Rates (3.90%)	1.00% Increase (4.90%)
Total OPEB liability	\$ 1,886,683	\$ 2,099,625	\$ 2,357,249

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

For the year ended June 30, 2018, MCPS recognized OPEB expense of \$134,822. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	(112,077)
Employer contributions subsequent to the measurement date	68,006	-
Total	<u>\$ 68,006</u>	<u>\$ (112,077)</u>

The \$68,006 reported as deferred outflows of resources related to OPEB resulting from the MCPS' contributions subsequent to the measurement date will be recognized as a reduction of the OPEB Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Reduction to OPEB Expense
2019	\$ (22,416)
2020	(22,416)
2021	(22,416)
2022	(22,416)
2023	(22,413)
Thereafter	-

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

Plan Descriptions

Group Life Insurance Program

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

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

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

Teacher Employee Health Insurance Credit Program

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

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

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than Teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer agent plan. As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the City General Employee and MCPS Nonprofessional Employee Health Insurance Credit Program:

	<u>City</u>	<u>MCPS Non- Professional</u>
Inactive members or their beneficiaries currently receiving benefits	122	28
Inactive members:		
Vested inactive members	7	2
Non-vested inactive members	-	-
Active elsewhere in VRS	-	-
Total inactive members	129	30
Active members	417	115
 Total	 546	 145

Line of Duty Act Program

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

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2015. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
City June 30, 2018 Contribution	\$157,766
City June 30, 2017 Contribution	\$152,404
Teachers June 30, 2018 Contribution	\$279,718
Teachers June 30, 2017 Contribution	\$290,728
MCPS Nonprofessional June 30, 2018 Contribution	\$17,736
MCPS Nonprofessional June 30, 2017 Contribution	\$18,050

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.</i>
Total rate:	1.23% of covered employee compensation.
June 30, 2018 Contribution	\$659,920
June 30, 2017 Contribution	\$617,000

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

City General Employee and MCPS Nonprofessional Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
City Total rate:	0.17% of covered employee compensation.
MCPS Nonprofessional Total rate:	0.26% of covered employee compensation.
City June 30, 2018 Contribution	\$49,319
City June 30, 2017 Contribution	\$49,915
MCPS Nonprofessional June 30, 2018 Contribution	\$8,794
MCPS Nonprofessional June 30, 2017 Contribution	\$9,367

Line of Duty Act Program

Governed by:	<i>Code of Virginia</i> 9-1-400.1 and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	\$567.37 per covered full-time-equivalent employee. Based on pay-as-you-go funding rate.
June 30, 2018 Contribution	\$90,921
June 30, 2017 Contribution	\$97,304

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

The net OPEB liabilities were measured as of June 30, 2017 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, except for LODA, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. LODA proportion was determined based on pay-as-you-go employer contributions instead of actuarially determined contributions.

Group Life Insurance Program – City

June 30, 2018 proportionate share of liability	\$2,391,000
June 30, 2017 proportion	0.16%
June 30, 2016 proportion	0.16 %
June 30, 2018 expense	\$32,000

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

Group Life Insurance Program – Teachers

June 30, 2018 proportionate share of liability	\$4,562,000
June 30, 2017 proportion	0.30%
June 30, 2016 proportion	0.31%
June 30, 2018 expense	\$38,000

Group Life Insurance Program – MCPS Nonprofessional

June 30, 2018 proportionate share of liability	\$283,000
June 30, 2017 proportion	0.02%
June 30, 2016 proportion	0.02%
June 30, 2018 expense (income)	\$(4,000)

Teacher Health Insurance Credit Program

June 30, 2018 proportionate share of liability	\$8,935,000
June 30, 2017 proportion	0.70%
June 30, 2016 proportion	0.72%
June 30, 2018 expense	\$702,000

Line of Duty Act Program

June 30, 2018 proportionate share of liability	\$2,371,000
June 30, 2017 proportion	0.90%
June 30, 2016 proportion	0.90%
June 30, 2018 expense	\$209,000

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

General Employee Health Insurance Credit Program

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2016	\$ 976,279	\$ 491,320	\$ 484,959
Changes for the year:			
Service cost	21,716	-	21,716
Interest	66,592	-	66,592
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Assumption changes	(27,092)	-	(27,092)
Contributions – employer	-	47,773	(47,773)
Net investment income	-	56,707	(56,707)
Benefit payments	(49,915)	(49,915)	-
Administrative expenses	-	(915)	915
Other changes	-	2,882	(2,882)
Net changes	11,301	56,532	(45,231)
Balances at June 30, 2017	\$ 987,580	\$ 547,852	\$ 439,728

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2016	\$ 231,878	\$ 167,373	\$ 64,505
Changes for the year:			
Service cost	5,061	-	5,061
Interest	15,904	-	15,904
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Assumption changes	(3,347)	-	(3,347)
Contributions – employer	-	9,073	(9,073)
Net investment income	-	19,367	(19,367)
Benefit payments	(9,367)	(9,367)	-
Administrative expenses	-	(314)	314
Other changes	-	982	(982)
Net changes	8,251	19,741	(11,490)
Balances at June 30, 2017	\$ 240,129	\$ 187,114	\$ 53,015

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

At June 30, 2018, the City and MCPS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program - City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (53,000)
Change of assumptions	-	(123,000)
Net difference between projected and actual earnings on OPEB plan investments	-	(90,000)
Changes in proportion	25,000	-
Employer contributions subsequent to the measurement date	157,766	-
Total	<u>\$ 182,766</u>	<u>\$ (266,000)</u>

Group Life Insurance Program - Teachers

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (101,000)
Change of assumptions	-	(235,000)
Net difference between projected and actual earnings on OPEB plan investments	-	(172,000)
Changes in proportion	-	(73,000)
Employer contributions subsequent to the measurement date	279,718	-
Total	<u>\$ 279,718</u>	<u>\$ (581,000)</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Group Life Insurance Program – MCPS Nonprofessional

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (6,000)
Change of assumptions	-	(15,000)
Net difference between projected and actual earnings on OPEB plan investments	-	(11,000)
Changes in proportion	-	(39,000)
Employer contributions subsequent to the measurement date	17,736	-
Total	<u>\$ 17,736</u>	<u>\$ (71,000)</u>

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	(92,000)
Net difference between projected and actual earnings on OPEB plan investments	-	(16,000)
Changes in proportion	-	(169,000)
Employer contributions subsequent to the measurement date	659,920	-
Total	<u>\$ 659,920</u>	<u>\$ (277,000)</u>

General Employee Health Insurance Credit Program - City

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	(23,276)
Net difference between projected and actual earnings on OPEB plan investments	-	(17,857)
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	49,319	-
Total	<u>\$ 49,319</u>	<u>\$ (41,133)</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

General Employee Health Insurance Credit Program – MCPS Nonprofessional

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	(2,793)
Net difference between projected and actual earnings on OPEB plan investments	-	(6,110)
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	8,794	-
Total	<u>\$ 8,794</u>	<u>\$ (8,903)</u>

Line of Duty Act Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	(245,000)
Net difference between projected and actual earnings on OPEB plan investments	-	(4,000)
Changes in proportion	9,000	-
Employer contributions subsequent to the measurement date	90,921	-
Total	<u>\$ 99,921</u>	<u>\$ (249,000)</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

The deferred outflows of resources related to OPEB resulting from the City's and MCPS' contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program - City

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (50,000)
2020	(50,000)
2021	(50,000)
2022	(50,000)
2023	(27,000)
Thereafter	(14,000)

Group Life Insurance Program - Teachers

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (118,000)
2020	(118,000)
2021	(118,000)
2022	(118,000)
2023	(75,000)
Thereafter	(34,000)

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Group Life Insurance Program – MCPS Nonprofessional

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (13,000)
2020	(13,000)
2021	(13,000)
2022	(13,000)
2023	(11,000)
Thereafter	(8,000)

Teacher Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (43,000)
2020	(43,000)
2021	(43,000)
2022	(43,000)
2023	(39,000)
Thereafter	(66,000)

General Employee Health Insurance Credit Program - City

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (8,280)
2020	(8,280)
2021	(8,280)
2022	(8,281)
2023	(3,816)
Thereafter	(4,196)

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

General Employee Health Insurance Credit Program – MCPS Nonprofessional

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (2,082)
2020	(2,082)
2021	(2,082)
2022	(2,080)
2023	(554)
Thereafter	(23)

Line of Duty Act Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (30,000)
2020	(30,000)
2021	(30,000)
2022	(30,000)
2023	(29,000)
Thereafter	(91,000)

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.5%
Salary increases, including inflation:	
• Locality- general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
• Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation	GLI & HIC: 7.0%; LODA 3.56%

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

Changes to LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

Changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes, available at https://www.vml.org/wpcontent/uploads/2017/06/SummaryChangesHB1345_LODA02.12.16.pdf and <https://www.varetire.org/pdf/publications/legislative-summary-2017.pdf>, will be factored into future actuarial valuations for the LODA Program.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan	Line of Duty Act Program
Total OPEB Liability	\$ 2,942,426	\$ 1,364,702	\$ 266,252
Plan fiduciary net position	1,437,586	96,091	3,461
Employers' net OPEB liability (asset)	\$ 1,504,840	\$ 1,268,611	\$ 262,791
Plan fiduciary net position as a percentage of total OPEB liability	48.86%	7.04%	1.30%

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

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

Line of Duty Act Program

The long-term expected rate of return on the LODA Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS pooled investments 7.00% assumption noted above. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. The Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 7.00%. The discount rate used to measure the LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liabilities of the City and MCPS, as well as what the City's and MCPS' net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (6.00% HIC; GLI/2.56% LODA) or one percentage point higher (8.00% HIC; GLI/4.56% LODA) than the current discount rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability – City	\$ 3,093,000	\$ 2,391,000	\$ 1,823,000
GLI Net OPEB liability – Teachers	\$ 5,900,000	\$ 4,562,000	\$ 3,477,000
GLI Net OPEB liability – MCPS			
Nonprofessional	\$ 366,000	\$ 283,000	\$ 215,000
Teacher HIC Net OPEB liability	\$ 9,972,000	\$ 8,935,000	\$ 8,053,000
General Employee HIC Net OPEB liability – City	\$ 546,213	\$ 439,728	\$ 349,470
General Employee HIC Net OPEB liability – MCPS Nonprofessional	\$ 79,190	\$ 53,015	\$ 30,726
	1.00% Decrease (2.56%)	Current Discount Rate (3.56%)	1.00% Increase (4.56%)
Net LODA OPEB liability	\$ 2,689,000	\$ 2,371,000	\$ 2,106,000

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

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

	1.00% Decrease (6.75% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (7.75% decreasing to 5.00%)	1.00% Increase (8.75% decreasing to 6.00%)
Net LODA OPEB liability	\$ 2,012,000	\$ 2,371,000	\$ 2,816,000

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 17. Risk Management

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

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 18. Fund Balances

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

	General Fund	Other Governmental Funds
Nonspendable:		
Cemetery fund principal	\$ -	\$ 100,000
Prepays	4,371	-
Long term advances due from other funds	198,812	-
Total nonspendable	203,183	100,000
Restricted for:		
Police E-Summons program	143,636	-
Proffers for development	840,920	-
Bond proceeds and escrows not yet spent	-	7,837,968
Communication systems	-	647,226
Fire and rescue system	-	2,799,813
Road maintenance	-	266,263
Museum system	-	1,413,447
Cemetery maintenance	-	144,257
Total restricted	984,556	13,108,974
Committed to:		
Capital reserve	10,857,927	-
Community development	438,724	-
Employee benefits	1,699,000	-
Museum system	8,727	-
Debt service	-	3,155,030
Capital projects	-	17,488,450
Total committed	13,004,378	20,643,480
Assigned to:		
Authorized positions	600,000	-
Subsequent year appropriation	1,945,999	-
Capital projects	-	3,457,693
Fire and rescue system	-	38,570
Total assigned	2,545,999	3,496,263
Unassigned	17,211,952	-
Total fund balance	\$ 33,950,068	\$ 37,348,717

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 19. Restatement of Beginning Net Position

In the current year, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard replaces the requirements of GASB Statement No. 45 as it relates to governments that provide postemployment benefits other than pensions. The new Statement requires governments providing defined benefit postemployment benefits to recognize the long-term obligation for those benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of other postemployment benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the plans are determined, and assumptions and methods used to calculate the liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

Additionally, previously unrecorded capital asset transactions were identified during fiscal year 2018. In order to properly account for these changes, as of July 1, 2017 the City has increased nondepreciable capital assets in the stormwater fund, and decreased nondepreciable assets in the water and sewer funds.

The following is a summary of the restatements to net position:

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Manassas City Public Schools</i>
Net position July 1, 2017, as previously reported	\$ 197,184,124	\$ 152,022,891	\$ (2,010,846)
Recognition of other postemployment benefit related liabilities and related deferred outflows/inflows in accordance with GASB Statement No. 75	(8,424,575)	(1,560,313)	(14,631,312)
Capital asset errors in prior period	-	2,767,417	-
Net position July 1, 2017, as restated	<u>\$ 188,759,549</u>	<u>\$ 153,229,995</u>	<u>\$ (16,642,158)</u>

	<i>Electric Fund</i>	<i>Water Fund</i>	<i>Sewer Fund</i>
Net position July 1, 2017, as previously reported	\$ 34,729,183	\$ 38,432,566	\$ 20,733,268
Recognition of other postemployment benefit related liabilities and related deferred outflows/inflows in accordance with GASB Statement No. 75	(853,302)	(353,617)	(155,501)
Capital asset errors in prior period	-	(241,579)	(91,004)
Net position July 1, 2017, as restated	<u>\$ 33,875,881</u>	<u>\$ 37,837,370</u>	<u>\$ 20,486,763</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 19. Restatement of Beginning Net Position (Continued)

	<i><u>Airport Fund</u></i>	<i><u>Stormwater Fund</u></i>	<i><u>Other Nonmajor Enterprise Funds</u></i>
Net position July 1, 2017, as previously reported	\$ 39,756,534	\$ 17,670,848	\$ 700,492
Recognition of other postemployment benefit related liabilities and related deferred outflows/inflows in accordance with GASB Statement No. 75	(118,314)	(52,856)	(26,723)
Capitalization error in prior period	<u>-</u>	<u>3,100,000</u>	<u>-</u>
Net position July 1, 2017, as restated	<u>\$ 39,638,220</u>	<u>\$ 20,717,992</u>	<u>\$ 673,769</u>
	<i><u>Internal Service Funds</u></i>		
Net position July 1, 2017, as previously reported	\$ 6,293,099		
Recognition of other postemployment benefit related liabilities and related deferred outflows/inflows in accordance with GASB Statement No. 75	<u>(623,178)</u>		
Net position July 1, 2017, as restated	<u>\$ 5,669,921</u>		

Note 20. Major Customer

The City has one major sewer and water customer. This customer accounted for approximately 16% of total sewer fund revenues and approximately 22% of total water fund revenues.

Note 21. Landing at Cannon Branch Project

During 2017, the EDA finalized an agreement with the City and Buchanan Manassas, LLC regarding the sale of land. The City conveyed land to the EDA in November 2016 and subsequently the EDA sold this land for \$5,790,000. The EDA received \$2,894,202, net of expenses, from the sale which was then remitted to the City as a part of the agreement. The EDA also entered into a note receivable with Manassas Gateway LLC, a related company of Buchanan Manassas, LLC, for the remaining portion of the sale which amounted to \$2,895,000. The note bears interest at 4% with payment of principal and interest commencing in May 2017 for a period of eight quarterly installments. As of June 30, 2018, the balance of the note recorded with the EDA is \$1,085,625. The EDA has also recorded a corresponding payable to the City.

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, 2018, the City has a receivable from the EDA for the remaining \$1,085,625, and a corresponding amount as deferred inflows of resources as these amounts are considered unavailable revenues.

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 22. Subsequent Events

In July 2018, Aurora Flight Sciences announced plans for an expansion of its operations in Manassas. As part of this expansion, the City must match the \$500,000 grant provided by the Commonwealth's Development Opportunity Fund with an equivalent amount of infrastructure improvements.

In September 2018, Micron Technology Inc. announced plans for a \$3 billion expansion of its semiconductor manufacturing plant in Manassas. In conjunction with this expansion, the City has committed to providing certain future property tax abatements.

The City conveyed additional land to the EDA in September 2018, which was subsequently sold to Manassas Gateway, LLC for \$5,680,000. The EDA received \$3,565,204, net of expenses, from the sale which was then remitted to the City as part of the agreement. The payment included the early payoff of the previous note receivable balance plus interest, totaling \$726,002. The EDA also entered into a note receivable with Manassas Gateway LLC, for the remaining portion of the sale of \$2,840,000.

Note 23. New Accounting Standards

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

The GASB issued **Statement No. 83**, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

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

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

The GASB issued **Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in March 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for periods beginning after June 15, 2018.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 23. New Accounting Standards (Continued)

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

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

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

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

Management has not yet evaluated the effects, if any, of adopting these standards.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
 June 30, 2018

	Plan Year 2018	Plan Year 2017	Plan Year 2018	Plan Year 2017
	Primary Government		MCPS	
	Local Plan	VRS Health Insurance Credit General Employees	Local Plan	VRS Health Insurance Credit Nonprofessional Employees
Total OPEB Liability				
Service cost	\$ 383,873	\$ 21,716	\$ 93,415	\$ 5,061
Interest on total OPEB liability	323,594	66,592	63,823	15,904
Changes of assumptions	(347,338)	(27,092)	(134,493)	(3,347)
Benefit payments	(283,663)	(49,915)	(325,000)	(9,367)
Net change in total OPEB liability	76,466	11,301	(302,255)	8,251
Total OPEB liability - beginning	9,002,281	976,279	2,401,880	231,878
Total OPEB liability - ending	9,078,747	987,580	2,099,625	240,129
Plan Fiduciary Net Position				
Contributions - employer	-	47,773	-	9,073
Net investment income	-	56,707	-	19,367
Benefit payments	-	(49,915)	-	(9,367)
Administrative expenses	-	(915)	-	(314)
Other	-	2,882	-	982
Net change in plan fiduciary net position	-	56,532	-	19,741
Plan fiduciary net position - beginning	-	491,320	-	167,373
Plan fiduciary net position - ending	-	547,852	-	187,114
Net OPEB liability - ending	\$ 9,078,747	\$ 439,728	\$ 2,099,625	\$ 53,015
Plan fiduciary net position as a percentage of total OPEB liability	0%	55%	0%	78%
Covered payroll	\$ 29,645,000	\$ 28,065,796	\$ 62,362,862	\$ 3,453,646
Net OPEB liability as a percentage of covered payroll	31%	2%	3%	2%

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

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

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS - VRS HEALTH INSURANCE CREDIT
June 30, 2018

Entity Fiscal Year Ended June 30	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
VRS Health Insurance Credit City General Employees					
2018	\$ 49,319	\$ 49,319	\$ -	\$ 29,006,150	0.17%
VRS Health Insurance Credit MCPS Nonprofessional					
2018	\$ 8,794	\$ 8,794	\$ -	\$ 3,416,924	0.26%
Virginia Retirement System - Health Insurance Credit - Teachers					
2018	\$ 659,920	\$ 659,920	\$ -	\$ 53,638,846	1.23%

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

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

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY - VRS PLANS
June 30, 2018

Plan Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Group Life Insurance - General Employees					
2017	0.16%	\$ 2,391,000	\$ 29,308,367	8.16%	48.86%
Virginia Retirement System - Group Life Insurance - Teachers					
2017	0.30%	\$ 4,562,000	\$ 55,909,265	8.16%	48.86%
Virginia Retirement System - Group Life Insurance - MCPS Nonprofessional Employees					
2017	0.02%	\$ 283,000	\$ 3,471,158	8.15%	48.86%
Virginia Retirement System - Health Insurance Credit - Teachers					
2017	0.70%	\$ 8,935,000	\$ 55,584,464	16.07%	7.04%
Virginia Retirement System - Line of Duty Act					
2017	0.90%	\$ 2,371,000	\$ 9,553,194	24.82%	1.30%

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

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS - VRS PLANS
June 30, 2018

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Group Life Insurance - General Employees					
2018	\$ 157,766	\$ 157,766	\$ -	\$ 30,335,422	0.52%
Virginia Retirement System - Group Life Insurance - Teachers					
2018	\$ 279,718	\$ 279,718	\$ -	\$ 53,777,496	0.00%
Virginia Retirement System - Group Life Insurance - MCPS Nonprofessional Employees					
2018	\$ 17,736	\$ 17,736	\$ -	\$ 3,442,556	0.52%
Virginia Retirement System - Line of Duty Act					
2018	\$ 90,921	\$ 90,921	\$ -	\$ 9,773,145	0.93%

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

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

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2018

	Primary Government			
	Plan Year			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 3,282,771	\$ 3,290,768	\$ 3,146,516	\$ 3,172,984
Interest on total pension liability	9,240,455	8,867,229	8,777,037	8,352,384
Benefit payments, including refunds of employee contributions	(7,117,141)	(6,366,376)	(5,454,561)	(5,463,217)
Changes of assumptions	(906,327)	-	-	-
Difference between actual and expected experience	(3,055,659)	(84,432)	(4,724,636)	-
Net change in total pension liability	1,444,099	5,707,189	1,744,356	6,062,151
Total pension liability - beginning	<u>135,565,075</u>	<u>129,857,886</u>	<u>128,113,530</u>	<u>122,051,379</u>
Total pension liability - ending	<u><u>\$ 137,009,174</u></u>	<u><u>\$ 135,565,075</u></u>	<u><u>\$ 129,857,886</u></u>	<u><u>\$ 128,113,530</u></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, including refunds of employee contributions	(7,117,141)	(6,366,376)	(5,454,561)	(5,463,217)
Administrative expenses	(74,990)	(65,416)	(62,878)	(74,624)
Other changes	(11,350)	(858)	(1,239)	985
Net change in plan fiduciary net position	10,434,723	675,818	4,392,277	13,252,358
Plan fiduciary net position - beginning	<u>106,512,625</u>	<u>105,836,807</u>	<u>101,444,530</u>	<u>88,192,172</u>
Plan fiduciary net position - ending	<u><u>\$ 116,947,348</u></u>	<u><u>\$ 106,512,625</u></u>	<u><u>\$ 105,836,807</u></u>	<u><u>\$ 101,444,530</u></u>
Net pension liability - ending	<u><u>\$ 20,061,826</u></u>	<u><u>\$ 29,052,450</u></u>	<u><u>\$ 24,021,079</u></u>	<u><u>\$ 26,669,000</u></u>
Plan fiduciary net position as a percentage of total pension liability	<u>85%</u>	<u>79%</u>	<u>82%</u>	<u>79%</u>
Covered payroll	<u>\$ 29,415,449</u>	<u>\$ 28,400,292</u>	<u>\$ 27,994,452</u>	<u>\$ 28,181,695</u>
Net pension liability as a percentage of covered payroll	<u>68%</u>	<u>102%</u>	<u>86%</u>	<u>95%</u>

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

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

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2018

	MCPS - Nonprofessional Employees			
	Plan Year			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 348,188	\$ 433,172	\$ 444,147	\$ 448,462
Interest on total pension liability	1,169,530	1,130,232	1,046,485	986,400
Benefit payments, including refunds of employee contributions	(768,817)	(657,835)	(627,286)	(525,710)
Changes of assumptions	(29,443)	-	-	-
Difference between actual and expected experience	(915,888)	(288,681)	348,312	-
Net change in total pension liability	(196,430)	616,888	1,211,658	909,152
Total pension liability - beginning	17,091,977	16,475,089	15,263,431	14,354,279
Total pension liability - ending	\$ 16,895,547	\$ 17,091,977	\$ 16,475,089	\$ 15,263,431
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, including refunds of employee contributions	(768,817)	(657,835)	(627,286)	(525,710)
Administrative expenses	(10,701)	(9,371)	(9,037)	(10,484)
Other changes	(1,621)	(111)	244	(280)
Net change in plan fiduciary net position	1,466,289	74,639	564,864	2,020,165
Plan fiduciary net position - beginning	15,124,934	15,050,295	14,485,431	12,465,266
Plan fiduciary net position - ending	\$ 16,591,223	\$ 15,124,934	\$ 15,050,295	\$ 14,485,431
Net pension liability - ending	\$ 304,324	\$ 1,967,043	\$ 1,424,794	\$ 778,000
Plan fiduciary net position as a percentage of total pension liability	98%	88%	91%	95%
Covered payroll	\$ 3,453,646	\$ 3,782,730	\$ 4,211,076	\$ 4,279,686
Net pension liability as a percentage of covered payroll	9%	52%	34%	18%

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

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

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2018

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

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

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
June 30, 2018

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

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

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

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
VRS TEACHER RETIREMENT PLAN
June 30, 2018

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

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

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

CITY OF MANASSAS, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:
Largest 10 – Non-Hazardous Duty:

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

Largest 10 –Hazardous Duty/Public Safety Employees:

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

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

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

(Continued)

CITY OF MANASSAS, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

Note 2. Changes of Assumptions (Continued)

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

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

Teacher cost-sharing pool

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

THIS PAGE IS INTENTIONALLY LEFT BLANK.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

THIS PAGE IS INTENTIONALLY LEFT BLANK.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

General 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 purchase and/or construct capital facilities for general government functions.

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.

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.

Storm Water Management Capital Projects Fund - to account for and report federal and state revenues and bonds which are restricted and local funds which City Council has committed for expenditures to construct storm water facilities.

NVTA Capital Projects – to account for and report local revenue, bonds and funds received from the Northern Virginia Transportation Authority (NVTA) which are restricted for additional urban or secondary road construction or other capital improvements that reduce congestion, capital improvements in NVTA's most recent long range plan, or for public transportation purposes.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

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

PERMANENT FUND

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

**CITY OF MANASSAS, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018**

Exhibit 17

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Permanent Cemetery Maintenance Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$ 5,140,897	\$ 20,916,406	\$ 3,155,030	\$ -	\$ 29,212,333
Cash and investments - restricted	-	7,837,968	-	244,257	8,082,225
Receivables, net:					
Taxes	240,779	-	-	-	240,779
Due from component unit	-	1,085,625	-	-	1,085,625
Due from other governments	<u>408,378</u>	<u>448,022</u>	<u>-</u>	<u>-</u>	<u>856,400</u>
 Total assets	 <u>\$ 5,790,054</u>	 <u>\$ 30,288,021</u>	 <u>\$ 3,155,030</u>	 <u>\$ 244,257</u>	 <u>\$ 39,477,362</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 273,933	\$ 388,408	\$ -	\$ -	\$ 662,341
Retainage payable	-	29,877	-	-	29,877
Due to other funds	<u>198,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,812</u>
 Total liabilities	 <u>472,745</u>	 <u>418,285</u>	 <u>-</u>	 <u>-</u>	 <u>891,030</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>151,990</u>	<u>1,085,625</u>	<u>-</u>	<u>-</u>	<u>1,237,615</u>
FUND BALANCES					
Nonspendable	-	-	-	100,000	100,000
Restricted	5,126,749	7,837,968	-	144,257	13,108,974
Committed	-	17,488,450	3,155,030	-	20,643,480
Assigned	<u>38,570</u>	<u>3,457,693</u>	<u>-</u>	<u>-</u>	<u>3,496,263</u>
 Total fund balances	 <u>5,165,319</u>	 <u>28,784,111</u>	 <u>3,155,030</u>	 <u>244,257</u>	 <u>37,348,717</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 5,790,054</u>	 <u>\$ 30,288,021</u>	 <u>\$ 3,155,030</u>	 <u>\$ 244,257</u>	 <u>\$ 39,477,362</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

Exhibit 18

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Permanent Cemetery Maintenance Fund	Total Nonmajor Governmental Funds
REVENUES					
General property taxes	\$ 9,069,409	\$ -	\$ -	\$ -	\$ 9,069,409
Permits, fees and licenses	79,176	-	-	-	79,176
Revenues from use of money and property	28,921	82,459	-	1,766	113,146
Charges for services	725,684	-	-	13,500	739,184
Payment in lieu of debt service	-	-	7,357,675	-	7,357,675
Recovered costs	-	-	-	-	-
Miscellaneous	262,786	30,000	-	-	292,786
Contribution from component unit	-	1,447,500	-	-	1,447,500
Intergovernmental	4,121,480	2,129,298	-	-	6,250,778
Total revenues	<u>14,287,456</u>	<u>3,689,257</u>	<u>7,357,675</u>	<u>15,266</u>	<u>25,349,654</u>
EXPENDITURES					
Current:					
General government administration	28,960	282,870	-	-	311,830
Public safety	9,393,600	-	-	-	9,393,600
Public works	8,364	-	-	-	8,364
Health and welfare	5,821,617	-	-	-	5,821,617
Cultural, recreation, and community development	6,000	-	-	-	6,000
Capital outlay	1,091,955	5,696,790	-	-	6,788,745
Debt service:					
Principal	-	-	6,827,540	-	6,827,540
Interest and fiscal charges	-	-	3,245,467	-	3,245,467
Total expenditures	<u>16,350,496</u>	<u>5,979,660</u>	<u>10,073,007</u>	<u>-</u>	<u>32,403,163</u>
Excess (deficiency) of revenues over expenditures	<u>(2,063,040)</u>	<u>(2,290,403)</u>	<u>(2,715,332)</u>	<u>15,266</u>	<u>(7,053,509)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	2,004,815	4,658,830	5,195,430	-	11,859,075
Transfers out	(519,800)	(64,857)	-	(24,113)	(608,770)
Total other financing sources (uses)	<u>1,485,015</u>	<u>4,593,973</u>	<u>5,195,430</u>	<u>(24,113)</u>	<u>11,250,305</u>
Net change in fund balances	(578,025)	2,303,570	2,480,098	(8,847)	4,196,796
Fund balance - beginning	<u>5,743,344</u>	<u>26,480,541</u>	<u>674,932</u>	<u>253,104</u>	<u>33,151,921</u>
Fund balance - ending	<u>\$ 5,165,319</u>	<u>\$ 28,784,111</u>	<u>\$ 3,155,030</u>	<u>\$ 244,257</u>	<u>\$ 37,348,717</u>

**CITY OF MANASSAS, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2018**

Exhibit 19

	Social Services Fund	PEG Fund	Owens Brooke District Fund	Fire Rescue Fund	Merchant Museum Fund	Speiden Carper House Fund	Total
ASSETS							
Cash and investments	\$ -	\$ 648,858	\$ 266,526	\$ 2,812,066	\$ 1,034,158	\$ 379,289	\$ 5,140,897
Receivables, net							
Taxes	-	-	499	240,280	-	-	240,779
Due from other governments	<u>335,647</u>	<u>-</u>	<u>-</u>	<u>72,731</u>	<u>-</u>	<u>-</u>	<u>408,378</u>
Total assets	<u>\$ 335,647</u>	<u>\$ 648,858</u>	<u>\$ 267,025</u>	<u>\$ 3,125,077</u>	<u>\$ 1,034,158</u>	<u>\$ 379,289</u>	<u>\$ 5,790,054</u>
LIABILITIES							
Accounts payable and accrued expenses	136,835	\$ 1,632	\$ 263	\$ 135,203	\$ -	\$ -	\$ 273,933
Due to other funds	<u>198,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,812</u>
Total liabilities	<u>335,647</u>	<u>1,632</u>	<u>263</u>	<u>135,203</u>	<u>-</u>	<u>-</u>	<u>472,745</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	<u>-</u>	<u>-</u>	<u>499</u>	<u>151,491</u>	<u>-</u>	<u>-</u>	<u>151,990</u>
FUND BALANCES							
Restricted	-	647,226	266,263	2,799,813	1,034,158	379,289	5,126,749
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,570</u>	<u>-</u>	<u>-</u>	<u>38,570</u>
Total fund balances	<u>-</u>	<u>647,226</u>	<u>266,263</u>	<u>2,838,383</u>	<u>1,034,158</u>	<u>379,289</u>	<u>5,165,319</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 335,647</u>	<u>\$ 648,858</u>	<u>\$ 267,025</u>	<u>\$ 3,125,077</u>	<u>\$ 1,034,158</u>	<u>\$ 379,289</u>	<u>\$ 5,790,054</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2018

Exhibit 20

	Social Services Fund	PEG Fund	Owens Brooke District Fund	Fire Rescue Fund	Merchant Museum Fund	Speiden Carper House Fund	Total
REVENUES							
General property taxes	\$ -	\$ -	\$ 40,273	\$ 9,029,136	\$ -	\$ -	\$ 9,069,409
Permits, fees and licenses	-	-	-	79,176	-	-	79,176
Revenues from use of money and property	-	4,160	1,676	13,531	6,973	2,581	28,921
Charges for services	35,946	-	-	689,738	-	-	725,684
Miscellaneous	5,095	157,021	-	93,687	6,983	-	262,786
Intergovernmental	3,775,761	-	-	345,719	-	-	4,121,480
Total revenues	<u>3,816,802</u>	<u>161,181</u>	<u>41,949</u>	<u>10,250,987</u>	<u>13,956</u>	<u>2,581</u>	<u>14,287,456</u>
EXPENDITURES							
Current:							
General government administration	-	28,960	-	-	-	-	28,960
Public safety	-	-	-	9,393,600	-	-	9,393,600
Public works	-	-	8,364	-	-	-	8,364
Health and welfare	5,821,617	-	-	-	-	-	5,821,617
Cultural, recreation, and community development	-	-	-	-	-	6,000	6,000
Capital outlay	-	93,871	-	998,084	-	-	1,091,955
Total expenditures	<u>5,821,617</u>	<u>122,831</u>	<u>8,364</u>	<u>10,391,684</u>	<u>-</u>	<u>6,000</u>	<u>16,350,496</u>
Excess (deficiency) of revenues over expenditures	<u>(2,004,815)</u>	<u>38,350</u>	<u>33,585</u>	<u>(140,697)</u>	<u>13,956</u>	<u>(3,419)</u>	<u>(2,063,040)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	2,004,815	-	-	-	-	-	2,004,815
Transfers out	-	-	-	(519,800)	-	-	(519,800)
Total other financing sources (uses)	<u>2,004,815</u>	<u>-</u>	<u>-</u>	<u>(519,800)</u>	<u>-</u>	<u>-</u>	<u>1,485,015</u>
Net change in fund balances	-	38,350	33,585	(660,497)	13,956	(3,419)	(578,025)
Fund balance - beginning	<u>-</u>	<u>608,876</u>	<u>232,678</u>	<u>3,498,880</u>	<u>1,020,202</u>	<u>382,708</u>	<u>5,743,344</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 647,226</u>	<u>\$ 266,263</u>	<u>\$ 2,838,383</u>	<u>\$ 1,034,158</u>	<u>\$ 379,289</u>	<u>\$ 5,165,319</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK.

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2018

Social Services Fund				
	Original Budget	Final Budget	Actual	Variance w/ Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ -	\$ -	\$ -	\$ -
Revenues from use of money and property	-	-	-	-
Charges for services	36,000	36,000	35,946	(54)
Miscellaneous	-	-	5,095	5,095
Intergovernmental	3,583,720	3,583,720	3,775,761	192,041
Total revenues	3,619,720	3,619,720	3,816,802	197,082
EXPENDITURES				
Current:				
General government administration	-	-	-	-
Public works	-	-	-	-
Health and welfare	6,121,160	6,121,408	5,821,617	299,791
Capital outlay	-	-	-	-
Total expenditures	6,121,160	6,121,408	5,821,617	299,791
Excess (deficiency) of revenues over expenditures	(2,501,440)	(2,501,688)	(2,004,815)	496,873
OTHER FINANCING SOURCES (USES)				
Transfers in	2,501,440	2,501,440	2,004,815	(496,625)
Total other financing sources (uses)	2,501,440	2,501,440	2,004,815	(496,625)
Net change in fund balances	\$ -	\$ (248)	\$ -	\$ 248

Fire Rescue Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 9,022,000	\$ 9,022,000	\$ 9,029,136	\$ 7,136
Permits, fees and licenses	50,000	50,000	79,176	29,176
Revenues from use of money and property	-	-	13,531	13,531
Charges for services	640,000	640,000	689,738	49,738
Miscellaneous	10,000	10,000	93,687	83,687
Intergovernmental	387,000	471,833	345,719	(126,114)
Total revenues	10,109,000	10,193,833	10,250,987	57,154
EXPENDITURES				
Current:				
Public safety	9,589,000	9,777,387	9,393,600	383,787
Culture, recreation, and community development	-	-	-	-
Capital outlay	900,000	1,136,562	998,084	138,478
Total expenditures	10,489,000	10,913,949	10,391,684	522,265
Excess (deficiency) of revenues over expenditures	(380,000)	(720,116)	(140,697)	579,419
OTHER FINANCING SOURCES (USES)				
Transfers out	(520,000)	(520,000)	(519,800)	200
Total other financing sources (uses)	(520,000)	(520,000)	(519,800)	200
Net change in fund balances	\$ (900,000)	\$ (1,240,116)	\$ (660,497)	\$ 579,619

PEG Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	4,160	4,160
-	-	-	-
165,000	165,000	157,021	(7,979)
-	-	-	-
165,000	165,000	161,181	(3,819)
-	-	-	-
-	9,633	28,960	(19,327)
-	-	-	-
-	-	-	-
165,000	248,293	93,871	154,422
165,000	257,926	122,831	135,095
-	-	-	-
-	(92,926)	38,350	131,276
-	-	-	-
-	-	-	-
\$ -	\$ (92,926)	\$ 38,350	\$ 131,276

Owens Brooke District Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 40,200	\$ 40,200	\$ 40,273	\$ 73
-	-	1,676	1,676
-	-	-	-
-	-	-	-
-	-	-	-
40,200	40,200	41,949	1,749
-	-	-	-
-	-	-	-
40,200	40,200	8,364	31,836
-	-	-	-
-	-	-	-
40,200	40,200	8,364	31,836
-	-	-	-
-	-	33,585	33,585
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ 33,585	\$ 33,585

Speiden Carper House Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
500	500	2,581	2,081
-	-	-	-
-	-	-	-
-	-	-	-
500	500	2,581	2,081
-	-	-	-
-	-	-	-
6,000	6,000	6,000	-
-	-	-	-
6,000	6,000	6,000	-
-	-	-	-
(5,500)	(5,500)	(3,419)	2,081
-	-	-	-
-	-	-	-
\$ (5,500)	\$ (5,500)	\$ (3,419)	\$ 2,081

**CITY OF MANASSAS, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
June 30, 2018**

Exhibit 21

	General Capital Projects Fund	Gateway Capital Projects Fund	Transportation Capital Projects Fund	NVTA Capital Projects Fund	Total
ASSETS					
Cash and investments	\$ 3,476,030	\$ 4,850,031	\$ 265,552	\$ 12,324,793	\$ 20,916,406
Cash and investments - restricted	7,011,243	-	-	826,725	7,837,968
Due from component unit	-	1,085,625	-	-	1,085,625
Due from other governments	-	-	36,605	411,417	448,022
Total assets	<u>\$ 10,487,273</u>	<u>\$ 5,935,656</u>	<u>\$ 302,157</u>	<u>\$ 13,562,935</u>	<u>\$ 30,288,021</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 169,314	\$ 4,570	\$ 63,692	\$ 150,832	\$ 388,408
Retainage payable	12,967	-	-	16,910	29,877
Total liabilities	<u>182,281</u>	<u>4,570</u>	<u>63,692</u>	<u>167,742</u>	<u>418,285</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	1,085,625	-	-	1,085,625
Total deferred inflows of resources	<u>-</u>	<u>1,085,625</u>	<u>-</u>	<u>-</u>	<u>1,085,625</u>
FUND BALANCES					
Restricted:					
Bond proceeds not yet spent	7,011,243	-	-	826,725	7,837,968
Committed	617,415	4,774,565	184,994	11,911,476	17,488,450
Assigned	2,676,334	70,896	53,471	656,992	3,457,693
Total fund balances	<u>10,304,992</u>	<u>4,845,461</u>	<u>238,465</u>	<u>13,395,193</u>	<u>28,784,111</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,487,273</u>	<u>\$ 5,935,656</u>	<u>\$ 302,157</u>	<u>\$ 13,562,935</u>	<u>\$ 30,288,021</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2018

Exhibit 22

	General Capital Projects Fund	Gateway Capital Projects Fund	Transportation Capital Projects Fund	Stormwater Capital Projects Fund	NVTA Capital Projects Fund	Total
REVENUES						
Revenues from use of money and property	\$ -	\$ 81,726	\$ -	\$ -	\$ 733	\$ 82,459
Miscellaneous	30,000	-	-	-	-	30,000
Contribution from component unit	-	1,447,500	-	-	-	1,447,500
Intergovernmental	-	-	36,604	-	2,092,694	2,129,298
Total revenues	<u>30,000</u>	<u>1,529,226</u>	<u>36,604</u>	<u>-</u>	<u>2,093,427</u>	<u>3,689,257</u>
EXPENDITURES						
Current:						
General government administration	-	-	-	-	282,870	282,870
Capital outlay	<u>3,219,454</u>	<u>40,908</u>	<u>682,494</u>	<u>-</u>	<u>1,753,934</u>	<u>5,696,790</u>
Total expenditures	<u>3,219,454</u>	<u>40,908</u>	<u>682,494</u>	<u>-</u>	<u>2,036,804</u>	<u>5,979,660</u>
Excess (deficiency) of revenues over expenditures	<u>(3,189,454)</u>	<u>1,488,318</u>	<u>(645,890)</u>	<u>-</u>	<u>56,623</u>	<u>(2,290,403)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,820,983	-	300,000	-	2,537,847	4,658,830
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,857)</u>	<u>-</u>	<u>(64,857)</u>
Total other financing sources (uses)	<u>1,820,983</u>	<u>-</u>	<u>300,000</u>	<u>(64,857)</u>	<u>2,537,847</u>	<u>4,593,973</u>
Net change in fund balances	(1,368,471)	1,488,318	(345,890)	(64,857)	2,594,470	2,303,570
Fund balance - beginning	<u>11,673,463</u>	<u>3,357,143</u>	<u>584,355</u>	<u>64,857</u>	<u>10,800,723</u>	<u>26,480,541</u>
Fund balance - ending	<u>\$ 10,304,992</u>	<u>\$ 4,845,461</u>	<u>\$ 238,465</u>	<u>\$ -</u>	<u>\$ 13,395,193</u>	<u>\$ 28,784,111</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK.

NONMAJOR ENTERPRISE FUNDS

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

CITY OF MANASSAS, VIRGINIA
STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2018

Exhibit 23

	Solid Waste Fund
ASSETS	
Current assets:	
Cash and investments - unrestricted	\$ 1,287,866
Accounts receivable, net	<u>222,816</u>
Total current assets	<u>1,510,682</u>
Noncurrent assets:	
Capital assets:	
Depreciable, net	<u>32,499</u>
Total capital assets, net	<u>32,499</u>
Total assets	<u>1,543,181</u>
DEFERRED OUTFLOWS OF RESOURCES	
OPEB related deferred outflows	818
Pension related deferred outflows	<u>9,823</u>
Total deferred outflows of resources	<u>10,641</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	175,992
Compensated absences	<u>856</u>
Total current liabilities	<u>176,848</u>
Noncurrent liabilities:	
Compensated absences	4,848
Net OPEB liability	29,274
Net pension liability	<u>83,050</u>
Total noncurrent liabilities	<u>117,172</u>
Total liabilities	<u>294,020</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB related deferred inflows	2,105
Pension related deferred inflows	<u>22,521</u>
Total deferred inflows of resources	<u>24,626</u>
NET POSITION	
Net investment in capital assets	32,499
Unrestricted	<u>1,202,677</u>
Total net position	<u><u>\$ 1,235,176</u></u>

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2018

Exhibit 24

	Solid Waste Fund
<hr/>	
OPERATING REVENUES	
Charges for services	\$ 3,426,120
Total operating revenues	<u>3,426,120</u>
OPERATING EXPENSES	
Personal services	159,920
Contractual services	2,524,221
Supplies	6,158
Internal and other services	186,413
Depreciation and amortization	<u>3,195</u>
Total operating expenses	<u>2,879,907</u>
Operating income	<u>546,213</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental grants	7,893
Investment earnings	7,139
Other	<u>162</u>
Total nonoperating revenues (expenses)	<u>15,194</u>
Change in net position	561,407
Total net position - beginning (as restated)	<u>673,769</u>
Total net position - ending	<u><u>\$ 1,235,176</u></u>

**CITY OF MANASSAS, VIRGINIA
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2018**

Exhibit 25

	Solid Waste Fund
OPERATING ACTIVITIES	
Cash received from customers and users	\$ 3,425,552
Cash paid to suppliers	(2,529,239)
Cash paid to employees	(167,054)
Payments for interfund services used	(186,413)
Net cash provided by operating activities	<u>542,846</u>
NONCAPITAL FINANCING ACTIVITIES	
Non-operating grants received	<u>7,893</u>
Net cash provided by noncapital financing activities	<u>7,893</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Insurance recoveries	<u>162</u>
Net cash provided by capital and related financing activities	<u>162</u>
INVESTING ACTIVITIES	
Investment income	<u>7,139</u>
Net cash provided by investing activities	<u>7,139</u>
Net increase in cash and investments	558,040
Cash and investments - beginning of year	<u>729,826</u>
Cash and investments - end of year	<u><u>\$ 1,287,866</u></u>
CASH AND INVESTMENTS IS COMPRISED OF THE FOLLOWING:	
Cash and investments - unrestricted	\$ 1,287,866
Total	<u><u>\$ 1,287,866</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 546,213
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	3,195
Pension expense net of employer contributions	(6,863)
OPEB expense net of employer contributions	911
(Increase) decrease in:	
Accounts receivable	(568)
Increase (decrease) in:	
Accounts payable and accrued expenses	(284)
Compensated absences	<u>242</u>
Total adjustments	<u>(3,367)</u>
Net cash provided by operating activities	<u><u>\$ 542,846</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.

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2018

Exhibit 26

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 697,390	\$ 1,017,335	\$ 1,697,266	\$ 3,411,991
Prepaid expenses	<u>-</u>	<u>-</u>	<u>241,185</u>	<u>241,185</u>
Total current assets	<u>697,390</u>	<u>1,017,335</u>	<u>1,938,451</u>	<u>3,653,176</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	-	-	59,226	59,226
Depreciable, net	<u>138,834</u>	<u>3,129,581</u>	<u>1,921,753</u>	<u>5,190,168</u>
Total capital assets, net	<u>138,834</u>	<u>3,129,581</u>	<u>1,980,979</u>	<u>5,249,394</u>
Total assets	<u>836,224</u>	<u>4,146,916</u>	<u>3,919,430</u>	<u>8,902,570</u>
DEFERRED OUTFLOWS OF RESOURCES				
OPEB related deferred outflows	2,013	4,141	7,126	13,280
Pension related deferred outflows	<u>23,593</u>	<u>63,573</u>	<u>101,400</u>	<u>188,566</u>
Total deferred outflows of resources	<u>25,606</u>	<u>67,714</u>	<u>108,526</u>	<u>201,846</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	97,115	20,600	28,137	145,852
Compensated absences	5,948	13,685	21,080	40,713
Capital lease obligation	<u>-</u>	<u>49,463</u>	<u>-</u>	<u>49,463</u>
Total current liabilities	<u>103,063</u>	<u>83,748</u>	<u>49,217</u>	<u>236,028</u>
Noncurrent liabilities:				
Compensated absences	33,708	77,547	119,452	230,707
Net OPEB liability	96,524	194,168	326,343	617,035
Net pension liability	260,605	380,512	594,561	1,235,678
Capital lease obligations	<u>-</u>	<u>50,561</u>	<u>-</u>	<u>50,561</u>
Total noncurrent liabilities	<u>390,837</u>	<u>702,788</u>	<u>1,040,356</u>	<u>2,133,981</u>
Total liabilities	<u>493,900</u>	<u>786,536</u>	<u>1,089,573</u>	<u>2,370,009</u>
DEFERRED INFLOWS OF RESOURCES				
OPEB related deferred inflows	5,184	10,663	18,346	34,193
Pension related deferred inflows	<u>48,501</u>	<u>118,230</u>	<u>178,066</u>	<u>344,797</u>
Total deferred inflows of resources	<u>53,685</u>	<u>128,893</u>	<u>196,412</u>	<u>378,990</u>
NET POSITION				
Net investment in capital assets	138,834	3,029,557	1,980,979	5,149,370
Unrestricted	<u>175,411</u>	<u>269,644</u>	<u>760,992</u>	<u>1,206,047</u>
Total net position	<u>\$ 314,245</u>	<u>\$ 3,299,201</u>	<u>\$ 2,741,971</u>	<u>\$ 6,355,417</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2018

Exhibit 27

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
OPERATING REVENUES				
Charges for services	\$ 1,538,650	\$ 2,883,328	\$ 3,466,099	\$ 7,888,077
Total operating revenues	<u>1,538,650</u>	<u>2,883,328</u>	<u>3,466,099</u>	<u>7,888,077</u>
OPERATING EXPENSES				
Personal services	415,601	728,310	1,334,496	2,478,407
Contractual services	263,127	114,966	971,974	1,350,067
Supplies	65,412	892,200	356,001	1,313,613
Internal and other services	557,537	637,162	389,692	1,584,391
Depreciation and amortization	11,038	699,236	215,943	926,217
Total operating expenses	<u>1,312,715</u>	<u>3,071,874</u>	<u>3,268,106</u>	<u>7,652,695</u>
Operating income (loss)	<u>225,935</u>	<u>(188,546)</u>	<u>197,993</u>	<u>235,382</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	4,906	3,746	12,410	21,062
Gain on sale of capital assets	-	87,890	-	87,890
Other/insurance recoveries	-	14,308	2,969	17,277
Interest expense	-	(2,022)	-	(2,022)
Total nonoperating revenues (expenses)	<u>4,906</u>	<u>103,922</u>	<u>15,379</u>	<u>124,207</u>
Income (loss) before transfers	<u>230,841</u>	<u>(84,624)</u>	<u>213,372</u>	<u>359,589</u>
TRANSFERS IN	<u>-</u>	<u>325,907</u>	<u>-</u>	<u>325,907</u>
Change in net position	230,841	241,283	213,372	685,496
Total net position - beginning, as restated	<u>83,404</u>	<u>3,057,918</u>	<u>2,528,599</u>	<u>5,669,921</u>
Total net position - ending	<u>\$ 314,245</u>	<u>\$ 3,299,201</u>	<u>\$ 2,741,971</u>	<u>\$ 6,355,417</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2018

Exhibit 28

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
OPERATING ACTIVITIES				
Cash received from customers and users	\$ 1,538,650	\$ 2,883,328	\$ 3,466,099	\$ 7,888,077
Cash paid to suppliers	(384,396)	(1,000,293)	(1,413,972)	(2,798,661)
Cash paid to employees	(416,703)	(783,488)	(1,424,483)	(2,624,674)
Payments for interfund services used	(447,264)	(637,162)	(389,692)	(1,474,118)
Net cash provided by operating activities	<u>290,287</u>	<u>462,385</u>	<u>237,952</u>	<u>990,624</u>
NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	325,907	-	325,907
Net cash provided by noncapital financing activities	<u>-</u>	<u>325,907</u>	<u>-</u>	<u>325,907</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(110,272)	(735,604)	(653,936)	(1,499,812)
Proceeds from sale of capital assets	-	87,890	-	87,890
Principal paid on capital leases	-	(49,662)	-	(49,662)
Interest paid on capital leases	-	(2,022)	-	(2,022)
Insurance recoveries	-	14,308	2,969	17,277
Net cash used in capital and related financing activities	<u>(110,272)</u>	<u>(685,090)</u>	<u>(650,967)</u>	<u>(1,446,329)</u>
INVESTING ACTIVITIES				
Investment income	4,906	3,746	12,410	21,062
Net cash provided by investing activities	<u>4,906</u>	<u>3,746</u>	<u>12,410</u>	<u>21,062</u>
Net increase (decrease) in cash and investments	184,921	106,948	(400,605)	(108,736)
Cash and investments - beginning of year	<u>512,469</u>	<u>910,387</u>	<u>2,097,871</u>	<u>3,520,727</u>
Cash and investments - end of year	<u>\$ 697,390</u>	<u>\$ 1,017,335</u>	<u>\$ 1,697,266</u>	<u>\$ 3,411,991</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 225,935	\$ (188,546)	\$ 197,993	\$ 235,382
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	11,038	699,236	215,943	926,217
Pension expense net of employer contributions	(6,915)	(49,556)	(75,624)	(132,095)
OPEB expense net of employer contributions	2,238	4,607	7,925	14,770
(Increase) decrease in:				
Prepaid expenses	-	-	(35,799)	(35,799)
Increase (decrease) in:				
Accounts payable and accrued expenses	48,539	(6,083)	(73,830)	(31,374)
Compensated absences	9,452	2,727	1,344	13,523
Total adjustments	<u>64,352</u>	<u>650,931</u>	<u>39,959</u>	<u>755,242</u>
Net cash provided by operating activities	<u>\$ 290,287</u>	<u>\$ 462,385</u>	<u>\$ 237,952</u>	<u>\$ 990,624</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 contributed by the City which are restricted for the purchase and/or construction of major school facilities and other capital improvements.

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

FIDUCIARY FUNDS

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

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

CITY OF MANASSAS, VIRGINIA
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
GOVERNMENTAL FUNDS
June 30, 2018

Exhibit 29

	School Operating Fund	School Capital Projects Fund	School Food Service Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 13,560,900	\$ 2,394,204	\$ 2,414,137	\$ 18,369,241
Cash and investments - restricted	-	1,400,803	-	1,400,803
Accounts receivable	978,820	-	3,272	982,092
Due from other governments	<u>3,401,710</u>	<u>-</u>	<u>120,978</u>	<u>3,522,688</u>
 Total assets	 <u>17,941,430</u>	 <u>3,795,007</u>	 <u>2,538,387</u>	 <u>24,274,824</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued expenses	13,369,183	518,751	283,618	14,171,552
Retainage payable	<u>-</u>	<u>202,701</u>	<u>-</u>	<u>202,701</u>
 Total liabilities	 <u>13,369,183</u>	 <u>721,452</u>	 <u>283,618</u>	 <u>14,374,253</u>
FUND BALANCES				
Restricted for capital projects	-	679,351	-	679,351
Assigned	<u>4,572,247</u>	<u>2,394,204</u>	<u>2,254,769</u>	<u>9,221,220</u>
 Total fund balances	 <u>4,572,247</u>	 <u>3,073,555</u>	 <u>2,254,769</u>	 <u>9,900,571</u>
 Total liabilities and fund balances	 <u>\$ 17,941,430</u>	 <u>\$ 3,795,007</u>	 <u>\$ 2,538,387</u>	 <u>\$ 24,274,824</u>

CITY OF MANASSAS, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
June 30, 2018

Exhibit 30

Total fund balances for governmental funds (Exhibit 29)	\$ 9,900,571
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	79,469,142
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.	
Capital leases	(94,028)
Compensated absences	(2,082,776)
Financial statement elements related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Pension related deferred outflows	11,872,889
Pension related deferred inflows	(13,013,992)
OPEB related deferred outflows	1,034,174
OPEB related deferred inflows	(1,049,980)
Net pension liability	(86,361,324)
Net other postemployment benefit liability	(15,932,640)
	<hr/>
Net position of governmental activities	<u>\$ (16,257,964)</u>

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

Exhibit 31

	School Operating Fund	School Capital Projects Fund	School Food Service Fund	Total Governmental Funds
REVENUES				
Revenues from use of money and property	\$ 51,973	\$ 22,623	\$ -	\$ 74,596
Fines and forfeitures	97,161	-	-	97,161
Charges for services	456,823	-	804,214	1,261,037
Intergovernmental revenues:				
Local	53,077,145	3,400,000	-	56,477,145
Commonwealth	49,908,347	-	125,583	50,033,930
Federal	3,209,569	-	2,952,158	6,161,727
Total revenues	<u>106,801,018</u>	<u>3,422,623</u>	<u>3,881,955</u>	<u>114,105,596</u>
EXPENDITURES				
Current:				
Education	98,262,513	-	3,483,310	101,745,823
Capital outlay	-	7,051,466	-	7,051,466
Payment in lieu of debt service	7,357,675	-	-	7,357,675
Debt service:				
Principal retirement	121,227	-	-	121,227
Interest and other fiscal charges	6,164	-	-	6,164
Total expenditures	<u>105,747,579</u>	<u>7,051,466</u>	<u>3,483,310</u>	<u>116,282,355</u>
Excess (deficiency) of revenues over expenditures	<u>1,053,439</u>	<u>(3,628,843)</u>	<u>398,645</u>	<u>(2,176,759)</u>
Net change in fund balances	1,053,439	(3,628,843)	398,645	(2,176,759)
Fund balances - beginning	<u>3,518,808</u>	<u>6,702,398</u>	<u>1,856,124</u>	<u>12,077,330</u>
Fund balances - ending	<u>\$ 4,572,247</u>	<u>\$ 3,073,555</u>	<u>\$ 2,254,769</u>	<u>\$ 9,900,571</u>

CITY OF MANASSAS, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
For the Year Ended June 30, 2018

Exhibit 32

Net change in fund balances - total governmental funds (Exhibit 31)	\$	(2,176,759)
---	----	-------------

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

Governmental funds reported capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$7,318,990) exceeded depreciation (\$7,263,901) in the current period.		55,089
--	--	--------

In the statement of activities, only the <i>gain or loss</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the <i>cost</i> of the property sold.		(7,951)
---	--	---------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Capital lease payments		121,227

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		26,259

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
---	--	--

OPEB expense net of employer contributions		156,866
Pension expense net of employer contributions		2,209,463

Change in net position of governmental activities	\$	384,194
---	----	---------

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
For the Year Ended June 30, 2018

Exhibit 33

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 51,973	\$ 51,973
Fines and forfeitures	-	-	97,161	97,161
Charges for services	515,213	515,213	456,823	(58,390)
Intergovernmental:				
Local	52,717,210	52,717,210	53,077,145	359,935
Commonwealth	51,570,715	51,570,715	49,908,347	(1,662,368)
Federal	3,638,626	3,638,626	3,209,569	(429,057)
Total revenues	108,441,764	108,441,764	106,801,018	(1,640,746)
EXPENDITURES				
Current:				
Instruction	75,648,771	75,754,104	73,165,316	2,588,788
Administration, attendance, and health	5,905,460	6,040,103	5,613,872	426,231
Pupil transportation	3,859,126	3,906,126	3,905,056	1,070
Operation and maintenance	8,486,414	8,553,096	7,977,513	575,583
Technology	6,796,044	7,469,459	7,178,029	291,430
Facilities	390,988	422,988	422,727	261
Capital lease payment	131,932	131,932	127,391	4,541
Payment in lieu of debt service	7,357,675	7,357,675	7,357,675	-
Contingency	440,999	195,675	-	195,675
Total expenditures	109,017,409	109,831,158	105,747,579	4,083,579
Excess (deficiency) of revenues over expenditures	(575,645)	(1,389,394)	1,053,439	2,442,833
Net change in fund balances	<u>\$ (575,645)</u>	<u>\$ (1,389,394)</u>	1,053,439	<u>\$ 2,442,833</u>
Fund Balance, Beginning			3,518,808	
Fund Balance, Ending			\$ 4,572,247	

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
For the Year Ended June 30, 2018

Exhibit 34

	School Food Service Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 945,950	\$ 945,950	\$ 804,214	\$ (141,736)
Intergovernmental:				
Commonwealth	111,262	111,262	125,583	14,321
Federal	<u>2,908,488</u>	<u>2,908,488</u>	<u>2,952,158</u>	<u>43,670</u>
Total revenues	<u>3,965,700</u>	<u>3,965,700</u>	<u>3,881,955</u>	<u>(83,745)</u>
EXPENDITURES				
Current:				
Food services	<u>4,160,663</u>	<u>4,463,741</u>	<u>3,483,310</u>	<u>980,431</u>
Total expenditures	<u>4,160,663</u>	<u>4,463,741</u>	<u>3,483,310</u>	<u>980,431</u>
Excess (deficiency) of revenues over expenditures	<u>(194,963)</u>	<u>(498,041)</u>	<u>398,645</u>	<u>896,686</u>
Net change in fund balances	<u>\$ (194,963)</u>	<u>\$ (498,041)</u>	<u>398,645</u>	<u>\$ 896,686</u>
Fund Balance, Beginning			<u>1,856,124</u>	
Fund Balance, Ending			<u>\$ 2,254,769</u>	

CITY OF MANASSAS, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
SCHOOL ACTIVITY FUNDS
June 30, 2018

Exhibit 35

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
ASSETS				
Cash:				
Osbourn High School	\$ 312,440	\$ 570,947	\$ 580,661	\$ 302,726
Grace E. Metz Middle School	55,301	88,033	85,643	57,691
Mayfield Intermediate School	37,065	63,997	73,109	27,953
Baldwin Intermediate School	-	10,178	7,722	2,456
Baldwin Elementary School	13,933	68,136	49,745	32,324
Jennie Dean Elementary School	43,874	57,484	64,039	37,319
R.C. Haydon Elementary School	23,403	40,704	48,509	15,598
George C. Round Elementary School	42,573	33,686	34,537	41,722
Weems Elementary School	21,840	45,603	38,598	28,845
	<u>\$ 550,429</u>	<u>\$ 978,768</u>	<u>\$ 982,563</u>	<u>\$ 546,634</u>
Total assets	<u>\$ 550,429</u>	<u>\$ 978,768</u>	<u>\$ 982,563</u>	<u>\$ 546,634</u>
LIABILITIES				
Amounts held for student activity funds	<u>\$ 550,429</u>	<u>\$ 978,768</u>	<u>\$ 982,563</u>	<u>\$ 546,634</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2018

Exhibit 36

	Nancy Lyons Scholarship Fund	E. Shreve Brent Scholarship Fund	Total
ASSETS			
Cash and investments	\$ 72,549	\$ 1,120,847	\$ 1,193,396
NET POSITION			
Held in trust	\$ 72,549	\$ 1,120,847	\$ 1,193,396

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended June 30, 2018

Exhibit 37

	Nancy Lyons Scholarship Fund	E. Shreve Brent Scholarship Fund	Total
ADDITIONS			
Investment earnings	\$ 5,332	\$ 75,009	\$ 80,341
Total additions	<u>5,332</u>	<u>75,009</u>	<u>80,341</u>
DEDUCTIONS			
Scholarships distributions	<u>8,000</u>	<u>10,000</u>	<u>18,000</u>
Total deductions	<u>8,000</u>	<u>10,000</u>	<u>18,000</u>
Change in net position	(2,668)	65,009	62,341
Net position - beginning	<u>75,217</u>	<u>1,055,838</u>	<u>1,131,055</u>
Net position - ending	<u><u>\$ 72,549</u></u>	<u><u>\$ 1,120,847</u></u>	<u><u>\$ 1,193,396</u></u>

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

ENTERPRISE FUND

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

**CITY OF MANASSAS, VIRGINIA
STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2018**

Exhibit 38

ASSETS

Current assets:

Cash and investments	\$ 531,905
Note receivable - current portion	<u>1,085,625</u>
Total current assets	<u>1,617,530</u>
Total assets	<u>1,617,530</u>

LIABILITIES

Current liabilities:

Due to primary government, current portion	<u>1,085,625</u>
Total current liabilities	<u>1,085,625</u>
Total liabilities	<u>1,085,625</u>

NET POSITION

Unrestricted	<u>531,905</u>
Total net position	<u>\$ 531,905</u>

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2018

Exhibit 39

OPERATING REVENUES

Charges for services	\$ 6,624
Total operating revenues	<u>6,624</u>

OPERATING EXPENSES

Contractual services	12,724
Grants	54,531
Internal and other services	<u>6,414</u>
Total operating expenses	<u>73,669</u>

Operating income (loss)	<u>(67,045)</u>
-------------------------	-----------------

NONOPERATING REVENUES (EXPENSES)

Investment earnings	2,180
Other	<u>5,056</u>
Total nonoperating revenues (expenses)	<u>7,236</u>

Change in net position	(59,809)
------------------------	----------

Total net position - beginning	<u>591,714</u>
--------------------------------	----------------

Total net position - ending	<u><u>\$ 531,905</u></u>
-----------------------------	--------------------------

**CITY OF MANASSAS, VIRGINIA
STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2018**

Exhibit 40

OPERATING ACTIVITIES

Cash received from customers and users	\$ 6,624
Cash paid to suppliers	(14,563)
Cash paid to grantees	(54,531)
Payments for interfund services used	<u>(6,414)</u>
Net cash used in operating activities	<u>(68,884)</u>

NONCAPITAL FINANCING ACTIVITIES

Contribution to primary government	(1,447,500)
Other non-operating receipts	<u>5,056</u>
Net cash used in noncapital financing activities	<u>(1,442,444)</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Payment received on notes receivable	<u>1,454,272</u>
Net cash provided by capital and related financing activities	<u>1,454,272</u>

INVESTING ACTIVITIES

Interest earnings	<u>2,180</u>
Net cash provided by investing activities	<u>2,180</u>
Net decrease in cash and investments	(54,876)

Cash and investments - beginning of year	<u>586,781</u>
--	----------------

Cash and investments - end of year	<u><u>\$ 531,905</u></u>
------------------------------------	--------------------------

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

Operating loss	\$ (67,045)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase (decrease) in:	
Accounts payable and accrued expenses	(1,839)
Net cash used in operating activities	<u><u>\$ (68,884)</u></u>

SUPPLEMENTAL DATA

THIS PAGE IS INTENTIONALLY LEFT BLANK.

STATISTICAL SECTION

This part of the City of Manassas's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Pages
<i>Financial Trends – Tables 1 – 5</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	143-152
<i>Revenue Capacity – Tables 6 – 10</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	153-158
<i>Debt Capacity – Tables 11 – 13</i> These schedules contain trend information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	159-162
<i>Demographic and Economic Information – Tables 14 – 15</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place	163-164
<i>Operating Information – Tables 16 – 18</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs.....	165-167

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF MANASSAS, VIRGINIA

Table 1

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities					
Net investment in capital assets	\$ 188,286,143	\$ 187,167,835	\$ 187,046,616	\$ 190,610,490	\$ 192,612,544
Restricted	2,837,832	1,905,999	4,863,154	681,134	100,000
Unrestricted	(19,205,279)	(16,284,557)	(13,758,457)	(5,238,442)	(2,884,806)
Total governmental activities net position	<u>\$ 171,918,696</u>	<u>\$ 172,789,277</u>	<u>\$ 178,151,313</u>	<u>\$ 186,053,182</u>	<u>\$ 189,827,738</u>
Business-type activities					
Invested in capital assets,					
Net investment in capital assets	\$ 70,188,507	\$ 76,572,357	\$ 74,485,176	\$ 82,091,882	\$ 88,046,880
Restricted	354,727	54,724	3,060,310	-	-
Unrestricted	28,630,117	34,206,399	45,688,265	51,375,758	51,403,397
Total business-type activities net position	<u>\$ 99,173,351</u>	<u>\$ 110,833,480</u>	<u>\$ 123,233,751</u>	<u>\$ 133,467,640</u>	<u>\$ 139,450,277</u>
Total primary government					
Net investment in capital assets	\$ 258,474,650	\$ 263,740,192	\$ 261,531,792	\$ 272,702,372	\$ 280,659,424
Restricted	3,192,559	1,960,723	7,923,464	681,134	100,000
Unrestricted	9,424,838	17,921,842	31,929,808	46,137,316	48,518,591
Total primary government net position	<u>\$ 271,092,047</u>	<u>\$ 283,622,757</u>	<u>\$ 301,385,064</u>	<u>\$ 319,520,822</u>	<u>\$ 329,278,015</u>
Component unit - Manassas City Public Schools					
Net investment in capital assets	\$ 57,277,879	\$ 53,900,305	\$ 51,214,420	\$ 49,095,596	\$ 46,206,590
Restricted	-	-	-	-	-
Unrestricted	3,007,722	3,785,225	4,788,337	4,598,515	4,343,729
Total component unit net position	<u>\$ 60,285,601</u>	<u>\$ 57,685,530</u>	<u>\$ 56,002,757</u>	<u>\$ 53,694,111</u>	<u>\$ 50,550,319</u>
Component unit - Manassas Economic Development Authority					
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total component unit net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total reporting unit					
Net investment in capital assets	\$ 270,383,099	\$ 274,972,222	\$ 273,768,712	\$ 286,415,968	\$ 294,871,514
Restricted	3,192,559	1,960,723	8,023,464	681,134	100,000
Unrestricted	57,801,890	64,375,342	75,595,645	86,117,831	84,856,820
Total reporting unit net position	<u>\$ 331,377,648</u>	<u>\$ 341,308,287</u>	<u>\$ 357,387,821</u>	<u>\$ 373,214,933</u>	<u>\$ 379,828,334</u>

Source: City of Manassas Comprehensive Annual Financial Report

Notes: (1) GASB Statement No. 75 was adopted in fiscal year 2018.

Fiscal years 2009 through 2015 are presented as restated.

The sum of Net investment in capital assets of the primary government and the component unit does not equal Net investment in capital assets of the total reporting unit, because the debt related to the component unit is reflected in the primary government's general governmental activities reducing Unrestricted net position. The assets are reflected in the component unit as Net investment in capital assets. The total reporting unit matches the assets with the debt and reports the net amount of the Net investment in capital assets. The total adjustment was \$56,745,152 in FY 2018, \$56,896,406 in FY 2017, \$49,788,683 in FY 2016, \$32,206,777 in FY 2015, \$31,994,500 in FY 2014, \$31,994,500 in FY 2013, \$35,382,000 in FY 2012, \$38,977,500 in FY 2011, \$42,668,275 in FY 2010, and \$45,369,430 in FY 2009.

CITY OF MANASSAS, VIRGINIA

Table 1

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year				
2014	2015	2016	2017	2018 (1)
\$ 239,215,472	\$ 237,659,136	\$ 238,106,151	\$ 224,620,939	\$ 225,362,179
100,000	961,775	321,190	253,104	244,257
(2,607,237)	(59,515,691)	(44,183,664)	(27,689,919)	(21,326,052)
<u>\$ 236,708,235</u>	<u>\$ 179,105,220</u>	<u>\$ 194,243,677</u>	<u>\$ 197,184,124</u>	<u>\$ 204,280,384</u>
\$ 86,301,566	\$ 91,017,431	\$ 90,521,955	\$ 100,501,797	\$ 105,057,529
-	1,116,832	1,170,439	2,138,217	2,017,150
44,362,216	41,786,999	42,640,924	49,382,877	56,076,216
<u>\$ 130,663,782</u>	<u>\$ 133,921,262</u>	<u>\$ 134,333,318</u>	<u>\$ 152,022,891</u>	<u>\$ 163,150,895</u>
\$ 325,517,038	\$ 328,676,567	\$ 328,628,106	\$ 325,122,736	\$ 330,419,708
100,000	2,078,607	1,491,629	2,391,321	2,261,407
41,754,979	(17,728,692)	(1,542,740)	21,692,958	34,750,164
<u>\$ 367,372,017</u>	<u>\$ 313,026,482</u>	<u>\$ 328,576,995</u>	<u>\$ 349,207,015</u>	<u>\$ 367,431,279</u>
\$ 46,519,834	\$ 50,714,094	\$ 74,381,016	\$ 79,206,749	\$ 78,653,662
3,535,677	35,840,374	11,233,318	4,985,005	1,400,803
5,504,087	(84,983,251)	(85,381,758)	(86,202,600)	(96,312,429)
<u>\$ 55,559,598</u>	<u>\$ 1,571,217</u>	<u>\$ 232,576</u>	<u>\$ (2,010,846)</u>	<u>\$ (16,257,964)</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	591,714	531,905
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 591,714</u>	<u>\$ 531,905</u>
\$ 340,042,372	\$ 347,183,884	\$ 353,220,439	\$ 347,433,079	\$ 352,328,218
3,635,677	37,918,981	12,724,947	7,376,326	3,662,210
79,253,566	(70,505,166)	(37,135,815)	(7,021,522)	(4,285,208)
<u>\$ 422,931,615</u>	<u>\$ 314,597,699</u>	<u>\$ 328,809,571</u>	<u>\$ 347,787,883</u>	<u>\$ 351,705,220</u>

CITY OF MANASSAS, VIRGINIA

Table 2, Page 1 of 4

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Expenses					
Governmental activities:					
General government	\$ 8,600,672	\$ 8,473,478	\$ 8,411,567	\$ 8,339,202	\$ 8,864,313
Public safety	24,236,806	24,539,618	24,460,979	25,608,165	28,575,011
Public works	9,796,492	9,405,335	8,435,069	8,496,181	8,905,254
Health and welfare	8,435,426	7,973,696	7,490,361	7,046,876	7,046,417
Culture, recreation, development	6,499,227	6,138,833	6,731,424	5,966,162	5,806,374
Education	48,924,698	47,592,844	47,123,718	48,125,649	48,014,667
Interest on long term debt	2,785,179	2,605,659	2,758,789	2,421,533	2,170,239
Bond issuance costs	-	-	-	-	-
Total governmental activities	109,278,500	106,729,463	105,411,907	106,003,768	109,382,275
Business-type activities:					
Electric	61,712,947	51,914,838	59,998,016	65,718,110	61,360,909
Water	7,397,777	6,989,962	6,849,916	7,330,693	8,276,499
Sewer	12,009,823	12,138,037	11,976,128	12,091,241	12,392,026
Airport	3,390,014	3,392,717	3,369,665	3,505,497	3,563,277
Solid Waste	2,815,686	2,868,737	2,957,779	3,058,172	3,117,943
City Square Pavilion	298,683	317,848	370,416	345,831	316,921
Candy Factory	198,440	191,763	199,396	212,488	198,263
Parking Garage	-	-	-	38,409	43,863
Stormwater	-	-	-	-	-
Telecommunications	675,703	521,024	-	-	-
Total business-type activities	88,489,073	78,334,926	85,721,316	92,300,441	89,269,701
Total primary government	\$ 197,777,573	\$ 185,064,389	\$ 191,133,223	\$ 198,304,209	\$ 198,651,976
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 124,380	\$ 463,437	\$ 769,067	\$ 1,458,699	\$ 793,268
Public safety	1,776,805	1,909,779	1,755,053	1,853,608	1,912,366
Public works	1,294,376	643,891	865,261	1,319,174	1,453,769
Health and welfare	65,900	33,348	38,807	41,545	36,150
Culture, recreation, development	392,047	406,412	405,456	403,140	436,111
Operating grants/contributions	9,192,809	8,804,363	11,968,013	11,780,598	7,851,624
Capital grants/contributions	-	-	-	-	211,730
Total governmental activities	12,846,317	12,261,230	15,801,657	16,856,764	12,695,018
Business-type activities:					
Charges for services:					
Electric	63,332,951	54,968,258	63,213,305	65,345,470	61,766,073
Water	9,232,312	10,301,071	10,760,754	11,839,939	10,721,365
Sewer	11,905,882	12,091,738	14,260,452	14,508,871	14,588,115
Airport	1,929,298	2,080,115	2,134,108	2,292,410	2,330,193
Solid Waste	2,772,014	2,896,323	2,916,356	3,002,388	3,125,895
City Square Pavilion	13,354	13,526	16,787	22,920	19,764
Candy Factory	30,609	27,984	30,397	27,464	29,484
Parking Garage	-	-	-	2,331	23,064
Stormwater	-	-	-	-	-
Telecommunications	386,666	325,228	-	-	-
Operating grants/contributions	111,479	1,652,441	289,574	151,253	90,738
Capital grants/contributions	1,277,198	6,612,727	6,019,525	7,008,212	4,764,229
Total business-type activities	90,991,763	90,969,411	99,641,258	104,201,258	97,458,920
Total primary government	\$ 103,838,080	\$ 103,230,641	\$ 115,442,915	\$ 121,058,022	\$ 110,153,938

CITY OF MANASSAS, VIRGINIA

Table 2, Page 2 of 4

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year				
2014	2015	2016	2017	2018
\$ 8,889,060	\$ 9,713,211	\$ 9,416,657	\$ 9,317,421	\$ 9,113,451
28,751,948	29,046,682	29,590,090	29,347,211	30,135,534
10,001,107	10,021,004	10,271,259	11,242,030	12,362,448
7,873,882	8,226,526	7,803,369	8,094,092	8,416,497
5,366,949	5,922,737	6,674,897	7,909,986	7,507,275
57,448,414	90297919	53,559,758	57,870,687	56,477,145
2,144,525	2,652,212	2,895,236	2,899,640	2,801,905
-	456,903	-	393,281	-
120,475,885	156,337,194	120,211,266	127,074,348	126,814,255
66,181,787	49,418,170	39,930,487	37,573,386	37,636,140
7,745,000	6,530,807	7,963,709	7,870,578	8,031,152
12,618,910	12,833,037	13,041,741	15,974,768	12,653,486
3,548,396	4,172,683	4,014,417	4,277,596	3,990,689
3,191,138	3,400,730	3,346,175	2,769,954	2,879,907
328,600	302,350	-	-	-
198,763	198,763	-	-	-
40,189	42,383	-	-	-
-	348,923	616,603	1,178,358	1,766,011
-	-	-	-	-
93,852,783	77,247,846	68,913,132	69,644,640	66,957,385
\$ 214,328,668	\$ 233,585,040	\$ 189,124,398	\$ 196,718,988	\$ 193,771,640
\$ 965,601	\$ 794,125	\$ 793,509	\$ 211,599	\$ 229,448
1,835,901	2,038,460	1,850,687	1,682,680	1,915,546
965,091	632,645	502,017	427,517	1,374,423
37,549	35,950	35,946	35,946	35,946
602,636	621,092	312,517	1,313,428	1,050,364
7,568,603	7,659,004	7,619,603	8,003,903	8,797,776
46,562,063	2,338,510	3,516,026	2,636,725	2,159,714
58,537,444	14,119,786	14,630,305	14,311,798	15,563,217
63,967,176	49,504,961	41,435,005	40,796,452	43,482,903
9,680,679	9,145,951	9,763,189	10,139,090	10,692,383
14,174,279	14,000,269	13,849,101	15,161,560	16,046,193
2,388,024	2,411,487	2,343,785	2,779,185	2,842,173
3,164,902	3,297,110	3,399,806	3,409,022	3,426,120
23,816	26,482	-	-	-
27,984	27,984	-	-	-
30,136	28,292	-	-	-
-	582,275	1,170,288	1,177,660	1,299,839
-	-	-	-	-
121,607	61,649	126,842	65,507	88,789
2,254,331	6,730,158	2,591,237	3,591,414	2,774,579
95,832,934	85,816,618	74,679,253	77,119,890	80,652,979
\$ 154,370,378	\$ 99,936,404	\$ 89,309,558	\$ 91,431,688	\$ 96,216,196

CITY OF MANASSAS, VIRGINIA

Table 2, Page 3 of 4

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2009	2010	2011	2012	2013
Net revenue (expenses)					
Governmental activities	\$ (96,432,183)	\$ (94,468,233)	\$ (89,610,250)	\$ (89,147,004)	\$ (96,687,257)
Business-type activities	2,492,690	12,634,485	13,919,942	11,900,817	8,189,219
Total primary government	<u>\$ (93,939,493)</u>	<u>\$ (81,833,748)</u>	<u>\$ (75,690,308)</u>	<u>\$ (77,246,187)</u>	<u>\$ (88,498,038)</u>
General revenues and other					
Governmental activities:					
Taxes	\$ 85,999,880	\$ 77,135,239	\$ 77,640,223	\$ 79,587,120	\$ 82,026,887
Unrestricted grants	3,933,837	8,117,505	8,204,284	7,926,918	8,052,773
Other	2,991,923	3,252,349	2,594,066	2,362,609	3,080,490
Payment from MCPS	5,774,890	5,637,807	5,410,273	5,263,956	4,913,003
Special item	-	-	-	-	-
Transfers	1,397,379	1,195,914	1,123,440	1,908,270	2,388,660
Total governmental activities	<u>100,098,009</u>	<u>95,338,814</u>	<u>94,972,286</u>	<u>97,048,873</u>	<u>100,461,813</u>
Business-type activities:					
Unrestricted investment earnings	481,835	115,836	90,745	60,707	73,908
Other	(23,596)	105,722	(486,976)	180,635	108,169
Transfers	(1,397,379)	(1,195,914)	(1,123,440)	(1,908,270)	(2,388,660)
Total business-type activities	<u>(939,140)</u>	<u>(974,356)</u>	<u>(1,519,671)</u>	<u>(1,666,928)</u>	<u>(2,206,583)</u>
Total primary government	<u>\$ 99,158,869</u>	<u>\$ 94,364,458</u>	<u>\$ 93,452,615</u>	<u>\$ 95,381,945</u>	<u>\$ 98,255,230</u>
Changes in Net Position					
Governmental activities	\$ 3,665,826	\$ 870,581	\$ 5,362,036	\$ 7,901,869	\$ 3,774,556
Business-type activities	1,553,550	11,660,129	12,400,271	10,233,889	5,982,636
Total primary government	<u>\$ 5,219,376</u>	<u>\$ 12,530,710</u>	<u>\$ 17,762,307</u>	<u>\$ 18,135,758</u>	<u>\$ 9,757,192</u>

Source: City of Manassas Comprehensive Annual Financial Report

Note: Fiscal years 2009 through 2014 are presented as restated.

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

Prior to 2015, Bond issuance costs were combined with Interest on long term debt.

Stormwater utility enterprise fund commenced January 1, 2015.

CITY OF MANASSAS, VIRGINIA

Table 2, Page 4 of 4

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year				
2014	2015	2016	2017	2018
\$ (61,938,441)	\$ (142,217,408)	\$ (105,580,961)	\$ (112,762,550)	\$ (111,251,038)
1,980,151	8,568,772	5,766,121	7,475,250	13,695,594
\$ (59,958,290)	\$ (133,648,636)	\$ (99,814,840)	\$ (105,287,300)	\$ (97,555,444)
\$ 86,865,855	\$ 91,654,559	\$ 96,104,367	\$ 100,087,789	\$ 102,129,438
8,159,679	8,090,939	8,104,957	8,032,305	7,980,187
2,911,774	2,737,775	3,699,314	3,623,874	4,953,013
4,792,911	5,000,876	7,341,400	7,255,184	7,357,675
-	-	-	5,789,202	-
4,679,697	493,575	5,469,380	(9,884,832)	4,351,560
107,409,916	107,977,724	120,719,418	114,903,522	126,771,873
60,294	51,716	96,549	237,030	500,672
194,033	1,955,666	18,766	92,461	76,194
(4,679,697)	(493,575)	(5,469,380)	9,884,832	(4,351,560)
(4,425,370)	1,513,807	(5,354,065)	10,214,323	(3,774,694)
\$ 102,984,546	\$ 109,491,531	\$ 115,365,353	\$ 125,117,845	\$ 122,997,179
\$ 45,471,475	\$ (34,239,684)	\$ 15,138,457	\$ 2,140,972	\$ 15,520,835
(2,445,219)	10,082,579	412,056	17,689,573	9,920,900
\$ 43,026,256	\$ (24,157,105)	\$ 15,550,513	\$ 19,830,545	\$ 25,441,735

CITY OF MANASSAS, VIRGINIA

Table 3

Program Revenues by Function/Program
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Primary Government:					
Governmental activities:					
General government	\$ 465,871	\$ 778,728	\$ 1,025,292	\$ 1,718,270	\$ 1,078,275
Public safety	3,369,305	2,876,241	3,027,236	6,681,747	3,450,067
Public works	5,052,596	4,771,216	7,521,426	4,717,284	5,046,339
Health and welfare	3,566,498	3,428,633	3,317,247	3,320,815	2,671,226
Culture, recreation, development	392,047	406,412	910,456	418,648	449,111
Total governmental activities	12,846,317	12,261,230	15,801,657	16,856,764	12,695,018
Business-type activities:					
Electric	63,332,951	54,974,184	64,622,214	65,993,354	61,801,837
Water	9,251,337	10,301,972	13,859,866	16,065,286	10,755,883
Sewer	11,905,882	12,091,738	14,260,452	14,572,682	14,588,115
Airport	2,736,432	9,073,997	3,439,671	4,240,026	7,030,452
Solid waste	2,780,120	2,902,852	2,922,060	3,008,923	3,135,325
Stormwater	-	-	-	-	-
Other business-type activities	430,629	366,738	47,184	52,715	72,312
Total business-type activities	90,437,351	89,711,481	99,151,447	103,932,986	97,383,924
Total primary government	\$ 103,283,668	\$ 101,972,711	\$ 114,953,104	\$ 120,789,750	\$ 110,078,942
Component unit:					
Manassas city public schools	\$ 41,451,188	\$ 41,209,426	\$ 41,674,204	\$ 45,070,026	\$ 49,018,321
Total component unit	\$ 41,451,188	\$ 41,209,426	\$ 41,674,204	\$ 45,070,026	\$ 49,018,321
	Fiscal Year				
	2014	2015	2016	2017	2018
Primary Government:					
Governmental activities:					
General government	\$ 1,249,770	\$ 1,109,629	\$ 1,094,316	\$ 480,971	\$ 513,881
Public safety	2,415,567	2,519,179	2,272,860	2,131,198	2,440,825
Public works	51,042,204	6,512,926	7,694,846	6,810,694	7,535,871
Health and welfare	3,222,267	3,321,128	3,207,416	3,389,161	3,837,530
Culture, recreation, development	607,636	656,924	360,867	1,499,774	1,235,110
Total governmental activities	58,537,444	14,119,786	14,630,305	14,311,798	15,563,217
Business-type activities:					
Electric	63,967,176	49,191,776	41,435,005	40,797,765	43,482,903
Water	9,777,191	9,178,718	10,248,905	10,752,433	10,887,855
Sewer	14,194,383	14,050,269	14,191,079	15,406,686	16,511,344
Airport	4,639,027	8,694,904	4,205,969	3,689,615	5,013,953
Solid waste	3,173,221	3,305,418	3,408,207	3,417,116	3,434,013
Stormwater	-	582,275	1,189,088	3,056,275	1,322,911
Other business-type activities	81,936	82,758	-	-	-
Total business-type activities	95,832,934	85,086,118	74,679,253	77,119,890	80,652,979
Total primary government	\$ 154,370,378	\$ 99,205,904	\$ 89,309,558	\$ 91,431,688	\$ 96,216,196
Component unit:					
Manassas city public schools	\$ 49,444,533	\$ 52,919,173	\$ 54,042,434	\$ 56,485,887	\$ 57,456,694
Manassas economic development authority	-	-	-	184,312	6,624
Total component unit	\$ 49,444,533	\$ 52,919,173	\$ 54,042,434	\$ 56,670,199	\$ 57,463,318

Source: City of Manassas Comprehensive Annual Financial Report

CITY OF MANASSAS, VIRGINIA

Table 4

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year	
	2009	2010
Pre-GASB 54 implementation:		
General fund		
Reserved	\$ 4,135,238	\$ 4,867,143
Unreserved, designated	2,645,900	2,245,748
Unreserved, undesignated	12,194,000	13,891,163
Total general fund	<u>\$ 18,975,138</u>	<u>\$ 21,004,054</u>
All other governmental funds		
Reserved	\$ 3,209,641	\$ 2,882,100
Unreserved, reported in:		
Special revenue funds	1,474,944	1,567,040
Capital projects funds	4,139,318	2,144,276
Total all other governmental funds	<u>\$ 8,823,903</u>	<u>\$ 6,593,416</u>

	Fiscal Year							
	2011	2012	2013	2014	2015	2016	2017	2018
Post-GASB 54 implementation:								
General fund								
Nonspendable	\$ 950,239	\$ 1,450,187	\$ 410,693	\$ 395,877	\$ 574,599	\$ 1,421,998	\$ 89,610	\$ 203,183
Restricted	2,999,143	2,575,633	2,982,051	2,448,897	2,142,060	1,618,882	840,093	984,556
Committed	7,505,941	7,033,509	5,234,941	4,978,410	5,535,887	6,107,607	10,743,996	13,004,378
Assigned	-	-	-	-	109,024	1,582,285	2,644,758	2,545,999
Unassigned	11,878,166	12,193,722	12,136,198	12,665,075	13,145,824	15,842,498	16,768,856	17,211,952
Total general fund	<u>\$ 23,333,489</u>	<u>\$ 23,253,051</u>	<u>\$ 20,763,883</u>	<u>\$ 20,488,259</u>	<u>\$ 21,507,394</u>	<u>\$ 26,573,270</u>	<u>\$ 31,087,313</u>	<u>\$ 33,950,068</u>
All other governmental funds								
Nonspendable:								
Permanent fund principal	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Other	-	-	-	-	-	-	3,056	-
Restricted, reported in:								
Special revenue funds	2,608,460	3,537,436	3,286,743	4,042,312	4,777,208	5,522,790	5,740,288	5,126,749
Capital projects funds	4,863,154	581,134	-	2,769,038	2,231,656	360,254	10,402,581	7,837,968
Permanent fund	83,279	70,543	70,813	156,607	161,775	171,190	153,104	144,257
Committed, reported in:								
Special revenue funds	205,046	249,146	284,054	320,101	281,008	-	-	-
Capital projects funds	225,600	4,114,451	5,380,519	6,692,577	6,097,446	10,328,432	16,077,960	17,488,450
Debt service fund	-	-	-	-	-	68,051	674,932	3,155,030
Assigned, reported in:								
Special revenue funds	-	-	-	-	-	-	-	38,570
Capital projects funds	-	-	-	-	-	-	-	3,457,693
Unassigned	(2,705,080)	(7,589)	(6,064)	(4,482)	(3,632)	-	-	-
Total all other governmental funds	<u>\$ 5,380,459</u>	<u>\$ 8,645,121</u>	<u>\$ 9,116,065</u>	<u>\$ 14,076,153</u>	<u>\$ 13,645,461</u>	<u>\$ 16,550,717</u>	<u>\$ 33,151,921</u>	<u>\$ 37,348,717</u>

Note: The City implemented GASB Statement 54 beginning with fiscal year 2011 - see Note 1 in the Notes to the Basic Financial Statements section of the report.

CITY OF MANASSAS, VIRGINIA

Table 5

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year				
	2009	2010	2011	2012	2013
Revenues					
General property taxes	\$ 66,747,985	\$ 63,697,942	\$ 62,613,605	\$ 63,518,398	\$ 64,499,818
Other local taxes	18,355,300	14,897,257	16,045,899	16,593,452	17,516,677
Permits, fees, licenses	533,860	923,525	784,597	779,823	929,999
Fines and forfeitures	509,871	521,655	633,285	793,663	803,283
Use of money and property	544,697	276,216	324,979	287,212	284,224
Charges for services	1,208,576	1,144,351	1,072,428	1,097,365	1,140,610
Payment in lieu of debt service	5,774,890	5,637,807	5,410,273	5,263,956	4,913,003
Recovered costs	1,656,460	1,973,170	1,973,170	1,887,460	1,922,080
Miscellaneous	1,944,405	1,401,785	1,350,794	2,405,303	2,563,751
Contribution from component unit	-	-	-	-	-
Intergovernmental	13,126,646	16,921,868	20,101,400	19,707,516	16,116,127
Total Revenues	110,402,790	107,395,576	110,310,430	112,334,148	110,689,572
Expenditures					
General government administration	8,282,142	8,087,758	8,126,487	8,175,771	8,711,499
Public safety	23,181,421	23,619,295	23,838,881	25,150,135	28,109,517
Public works	5,194,725	5,312,789	4,158,164	3,954,503	4,381,295
Health and welfare	8,416,209	7,976,335	7,458,336	7,032,635	7,034,040
Culture, recreation	6,010,353	5,735,016	6,369,224	5,661,189	5,521,613
Education	48,924,698	47,592,844	47,123,718	48,125,649	48,014,667
Non Departmental					
Capital outlay	7,372,921	4,308,676	8,964,479	5,460,088	5,796,525
Debt service					
Principal retirement	5,256,466	5,285,032	4,827,350	5,058,445	4,911,579
Interest and fiscal charges	2,906,134	2,721,773	2,811,252	2,403,570	2,234,419
Bond Issuance costs	-	-	-	-	-
Total expenditures	115,545,069	110,639,518	113,677,891	111,021,985	114,715,154
Excess (deficiency) of revenues over (under) expenditures	\$ (5,142,279)	\$ (3,243,942)	\$ (3,367,461)	\$ 1,312,163	\$ (4,025,582)
Other financing sources (uses)					
Transfers in	5,008,434	10,305,313	4,315,802	8,058,273	7,439,151
Transfers out	(4,164,899)	(9,530,605)	(3,270,466)	(6,186,212)	(5,628,361)
Issuance of debt	-	2,200,000	21,539,489	-	-
Premium on bonds	-	67,663	2,553,885	-	-
Payment to refunded bond escrow agt	-	-	(20,654,771)	-	-
Capital lease	-	-	-	-	196,568
Other	-	-	-	-	-
Total other financing sources (uses)	843,535	3,042,371	4,483,939	1,872,061	2,007,358
Net change in fund balance	\$ (4,298,744)	\$ (201,571)	\$ 1,116,478	\$ 3,184,224	\$ (2,018,224)
Debt service as a percentage of noncapital expenditures	7.5%	7.5%	7.3%	7.1%	6.6%

Source: City of Manassas Comprehensive Annual Financial Report

Note: Capital outlay for fiscal years 2005, 2006, 2007 and 2008 are represented as restated.

Prior to 2015, Bond issuance costs were combined with Interest and fiscal charges.

Table 5

2014	2015	2016	2017	2018
\$ 69,152,354	\$ 73,313,910	\$ 76,770,693	\$ 78,422,645	\$ 83,648,432
17,703,001	17,944,186	19,123,123	20,162,055	18,878,986
796,896	944,973	654,822	1,154,234	877,351
637,403	668,975	751,006	713,756	713,993
286,872	307,417	405,509	662,021	1,098,388
1,221,953	1,194,458	1,267,011	1,193,427	1,394,714
4,792,911	5,000,876	7,341,400	7,255,184	7,357,675
1,951,150	2,101,870	2,230,720	2,451,271	3,419,610
2,304,867	1,601,879	1,534,506	1,212,603	2,203,690
-	-	-	3,256,077	1,447,500
18,019,681	18,052,021	19,162,831	18,460,027	18,662,441
116,867,088	121,130,565	129,241,621	134,943,300	139,702,780
8,668,542	9,041,926	9,039,441	8,924,147	8,964,728
28,617,782	28,398,747	29,109,653	28,891,462	30,322,441
4,787,857	4,328,697	4,423,503	6,241,717	7,316,492
7,834,030	8,277,227	7,937,132	8,108,642	8,582,141
5,109,182	5,558,630	6,098,669	7,222,524	7,015,552
51,334,432	90,297,919	53,559,758	57,870,687	56,477,145
7,355,398	5,042,455	7,014,122	6,869,322	7,907,676
4,946,984	5,123,293	6,073,653	6,286,702	6,827,540
2,131,062	2,049,473	3,287,943	3,017,724	3,245,467
-	472,373	-	393,281	-
120,785,269	158,590,740	126,543,874	133,826,208	136,659,182
\$ (3,918,181)	\$ (37,460,175)	\$ 2,697,747	\$ 1,117,092	\$ 3,043,598
8,370,750	6,776,635	11,361,929	9,936,264	13,703,998
(3,812,053)	(6,469,955)	(6,416,211)	(6,833,878)	(9,688,045)
3,814,050	46,101,800	-	23,400,000	-
178,380	4,401,863	-	2,977,002	-
-	(12,794,921)	-	(9,518,194)	-
-	-	-	-	-
51,518	33,196	327,608	36,961	-
8,602,645	38,048,618	5,273,326	19,998,155	4,015,953
\$ 4,684,464	\$ 588,443	\$ 7,971,073	\$ 21,115,247	\$ 7,059,551
6.2%	4.7%	7.8%	7.3%	7.8%

CITY OF MANASSAS, VIRGINIA

Table 6

Governmental Activities Tax Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Real property	\$ 54,249,494	\$ 52,749,987	\$ 51,703,328	\$ 52,321,058	\$ 52,523,333
Personal property	10,934,245	9,322,059	9,133,899	9,475,950	10,375,908
Other	1,564,246	1,625,896	1,776,378	1,721,390	1,600,577
Total property taxes	66,747,985	63,697,942	62,613,605	63,518,398	64,499,818
Sales	6,440,055	6,881,710	7,305,186	7,210,697	7,811,499
Business licenses	2,869,132	2,450,090	2,759,079	2,931,782	2,957,117
Meals	2,547,151	2,423,969	2,584,054	2,894,531	3,094,965
Communications	3,009,702	-	-	-	-
Other	3,489,260	3,141,488	3,397,580	3,556,442	3,653,096
Total other local taxes	18,355,300	14,897,257	16,045,899	16,593,452	17,516,677
Total tax revenues	\$ 85,103,285	\$ 78,595,199	\$ 78,659,504	\$ 80,111,850	\$ 82,016,495
	Fiscal Year				
	2014	2015	2016	2017	2018
Real property	\$ 56,668,858	\$ 59,628,262	\$ 62,822,691	\$ 64,772,066	\$ 67,854,301
Personal property	10,749,146	11,818,907	11,931,371	11,555,379	13,348,264
Other	1,734,350	1,865,741	2,016,630	2,095,200	2,445,867
Total property taxes	69,152,354	73,313,910	76,770,692	78,422,645	83,648,432
Sales	7,581,829	7,555,344	8,055,065	8,489,013	7,136,019
Business licenses	3,110,196	3,075,033	3,290,009	3,549,629	3,594,471
Meals	3,315,080	3,406,893	3,728,988	3,944,186	4,185,343
Other	3,695,896	3,906,916	4,049,060	4,179,227	3,963,153
Total other local taxes	17,703,001	17,944,186	19,123,122	20,162,055	18,878,986
Total tax revenues	\$ 86,855,355	\$ 91,258,096	\$ 95,893,814	\$ 98,584,700	\$ 102,527,418

Source: City of Manassas Comprehensive Annual Financial Report

Notes: In FY 2010, the Virginia Auditor of Public Accounts ruled that the communications tax should be reported by local governments as revenue from the Commonwealth.

CITY OF MANASSAS, VIRGINIA

Table 7

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Years

Tax Year	Real Property			Total Direct Tax Rate	Real & Personal Property Public Service	Personal Property		Total Assessed & Actual Value	Total Taxable Assessed & Actual Value
	Residential	Commercial	Tax Exempt			Tangible Personal Property	Machinery & Tools		
2009	\$ 2,046,404,000	\$ 1,712,622,700	\$ 852,224,300	1.115	\$ 76,628,275	\$ 324,807,030	\$ 736,201,970	\$ 5,748,888,275	\$ 4,896,663,975
2010	2,083,619,700	1,508,162,900	771,507,200	1.493	74,741,392	279,309,190	787,112,580	5,504,452,962	4,732,945,762
2011	2,249,477,700	1,547,273,200	795,895,200	1.472	77,741,857	278,268,715	842,460,300	5,791,116,972	4,995,221,772
2012	2,328,941,100	1,583,564,200	764,169,200	0.736	76,551,752	287,608,935	705,817,165	5,746,652,352	4,982,483,152
2013	2,491,207,000	1,613,906,800	678,874,300	1.395	72,399,245	314,472,263	752,309,575	5,923,169,183	5,244,294,883
2014	2,653,025,300	1,533,191,100	680,361,100	1.366	73,142,019	320,210,094	759,133,720	6,019,063,333	5,338,702,233
2015	2,774,454,700	1,653,210,000	707,811,100	1.393	90,146,639	329,700,680	770,440,390	6,325,763,509	5,617,952,409
2016	2,915,314,100	1,698,553,200	750,641,100	1.368	104,485,326	343,870,765	709,057,065	6,521,921,556	5,771,280,456
2017	3,000,312,000	1,714,687,700	752,803,800	1.388	122,124,893	352,664,077	711,304,770	6,653,897,240	5,901,093,440
2018	3,074,547,700	1,733,207,300	801,341,500	1.440	130,530,000	362,010,910	708,224,590	6,809,862,000	6,008,520,500

Source: City of Manassas Commissioner of the Revenue
Virginia Department of Taxation Annual Reports

Notes: Property is assessed at actual value; therefore, the assessed values are equal to actual values.

Property in the City is reassessed each year.

Tax rates are per \$100 of assessed value.

In 2008 the City enacted a Fire Rescue Levy. The tax rates for 2008 forward include this levy.

Real Property is assessed on January 1 preceeding the fiscal year which begins July 1, except for tax year 2011 as noted below.

Effective January 1, 2011, the City changed the real property tax year to the fiscal year ending June 30.

For the transition, tax year 2011 is a six month tax year ending 6/30/2011, and the tax rate is one half of the 2010 rate. 2010 real property values were used for the 2011 short tax year (plus supplements, minus abatements, etc).

CITY OF MANASSAS, VIRGINIA

Table 8

**Property Tax Rates
Last Ten Years**

Tax Year	General	Fire Rescue Levy	Total Direct Real Property	Personal Property	Machinery and Tools
2009	1.350	0.143	1.493	3.250	2.100
2010	1.318	0.154	1.472	3.250	2.100
2011	0.659	0.077	0.736	3.250	2.100
2012	1.226	0.169	1.395	3.250	2.100
2013	1.192	0.174	1.366	3.250	2.100
2014	1.211	0.182	1.393	3.250	2.100
2015	1.190	0.178	1.368	3.250	2.100
2016	1.210	0.178	1.388	3.250	2.100
2017	1.220	0.183	1.403	3.250	2.100
2018	1.253	0.187	1.440	3.600	2.100

Source: City of Manassas Commissioner of the Revenue

Notes: Tax rates are per \$100 of assessed value.

Effective January 1, 2011, the City changed the tax year to the fiscal year ending June 30.

For the transition, tax year 2011 is a six month tax year and the tax rate is half of the 2010 rate.

Owens Brooke is a special taxing district in addition to the real property tax noted above.

Business personal property and computer equipment is taxed at different rates than the personal property rate noted above.

Semiconductor manufacturing machinery & tools is taxed at a different rate than that noted above.

Go to www.manassascity.org for more detailed tax rate information

CITY OF MANASSAS, VIRGINIA

Table 9

Principal Real Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2018			2009		
	Taxable Real Property Assessed Value	Rank	Percentage of Total Taxable Real Property Assessed Value	Taxable Real Property Assessed Value	Rank	Percentage of Total Taxable Real Property Assessed Value
Lockheed Martin	\$ 100,543,400	1	2.1%	\$ 97,567,300	1	2.6%
Micron Technology	98,066,200	2	2.0%	95,418,500	2	2.5%
UDR Wellington Place	60,013,300	3	1.2%			
Battery Heights Associates	52,990,000	4	1.1%	52,430,500	3	1.4%
Davis Ford Crossing, LLC	37,261,300	5	0.8%	32,411,400	7	0.9%
Wellington Station Owner LLC	32,508,600	6	0.7%			
Hastings Marketplace Owner LLC	31,865,200	7	0.7%			
Prince William Hospital Corp	31,744,600	8	0.7%	33,417,900	6	0.9%
WT/CAP Manassas Courts Apt.	26,634,400	9	0.6%			
Fairfield Village Square	25,350,600	10	0.5%	27,766,600	8	0.7%
Wellington Place, LLC				52,106,800	4	1.4%
Verizon				36,346,700	5	1.0%
Liberia Development Corp.						
Wellington/Hastings				24,236,500	9	0.6%
OPUS East, LLC				23,406,800	10	0.6%
Totals	<u>\$ 496,977,600</u>		<u>10.4%</u>	<u>\$ 475,109,000</u>		<u>12.6%</u>

Source: City of Manassas Commissioner of the Revenue

Notes: Fairfield Village Square is formerly known as Village Square Associates

Total Taxable Real Property Assessed values were obtained from Table 7 (excludes tax exempt and public service):

\$3,759,026,700 - 2009

\$4,807,755,000 - 2018

CITY OF MANASSAS, VIRGINIA

Table 10

Real Property Tax Levies
Last Ten Years

Tax Year	Total Tax Levy for Tax Year	Fiscal Year for which Tax Levy Applies					
		2009	2010	2011	2012	2013	2014
2008	\$ -	\$ 27,521,111	\$ -	\$ -	\$ -	\$ -	\$ -
2009	55,553,210	27,776,605	27,776,605	-	-	-	-
2010	52,260,980	-	26,130,490	26,130,490	-	-	-
2011	26,008,807	-	-	26,008,807	-	-	-
2012	52,254,647	-	-	-	52,254,647	-	-
2013	52,668,751	-	-	-	-	52,668,751	-
2014	56,428,143	-	-	-	-	-	56,428,143
2015	59,630,272	-	-	-	-	-	-
2016	62,924,270	-	-	-	-	-	-
2017	64,894,082	-	-	-	-	-	-
2018	69,576,985	-	-	-	-	-	-
Total Levy for Fiscal Year		\$ 55,297,716	\$ 53,907,095	\$ 52,139,297	\$ 52,254,647	\$ 52,668,751	\$ 56,428,143

Table 10-a

Real Property Tax Levies and Collections
Last Ten Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Delinquent Taxes	
		Amount	Percentage of Levy		Amount	Percentage of Levy	Amount	Percentage of Levy
2009	\$ 55,297,716	\$ 53,399,535	96.57%	\$ 1,893,483	\$ 55,293,018	99.99%	\$ 1,898,181	3.43%
2010	53,907,095	51,987,471	96.44%	1,917,515	53,904,986	100.00%	1,919,624	3.56%
2011	52,139,297	50,353,653	96.58%	1,785,596	52,139,249	100.00%	1,785,644	3.42%
2012	52,254,647	50,861,085	97.33%	1,393,471	52,254,556	100.00%	1,393,562	2.67%
2013	52,668,751	51,440,592	97.67%	1,225,740	52,666,332	100.00%	1,228,159	2.33%
2014	56,428,143	55,060,273	97.58%	995,842	56,056,115	99.34%	1,367,870	2.42%
2015	59,630,272	58,540,515	98.17%	989,466	59,529,981	99.83%	1,089,757	1.83%
2016	62,924,270	61,837,236	98.27%	939,366	62,776,602	99.77%	1,087,034	1.73%
2017	64,894,082	63,227,350	97.43%	1,361,668	64,589,018	99.53%	1,666,732	2.57%
2018	69,576,985	68,393,375	98.30%	-	68,393,375	98.30%	1,183,610	1.70%

Source: City of Manassas Finance Department, Commissioner of the Revenue, and City Treasurer

Note: Tax Levy reported is based on the original assessed value attained on fiscal year end of each year.

Delinquent taxes reflect the amount delinquent as of fiscal year end for the initial year levied.

Fiscal Year for which Tax Levy Applies				Tax Year
2015	2016	2017	2018	
\$ -	\$ -	\$ -	\$ -	
-	-	-	-	2009
-	-	-	-	2010
-	-	-	-	2011
-	-	-	-	2012
-	-	-	-	2013
-	-	-	-	2014
59,630,272	-	-	-	2015
-	62,924,270	-	-	2016
-	-	64,894,082	-	2017
-	-	-	69,576,985	2018
<u>\$ 59,630,272</u>	<u>\$ 62,924,270</u>	<u>\$ 64,894,082</u>	<u>\$ 69,576,985</u>	

Source: City of Manassas Commission of the Revenue

Notes: The taxes are due June 5 and December 5.

For tax years 2009 - 2010, the tax year is the calendar year.

For tax years 2009 - 2010, the first payment of the tax year is for one fiscal year and the second payment of the tax year is for the subsequent fiscal year.

Effective January 1, 2011, the City changed the tax year to the fiscal year ending June 30.

For the transition, tax year 2011 is a six-month tax year and therefore the levy for tax year 2011 is about one half the amount of the previous and subsequent levies.

The taxes for tax year 2011 were due May 2011.

Beginning with tax year 2012, the tax year begins July 1 and ends June 30.

Beginning with the Tax Year 2012, the two payments for the tax year (December 5 and June 5) are both due in the fiscal year.

Beginning in Tax Year 2008, the schedule includes the Fire and Rescue Tax Levy.

Tax year 2010 began January 1, 2010 and ended December 31, 2010

Tax year 2011 began January 1, 2011 and ended June 30, 2011

Tax year 2012 began July 1, 2011 and ended June 30, 2012

Tax year 2013 began July 1, 2012 and ended June 30, 2013

Tax year 2014 began July 1, 2013 and ended June 30, 2014

Tax year 2015 began July 1, 2014 and ended June 30, 2015

Tax year 2016 began July 1, 2015 and ended June 30, 2016

Tax year 2017 began July 1, 2016 and ended June 30, 2017

Tax year 2018 began July 1, 2017 and ended June 30, 2018

CITY OF MANASSAS, VIRGINIA

Table 11

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	State Literary Loans	Capital Leases	Notes	General Obligation Bonds	Other Obligations			
2009	59,837,150	\$ 814,275	\$ 1,841,720	\$ 501,949	\$ 28,659,250	\$ -	\$ 91,654,344	5.46%	2,510
2010	57,601,950	512,275	1,483,960	250,973	29,714,312	-	89,563,470	5.09%	2,368
2011	56,399,910	225,000	1,150,534	-	30,603,393	-	88,378,837	4.68%	2,246
2012	51,881,400	-	828,023	-	28,260,978	-	80,970,401	4.12%	1,987
2013	49,370,944	-	659,593	-	26,628,741	-	76,659,278	3.88%	1,837
2014	52,403,935	-	401,974	-	27,922,083	-	80,727,992	3.95%	1,918
2015	88,280,016	-	156,427	-	27,963,701	1,568,000	117,968,144	5.61%	2,825
2016	81,871,780	-	78,953	-	25,776,513	1,568,000	109,295,246	5.13%	2,635
2017	91,902,652	-	149,686	-	32,005,136	-	124,057,474	5.65%	2,989
2018	84,473,285	-	100,024	-	29,468,357	-	114,041,666	n/a	n/a

Source: City of Manassas Comprehensive Annual Financial Report

Notes: Details of the City's outstanding debt can be found in the notes to the financial statements.

Personal income and population data is found in Table 14.

n/a = not available

CITY OF MANASSAS, VIRGINIA

Table 12

**Ratios of General Bonded Debt Outstanding Supported by Taxpayers
Last Ten Fiscal Years**

Fiscal Year	Outstanding General Obligation Bonds	Outstanding State Literary Loans	Total Outstanding Bonds Supported by Taxpayers	Percentage of Outstanding Bonds to Total Taxable Assessed and Actual Value of Real Property	Outstanding Bonds Per Capita
2009	88,496,400	814,275	89,310,675	2.38%	2,446
2010	87,316,262	512,275	87,828,537	2.45%	2,322
2011	87,003,303	225,000	87,228,303	2.30%	2,216
2012	80,142,378	-	80,142,378	2.05%	1,967
2013	75,999,685	-	75,999,685	1.85%	1,821
2014	80,326,018	-	80,326,018	1.92%	1,909
2015	116,243,717	-	116,243,717	2.63%	2,783
2016	107,648,293	-	107,648,293	2.33%	2,595
2017	123,907,788	-	123,907,788	2.63%	2,986
2018	113,941,643	-	113,941,643	2.37%	n/a

Source: City of Manassas Comprehensive Annual Financial Report

Notes: Details of the City's outstanding debt can be found in the notes to the financial statements.

Taxable Assessed and Actual Value of Real Property is found in Table 7.

Calculation excludes tax exempt, public service and personal property.

Population data is found in Table 14.

n/a = not available

CITY OF MANASSAS, VIRGINIA

Table 13

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt limit	\$ 375,902,670	\$ 359,178,260	\$ 379,675,090	\$ 391,250,530	\$ 410,511,380
Total net debt applicable to limit	89,310,675	87,828,537	87,228,303	80,142,378	75,999,685
Legal debt margin	\$ 286,591,995	\$ 271,349,723	\$ 292,446,787	\$ 311,108,152	\$ 334,511,695
Total net debt applicable to limit as a percent of debt limit	23.76%	24.45%	22.97%	20.48%	18.51%

Source: City of Manassas Comprehensive Annual Financial Report

Notes: The debt limit is ten percent of the total assessed real property value subject to taxation found in Table 7.

The calculation excludes public service and tax exempt property.

Under Virginia statute, the City's outstanding obligation debt may not exceed ten percent of the assessed valuation of the real estate in the city subject to taxation.

The debt applicable to the debt margin is the primary government's general obligation bonds and library literacy loans found in Table 11 (net of outstanding bond premiums included in Table 11).

Effective January 1, 2011, the City changed the real property tax year to the fiscal year ending June 30.

For the transition, tax year 2011 is a six month tax year and the 2010 real property assessments, as adjusted, were used for tax billings at one-half of the 2010 tax rate.

CITY OF MANASSAS, VIRGINIA

Table 13

**Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal Year				
	2014	2015	2016	2017	2018
Debt limit	\$ 418,621,640	\$ 442,766,470	\$ 461,386,730	\$ 471,499,970	\$ 480,775,500
Total net debt applicable to limit	80,326,018	107,395,256	99,374,520	113,000,577	103,824,209
Legal debt margin	<u>\$ 338,295,622</u>	<u>\$ 335,371,214</u>	<u>\$ 362,012,210</u>	<u>\$ 358,499,393</u>	<u>\$ 376,951,291</u>
Total net debt applicable to limit as a percent of debt limit	19.19%	24.26%	21.54%	23.97%	21.60%

Legal Debt Margin Calculation for Fiscal Year 2018

Real property assessed value January 1, 2017, used for FY2018 (7/1/2017 - 6/30/2018)	\$ 5,609,096,500
Less exempt real property assessed value	<u>(801,341,500)</u>
Total taxable real property assessed value	4,807,755,000
Debt limit (10% of taxable real property assessed value)	480,775,500
Total net debt applicable to limit June 30, 2018	<u>103,824,209</u>
Legal debt margin	<u><u>\$ 376,951,291</u></u>

CITY OF MANASSAS, VIRGINIA

Table 14

Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (1)	Personal Income (2)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2009	36,514	1,679,863,000	46,006	6,566	7.3%
2010	37,821	1,761,021,000	46,562	6,684	7.0%
2011	39,358	1,888,948,000	47,994	6,936	6.1%
2012	40,742	1,965,150,000	48,234	7,104	5.6%
2013	41,725	1,973,426,000	47,296	7,220	5.4%
2014	42,081	2,042,822,000	48,545	7,218	5.0%
2015	41,764	2,101,356,000	50,315	7,442	4.1%
2016	41,483	2,128,617,000	51,313	7,678	3.4%
2017	41,501	2,196,606,000	52,929	7,771	3.4%
2018	n/a	n/a	n/a	7,695	2.8%

Source: (1) U. S. Census Bureau
 (2) U. S. Department of Commerce, Bureau of Economic Analysis for Prince William, Manassas and Manassas Park, VA (revised estimates through 2016)
 (3) Manassas City Public Schools
 (4) U. S. Department of Labor, Bureau of Labor Statistics
 (5) Based on population and per capita income estimates

Note: n/a = not available

CITY OF MANASSAS, VIRGINIA

Table 15

Principal Employers
Current Year and Nine Years Ago

Employer	2017			2008		
	Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
Micron Technology	1,500	1	6.8%	1,200	4	6.0%
Novant Health UVA Health System	1,142	2	5.2%	1,300	3	6.5%
Manassas City Public Schools (FTE)	1,050	3	4.8%	983	5	4.9%
Lockheed Martin	972	4	4.4%	1,761	1	8.9%
City of Manassas (FTE)	489	5	2.2%	485	7	2.4%
American Disposal Service	465	6	2.1%			
BAE Systems	280	7	1.3%	390	8	2.0%
S.W.I.F.T.	265	8	1.2%	350	9	1.8%
Aurora Flight Sciences	257	9	1.2%	145	11	0.7%
ARS (American Residential Svcs)	193	10	0.9%			
Colgan Air				1,400	2	7.0%
CGI (Oberon Assoc)				500	6	2.5%
E.E. Wine				150	10	0.8%
Totals	<u>6,613</u>		<u>30.10%</u>	<u>8,664</u>		<u>43.5%</u>
Total City Employment	22,025					

Source: City of Manassas Economic Development Department

Notes: Calendar year 2017 is the most current year available

FTE - full time equivalents

CITY OF MANASSAS, VIRGINIA

Table 16

**Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years**

Function	Fiscal year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
City Clerk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
City Manager	2.00	2.00	2.00	2.00	8.00	8.00	10.00	10.00	11.00	12.00
Voter Registration	2.55	2.55	2.05	2.05	2.05	2.05	2.05	2.05	2.15	2.75
Treasurer	7.00	7.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00
Commissioner of the Revenue	12.00	12.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Finance and Administration	30.00	30.00	30.05	30.55	27.05	27.30	25.30	25.30	26.30	25.30
Public Safety										
Police	122.75	122.75	120.75	127.00	127.00	127.25	127.25	126.50	127.00	129.25
Fire and Rescue	46.00	46.00	46.00	59.00	60.00	60.00	60.00	60.00	62.00	64.00
Public Works	61.00	52.00	48.50	49.50	49.50	50.50	50.50	51.50	53.00	46.00
Engineering (1)										14.00
Culture, Recreation, Development										
Museum System (2)	8.50	8.50	4.50	5.50	6.50	6.50	6.50	6.50	6.50	-
Community Development	28.25	28.25	26.25	28.25	27.25	27.25	27.25	27.25	27.25	33.75
Economic Development	-	-	-	-	-	2.50	2.50	2.50	2.50	2.50
Health and Human Services										
Social Services	36.49	36.49	37.11	36.11	37.48	37.48	37.48	37.48	37.48	37.98
Utilities										
Sewer	13.00	13.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Water	28.00	28.00	27.50	27.50	27.50	27.50	27.50	27.50	27.50	26.00
Electric	56.00	56.00	54.00	54.00	54.00	54.00	54.00	54.00	53.00	49.00
Airport	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Solid Waste	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Vehicle Maintenance	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Total primary government	<u>472.54</u>	<u>463.54</u>	<u>445.71</u>	<u>468.46</u>	<u>473.33</u>	<u>478.33</u>	<u>478.33</u>	<u>478.58</u>	<u>483.68</u>	<u>490.53</u>

Source: City of Manassas Annual Operating Budget

(1) Separate Engineering department was established in FY18, with staff from Utilities and Public Works.

(2) Museum staff are included in new Parks, Culture & Recreation department under Community Development FY18.

CITY OF MANASSAS, VIRGINIA

Table 17

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Business licenses issued	3,600	3,150	2,700	2,600	2,600	2,600	2,600	2,775	2,750	2,407
Property returns processed	33,500	32,000	31,500	31,500	32,500	35,000	34,000	37,081	37,343	39,676
Public Safety										
Traffic citations	8,000	6,000	5,500	5,500	6,750	8,500	8,400	6,000	7,000	7,000
Criminal arrests	3,200	3,200	3,000	2,500	2,500	2,775	3,000	2,000	2,100	2,150
Police calls for service	67,000	67,000	65,000	60,000	60,000	61,000	63,000	55,000	58,000	57,000
Engineering										
Site plans reviewed	35	45	20	20	30	40	55	64	67	70
Public Works										
Building permits issued	650	465	400	400	450	500	570	476	537	1,288
Acres mowed	361	361	361	365	365	365	365	365	365	365
Health and Human Services										
Social Services										
Customers served (3)	43,500	60,000	78,000	75,000	90,300	96,100	121,837	111,941	97,115	41,422
Section 8 vouchers/mo.	275	306	302	327	306	306	288	295	290	294
Sewer Utility										
Wastewater processed (1)	2.2	2.2	2.2	2.2	2.31	2.48	2.39	2.36	2.20	2.20
Water Utility										
Drinking water produced (1)	4.4	4.6	4.5	4.5	4.61	4.70	4.74	4.70	4.68	4.41
Electric Utility										
Load management savings	\$7.6M	\$7.3M	\$1.5M	\$648K	\$702K	\$731K	\$871K	\$1.2M	\$1.8M	\$2.3M
Airport										
Total operations (2)	115,000	115,073	92,394	86,337	83,180	79,616	79,550	80,000	85,000	81,057
Based aircraft	402	405	402	406	423	418	418	418	400	410
Information Technology										
Devices supported	1,324	1,289	1,320	1,325	1,325	1,340	1,340	1,330	1,461	1,461
Visitors to city website	450,000	475,000	990,000	500,000	1,000,000	1,000,000	1,200,000	1,200,000	1,121,558	927,146

Source: City of Manassas Annual Operating Budget

Notes: n/a = not available

(1) Billions of gallons per year

(2) Take-offs and landings

(3) On-line applications decreased FY18 figure.

CITY OF MANASSAS, VIRGINIA

Table 18

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
City Hall	1	1	1	1	1	1	1	1	1	1
Town Hall	1	1	1	1	1	1	1	1	1	1
Parking lots (in spaces)	652	827	827	827	827	827	827	827	827	827
Vehicles in fleet	436	440	441	452	447	446	448	449	457	463
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Rescue stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	253	243	243	244	244	244	245	249	249	249
Street lights	2,918	2,918	2,952	2,979	2,979	3,062	2,719	3,045	3,045	3,065
Traffic signals	53	55	60	58	61	61	62	67	67	67
Culture, Recreation, Development										
Museums	1	1	1	1	1	1	1	1	1	1
Restored historic buildings:										
Railroad Depot	1	1	1	1	1	1	1	1	1	1
Candy Factory	1	1	1	1	1	1	1	1	1	1
Parks (3)	12	12	12	12	12	12	12	12	17	17
Park acreage (3)	194	194	194	194	194	194	194	194	234	234
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts (3)	22	22	22	22	22	22	22	22	22	22
Skate parks	1	1	1	1	1	1	1	1	1	1
Outdoor pavilion	1	1	1	1	1	1	1	1	1	1
Sewer Utility										
Sewer main (miles)	125	125	125	125	115	115	115	142	142	142
Storm sewers (miles)	72	72	72	72	72	72	72	72	72	72
Treatment capacity (1)	9	9	9	9	9	9	9	8.69	8.69	8.69
Water Utility										
Water connections	10,647	10,763	10,911	10,918	10,997	11,104	11,178	11,200	11,242	11,272
Water mains (miles)	152	152	152	152	152	152	152	170	170	170
Water plant capacity (1)	14	14	14	14	14	14	14	14	14	14
Electric Utility										
Distribution stations	6	6	6	6	6	6	6	6	6	6
Peaking generators	19	19	19	19	19	20	20	20	20	20
Electric capacity (2)	41	41	41	41	41	40	40	40	40	40
Airport										
Airport acreage	899	899	899	899	899	899	892	892	886	886
Number of runways	2	2	2	2	2	2	2	2	2	2

Source: City of Manassas Finance, Public Works, Utilities, Vehicle Maintenance, and Parks Culture Recreation Departments

Notes: (1) Millions of gallons per day

(2) Megawatts

(3) FY17 parks assessment added historic sites to parks definition as passive recreation sites. Tennis courts include school sites.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns and Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manassas, Virginia (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Item 2018-001, which we consider to be a material weakness.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as Items 2018-003 through 2018-005.**

City of Manassas, Virginia's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 28, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Manassas, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, the terms, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Item 2018-002. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 28, 2018

CITY OF MANASSAS, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2018

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Comprehensive Services Act

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Education

Social Services

Urban Highway Maintenance

Stormwater Management Program

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

FEDERAL AVIATION ADMINISTRATION COMPLIANCE MATTERS

Passenger Facility Charge Audit Guide for Public Agencies

Requirements of laws and regulations required by the Federal Aviation Administration in relation to the passenger facility charge program.

CITY OF MANASSAS, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One material weakness** relating to the audit of the financial statements was reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **one audit finding relating to a major program**.
7. The major programs of the City are:

<u>Name of Program</u>	<u>CFDA #</u>
Child Nutrition Cluster - School Breakfast Program	10.553
Child Nutrition Cluster - National School Lunch Program	10.555
Airport Improvement Program	20.106

8. The **threshold for** distinguishing Type A programs was **\$750,000**.
9. The City of Manassas was **not** determined to be a low-risk auditee.

CITY OF MANASSAS, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2018-001: Capital Assets (Material Weakness)

Condition and Criteria:

The City's capitalization policy is to capitalize individual costs of more than \$5,000 and an estimated useful life of more than one year. In the previous three years and continuing in the current year, the City began a rigorous process to identify and properly capture capital asset activity in both government activities and business-type activities. As a result of this process, one material adjustment for donated assets was required to restate beginning net position.

Cause:

Ongoing changes and improvements in recording and tracking fixed assets continues to discover necessary corrections.

Effect:

The financial statements may be misstated due to capital asset activity not being identified and recorded in a timely manner.

Recommendation:

We recommend the City continue the procedures they have begun to help identify such issues and proceed with their plan to utilize capital asset tracking functions as part of their ongoing enterprise resource planning software implementation. Controls should be in place to properly identify capital assets either by performing a detail review of capital outlay and detail capital listings and/or comparing budgetary amounts to actual costs.

Views of Responsible Officials and Planned Corrective Action:

The Fixed Asset module of Munis will be implemented for FY2019. Other controls regarding clean-up and sign offs will continue, and analysis of capital outlay accounts and discussion with departments will be scheduled on a more routine basis. A checklist to help identify donated assets will be developed.

CITY OF MANASSAS, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2018-002: Airport Improvement Program – Reporting

Condition and Criteria:

The SF-425 report was not filed with the federal agency by the December 31, 2017 deadline.

Cause:

This occurred because no procedure was in place to ensure that the report was filed in a timely manner.

Effect:

Applicable balances may be restricted or withheld.

Recommendation:

We recommend the grant manager maintain a calendar of due dates to ensure they are filed timely.

Views of Responsible Officials and Planned Corrective Action:

The auditee concurs with this recommendation and plans to implement corrective action. The airport's Administrative Coordinator will be trained as the grant administrator and will develop a calendar that will have important dates for the administration of federal and state grants. They will also work with the airport's two engineering firms to establish the dates in which they will submit the annual reports to the grant administrator so they can be reviewed and sent to the FAA in a timely manner.

CITY OF MANASSAS, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

2018-003: Social Services – Purchases

Condition:

During review of a random sample of VIEW purchased service transactions, one instance was noted of items being purchased with no Activity and Service Plan in place.

Recommendation:

Someone other than the case worker should review activity to ensure all expenses are allowed per Activity and Service Plans.

Views of Responsible Officials and Planned Corrective Action:

The auditee concurs with this recommendation. The corrective action in place requires that all workers complete a Service plan, case documentation and/or case activity within the 30 days of the case being open as required by VDSS. In addition, all workers must have their manager's approval for all purchases up to \$250.00 and Director approval for all purchases above \$250.00.

2018-004: Investment Ratings

Condition:

Several corporate bonds of the City fell below Virginia required minimum ratings during the year. These bonds amounted to \$584,299.

Recommendation:

We recommend moving funds away from corporate bonds that fall below the Virginia code and to investments that meet the requirements.

Views of Responsible Officials and Planned Corrective Action:

The auditee concurs with this recommendation. In accordance with Section J of the City's Investment Policy, the Treasurer, in consultation with the City's Investment Advisor, will make the determination of whether or not to dispose of the downgraded security at the appropriate economically feasible time in the event of a securities downgrade.

CITY OF MANASSAS, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

2018-05: Commonwealth of Virginia Disclosure Statements

Condition:

We noted eight members of the City's various Boards and Commissions did not file a statement of economic interest by the February deadline as set forth by the *Code of Virginia*.

Recommendation:

Steps should be taken to ensure that these statements are filed by all required individuals in a timely manner.

Views of Responsible Officials and Planned Corrective Action:

The auditee concurs with this recommendation and plans to better communicate and educate the members of the Boards and Commissions on the requirement to file the appropriate Statement of Economic Interest Forms in a timely manner. This will be accomplished by providing information at Board and Commission meetings and sending reminders in the weeks prior to distribution of the forms and the February 1 deadline.

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2017-001: Capital Assets (Material Weakness)

Condition:

In the previous two years and continuing in the current year, the City began a rigorous process to identify and properly capture capital asset activity in both government activities and business-type activities. As a result of this process, and the current year audit, one material adjustment was required to restate beginning net position.

Current Status:

Still applicable for current year. See current year finding.

2017-002: Property Taxes-Rate Setting (Significant Deficiency)

Condition:

During 2017, the City identified an issue where the business personal property tax rate for years 2014 through 2016 was higher than the general personal property tax rate, which was in violation of applicable state code. This indicates a control review procedure was not present during this time frame. The City properly took steps to recalculate amounts for the identified issue and amounts were refunded to taxpayers in the current year.

Current Status:

No such issues were noted in the current year.

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

C. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

2017-003: Investment Ratings

Condition:

Several corporate bonds fell below Virginia required minimum ratings during the year. These bonds amounted to \$167,597.

Current Status:

Still applicable for current year. See current year finding.

2017-004: Commonwealth of Virginia Disclosure Statements

Condition:

We noted one member of the City's various Boards and Commissions did not file a statement of economic interest by the January deadline as set forth by the *Code of Virginia*.

Current Status:

Still applicable for current year. See current year finding.

2017-005: Social Services – Access Rights

Condition:

There is not a formalized yearly review of individual's access rights for VsCMS, ADAPT, OASIS and EAS.

Current Status:

No such issues were noted in the current year.

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

C. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA (CONTINUED)

2017-006: Social Services – Timely Removal of Terminated Employees

Condition:

A terminated employee was not removed from VDSS systems within three working days of termination.

Current Status:

No such issues were noted in the current year.

2017-007: Social Services – Segregation of Duties

Condition:

Staff issuing EBT cards work directly under the benefits program manager who processes benefits.

Current Status:

No such issues were noted in the current year.

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Pass-Through Identifying Number	Cluster Expenditures	Federal Expenditures
Department of Agriculture:				
Pass through payments: Virginia Department of Agriculture and Consumer Services				
Child Nutrition Cluster:				
School Breakfast Program	10.553	10553-301-10	\$ 617,659	
National School Lunch Program - Food Donations	10.555	00-571	232,511	
National School Lunch Program	10.555	10555-301-10	2,034,169	
State Admin. Exp. For Child Nutrition	10.560	10560-301-10	256	
Total Child Nutrition Cluster:				\$ 2,884,595
National Summer Feeding	10.225			67,818
Pass through payments: Virginia Department of Social Services				
State Administrative Matching Grants for Supplemental Nutritional Assistance Program	10.561	10561-765-10		478,574
Total Department of Agriculture				3,430,987
Department of Housing and Urban Development:				
Pass through payments: VHDA and Prince William County				
Section 8 Housing Assistance Payments Program	14.195	14195-165-10		196,415
Total Department of Housing and Urban Development				196,415
Department of Education:				
Pass through payments: Virginia Department of Education				
Title I Grants to Local Educational Agencies	84.010	84010-197-10		1,041,477
Special Education Cluster (IDEA):				
Special Education: Grants to States	84.027	84027-197-10	1,538,304	
Special Education: Preschool Grants	84.173	84173-197-10	31,519	
Total Special Education Cluster:				1,569,823
Career and Technical Education: Basic Grants to States	84.048	84048-197-10		111,611
English Language Acquisition State Grants	84.365	84365-197-10		208,854
Improving Teacher Quality State Grants	84.367	84367-197-10		242,440
Student Support and Academic Enrichment Grants	84.424	84424-197-10		35,363
Total Department of Education				3,209,568
Department of Health and Human Services:				
Pass through payments: Virginia Department of Social Services				
Promoting Safe and Stable Families	93.556	93556-765-10		13,901
Temporary Assistance for Needy Families	93.558	93558-765-10		238,566
Refugee and Entrant Assistance: State Administered Programs	93.566	93566-765-10		5,046
Low-Income Home Energy Assistance	93.568	93568-765-10		25,984
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	93596-765-10		35,937
Chafee Education and Training Vouchers Program (ETV)	93.599	93599-765-10		760
Stephanie Tubbs Joens Child Welfare Services Program	93.645	93645-765-10		599
Foster Care: Title IV-E	93.658	93658-765-10		270,396
Adoption Assistance	93.659	93659-765-10		154,122
Social Services Block Grant	93.667	93667-765-10		152,901
Chafee Foster Care Independence Program	93.674	93674-765-10		2,750
Children's Health Insurance Program	93.767	93767-765-10		18,926
Medical Assistance Program	93.778	93778-765-10		477,915
Total Department of Health and Human Services				1,397,803

Continued

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Pass-Through Identifying Number	Cluster Expenditures	Federal Expenditures
Department of Homeland Security:				
Pass through payments: Department of Emergency Management				
Emergency Management Performance Grants	97.042	97042-127-10		23,080
Citizen Preparedness	97.073	97073-127-10		13,957
Emergency Food & Shelter Program	97.024	97021-127-10		3,224
Homeland Security Grant Program	97.067	UASI596		<u>123,862</u>
Total Department of Homeland Security				<u>164,123</u>
Department of Justice:				
Direct payments:				
Bulletproof Vest Partnership Program	16.607	N/A		8,033
Edward Byrne Memorial Justice Assistance Program	16.738	N/A		<u>15,645</u>
Total Department of Justice				<u>23,678</u>
Department of Transportation:				
Federal Aviation Administration:				
Direct payments:				
Airport Improvement Program	20.106	N/A		1,782,434
Federal Highway Administration				
Pass through payments: Virginia Department of Motor Vehicles				
State and Community Highway Safety	20.600	4369		13,651
Federal Transit Administration				
Pass through payments: Virginia Department of Transportation				
Highway Planning and Construction	20.205	61448		<u>188,010</u>
Total Department of Transportation				<u>1,984,095</u>
Federal Emergency Management Agency:				
Pass through payments: Department of Emergency Management				
Public Assistance Grants - Snow Removal	97.036	683-94476-00 683-48952-00		<u>222,056</u>
Total Federal Emergency Management Agency				<u>222,056</u>
Total Expenditures of Federal Awards				<u>\$ 10,628,725</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of federal expenditures includes the activity of all federally assisted programs of the City of Manassas, Virginia and is presented on the modified accrual basis of accounting, as described in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

Note 2: Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 3: De Minimis Cost Rate

The entity did not elect to use the 10% de minimis indirect cost rate.