CITY OF MANASSAS PARK, VIRGINIA

Comprehensive Annual Financial Report

Year Ended June 30, 2018

CITY OF MANASSAS PARK, VIRGINIA

Comprehensive Annual Financial Report

Year Ended June 30, 2018

PREPARED BY:

Pon Yusuf, Director of Finance

CITY OF MANASSAS PARK, VIRGINIA

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CITY OF MANASSAS PARK

City Hall • One Park Center Court • Manassas Park, Virginia 20111-2395
(703) 335-8800 • Fax (703) 335-0053
www.cityofmanassaspark.us

Mayor:
Jeanette Rishell

Vice Mayor:
Suhas Naddoni

City Manager:
Laszlo A. Palko

Director of Finance:
Pon Chen Yusuf

Council Members:
Preston Banks
Michael Carrera
Hector Cendejas
Mariam Machado
Donald Shuemaker

To the Honorable Governing Body of the City of Manassas Park, Virginia:

The comprehensive annual financial report of the City of Manassas Park for the year ended June 30, 2018 is hereby submitted as mandated by both local ordinances and state statues. These ordinances and statutes require that the City of Manassas Park issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Manassas Park. All disclosures necessary to enable the reader to gain an understanding of the City of Manassas Park's activities have been included.

The comprehensive annual report is presented in four sections: introductory, financial, statistical, and compliance. The introductory section, which is unaudited, includes this letter of transmittal; an organizational chart and a list of the City of Manassas's principal elected and appointed officials. The financial section includes Independent Auditors' Report, Management's Discussion and Analysis, the basic financial statements, required supplementary information, and supporting schedules. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

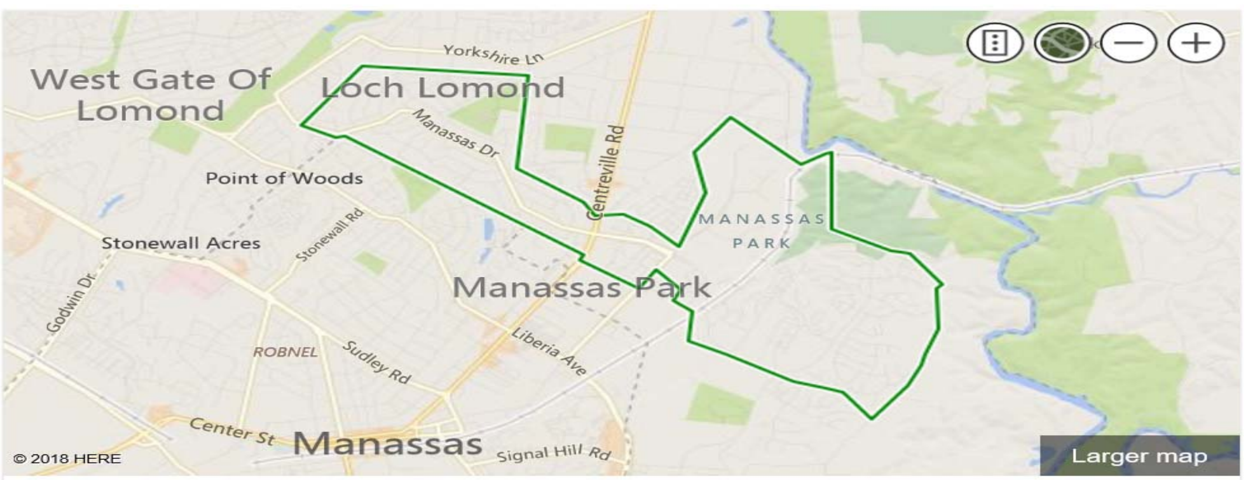
The City of Manassas Park is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 (as amended in 1997) and the U.S. Office of Management and Budget's Uniform Guidance. Information related to this single audit, including a schedule of expenditures of federal awards, the regulations, and a schedule of findings and questioned costs are included in the compliance section of this report.

Davis and Associates, Certified Public Accountants performed the audit the City's financial statements for the fiscal years FY2011 to FY2015. Since September 2016, Robinson, Farmer, and Cox Associates, Certified Public Accountants, were engaged to audit the City's financial statements for the fiscal year ended FY2016, FY2017, and FY2018. They have issued an unmodified ("clean") opinion on the City of Manassas Park's financial statements for the year ended June 30, 2017 and those for the year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Manassas Park (see the map below) is located within the Washington, D.C. metropolitan area. The City is 2.53 square miles in size and has 16,591 residents according to the 2010 census. Manassas Park was incorporated as an independent city in 1975, the last such incorporation to occur in Virginia. Previously, Manassas Park was a town within Prince William County.



Manassas Park City, VA

A seven-member Governing Body (see their photos presented below) governs the City. Six council members are elected to staggered, four-year terms. The Mayor is elected to a four-year term. The Governing Body is responsible for establishing tax rates, appropriating funds, and setting municipal policies and appointing certain City officials. The Governing Body appoints a City Clerk, City Attorney, City Assessor and City Manager. The City Manager serves at the pleasure of the Governing Body and is responsible for the execution of policies approved by the Governing Body, including recommending changes to municipal policies, preparing proposed budgets and supervising City employees.

Below is a photo of the seven-member Governing Body of the City of Manassas Park:

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of Manassas Park as legally defined), as well as all of its component units. The government provides a full range of services including police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities; cultural events; and welfare services.

Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The discretely presented component unit included in this report is the Manassas Park School Board. Additionally, the Potomac and Rappahannock Transportation venture in which the City has an equity interest. However, the Industrial Development Authority, a related organization of the City of Manassas Park and the Upper Occoquan Sewage Authority, a jointly governed organization, has not met the established criteria for inclusion in the reporting entity, and accordingly are excluded from this report.

CHANGE MANAGEMENT

In FY2016 and leading into FY2017, the City had a perfect storm. The City was subjected to several delays in completing recent audits and the related financial statements because of several unforeseen circumstances beyond the control of the City. In October of 2015, Bright, the formerly financial system, crashed. The City lost financial data and had to reconstruct the financial history. Then, due to construction-related issues, City offices were evacuated and staff was relocated in the fall of 2015. Soon after the relocation, the City suffered a catastrophic failure of its accounting system. Following these circumstances, the City had significant changes in senior management and enlisted a new accounting firm to provide the City with audit services of the City's financial statements. The result of these circumstances had been that the preparation of the City's audit had been delayed. The City was diligently pursuing the completion of its audit and has completed its audit for FY2016-FY2017 in October of 2018 and the FY2018 audit in February of 2019.

The City of Manassas Park, Virginia (the "City"), provided a few notices to the holders of its general obligation bonds that the City was informed by Standard & Poor's Financial Services LLC ("S&P") that S&P was withdrawing its unenhanced rating of the City's general obligation bonds due to insufficient information, which the City believes to be due to the lack of availability of the City's audited financial statements for FY2016 and FY2017. A copy of the rationale for the withdrawal is available from S&P and Moody's. The City filed this significant event with EMMA or MSRB as each significant event occurred.

During the fiscal year, the City had many changes in staff and management. All changes were unavoidable but necessary. Laszlo Palko, the City Manager, joined the City in June of 2017. In November of 2016, Pon Chen Yusuf joined the City as Director of Finance.

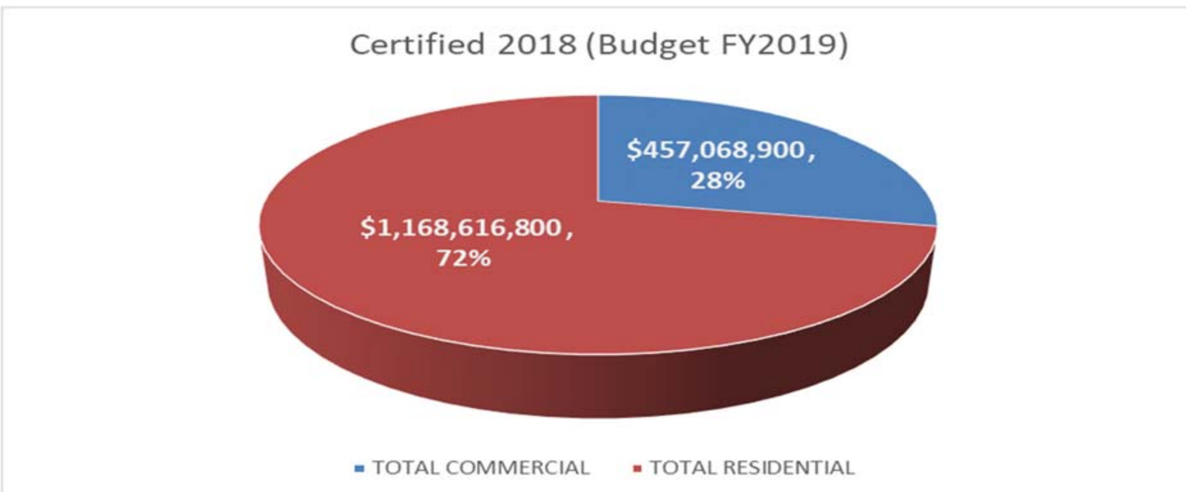
Mr. Palko came to City of Manassas Park from Lovettsville after serving two tours with the U.S. Army in Afghanistan. He has degrees in criminal justice, psychology, international relations and public policy, public administration and financial management, and has worked as a corporate analyst with IBM and Booz Allen Hamilton. His Master of Public Administration degree is from Harvard University.

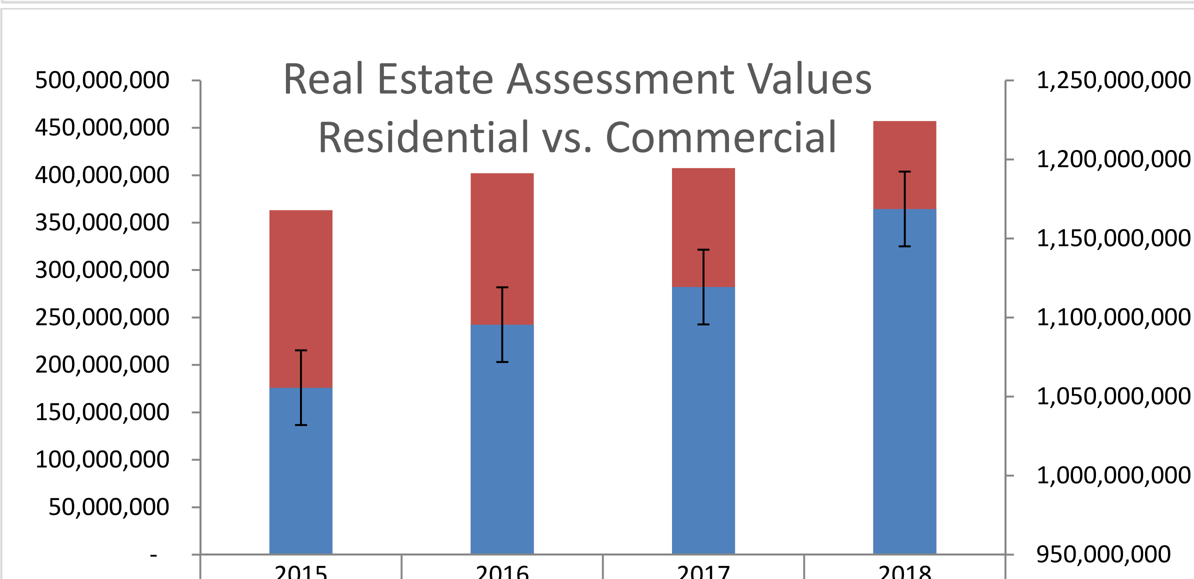
CHANGE MANAGEMENT (Continued)

Ms. Yusuf came to City of Manassas Park from Fairfax County Public Schools. She has many professional certifications. Namely, she is a Certified Public Accountant (CPA), Master Government Treasurer (MGT), Chartered Global Management Accountant (CGMA), and Certified in Financial Forensics (CFF). She has a Master in Accounting / Taxation from the George Washington University School of Business.

LOCAL ECONOMY

The City has built a viable community with a strong tax base of small businesses, a quality educational system, and an attractive community that thousands are choosing to call home. The tax base is primarily residential ($1.1 billion or approximately 72%).

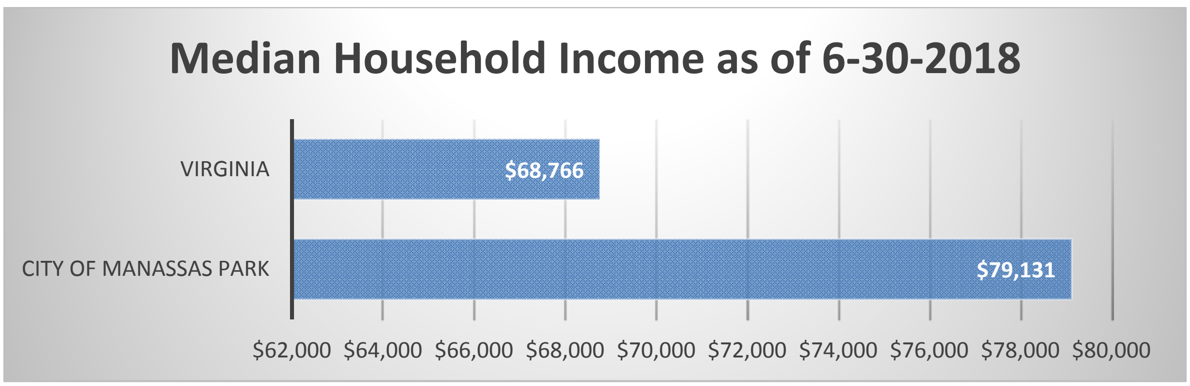




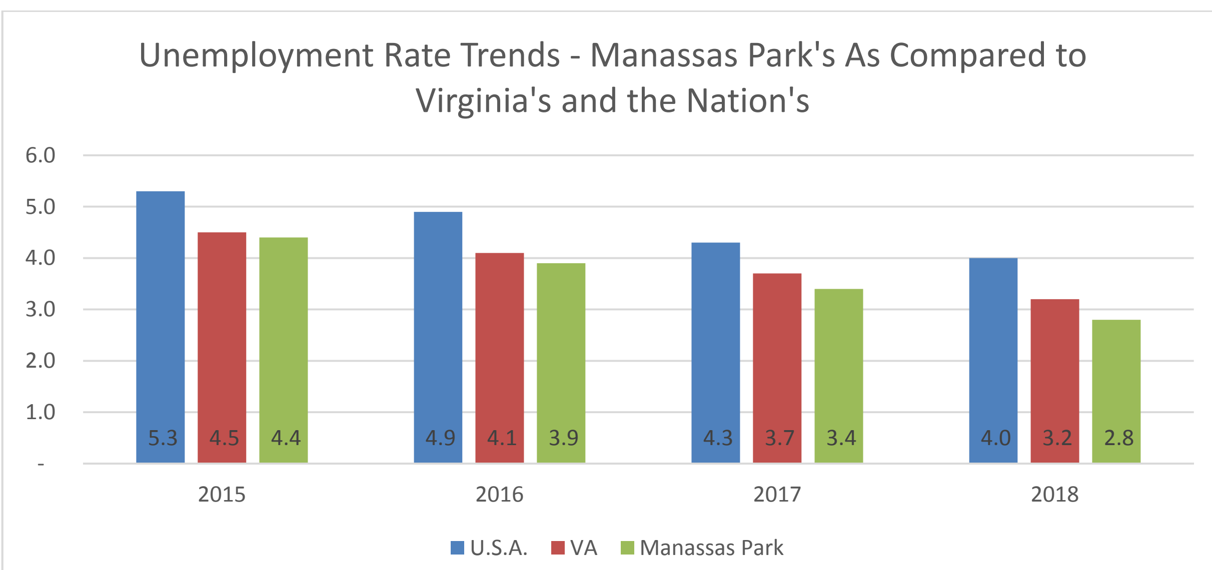
	2015	2016	2017	2018
Commercial	363,229,900	402,032,414	407,462,700	457,068,900
Residential	1,055,560,800	1,095,455,800	1,119,289,800	1,168,616,800

Since 2000, the City has made major investments in almost all its public facilities by the City, including a new fire station, police station and community center. The largest investment was made in City Schools. A new elementary school (Cougar Elementary) was built and opened in 2001. The construction of a new middle school was completed in 2006. In the spring of 2009, Manassas Park Elementary School, a LEED's certified project, was opened for 4th and 5th graders, as well as a facility for preschool & kindergarten. Other major public facilities in the City include a regional park that operates a water park, a public golf course, and a Virginia Railway Express station for commuters.

The recent US Census shows Manassas Park residents as of June 2018 with a median household income of $79,131 (2017 dollars), favorably compared to the State of Virginia of $68,766, up from $66,149 the prior year. See the graph below.



The City's unemployment rate was 2.8% as of June 2018, which was less that the State's unemployment rate of 3.2% and the national unemployment rate of 4.0%.

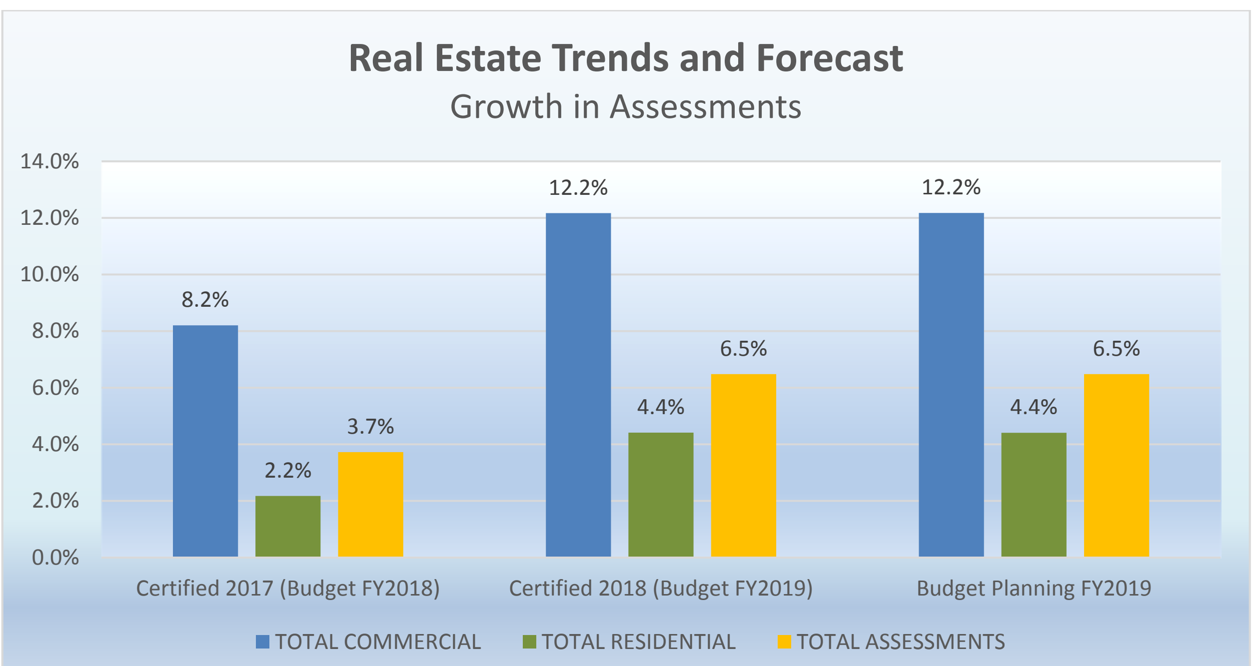


The financial condition of the City was severely impacted by the 2008 recession, causing a downturn in housing prices, as well reduced revenues from State sources, such as sales tax. An overall decline of 8% in City assessed values in 2008 was followed up in 2009 with a massive 33% decline in average assessments. The 2010 assessments only declined 3%.

Since those losses, the City has seen annual increases in its real estate valuations: 5.5% in 2011; 4% in 2012; 5.7% in 2013, 3-6% between 2015 and 2017, and 6.5% in 2018.

With this recovery in the City, and the entire region, the long-term outlook for the City is encouraging. Current mixed-use developments are well underway and many new housing units have been completed and are occupied. The City still has plans to develop surplus City-owned, as well as expansion of the private sector development within the City. During good times and bad, the City always strives to enhance and improve municipal services delivered to our Citizens and customers.

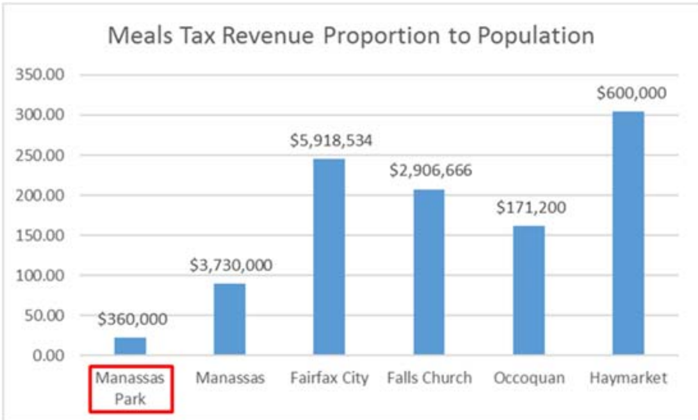
Below is a chart of historical treasury rates and a comparative table of real estate assessments for 2016 to 2018 to show an upward change in almost all classifications and that residential values represented about 72% of the total assessment value. The graphical presentation of historical treasury rates for both short- and long-term and their changes helped explain the directional change of the real estate assessment value and the City's financial performance and its local economy. Included here also is a graphical presentation of real estate trends and forecast along with the 2018 real estate assessment growth consistent with the budget planning for the year.



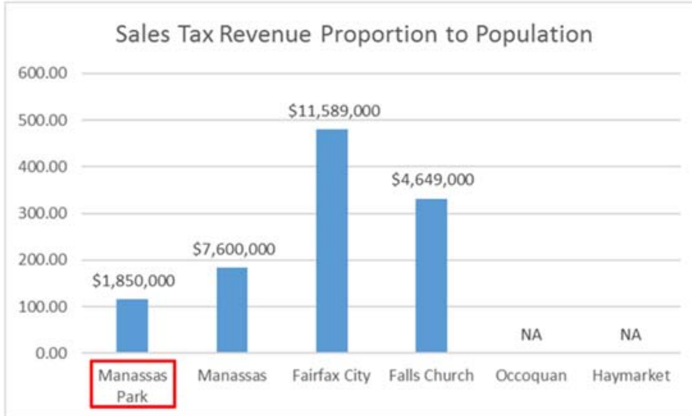
2018 Real Property Assessment Summary as of March 28, 2018					
Real Property Classification	2017 Assessments	2018 Assessments	2018 % of Total	$ Amount 0f Change	Total % Change
1	2	3		4	5
Locally-assessed Taxable Real Property					
Residential Real Property					
Single Family Detached Home (Class 10)	$722,414,600	$756,678,300	46.5%	$34,263,700	4.74%
Single Family Townhouse (Class 20)	287,069,000	296,485,000	18.2%	9,416,000	3.28%
Residential Condominium (Class 30)	109,286,200	114,933,500	7.1%	5,647,300	5.17%
Subtotal Residential	1,118,769,800	1,168,096,800	71.9%	49,327,000	4.41%
Vacant Land - Residential (Class 60 & 69)	520,000	520,000	0.0%	0	0.00%
Total Residential Real Property	1,119,289,800	1,168,616,800	71.9%	49,327,000	4.41%
Commercial/Industrial Real Property					
Commercial (Class 41, 43, 44, 47 & 48)	84,479,700	94,055,500	5.8%	9,575,800	11.34%
Multi-family Apartment (Class 42, 45 & Neigh. 2001)	204,286,600	236,482,800	14.5%	32,196,200	15.76%
Industrial (Class 40, 50 & 52)	109,247,900	115,703,600	7.1%	6,455,700	5.91%
Vacant Land - Commercial (Class 63)	3,429,700	4,808,200	0.3%	1,378,500	40.19%
Vacant Land - Industrial (Class 65)	6,018,800	6,018,800	0.4%	0	0.00%
Total Commercial/Industrial Real Property	407,462,700	457,068,900	28.1%	49,606,200	12.17%
Total Locally-assessed Taxable Real Property	**1,526,752,500**	**1,625,685,700**	100.0%	**98,933,200**	**6.48%**

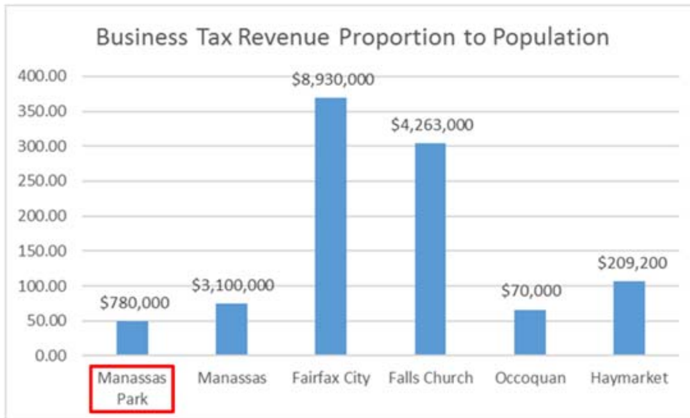
ECONOMIC DEVELOPMENT

The City of Manassas Park is behind its peers (Northern Virginia Cities and Prince William County Towns) when it comes to revenues generated from Economic Development sources (see adjacent charts). The fact that the City is much closer to its peers in terms of Business License Revenue but far behind in terms of Meals and Sales Taxes indicates that the City's Light Industrial Park is healthy and that the City should focus on retail and restaurant developments to diversify and grow the local economy



With this in mind, the City is focusing on developing our Downtown into either a commercial shopping center or mixed-use "Town Center". While the City is working with the owner of City Center and the new Park Tower development to enable retail and restaurant attraction to these developments, it is also prioritizing the development of "Phase 3" of City Center in the land where City Hall is currently located. The hope is to draw a retail anchor to this land that will then spur further business investments to the Downtown. Unless the City is successful in its Downtown development strategy, the economy of Manassas Park will continue to be the weakest in the area. This weak economy will not permit the revenues needed to fund City operations, including our Schools, to desired and needed levels. In the previous years, the development of 1-2 Bedroom Apartments has resulted in increased commercial real estate property revenues to the City. However, no further apartment developments are in the pipeline. The City will continue to explore options as part of Downtown development.





The economic development information is support of the three graphs for meals tax, sales tax and business tax is based on the FY 2018 budget information.

FINANCIAL INFORMATION

The management of the City of Manassas Park is responsible for establishing and maintaining internal controls to ensure the protection of the City assets. In developing and evaluating the City of Manassas Park's accounting system, consideration is given to the adequacy of internal accounting controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. The current financial management focus is on cash and debt management.

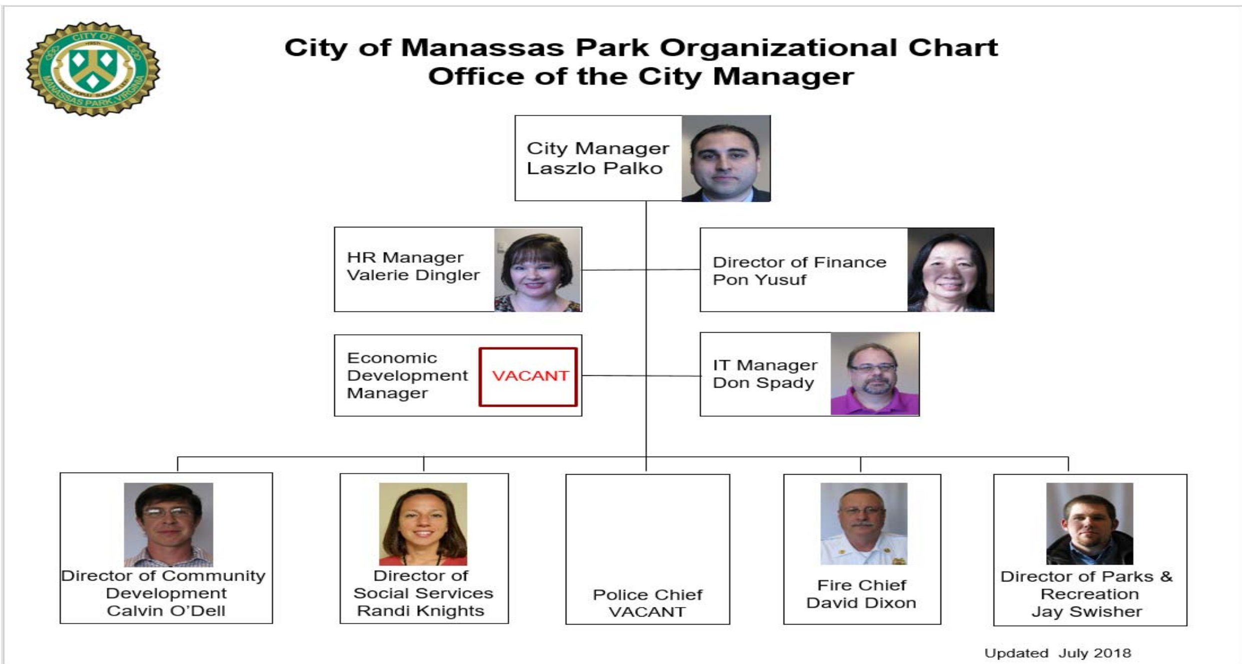
OTHER INFORMATION

Acknowledgements

Without the leadership and support of the Mayor, Governing Body and City Manager, preparation of this report would not have been possible. The preparation of this annual financial report could not have been accomplished without the support of appointed / elected officials and staff, School Board Finance Director, and the members of their staff.

Staff efforts over the past years toward reconstructing historical data in support of the accounting and financial reporting systems of the City of Manassas Park have led substantially to the improved quality of the information being reported by the City of Manassas Park.

Below is the Organizational Photo Chart of the City of Manassas Park Administration Team:



Sincerely,

February 28, 2019
Pon Chen Yusuf, CPA/CFF, MGT, CGMA
Finance Director / CFO

CITY OF MANASSAS PARK, VIRGINIA
Principal Officials
June 30, 2018

Governing Body

Jeanette Rishell, Mayor

Suhas Naddoni, Vice Mayor

Preston Banks

Michael Carrera

Hector Cendejas

Miriam Machado

Donald Shuemaker

Other Officials

Laszlo Palko, City Manager

Lana A. Conner, City Clerk

Debra D. Wood, Commissioner of the Revenue

Patricia Trimble, Treasurer

Dr. Bruce McDade, Superintendent of Schools

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manassas Park, 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.

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and* 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 1 to the financial statements, in 2018, the City restated beginning balances to reflect the requirements of GASB Statement No. 75 and to restate receivables. 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, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-15, 136-140, and 141-162 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manassas Park, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, supporting schedule 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*, and is also not a required part of the basic financial statements.

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

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 February 28, 2019, on our consideration of the City of Manassas Park, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Manassas Park, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Manassas Park, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
February 28, 2019

The Management's Discussion and Analysis (MD&A) offers readers of the City of Manassas Park's financial statements a narrative overview and analysis of the financial activities of the City for the fiscal year that ended June 30, 2018. The information presented here should be considered in conjunction with additional information provided in the letter of transmittal.

FINANCIAL HIGHLIGHTS

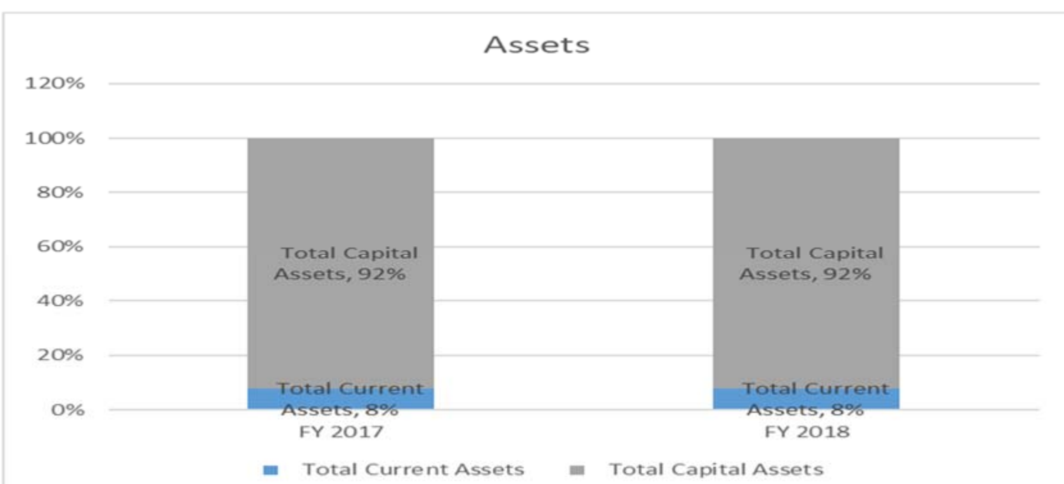
The liabilities of the City exceeded its assets at June 30, 2018 by $0.4 million (net position). Of this net position amount, the negative unrestricted balance of $(1.7) million was reported. The School Board reported a net negative position of $(10.1) million, of which $27.2 million was reported as invested in capital assets and the remaining balance of $(37.3) million as unrestricted. (See Exhibit 1)

- The Primary Government's net position increased by $2.7 million and the School Board's net position increased by $4.3 million. (See "Change in net position" on Exhibit 2)
- The unassigned balance of the General Fund was $5.4 million (See "Total fund balances less Non-spendable" on Exhibit 3). Additionally, the Fund had total revenues of $42.4 million. (See Exhibit 4).
- Net position of governmental activities increased $1.2 million to $(0.4) million while net position of business-type activities increased $1.4 million to $16.8 million. (See Exhibit 2)
- During FY 2018, the City's long-term obligation of governmental activities decreased by $9.1 million from $117.4 million to $108.3 million. See Note 7 on Long-Term Obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis serves as an introduction to the City's basic financial statements, which are composed of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Many adjustments were made to restate and reclassify many financial line items to ensure compliance with rules, laws, and General Accepted Accounting Principles (GAAP) prior to FY2017.

The City's total governmental assets of about $105.7 million decreased by $6.9 million with the capital assets being down by about $6.3 million. The decrease of $6.3 million includes depreciation exceeding capital outlays by $2.7 million and a transfer of $3.7 million of jointly owned assets to the School Board.



ASSETS:		FY 2017		FY 2018		FY 2017 vs. FY 2018
Current Assets						
Cash and cash equivalents	$	2.4	$	4.5	$	-2.2
Investments		0.3		0.0		0.3
Internal balances						0.0
Receivables - property taxes		1.4		1.5		-0.1
Receivables - accounts receivable		0.4		0.6		-0.2
Due from other governments		3.4		1.5		2.0
Prepaid items		1.0		0.2		0.8
Total Current Assets	$	8.9	$	8.3	$	0.6
Noncurrent Assets						
Land	$	5.6	$	5.6	$	0.0
Intangibles		0.1		0.1		0.0
Infrastructure		8.3		10.7		-2.4
Buildings and improvements		32.5		31.7		0.8
Equipment		3.0		2.7		0.3
Jointly owned assets		51.3		46.4		4.9
Construction in progress		2.9		0.2		2.7
Total Capital Assets	$	103.7	$	97.4	$	6.3
Total assets	$	112.6	$	105.7	$	6.9

The City's cash and cash equivalents decreased by about $2.2 million when compared to FY2017. This adjustment is mainly due to the separation of School cash from the City cash concentration account on 12/20/2017.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements, similar to those used by private-sector companies, report information about the City as a whole. One of the most important questions asked about the City's finances is; "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about City finances as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

The Statement of Net Position and the Statement of Activities report the City's net position and changes in assets. One can think of the City's net position—the difference between assets and deferred outflows and liabilities and deferred inflows—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position help determine whether the City's financial position is improving or deteriorating.

In the *Statement of Net Position* and *the Statement of Activities*, the City is divided into the following:

Governmental activities - Most of the City's basic services are reported here: general government, public safety, public works, health and welfare, parks and recreation, and community development. These activities are primarily funded with property taxes, other taxes and intergovernmental revenue.

GOVERNMENT-WIDE FINANCIAL STATEMENTS: (Continued)

Business-type activities - The financial activities of the water and sewer, solid waste management, and storm water enterprises are reported here. The City charges a fee to customers to cover all or most of the cost of services it provides for these activities.

Component unit - The City also includes a separate legal entity, the School Board, in its report. While legally separate, the School Board does not have a taxing authority and depends financially on the City to fund its debt service and annual operations beyond its funding from federal and state.

The government-wide financial statements can be found on the basic financial statements section of this report.

FUND FINANCIAL STATEMENTS

Traditional readers of government financial statements will find the fund financial statement presentation more familiar. The focus is on the City's chief operating fund and its major funds. 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 uses fund accounting to demonstrate and ensure fiscal accountability. This includes the fund accounting for governmental, proprietary, and fiduciary funds. For more detailed information about the City's most significant funds, refer to the basic financial statement section and the related note disclosure.

Governmental Funds
Governmental funds are 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 statements provide a short-term view of the City's finances that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance City programs. The basic Governmental Funds financial statements can be found on pages 19-21 of this report.

Proprietary Funds
Proprietary funds are to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds are classified as either enterprise or internal service funds. Enterprise funds may be used to report activity for which a fee is charged to external users for goods or services. Internal service funds account for goods and services provided on a cost reimbursement basis for activities within the government.

The City maintains three proprietary funds to account for its water and sewer, solid waste management, and storm water operations. Currently, no internal service funds are maintained. The basic Proprietary Funds financial statements can be found on pages 22-24 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 26-135 of this report.

Other information
In addition to the basic financial statements and accompanying notes, supplementary information is presented.
Required supplementary information can be found on pages 136-162 of this report.
Other supplementary information can be found on pages 163-175 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - The following table reflects condensed information on the City's net position:

Summary of Net Position (000,000s omitted)

	Governmental 2018	Governmental 2017	Business-type 2018	Business-type 2017	Total Primary 2018	Total Primary 2017	Component Unit 2018	Component Unit 2017
ASSETS								
Current & other assets	$ 8.3	$ 8.9	$ 12.5	$ 12.6	$ 20.8	$ 21.5	$ 6.5	$ 6.5
Capital assets	97.4	103.7	17.8	18.0	115.1	121.7	27.3	23.9
Total assets	$ 105.7	$ 112.6	$ 30.3	$ 30.6	$ 136.0	$ 143.2	$ 33.8	$ 30.4
DEFERRED OUTFLOWS OF RESOURCES								
Total deferred outflows of resources	$ 7.3	$ 8.9	$ 0.9	$ 1.1	$ 8.2	$ 9.9	$ 7.2	$ 9.4
LIABILITIES								
Long-term debt outstanding	$ 12.0	$ 12.5	$ 1.9	$ 2.7	$ 13.9	$ 15.1	$ 5.1	$ 5.5
Other liabilities	100.1	107.9	12.4	13.6	112.6	121.5	39.9	40.9
Total liabilities	$ 112.1	$ 120.4	$ 14.4	$ 16.3	$ 126.5	$ 136.7	$ 45.0	$ 46.3
DEFERRED INFLOWS OF RESOURCES								
Total deferred inflows of resources	$ 1.2	$ 0.6	$ 0.1	$ 0.1	$ 1.3	$ 0.6	$ 6.1	$ 1.5
NET POSITION:								
Invested in capital assets	$ 1.3	$ 1.6	$ 5.5	$ 4.8	$ 6.8	$ 6.3	$ 27.2	$ 23.7
Unrestricted (deficit)	-1.7	-1.1	11.2	10.6	9.6	9.5	-37.3	-31.8
Total net position	$ -0.4	$ 0.5	$ 16.8	$ 15.4	$ 16.4	$ 15.9	$ -10.1	$ -8.1

Note: FY2018 was the first year of implementation of GASB Statement No. 75, and prior year comparative information was unavailable. As a consequence, the FY2017 information in the Table above has not been restated to reflect the requirements of GASB Statement No. 75.

The City's combined net position for the primary government increased from $13.7 million at June 30, 2017 to $16.4 million at June 30, 2018. The City's net position of governmental activities invested in capital assets include streets, drainage, construction in progress, buildings, equipment, etc.. The capital assets are net of the outstanding principal of the debt associated with their acquisition. These assets are not available for future expenditures since they will not be sold.

The Component Unit School Board's net negative position was reduced by $4.3 million.

The net position of the City's governmental activities is $(0.4) million, a increase of $1.2 million while the net position of the City's business-type activities is $16.8 million reflects an increase of $1.4 million. As with the governmental activities, most of the net position is invested in capital assets. The City uses these assets to provide services to its citizens. The unrestricted net position of the business-type activities was $11.2 million or 67.1% of total net position of business-type activities as of June 30, 2018.

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)

Statement of Activities - The City's total revenues and expenses for governmental, business-type and School Board activities are reflected in the following table:

Summary of Changes in Net Position (000s omitted)
For Fiscal Years Ending June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit School Board	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues:								
Program revenues:								
Charges for services	$ 2,021	$ 2,188	$ 10,402	$ 10,912	$ 12,423	$ 13,100	$ 422	$ 482
Operating grants and contributions	3,082	3,170	-	-	3,082	3,170	28,345	28,107
Capital grants and contributions	271	2,895	-	-	271	2,895	-	-
General revenues:								
Property taxes	28,255	27,151	-	-	28,255	27,151	-	-
Other taxes	5,543	5,543	-	-	5,543	5,543	-	-
Payment from City of Manassas Park	-	-	-	-	-	-	15,783	13,738
Grants and contributions not restricted to specific programs	2,210	2,293	-	-	- 2,210	2,293	14	5
Other	2,250	1,356	152	249	2,402	1,606	379	372
Total Revenues	$ 43,632	$ 44,596	$ 10,554	$ 11,162	$ 54,186	$ 55,758	$ 44,943	$ 42,703
Expenses:								
General government	$ 3,394	$ 3,413	$ -	$ -	$ 3,394	$ 3,413	$ -	$ -
Judicial administration	513	477	-	-	513	477	-	-
Public safety	8,335	8,604	-	-	8,335	8,604	-	-
Public works	2,323	2,348	-	-	2,323	2,348	-	-
Health and welfare	3,889	3,835	-	-	3,889	3,835	-	-
Education	17,047	14,919	-	-	17,047	14,919	-	-
Parks recreation and cultural	3,818	4,122	-	-	3,818	4,122	-	-
Community development	467	532	-	-	467	532	-	-
Interest on long-term debt	4,059	4,015	-	-	4,059	4,015	-	-
Water and Sewer	-	-	7,685	7,899	7,685	7,899	-	-
School Board	-	-	-	-	-	-	40,654	42,345
Total Expenses	$ 43,844	$ 42,265	$ 7,685	$ 7,899	$ 51,530	$ 50,164	$ 40,654	$ 42,345
Increase in net position before transfers	$ (212)	$ 2,331	$ 2,869	$ 3,263	$ 2,657	$ 5,594	$ 4,289	$ 358
Transfers	1,389	1,608	(1,389)	(1,608)	-	-	-	-
Increase In net position	$ 1,177	$ 3,939	$ 1,480	$ 1,655	$ 2,657	$ 5,594	$ 4,289	$ 358
Net Position - beginning, as restated	(1,574)	(3,431)	15,271	13,715	13,697	10,284	(14,395)	(8,436)
Net Position - ending	$ (397)	$ 508	$ 16,750	$ 15,370	$ 16,354	$ 15,878	$ (10,106)	$ (8,077)

Note: FY2018 was the first year of implementation of GASB Statement No. 75, and prior year comparative information was unavailable. As a consequence, the FY2017 information in the Table above has not been restated to reflect the requirements of GASB Statement No. 75.

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)

Governmental Activities

Revenues

For FY 2018, revenues from governmental activities totaled $43.6 million. General Revenues, specifically Property Taxes and Other Local Taxes, are the largest components of revenues (about 77 percent). General Property Tax revenues were about $28.3 million, including $1.0 million in delinquent tax revenues with penalty and interest. Real Property Tax, the City's largest single source of revenue, accounted for $24.2 million, which represents more than half of total revenues.

The City received a total $3.0 million from Personal Property Taxes, which is comprised of taxes on individual automobiles, business personal property, and machinery and tools, the second largest revenue source. In addition to the $3.1 million, the City received reimbursement from the Commonwealth of Virginia of about $1.4 million for tax relief on individual automobiles or commonly known as PPTRA.

General revenues from other local taxes represented about thirteen percent of total revenues of $43.6 million for FY2018. They are comprised of many different types of taxes as detailed in the table below. For the year, other general revenues went up by about $.9 million, one million of which is from the closure of Palisade escrow account recognized as miscellaneous revenue. The disposition of $1M was delivered to the City as directed in the agreement due to the lost tax revenue triggered by the fact that the commercial building had not been timely constructed.

	Local Taxes (in thousands)			Governmental Activities	
Itemized list of other taxes:	**2018**	**2017**	**Increase/ (Decrease)**	**2018**	**2017**
Local sales and use taxes	$ 2,132	$ 2,072	$ 59	38%	37%
Consumer utility taxes	817	848	(30)	15%	15%
Business license taxes	943	1,257	(314)	17%	23%
Motor vehicle licenses	535	414	121	10%	7%
Recordation taxes	235	158	77	4%	3%
Meal tax	566	431	135	10%	8%
Cigarette taxes	233	298	(65)	4%	5%
Other taxes	81	65	15	1%	1%
Total	$ 5,543	$ 5,543	$ -	100%	100%

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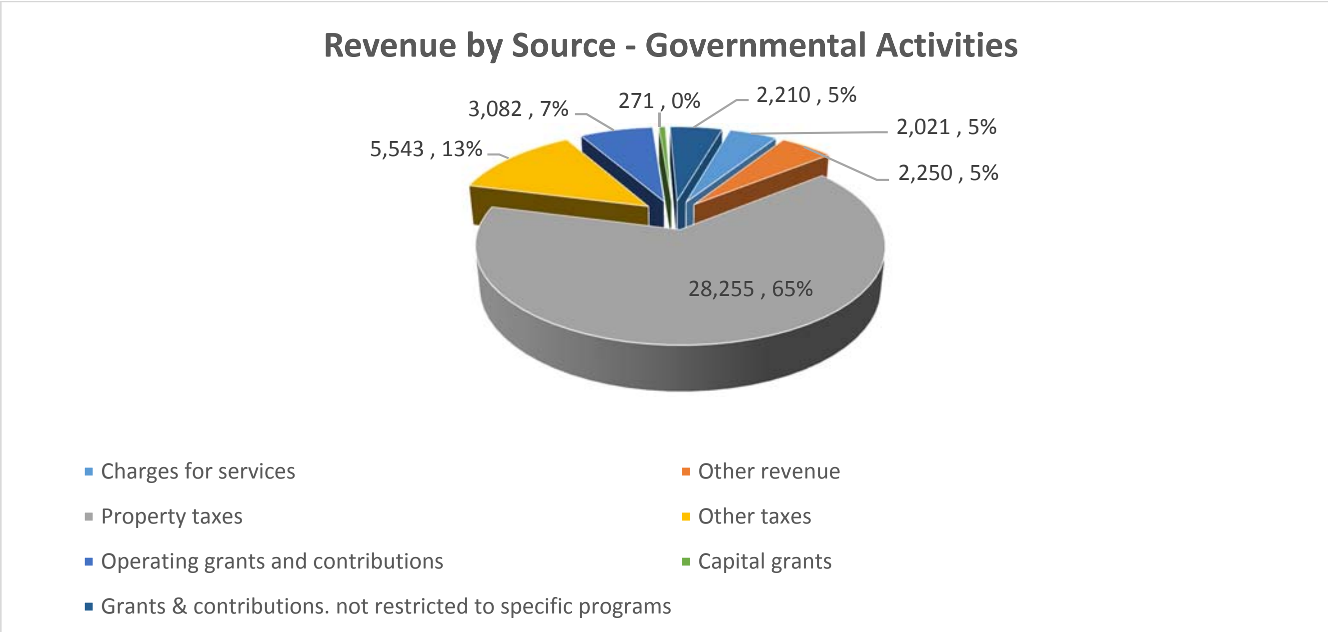


Expenses

For FY 2018, expenses for governmental activities totaled $43.8 million. Refer to the comparative table below for details. The City's five largest funded programs are local support for

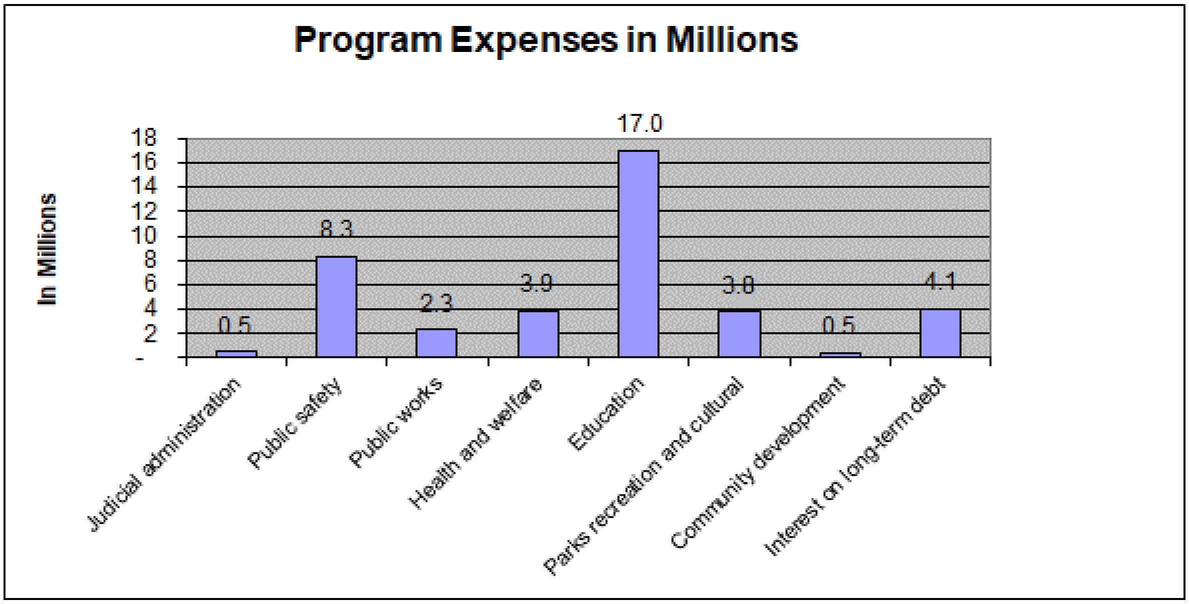
- Education (39% of total),
- Public safety (19%),
- Public works (5%),
- Health and welfare (9%), and
- Parks and Recreation 9%).

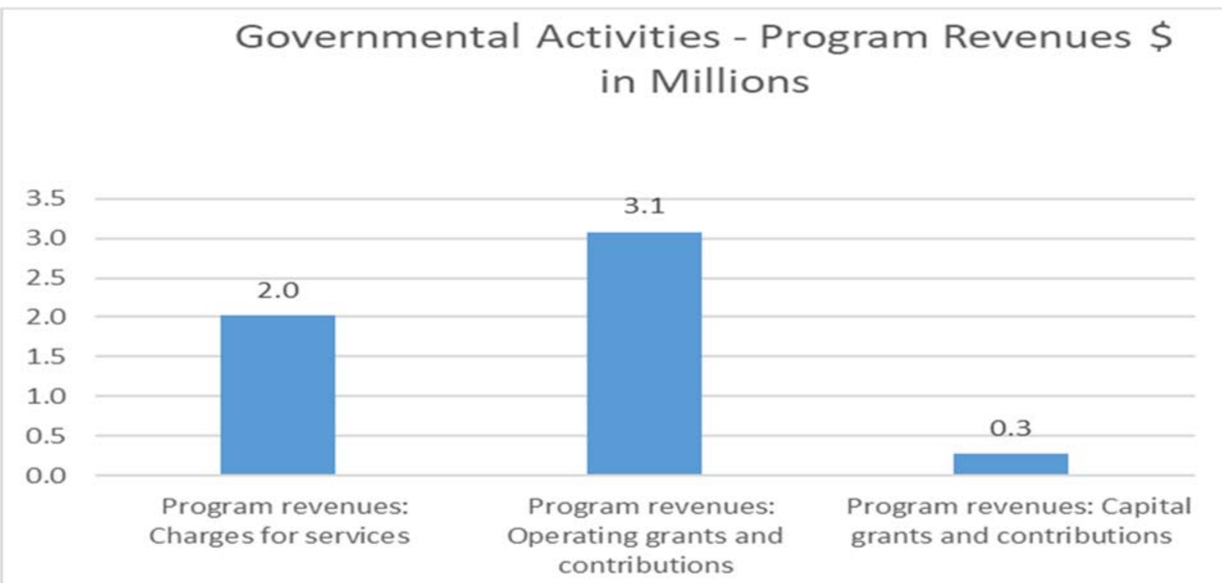
Education continues to be one of the City's highest priorities and commitments. The City's education expense totaled $17.0 million, an increase of about $2.2 million from the previous year's amount.

	Program Expenses (in thousands)			Governmental Activities	
	2018	2017	Increase/ (Decrease)	2018	2017
General government	$ 3,394	$ 3,413	$ (19)	8%	8%
Judicial administration	513	477	36	1%	1%
Public safety	8,335	8,604	(269)	19%	20%
Public works	2,323	2,348	(25)	5%	6%
Health and welfare	3,889	3,835	54	9%	9%
Education	17,047	14,919	2,128	39%	35%
Parks recreation and cultural	3,818	4,122	(304)	9%	10%
Community development	467	532	(65)	1%	1%
Interest on long-term debt	4,059	4,015	44	9%	9%
Total	$ 43,844	$ 42,265	$ 1,579	100%	100%

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)

The two graphs below show the program expenses in the first and then revenues in the second by governmental activities in millions:





Business-Type Activities

The City's business-type activity is composed of enterprise funds for water and sewer, solid waste management, and storm water operations. Net position of business-type activity increased by $1.4 million.

At June 30, 2018 total net position for business-type activities was $16.8 million, of which $5.5 million is invested in capital assets. The balance of $11.2 million is unrestricted and available to provide funding for future operations. Refer to Exhibit 1 for more details.

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)

Revenues

Total revenues, both operating and non-operating, were $10.4 million. Of this amount, all $10.4 million was in charges for services.

Expenses

Expenses, including interest expense, totaled $7.6 million. The City's Proprietary Fund financial statements provide the same type of information found in the government-wide financial statements for business-type activities but in more detail. Please refer to pages 22-24 for more details.

Component Unit - School Board

The net position of the School Board increased by $4.3 million for the total net position of $(10.1) million. This increase was primarily related to a transfer of $3.7 million of jointly owned assets from the Primary Government.

FUND FINANCIAL ANALYSIS:

Governmental Funds

Governmental Funds comprise the General Fund and Other Governmental Funds, which includes the Debt Service Fund, Capital Projects Fund and School Building Fund.

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, the 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 FY 2018, the City's governmental funds reported a combined fund balance of $5.0 million.

General Fund

The General Fund is the chief operating fund of the City. At the end of FY 2018, this fund had about $5.6 million in the total fund balance. Of this balance, the unassigned fund balance was $5.4 million or 12.8 percent of total General Fund revenues.

Actual revenues and other financing sources were more than the amended budget revenues by $0.7 million. This positive variance is mostly the net result of a larger than expected tax revenue collection of delinquent accounts.

Expenditures, transfers and other uses of funds were favorably $0.5 million less than the FY 2018 amended budget. Positive expenditure variances were attributable primarily to the overall departmental expenditure reduction as compared to the budget.

FUND FINANCIAL ANALYSIS: (Continued)

FY 2018 General Fund Budgetary Highlights
(000s omitted)

	Original Budget	Amended Budget	Actual	Amended vs Actual
Revenues, & Other Sources:				
Taxes	$ 31,843	$ 33,111	$ 33,743	$ 632
Intergovernmental	5,713	5,721	5,292	(429)
Other	3,919	2,812	3,323	511
Issuance of debt	-	-	-	-
Total	$ 41,475	$ 41,644	$ 42,358	$ 714
Expenditures,Transfers & Other Uses:				
Expenditures	$ 32,972	$ 33,035	$ 32,591	$ 445
Transfers	10,173	8,609	8,541	68
Total	$ 43,145	$ 41,644	41,132	$ 512
Change in Fund Balance	$ (1,670)	$ -	$ 1,226	$ 1,226
Fund balances at beginning of year, as restated			4,404	
Fund balances at end of year			$ 5,631	
Percent of ending fund balance over revenues			13.3%	

Proprietary Funds

The City of Manassas Park's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail. The City maintains three proprietary funds for the water and sewer, solid waste management, and storm water enterprise activities.

The Water and Sewer, Storm Water, and Solid Waste Management Funds ended FY 2018 with a net position of $16.4 million, $0.7 million, and $(0.4) million, respectively. The Solid Waste Management Fund reported a net negative position due to the reconciled overdraft of $0.5 million in the fiscal year. This overdraft reflects the operational and personnel costs of the services provided and that they were not charged back to customers for a full cost recovery. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

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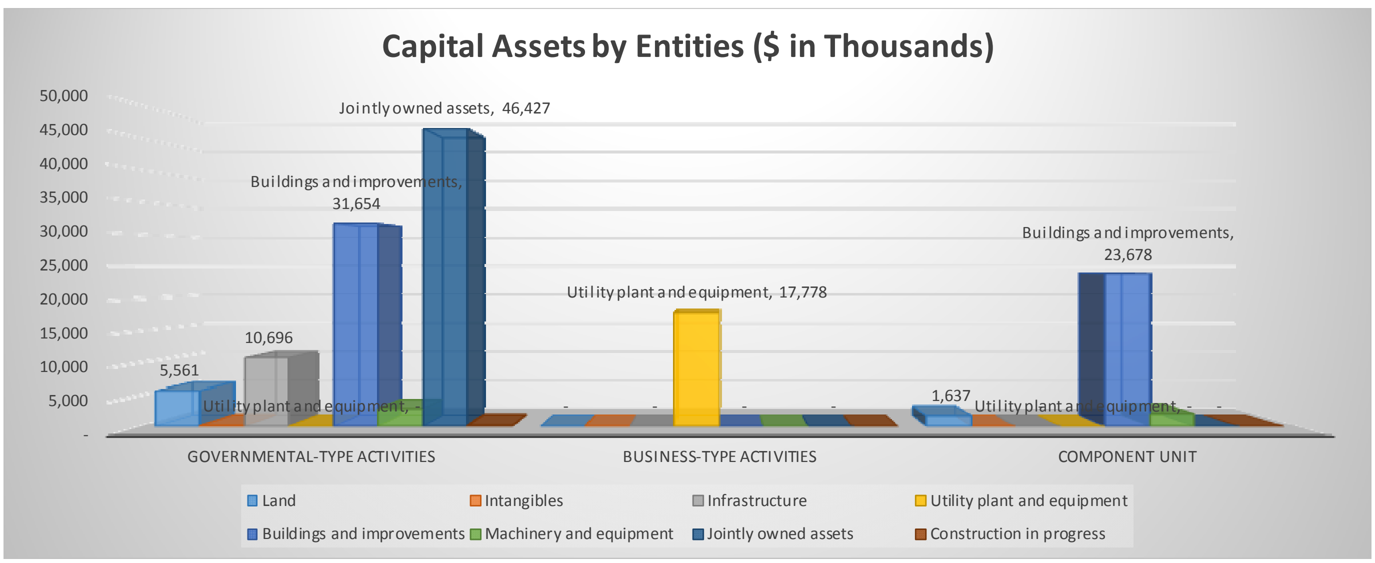
CAPITAL ASSETS AND DEBT ADMINISTRATION
Capital Assets

Capital Assets (000s omitted)
(net of depreciation)
as of June 30, 2018

	Govern-mental	Business-Type	Total	Component Unit
Land	$ 5,561	$ -	$ 5,561	$ 1,637
Intangibles	109	-	109	-
Infrastructure	10,696	-	10,696	-
Utility plant and equipment	-	17,778	17,778	-
Buildings and improvements	31,654		31,654	23,678
Machinery and equipment	2,734	-	2,734	1,963
Jointly owned assets	46,427	-	46,427	-
Construction in progress	183	-	183	-
Total	$ 97,363	$ 17,778	$ 115,141	$ 27,278

Investments in Capital Assets in FY 2018 include continuation of the street and sidewalk enhancements. Detailed information on the City's Capital Assets can be found in Note 5 of this report.

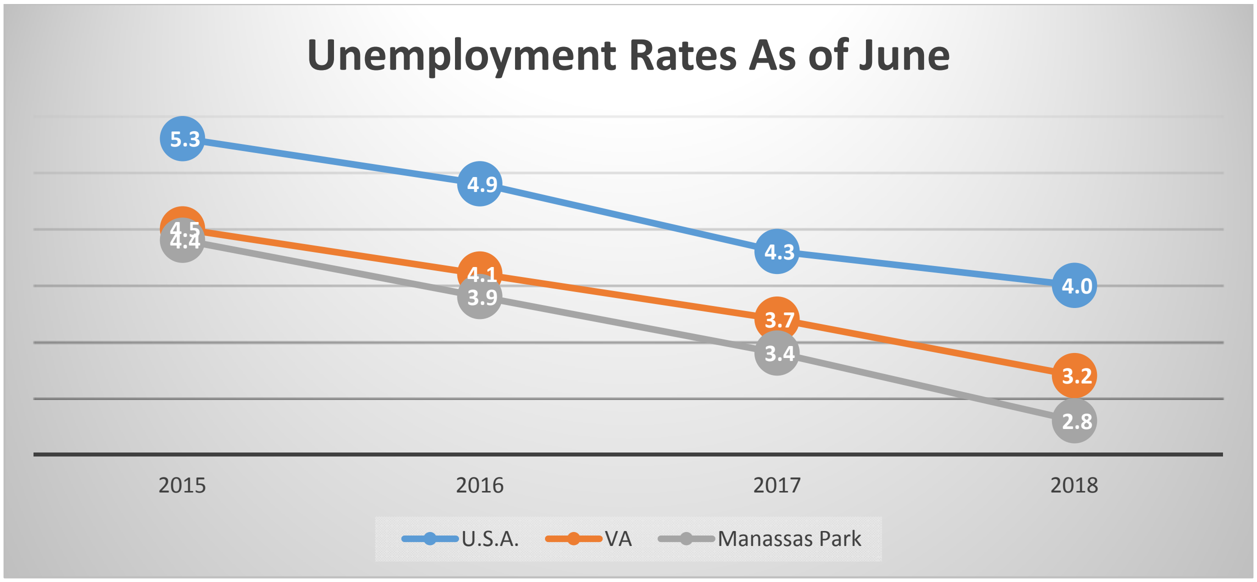


Long-Term Debt

At the end of FY 2018, the City's total outstanding principal bonded debt for governmental activities was $89.4 million, $7.4 million of State Literary Fund Loans for Schools, and $0.7 million capital lease principal payments. Accrued compensated absences, bank loans and capital leases are not included in the bonded debt amounts.

At June 30, 2017, the City of Manassas Park credit rating from Standard & Poor's and that from Moody's for General Obligation debt was withdrawn due to the delay in completing both FY 2016 and FY2017 audits. With the completion of these audits, the City should be able to re-establish the withdrawn rating and have that released soon.
Detailed information on the City's long-term debt can be found in Note 7 to this report.

EMPLOYMENT STATISTICS
The City's unemployment rate as of June 2018 was 2.8% percent. This compares favorably to the State's unemployment rate of 3.2% percent and to the national average rate of 4.0% percent as of the same ending period.



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 City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Manassas Park, City Hall, One Park Center, Manassas Park, VA 20111 or p.yusuf@manassasparkva.gov.

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
At June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Current Assets				
Cash and cash equivalents	$ 4,540,191	$ 11,056,398	$ 15,596,589	$ 4,339,443
Investments	39,366	11,605	50,971	-
Receivables (net of allowance for uncollectibles):				
Property taxes	1,467,895	-	1,467,895	-
Accounts receivable	553,612	1,438,736	1,992,348	552,254
Due from other governments	1,451,751	-	1,451,751	766,666
Pension asset	-	-	-	813,221
Net OPEB asset	-	-	-	9,833
Inventory	-	-	-	21,354
Prepaid items	238,782	17,929	256,711	15,214
Total Current Assets	$ 8,291,597	$ 12,524,668	$ 20,816,265	$ 6,517,985
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land	$ 5,560,783	$ -	$ 5,560,783	$ 1,637,491
Intangibles	108,699	-	108,699	-
Infrastructure	10,695,536	-	10,695,536	-
Utility plant and equipment	-	17,777,961	17,777,961	-
Buildings and improvements	31,654,459	-	31,654,459	23,677,601
Equipment	2,733,983	-	2,733,983	1,963,073
Jointly owned assets	46,426,961	-	46,426,961	-
Construction in progress	182,616	-	182,616	-
Total capital assets	$ 97,363,037	$ 17,777,961	$ 115,140,998	$ 27,278,165
Total Assets	$ 105,654,634	$ 30,302,629	$ 135,957,263	$ 33,796,150
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	$ 840,538	$ 82,257	$ 922,795	$ 6,805,992
OPEB related items	86,760	4,240	91,000	426,337
Deferred charge on refunding	6,333,921	824,355	7,158,276	-
Total deferred outflows of resources	$ 7,261,219	$ 910,852	$ 8,172,071	$ 7,232,329
LIABILITIES				
Current Liabilities				
Accounts payable	$ 749,131	$ 418,854	$ 1,167,985	$ 1,396,334
Retainage payable	-	-	-	-
Customer deposits	-	116,389	116,389	-
Accrued liabilities	696,868	147,406	844,274	3,549,701
Amounts held for others	426,392	-	426,392	-
Unearned revenue	269,985	-	269,985	50,900
Accrued interest payable	1,734,199	123,699	1,857,898	86
Long-term obligations -current portion	8,115,842	1,128,794	9,244,636	93,370
Total Current Liabilities	$ 11,992,417	$ 1,935,142	$ 13,927,559	$ 5,090,391
Noncurrent Liabilities				
Long-term obligations - noncurrent portion	100,138,039	12,430,521	112,568,560	39,903,848
Total Liabilities	$ 112,130,456	$ 14,365,663	$ 126,496,119	$ 44,994,239
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$ 1,014,150	$ 90,531	$ 1,104,681	$ 5,683,804
OPEB related items	167,940	7,125	175,065	455,985
Total deferred inflows of resources	$ 1,182,090	$ 97,656	$ 1,279,746	$ 6,139,789
NET POSITION				
Net investment in capital assets	$ 1,257,453	$ 5,510,752	$ 6,768,205	$ 27,219,815
Unrestricted assets	(1,654,146)	11,239,410	9,585,264	(37,325,364)
Total Net Position	$ (396,693)	$ 16,750,162	$ 16,353,469	$ (10,105,549)

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

CITY OF MANASSAS PARK, VIRGINIA

Statement of Activities
Year Ended June 30, 2018

Functions/Programs		Expenses		Program Revenues: Charges for Services		Program Revenues: Operating Grants and Contributions		Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	$	3,393,795	$	50,800	$	205,728	$	-
Judicial administration		513,265		245,075		-		-
Public safety		8,334,813		265,599		549,236		13,544
Public works		2,322,877		107,796		818,555		257,915
Health and welfare		3,888,770		-		1,508,296		-
Education		17,046,767		-		-		-
Parks, recreation, and cultural		3,818,159		1,246,552		-		-
Community development		467,237		104,880		-		-
Interest on long-term debt		4,058,604		-		-		-
Total governmental activities	$	43,844,287	$	2,020,702	$	3,081,815	$	271,459
Business-type activities:								
Water and sewer	$	6,418,196	$	8,548,073	$	-	$	-
Storm Water		409,628		862,123		-		-
Solid Waste		857,410		991,776		-		-
Total business-type activities	$	7,685,234	$	10,401,972	$	-	$	-
Total Primary Government	$	51,529,521	$	12,422,674	$	3,081,815	$	271,459
COMPONENT UNITS:								
School Board	$	40,653,850	$	422,294	$	28,344,778	$	-

General revenues:
- General property taxes
- Local sales and use taxes
- Consumer utility taxes
- Business license taxes
- Motor vehicle licenses
- Recordation taxes
- Meals tax
- Cigarette taxes
- Other local taxes
- Grants and contributions not restricted to specific programs
- Unrestricted revenues from use of money and property
- County contribution to School Board
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	School Board
$ (3,137,267)	$ -	$ (3,137,267)	$ -
(268,190)	-	(268,190)	-
(7,506,434)	-	(7,506,434)	-
(1,138,611)	-	(1,138,611)	-
(2,380,474)	-	(2,380,474)	-
(17,046,767)	-	(17,046,767)	-
(2,571,607)	-	(2,571,607)	-
(362,357)	-	(362,357)	-
(4,058,604)	-	(4,058,604)	-
$ (38,470,311)	$ -	$ (38,470,311)	$ -
$ -	$ 2,129,877	$ 2,129,877	$ -
-	452,495	452,495	-
-	134,366	134,366	-
$ -	$ 2,716,738	$ 2,716,738	$ -
$ (38,470,311)	$ 2,716,738	$ (35,753,573)	$ -
			$ (11,886,778)
$ 28,255,204	$ -	$ 28,255,204	$ -
2,131,602	-	2,131,602	-
817,402	-	817,402	-
943,314	-	943,314	-
535,307	-	535,307	-
234,999	-	234,999	-
566,351	-	566,351	-
233,100	-	233,100	-
80,583	-	80,583	-
2,210,021	-	2,210,021	-
47,270	178	47,448	13,854
-	-	-	15,783,397
2,202,896	151,850	2,354,746	378,629
1,389,308	(1,389,308)	-	-
$ 39,647,357	$ (1,237,280)	$ 38,410,077	$ 16,175,880
$ 1,177,046	$ 1,479,458	$ 2,656,504	$ 4,289,102
(1,573,739)	15,270,704	13,696,965	(14,394,651)
$ (396,693)	$ 16,750,162	$ 16,353,469	$ (10,105,549)

Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2018

	Governmental Funds					
	General	**Capital Projects Fund**	**Debt Service Fund**	**Proffer Fund**	**Nonmajor Governmental Funds**	**Total Governmental Funds**
ASSETS						
Cash and cash equivalents	$ 5,719,213	$ -	$ 300,165	$ 1,563,417	$ 1,812,570	$ 9,395,365
Investments	-	-	39,366	-	-	39,366
Receivables (Net of allowance for uncollectibles):						
Taxes, including penalties	1,467,895	-	-	-	-	1,467,895
Accounts	553,612	-	-	-	-	553,612
Due from other governmental units	826,558	625,193	-	-	-	1,451,751
Prepaid items	191,146	45,051	2,585	-	-	238,782
Total assets	$ 8,758,424	$ 670,244	$ 342,116	$ 1,563,417	$ 1,812,570	$ 13,146,771
LIABILITIES						
Reconciled overdraft	$ -	$ 4,855,174	$ -	$ -	$ -	$ 4,855,174
Accounts payable	684,924	64,207	-	-	-	749,131
Retainage payable	-	-	-	-	-	-
Accrued liabilities	696,868		-	-		696,868
Amounts held for others	426,392	-	-	-		426,392
Unearned revenue	201,128	68,857	-	-	-	269,985
Total liabilities	$ 2,009,312	$ 4,988,238	$ -	$ -	$ -	$ 6,997,550
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	$ 1,118,493	$ -	$ -	$ -	$ -	$ 1,118,493
FUND BALANCES						
Nonspendable	$ 191,146	$ 45,051	$ 2,585	$ -	$ -	$ 238,782
Committed	-	-	339,531	1,563,417	1,812,570	3,715,518
Unassigned	5,439,473	(4,363,045)	-	-	-	1,076,428
Total fund balances	$ 5,630,619	$ (4,317,994)	$ 342,116	$ 1,563,417	$ 1,812,570	$ 5,030,728
Total liabilities, deferred inflows of resources and fund balances	$ 8,758,424	$ 670,244	$ 342,116	$ 1,563,417	$ 1,812,570	$ 13,146,771

Detailed explanation of adjustments from fund statements to government-wide statement of net position:

Total fund balances, balance sheet, governmental funds	$ 5,030,728
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the position of the City as a whole.	97,363,037
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.	7,261,219
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in the fund balance.	1,118,493
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	(1,182,090)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(1,734,199)
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position.	(108,253,881)
Net position of governmental activities	$ (396,693)

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2018

	Governmental Funds					
	General	**Capital Projects Fund**	**Debt Service Fund**	**Proffer Fund**	**Nonmajor Governmental Funds**	**Total Governmental Funds**
Revenues:						
General property taxes	$ 28,202,325	$ -	$ -	$ -	$ -	$ 28,202,325
Other local taxes	5,540,591	2,067	-	-	-	5,542,658
Permits, privilege fees and regulatory licenses	161,106	-	-	-	-	161,106
Fines and forfeitures	244,775	-	-	-	-	244,775
Revenue from use of money and property	45,026	1,641	603	-	-	47,270
Charges for services	1,614,821	-	-	-	-	1,614,821
Miscellaneous	1,257,460	38,855	-	440,500	466,081	2,202,896
Intergovernmental:						
Commonwealth	4,465,979	126,435	-	-	-	4,592,414
Federal	825,857	145,024	-	-	-	970,881
Total revenues	$ 42,357,940	$ 314,022	$ 603	$ 440,500	$ 466,081	$ 43,579,146
Expenditures:						
Current:						
General government administration	$ 3,303,968	$ 50,683	$ -	$ -	$ -	$ 3,354,651
Judicial administration	513,265	-	-	-	-	513,265
Public safety	7,609,538	841,829	-	-	-	8,451,367
Public works	1,387,523	516,980	-	-	-	1,904,503
Health and welfare	3,795,932	194,055	-	-	-	3,989,987
Education	12,138,881	-	-	-	-	12,138,881
Parks, recreation, and cultural	3,349,755	10,983	-	-	-	3,360,738
Community development	491,873	-	-	-	-	491,873
Debt service:						
Principal retirement	-	346,184	5,990,405	-	-	6,336,589
Interest and other fiscal charges	-	32,717	4,031,965	-	-	4,064,682
Total expenditures	$ 32,590,735	$ 1,993,431	$ 10,022,370	$ -	$ -	$ 44,606,536
Excess (deficiency) of revenues over (under) expenditures	$ 9,767,205	$ (1,679,409)	$ (10,021,767)	$ 440,500	$ 466,081	$ (1,027,390)
Other financing sources (uses):						
Transfers in	$ 1,513,508	$ 360,000	$ 10,054,470	$ -	$ 253,970	$ 12,181,948
Transfers out	(10,054,470)	-	-	(253,970)	(484,200)	(10,792,640)
Issuance of capital leases	-	213,974	-	-	-	213,974
Total other financing sources (uses)	$ (8,540,962)	$ 573,974	$ 10,054,470	$ (253,970)	$ (230,230)	$ 1,603,282
Net changes in fund balances	$ 1,226,243	$ (1,105,435)	$ 32,703	$ 186,530	$ 235,851	$ 575,892
Fund balances at beginning of year, as restated	4,404,376	(3,212,559)	309,413	1,376,887	1,576,719	4,454,836
Fund balances at end of year	$ 5,630,619	$ (4,317,994)	$ 342,116	$ 1,563,417	$ 1,812,570	$ 5,030,728

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2018

		Primary Government Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds		$ 575,892
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period. The following details support this adjustment:		
Capital outlay	$ 936,368	
Depreciation expense	(3,601,560)	(2,665,192)
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		(3,681,049)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		52,879
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 premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:		
Capital lease proceeds	$ (213,974)	
Amortization of bond premium	799,899	
Amortization of deferred amount on refunding	(895,997)	
Principal retired on general obligation bonds	5,990,405	
Principal retired on capital leases	346,184	6,026,517
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. The following is a summary of items supporting this adjustment:		
Change in compensated absences	$ 35,339	
Pension expense	749,694	
OPEB expense	(19,210)	
Change in accrued interest payable	102,176	867,999
Change in net position of governmental activities		$ 1,177,046

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

Statement of Net Position - Proprietary Funds
At June 30, 2018

	Enterprise Funds			
	Water and Sewer Fund	Storm Water Fund	Solid Waste Management Fund	Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 10,959,797	$ 585,631	$ -	$ 11,545,428
Investments	11,605	-	-	11,605
Receivables (net of allowance for uncollectibles):				
Accounts receivable	1,152,626	82,898	203,212	1,438,736
Prepaid items	14,013	3,916	-	17,929
Total Current Assets	$ 12,138,041	$ 672,445	$ 203,212	$ 13,013,698
Noncurrent Assets				
Capital assets:				
Utility plant and equipment	$ 28,702,770	$ 249,793	$ -	$ 28,952,563
Accumulated depreciation	(11,140,493)	(34,109)	-	(11,174,602)
Total Capital Assets	$ 17,562,277	$ 215,684	$ -	$ 17,777,961
Total Assets	$ 29,700,318	$ 888,129	$ 203,212	$ 30,791,659
DEFERRED OUTFLOWS OF RESOURCES:				
Pension related items	$ 82,257	$ -	$ -	$ 82,257
OPEB related items	4,240	-	-	4,240
Deferred charge on refunding	824,355	-	-	824,355
Total deferred outflows of resources	$ 910,852	$ -	$ -	$ 910,852
LIABILITIES				
Current Liabilities				
Reconciled overdraft	$ -	$ -	$ 489,030	$ 489,030
Accounts payable	340,159	10,608	68,087	418,854
Accrued liabilities	58,080	68,611	20,715	147,406
Customer deposits	116,389	-	-	116,389
Unearned revenue	-	-	-	0
Accrued interest payable	123,699	-	-	123,699
Long-term obligations - current portion	1,101,383	27,411	-	1,128,794
Total Current Liabilities	$ 1,739,710	$ 106,630	$ 577,832	$ 2,424,172
Noncurrent Liabilities				
Long-term obligations - noncurrent portion	12,362,633	67,888	-	12,430,521
Total Liabilities	$ 14,102,343	$ 174,518	$ 577,832	$ 14,854,693
DEFERRED INFLOWS OF RESOURCES				
Pension related items	$ 90,531	$ -	$ -	$ 90,531
OPEB related items	7,125	-	-	7,125
Total deferred inflows of resources	$ 97,656	$ -	$ -	$ 97,656
NET POSITION				
Net Investment in capital assets	$ 5,374,649	$ 136,103	$ -	$ 5,510,752
Unrestricted	11,036,522	577,508	(374,620)	11,239,410
Total Net Position	$ 16,411,171	$ 713,611	$ (374,620)	$ 16,750,162

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

Statement of Revenues, Expenses and Change in Net Position -
Proprietary Fund
Year Ended June 30, 2018

	Enterprise Funds			
	Water and Sewer Fund	Storm Water Fund	Solid Waste Management Fund	Total
Operating revenues:				
Charges for services	$ 7,517,347	$ 862,123	$ 991,776	$ 9,371,246
Other revenues	151,850	-	-	151,850
Total operating revenues	$ 7,669,197	$ 862,123	$ 991,776	$ 9,523,096
Operating expenses:				
Personnel services	$ 581,483	$ 216,123	$ 5,890	$ 803,496
Fringe benefits	91,288	57,001	1,695	149,984
Contractual services	155,168	95,954	849,825	1,100,947
Depreciation	734,216	34,110	-	768,326
Other operating expenses	2,671,097	3,674	-	2,674,771
Total operating expenses	$ 4,233,252	$ 406,862	$ 857,410	$ 5,497,524
Net income (loss) from operations	$ 3,435,945	$ 455,261	$ 134,366	$ 4,025,572
Nonoperating revenues (expenses):				
Interest income	$ 178	$ -	$ -	$ 178
Availability/connection fees	1,030,726	-	-	1,030,726
UOSA debt service	(1,692,837)	-	-	(1,692,837)
Interest expense	(492,107)	(2,766)	-	(494,873)
Total nonoperating revenues (expenses)	$ (1,154,040)	$ (2,766)	$ -	$ (1,156,806)
Net income (loss) before transfers	$ 2,281,905	$ 452,495	$ 134,366	$ 2,868,766
Transfers:				
Transfers out	$ (1,237,107)	$ (72,462)	$ (79,739)	$ (1,389,308)
Change in net position	$ 1,044,798	$ 380,033	$ 54,627	$ 1,479,458
Net position, beginning of year, as restated	15,366,373	333,578	(429,247)	15,270,704
Net position, end of year	$ 16,411,171	$ 713,611	$ (374,620)	$ 16,750,162

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

Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2018

	Enterprise Funds			
	Water and Sewer Fund	**Storm Water Fund**	**Solid Waste Management Fund**	**Total**
Cash flows from operating activities:				
Receipts from customers and users	$ 7,496,610	$ 783,961	$ 932,525	$ 9,213,096
Payments to and for employees	(744,262)	(249,142)	(6,504)	(999,908)
Payments to suppliers	(2,610,797)	(108,107)	(846,282)	(3,565,186)
Net cash provided by operating activities	$ 4,141,551	$ 426,712	$ 79,739	$ 4,648,002
Cash flows from non-capital financing activities:				
Availability/connection fees	$ 13,710	$ -	$ -	$ 13,710
Transfers (out)	(1,237,107)	(72,462)	(79,739)	(1,389,308)
Net cash provided by non-capital financing activities	$ (1,223,397)	$ (72,462)	$ (79,739)	$ (1,375,598)
Cash flows from capital and related financing activities:				
Construction and acquisition of capital assets	$ (457,538)	$ (90,567)	$ -	$ (548,105)
Retirement of indebtedness	(933,527)	(25,175)	-	(958,702)
UOSA debt service	(1,692,837)	-	-	(1,692,837)
Interest expense	(516,489)	(2,766)	-	(519,255)
Net cash provided by (used for) capital and related financing activities	$ (3,600,391)	$ (118,508)	$ -	$ (3,718,899)
Net increase (decrease) in cash and cash equivalents	$ (682,237)	$ 235,742	$ -	$ (446,495)
Cash and cash equivalents at beginning of year	11,642,034	349,889	-	11,991,923
Cash and cash equivalents at end of year	$ 10,959,797	$ 585,631	$ -	$ 11,545,428
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Cash flows from operations:				
Income (loss) from operations	$ 3,435,945	$ 455,261	$ 134,366	$ 4,025,572
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	734,216	34,110	-	768,326
Changes in operating items:				
(Increase) decrease in accounts receivable	(197,587)	(78,162)	(59,251)	(335,000)
(Increase) deferred outflows - pension related items	41,054	-	-	41,054
(Increase) decrease in deferred outflows - OPEB related items	(560)	-	-	(560)
(Increase) decrease in prepaid items	(1,655)	(3,916)	-	(5,571)
Increase (decrease) in reconciled overdraft	-	-	4,050	4,050
Increase (decrease) in accounts payable	217,123	(4,563)	(507)	212,053
Increase (decrease) in accrued liabilities	20,470	8,264	1,081	29,815
Increase (decrease) in customer deposits	25,000	-	-	25,000
Increase (decrease) in net pension liability	(160,403)	-	-	(160,403)
Increase (decrease) in net OPEB liability	(8,286)	-	-	(8,286)
Increase (decrease) in deferred inflows - pension related items	37,291	-	-	37,291
Increase (decrease) in deferred inflows - OPEB related items	7,125	-	-	7,125
Increase (decrease) in compensated absences	(8,182)	15,718	-	7,536
Net cash provided by operating activities	$ 4,141,551	$ 426,712	$ 79,739	$ 4,648,002

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

Statement of Fiduciary Net Position - Fiduciary Funds
At June 30, 2018

		Agency Funds
ASSETS		
Cash and cash equivalents	$	18,110
Total assets	$	18,110
LIABILITIES		
Accounts payable	$	2,100
Amounts held for others		16,010
Total liabilities	$	18,110

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

Note 1–Summary of Significant Accounting Policies:

The City of Manassas Park, Virginia ("City", "government") is a municipal corporation governed by an elected mayor and six-member City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

The financial statements of the City of Manassas Park, Virginia have been prepared in conformity with accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB) and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the government's accounting policies are described below.

<u>Financial Statement Presentation</u>

<u>Management's Discussion and Analysis</u> - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

<u>Government-wide and Fund Financial Statements</u>

<u>Government-wide financial statements</u> - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. *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 certain legally separate *component units* for which the primary government is financially accountable.

<u>Statement of Net Position</u> - The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component unit. Governments will report all capital assets, in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

<u>Statement of Activities</u> - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

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*.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget, final budget, and actual results.

A. Financial Reporting Entity:

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the City of Manassas Park, Virginia (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures:

Blended Component Units – The City has no blended component units for the fiscal year ended June 30, 2018.

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

B. Individual Component Unit Disclosures: (Continued)

Discretely Presented Component Units

School Board

The Manassas Park City School Board operates the elementary and secondary public schools in the City. School Board members are appointed by the Governing Body. The School Board is fiscally dependent upon the City because the City approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. A separate financial report for the Manassas Park City School Board is not prepared. The financial statements of the School Board are presented as a discrete presentation of the City financial statements.

Other Related Organizations

A related organization is an organization for which a primary government is not financially accountable because it does not impose will or have a financial benefit or burden relationship even though the primary government appoints a voting majority of the organization's governing board. The Industrial Development Authority of Manassas Park is a related organization of the City.

The City has organized the Industrial Development Authority of Manassas Park to promote and develop commercial and industrial enterprise within the City. The Authority issues bonds to enterprises who locate within the City as a means of attracting business. Although the Authority's members are appointed by City Council, the Authority is not a part of the City's reporting entity because the City has no accountability for fiscal matters. The bonds are not obligations of the City or the Commonwealth of Virginia, but are secured solely by revenues received from the businesses on whose behalf they are issued. The Authority had no revenue bonds outstanding at June 30, 2018.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements; however, the agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

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

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. 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 fiscal period. Major sources of revenue susceptible to accrual include but are not limited to state and local sales tax, PPTRA, and other local taxes. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. All other revenue items are considered to be measurable and available only when cash is received by the government. 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.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

   Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental funds:

   a. General Fund

      The General Fund is the primary operating fund of the City. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund’s revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for reporting purposes.

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

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

1. Governmental Funds: (Continued)

   b. Capital Projects Funds

   The Capital Projects Fund and the Proffer Fund account for and reports financial resources that are restricted or committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund and Proffer Fund are considered major funds.

   c. Debt Service Fund

   The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds, including public improvement bonds and obligations issued through the Virginia Public School Authority. The Debt Service Fund is considered a major fund.

   d. Special Revenue Funds

   Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The City has two special revenue funds, the Gang Task Force Fund and the Special Transportation Fund. The Gang Task Force Fund accounts for revenues and expenditures of the Gang Task Force grant while the Special Transportation Fund accounts for activity related to the Northern Virginia Transportation Authority. The Gang Task Force Fund and the Special Transportation Fund are considered nonmajor funds.

2. Proprietary Funds - account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

   Enterprise Funds

   Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

2. Governmental Funds: (Continued)

   The City reports the following major enterprise funds:

   Water and Sewer Fund - This fund accounts for the activities and operations of the sewage treatment plants, sewage pumping stations and collection systems, and the water distribution system.

   Solid Waste Management Fund – This fund accounts for the resources used for garbage collection activities.

   Storm Water Fund – This Fund accounts for activities designed to meet storm water quality and quantity standards by implementing ordinances, programs, and practices mandated by the State.

3. Fiduciary Funds (Trust and Agency Funds) - account for assets held by the City unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. Agency funds consists of the CDA Fund.

D. Budgets and Budgetary Accounting:

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally enacted through passage of an ordinance.

4. All revisions to the budget at the fund level must be approved by the City Council. Management may transfer budgeted amounts between functions without approval by City Council.

5. Formal budgetary integration is employed as a management control device during the year for the General, Debt Service, Capital Projects and Water and Sewer Funds.

6. Budgets for all funds are legally adopted on a basis consistent with generally accepted accounting principles (GAAP).

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

D. Budgets and Budgetary Accounting: (Continued)

7. Quarterly appropriations are made by City Council at the fund level. Appropriations can be revised only by City Council. Several supplemental appropriations were necessary during this fiscal year. All appropriations lapse at year-end except for capital projects funds where appropriations carry forward the duration of the project.

8. All budgetary data presented in the accompanying financial statements is the legally amended or revised budget for the year ended June 30, 2018.

9. The following funds have legally adopted budgets: General Fund, Debt Service Fund, Capital Projects Fund, School Operating Fund, and the School Cafeteria Fund. The legal level of control, the level on which expenditures may not legally exceed appropriations, is the fund level.

E. Cash and Cash Equivalents:

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.

F. Investments:

State statutes authorize the City government and the School Board to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool.

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

G. Receivables and Payables:

Activity between funds that are 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 interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $281,985 at June 30, 2018 and is comprised of the following:

Property taxes	$ 231,710
Water & sewer accounts	50,275
Total	$ 281,985

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

G. Receivables and Payables: (Continued)

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in two installments on June 5th and December 5th. Personal property taxes are due and collectible annually on October 5th. The City bills and collects its own property taxes.

H. Capital Assets:

Capital assets, which include property, plant and equipment, and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life 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 year ended June 30, 2018.

Property, plant and equipment and infrastructure of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	20-50
Structures, lines and accessories	40
Infrastructure	30
Machinery and equipment	5-10

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

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge 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. Another item is comprised of certain items related to the measurement of the net pension and OPEB assets or liabilities. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension and OPEB plan investments. Lastly the City reports contributions to the pension and OPEB plans made during the current year and subsequent to the net pension and OPEB assets or liabilities measurement date, which will be recognized as a reduction of the net pension and OPEB assets or liabilities next fiscal year. For more detailed information on these items, reference the pension and OPEB notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has items that qualify for reporting in this category. These items consist of certain items related to the measurement of the net pension and OPEB asset or liability are reported as deferred inflows of resources. For more detailed information on these items, reference the pension and OPEB notes.

J. Compensated Absences:

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

Upon retirement, City employees are reimbursed for accumulated vacation days and accumulated sick leave. A liability for these amounts is reported in governmental funds if they have matured, for example, as a result of employee resignations and retirements. For City Governmental Funds, the cost of accumulated vacation and sick leave expected to be paid in the next 12 months is recorded as a fund liability and amounts expected to be paid after 12 months are recorded in the entity-wide statements. For City Proprietary Funds, the cost of vacation and sick leave is recorded as a liability when earned.

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

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City Retirement Plan and the additions to/deductions from the City Retirement 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.

L. Long-term Obligations:

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Retirement Plan:

Retirement plan contributions are actuarially determined and consist of current services costs and amortization of prior service cost over a 30-year period. The City's policy is to fund pension costs as it accrues.

N. 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.

O. Prepaid Connection Fees:

Prepaid connection fees are non-refundable deposits received in advance for water and/or sewer connection fees. The amounts are recorded as revenue when the connection is made.

P. 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 represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

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

Q. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

R. Prepaid Items

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

S. Inventory

Purchases of materials and supplies are recorded as an expenditure at the time purchased except for school commodities which are valued at cost using the first-in/first-out method.

T. Component Unit-School Board Capital Asset and Debt Presentation

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement of its capital assets. That responsibility lies with the City who issues the debt on behalf of the School Board. However, the Code of Virginia requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset.

In the Statement of Net Position, this scenario presents a unique situation for the City. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net position of the City. The corresponding capital assets are reported as assets of the Component Unit-School Board (title holder), thereby increasing its net position.

The Virginia General Assembly amended the Code of Virginia to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt.

U. Fund Equity

The City reports fund balances in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

U. Fund Equity: (Continued)

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – 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 fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance/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). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes). The City's Fund Balance Policy adopted by the Governing Body delegates the authority to assign fund balances for specific purposes to the City Manager. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City.

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

V. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*

The City implemented the provisions of the above Statement during the fiscal year ended June 30, 2018. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension,* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. The implementation of this Statement resulted in the following restatements of net position:

	Net Position			Fund Balance
	Governmental Activities	Business-type Activities	Component Unit School Board	General Fund
July 1, 2017, as previously reportec	$ 507,864	15,369,898	(8,179,723)	4,323,218
Restatement of receivables	81,158	-	-	81,158
Implementation of GASB 75	(2,162,761)	(99,194)	(6,214,928)	-
July 1, 2017, as restated	$ (1,573,739)	$ 15,270,704	$ (14,394,651)	$ 4,404,376

Governmental Accounting Standards Board Statement No. 85, *Omnibus*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)).

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

W. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB, and related LODA OPEB expense, information about the fiduciary net position of the VRS LODA Program OPEB Plan and the additions to/deductions from the VRS LODA Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Political Subdivision and Teacher Employee Health Insurance Credit Program

The City and Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Programs were established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the Programs' OPEB, and the related OPEB expenses, information about the fiduciary net position of the City and VRS Teacher Employee HIC Programs; and the additions to/deductions from the City and VRS Teacher Employee HIC Programs' net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2–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

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, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The City does not have a policy related to credit risk of debt securities.

The City's rated debt investments as of June 30, 2018 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

City's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings
	AAAm
State Non-Arbitrage Pool	$ 50,971
Total	$ 50,971

Note 2–Deposits and Investments: (Continued)

Interest Rate Risk

The City does not have a policy related to interest rate risk.

Investment		June 30, 2018		Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)
State Non-Arbitrage Pool	$	50,971	$	50,971
Total	$	50,971	$	50,971

External Investment Pools

The fair value of the positions in the external investment pools (Local Government Investment Pool) is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Note 3–Due From Other Governments:

At June 30, 2018, the City and School Board had receivables from other governments as follows:

	Primary Government	Discretely Presented Component Unit School Board
Commonwealth of Virginia:		
State sales taxes	$ -	$ 389,558
Local sales taxes	376,348	-
Communications tax	107,378	-
Public assistance	36,557	-
Department of transportation	611,658	-
Shared expenses	13,783	-
CSA	124,991	-
Other	85,210	-
Federal Government:		
School funds	-	377,108
Department of transportation	6,345	-
Public assistance	89,481	-
Totals	$ 1,451,751	$ 766,666

Note 4–Interfund Transfers:

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	$ 1,513,508	$ 10,054,470
Debt Service Fund	10,054,470	-
Proffer Fund	-	253,970
Water and Sewer Fund	-	1,237,107
Storm Water Fund	-	72,462
Solid Waste Management Fund	-	79,739
Special Transportation Fund	253,970	484,200
Capital Projects Fund	360,000	-
Total	$ 12,181,948	$ 12,181,948

Transfers are used to (1) move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 5–Capital Assets:

The following is a summary of capital asset activity for the year ended June 30, 2018:

Primary Government:

	Beginning Balance July 1, 2017	Additions	Deletions	Ending Balance June 30, 2018
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 5,560,783	$ -	$ -	$ 5,560,783
Intangibles	108,699	-	-	108,699
Construction in progress	2,905,702	177,514	2,900,600	182,616
Total capital assets not being depreciated	$ 8,575,184	$ 177,514	$ 2,900,600	$ 5,852,098
Capital assets being depreciated:				
Buildings and improvements	$ 41,561,715	$ 39,651	$ -	$ 41,601,366
Equipment	10,937,073	512,076	-	11,449,149
Infrastructure	19,922,402	3,107,727	-	23,030,129
Jointly owned assets	64,296,284	-	4,682,691	59,613,593
Total capital assets being depreciated	$ 136,717,474	$ 3,659,454	$ 4,682,691	$ 135,694,237
Accumulated depreciation:				
Buildings and improvements	$ 9,090,008	$ 856,899	$ -	$ 9,946,907
Equipment	7,945,149	770,017	-	8,715,166
Infrastructure	11,586,786	747,807	-	12,334,593
Jointly owned assets	12,961,437	1,226,837	1,001,642	13,186,632
Total accumulated depreciation	$ 41,583,380	$ 3,601,560	$ 1,001,642	$ 44,183,298
Total capital assets being depreciated, net	$ 95,134,094	$ 57,894	$ 3,681,049	$ 91,510,939
Governmental activities capital assets, net	$ 103,709,278	$ 235,408	$ 6,581,649	$ 97,363,037

Note 5–Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance July 1, 2017	Additions	Deletions	Ending Balance June 30, 2018
Business-type activities:				
Capital assets being depreciated:				
Utility plant and equipment	$ 28,404,458	$ 548,105	$ -	$ 28,952,563
Accumulated depreciation:				
Utility plant and equipment	$ 10,406,276	$ 768,326	$ -	$ 11,174,602
Total capital assets being depreciated, net	$ 17,998,182	$ (220,221)	$ -	$ 17,777,961
Business-type activities capital assets, net	$ 17,998,182	$ (220,221)	$ -	$ 17,777,961

Discretely Presented Component Unit–School Board:

	Beginning Balance July 1, 2017	Additions	Deletions	Ending Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 1,637,491	$ -	$ -	$ 1,637,491
Total capital assets not being depreciated	$ 1,637,491	$ -	$ -	$ 1,637,491
Capital assets, being depreciated:				
Buildings and improvements	$ 35,923,251	$ 4,682,691	$ -	$ 40,605,942
Equipment	5,093,632	835,951	296,123	5,633,460
Total capital assets being depreciated	$ 41,016,883	$ 5,518,642	$ 296,123	$ 46,239,402
Accumulated depreciation:				
Buildings and improvements	$ 15,132,906	$ 1,795,435	$ -	$ 16,928,341
Equipment	3,623,769	336,611	289,993	3,670,387
Total accumulated depreciation	$ 18,756,675	$ 2,132,046	$ 289,993	$ 20,598,728
Total capital assets being depreciated, net	$ 22,260,208	$ 3,386,596	$ 6,130	$ 25,640,674
School Board capital assets, net	$ 23,897,699	$ 3,386,596	$ 6,130	$ 27,278,165

Note 5–Capital Assets: (Continued)

Reconciliation of primary government net investment in capital assets:

Net capital assets	$	97,363,037
Long-term debt applicable to capital assets at June 30, 2018	$	102,439,505
Deferred charge on refunding		6,333,921
Net investment in capital assets	$	1,257,453

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

Governmental activities:		
General government	$	219,840
Public safety		764,710
Public works		844,992
Health and Welfare		6,792
Education		1,226,837
Parks, recreation and cultural		538,389
Total	$	3,601,560
Component Unit-School Board	$	1,130,404 (1)
Water and Sewer	$	768,326
(1) Depreciation expense	$	1,130,404
Accumulated depreciation on Joint tenancy asset transfer		1,001,642
Total increase in accumulated depreciation, page 44	$	2,132,046

Note 6–Long-Term Obligations:

Governmental Activities:

The following is a summary of changes in long-term obligation transactions of the City for the year ended June 30, 2018:

	July 1, 2017 As Restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018	Due Within One Year
Governmental Funds					
General Obligation Bonds	$ 95,359,137	$ -	$ 5,960,405	$ 89,398,732	$ 6,929,254
Capital leases	844,868	213,974	346,184	712,658	295,426
State Literary Fund Loans	7,400,000	-	30,000	7,370,000	55,000
Compensated Absences	953,247	59,986	95,325	917,908	91,791
Net OPEB liability	2,953,018	170,544	309,834	2,813,728	-
Net Pension Liability	4,082,051	3,219,151	5,218,462	2,082,740	-
Premium on bonds	5,758,014	-	799,899	4,958,115	744,371
Total	$ 117,350,335	$ 3,663,655	$ 12,760,109	$ 108,253,881	$ 8,115,842

Note 6–Long-Term Obligations: (Continued)

Governmental Activities: (Continued)

The general fund revenues are used to liquidate compensated absences.

Annual requirements to amortize long-term obligations and related interest are as follows:

	Governmental Activities					
Year Ending	General Obligation Bonds		Capital Leases		State Literary Fund Loans	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 6,929,254	$ 3,539,426	$ 295,426	$ 23,550	$ 55,000	$ 221,100
2020	6,938,367	3,263,491	183,874	12,520	60,000	219,450
2021	7,194,645	2,973,984	189,463	6,930	60,000	217,650
2022	7,489,144	2,674,370	43,895	1,158	65,000	215,850
2023	5,527,635	2,389,933	-	-	65,000	213,900
2024	5,759,554	2,145,887	-	-	70,000	211,950
2025	6,005,499	1,893,417	-	-	70,000	209,850
2026	6,244,013	1,631,108	-	-	70,000	207,750
2027	6,167,186	1,365,034	-	-	75,000	205,650
2028	6,433,453	1,095,259	-	-	75,000	203,400
2029	6,688,269	825,009	-	-	80,000	201,150
2030	6,962,254	563,431	-	-	80,000	198,750
2031	5,577,690	334,653	-	-	1,035,000	196,350
2032	1,992,507	189,872	-	-	1,785,000	165,300
2033	2,066,492	118,817	-	-	1,835,000	111,750
2034	451,928	54,196	-	-	1,890,000	56,700
2035	473,843	34,153	-	-	-	-
2036	496,999	11,559	-	-	-	-
Total	$ 89,398,732	$ 25,103,599	$ 712,658	$ 44,158	$ 7,370,000	$ 3,056,550

Note 6–Long-Term Obligations: (Continued)

Governmental Activities: (Continued)

Details of Long-Term Obligations are as follows:

	Amount Outstanding	Due Within One Year
General Obligation Bonds:		
$9,145,000 General Obligation Bonds, dated November 10, 2004, payable in various annual installments through July 15, 2029, interest payable semiannually at rates ranging from 4.10% to 5.60%	$ 6,150,000	$ 395,000
$6,134,536 VPSA General Obligation Bonds, dated November 10, 2005, payable in various annual installments through July 2026, interest payable semiannually at rates ranging from 4.60% to 5.10%	2,617,527	307,364
$32,240,000 General Obligation Bonds, dated May 8, 2008, payable in various installments beginning through January 1, 2033, interest payable semiannually at rates ranging from 3.00% to 5.00%	7,170,000	360,000
$6,695,000 General Obligation Advance Refunding Bonds, dated June 6, 2007, payable in various installments beginning through April 15, 2022, interest payable semiannually at rates ranging from 4.00% to 5.50%	2,480,000	585,000
$8,920,000, General Obligation Refunding Bonds, dated May 28, 2015, due in various annual installments through October 2035, interest payable semiannually at rates ranging from 3.0125% to 5.125%	5,469,355	503,990
$8,955,000, General Obligation Refunding Bonds, dated May 28, 2015, due in various annual installments through October 2035, interest payable semiannually at rates ranging from .656% to 4.508%	5,281,850	787,900
$11,385,000 General Obligation Refunding Bonds, dated April 4, 2013, due in various annual installments through October 1, 2030, interest payable semiannually at rates ranging from 2.46% to 4.83%	9,810,000	575,000
$23,575,000 General Obligation Refunding Bonds, dated May 9, 2013, due in various annual installments through July 15, 2030, interest payable semiannually at rates ranging from 3.05% to 5.05%	22,930,000	1,470,000
$3,320,000 General Obligation Refunding Bonds, dated May 15, 2014, due in various annual installments through July 15, 2021, interest payable semiannually at 5.05%	1,625,000	585,000
$23,840,000 General Obligation Refunding Bonds, dated December 22, 2016, due in various annual installments through January 1, 2033, interest payable semiannually at 2.94%	23,445,000	1,355,000
$3,275,000 VPSA General Obligation Refunding Bonds, dated November 19, 2015, payable in various installments through August 1, 2030, interest payable semiannually at rates ranging from 2.00% to 5.00%	2,420,000	5,000
Total General Obligation Bonds	$ 89,398,732	$ 6,929,254

Note 6–Long-Term Obligations: (Continued)

Governmental Activities: (Continued)

Details of Long-Term Obligations: (Continued)

	Amount Outstanding	Due Within One Year
State Literary Fund Loans:		
$7,500,000, dated November 19, 2015, due in various annual installments through August 1, 2034, interest at 3%	$ 7,370,000	$ 55,000
Capital Leases:		
$292,784 lease obligation due in annual installments of $79,390 through August 24, 2018, interest payable annually at 5.70%, secured by equipment	$ 75,108	$ 75,108
$675,563 lease obligation due in annual installments of $97,835 through June 23, 2021, interest payable at 2.64%, secured by equipment	278,662	90,478
$345,561 lease obligation due in annual installments of $72,760 through June 6, 2021, interest payable at 4.75%, secured by equipment (General Government portion)	43,521	14,131
$174,567 lease obligation due in annual installments of $38,226 through December 20, 2020, interest payable at 4.75%, secured by equipment	104,589	33,258
$203,015 lease obligation due in annual installments of $43,192 through March 15, 2015, interest payable annually at 3.19%, secured by equipment	41,857	41,857
$213,974 lease obligation due in annual installments of $45,053 through July 5, 2021, interest payable annually at 2.64%, secured by equipment	168,921	40,594
Total Capital Leases	$ 712,658	$ 295,426
Compensated Absences	$ 917,908	$ 91,791
Premium on bonds	$ 4,958,115	$ 744,371
Net OPEB liability	$ 2,813,728	$ -
Net Pension Liability	$ 2,082,740	$ -
Total governmental activities long-term obligations	$ 108,253,881	$ 8,115,842

Note 6–Long-Term Obligations: (Continued)

Business-type Activities:

The following is a summary of changes in long-term obligation of the Business-type Activities for the year ended June 30, 2018:

Proprietary Funds	Balance July 1, 2017 As Restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018	Due Within One Year
General Obligation Bonds	$ 13,000,703	$ -	$ 906,911	$ 12,093,792	$ 943,110
Net OPEB liability	182,088	8,134	16,420	173,802	-
Net pension liability	341,019	291,109	451,512	180,616	-
Capital Lease	215,513	-	51,791	163,722	53,158
Compensated Absences	105,796	18,117	10,580	113,333	11,333
Premium on bonds	965,121	-	131,071	834,050	121,193
Total	$ 14,810,240	$ 317,360	$ 1,568,285	$ 13,559,315	$ 1,128,794

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Capital Lease Principal	Capital Lease Interest
2019	$ 943,110	$ 474,095	$ 53,158	$ 4,322
2020	979,308	439,430	54,561	2,919
2021	1,008,619	404,924	56,003	1,479
2022	1,055,001	364,800	-	-
2023	767,699	326,761	-	-
2024	801,432	291,507	-	-
2025	840,996	254,464	-	-
2026	883,250	212,928	-	-
2027	922,814	169,298	-	-
2028	961,547	125,799	-	-
2029	1,006,730	87,779	-	-
2030	1,042,745	54,172	-	-
2031	132,309	35,001	-	-
2032	137,493	30,039	-	-
2033	143,508	24,095	-	-
2034	148,071	17,830	-	-
2035	156,157	11,308	-	-
2036	163,003	3,821	-	-
Total	$ 12,093,792	$ 3,328,051	$ 163,722	$ 8,720

Note 6–Long-Term Obligations: (Continued)

Business-Type Activities: (Continued)

Details of long-term obligations are as follows:

	Amount Outstanding	Due Within One Year
General Obligation Bonds:		
$8,920,000, General Obligation Refunding Bonds, dated May 28, 2015, due in various annual installments through October 2035, interest payable semiannually at rates ranging from 3.0125% to 5.125%	$ 2,235,645	$ 206,010
$8,955,000, General Obligation Refunding Bonds, dated May 28, 2015, due in various annual installments through October 2035, interest payable semiannually at rates ranging from .656% to 4.508%	1,053,147	157,100
$10,400,000, General Obligation Refunding Bonds, dated April 3, 2014, payable in various principal annual installments through October 1, 2029, interest payable semiannually at rates ranging from 2.72% to 4.83%	8,805,000	580,000
Total General Obligation Bonds	$ 12,093,792	$ 943,110
Capital Leases:		
$345,561 lease obligation due in annual installments of $72,760 through June 6, 2021, interest payable at 4.75%, secured by equipment (Proprietary portion)	$ 163,722	$ 53,158
Compensated absences	$ 113,333	$ 11,333
Premium on bonds	$ 834,050	$ 121,193
Net OPEB liability	$ 173,802	$ -
Net Pension Liability	$ 180,616	$ -
Total business-type long-term obligations	$ 13,559,315	$ 1,128,794

Component Unit School Board:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2018:

	Balance July 1, 2017 As Restated	Increases	Decreases	Balance June 30, 2018	Amounts Due Within One Year
Net OPEB obligation	$ 8,024,167	$ 496,389	$ 991,887	$ 7,528,669	$ -
Net pension liability	39,036,000	7,691,000	14,667,000	32,060,000	-
Capital leases	195,359	-	137,009	58,350	58,350
Compensated absences	436,157	43,616	129,574	350,199	35,020
Total	$ 47,691,683	$ 8,231,005	$ 15,925,470	$ 39,997,218	$ 93,370

Note 6–Long-Term Obligations: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Capital Leases Principal	Capital Leases Interest
2019	$ 58,350	$ 1,035
Total	$ 58,350	$ 1,035

Details of long-term obligations are as follows:

	Amount Outstanding	Due Within One Year
Capital Leases:		
$286,749 lease obligation, dated May 20, 2015, due in annual installments of $59,385, interest payable at 1.77%, secured by equipment	$ 58,350	$ 58,350
Total Capital Leases	$ 58,350	$ 58,350
Compensated Absences	$ 350,199	$ 35,020
Net OPEB liability	$ 7,528,669	$ -
Net Pension Liability	$ 32,060,000	$ -
Total	$ 39,997,218	$ 93,370

Note 7–Compensated Absences:

In accordance with GASB statement 16 “Accounting for Compensated Absences,” the City has accrued the liability arising from outstanding claims and judgments and compensated absences.

City employees earn vacation and sick leave at various rates. No benefits or pay is received for unused sick leave upon termination. The City had outstanding accrued vacation pay as follows:

Governmental Funds	$ 917,908
Proprietary Funds	$ 113,333
Component Unit School Board	$ 350,199

Note 8–Deferred/Unavailable/Unearned Revenue:

Deferred/unavailable/unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred/unavailable/unearned is comprised of the following:

		Government-wide Statements
		Governmental Activities
Unearned revenue - state and federal seizure funds not yet expended	$	201,128
Unearned revenue - amounts related to a land sale		68,857
Total	$	269,985

		Balance Sheet
		Governmental Funds
Unavailable revenue - property tax revenue:		
Unavailable revenue representing uncollected property tax billings for which revenue recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	$	1,118,493
Unearned revenue:		
Unearned revenue - amounts related to a land sale		68,857
Unearned revenue - state and federal seizure funds not yet expended		201,128
Total	$	1,388,478

Note 9–Litigation:

At June 30, 2018, there were no matters of litigation involving the City which would materially affect the City's position should any court decisions on pending matters not be favorable.

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 5.40%.

UOSA's financial condition as of June 30, 2018 (latest available financial information) and operating results for the year then ended is summarized as follows:

Total Assets and Deferred Outflows	$	581,989,193
Total Liabilities and Deferred Inflows		531,136,807
Net Equity	$	50,852,386
Total Revenues	$	49,939,588
Total Expenses		58,779,317
Net (Loss)	$	(8,839,729)

The City is obligated under a cost sharing agreement with UOSA to fund the City's current allocated share of UOSA's annual operating costs and debt service. Accordingly, the City made payments to UOSA in fiscal year 2018 as follows:

Operaring and reserve maintenance costs	$	1,457,195
Debt service		1,692,837
Total	$	3,150,032

The City's share of construction costs was determined based on their portion of estimated capacity rights of the facilities. The City funds its obligations to UOSA through payments from the Enterprise Fund. Operation and maintenance charges are paid to UOSA monthly and debt service is paid quarterly.

Note 10–Joint Ventures: (Continued)

Upper Occoquan Sewage Authority (UOSA) (continued)

UOSA currently has seven sewage system revenue bonds outstanding. Terms of the issuances are as follows:

Issue	Original Amount	Maturity	Interest
1995A Revenue	$ 288,600,000	July 1, 2029	4.30% to 6.00%
2010 Revenue	85,180,000	July 1, 2043	3.50% to 6.00%
2013A Revenue	101,615,000	July 1, 2026	.35% to 2.90%
2014 Revenue	163,885,000	July 1, 2041	4.00% to 5.00%
2016A Revenue	20,915,000	July 1, 2048	3.00% to 5.00%
2016B Revenue	41,030,000	July 1, 2038	3.00% to 4.00%

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

Potomac and Rappahannock Transportation Commission (PRTC)

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

The governing body of each member jurisdiction appoints, from among its members, its representatives to act as Commissioners. The Commission has 16 members and one ex-officio representative from the Virginia Department of Rail and Public Transportation. The City's percentage membership is 6.67%.

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 Organizations:

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 $466,081 of these taxes.

Note 12–Water and Water Treatment Agreements:

Water Treatment Capacity Purchase Agreement

By agreement dated February 12, 2001, the City of Manassas Park purchased 1 mgd of water treatment capacity from the City of Manassas at the Lake Manassas Water Treatment Plant. The purchase price of this capacity was $3,750,000, payable from April 23, 2001 through April 23, 2006.

While the City has no ownership rights in the treatment plant, it will obtain future benefits from its ownership in the facility. Accordingly, the $3,750,000 has been established as an asset to be amortized using the straight-line method over 40 years.

Water Agreements

The Cities also entered into a wholesale water rate agreement whereas Manassas Park agrees to purchase from Manassas182.4 million gallons per year of treated water whether Manassas Park uses the water or not. The agreed upon minimum increases to 212.4 million gallons per year on the fifth anniversary of the water rate agreement. The rate is determined based upon a "Cost of Service Model" developed by Manassas and agreed to by both parties. The City has also entered into a supplemental agreement with the City of Manassas dated August 13, 1981, for 600,000 gallons per day of the City's capacity. The City of Manassas Park received a total of $3,375,000 in connection with this sale.

The City has entered into a second supplemental agreement with City of Fairfax dated October 30, 1986, for the sale of 600,000 gallons per day of the City's capacity. The City has paid the City of Fairfax $2,942,148 for the purchase of this capacity.

The City has entered into a third supplemental agreement with Prince William County Service Authority dated November 13, 2008, for the sale of 1,400,000 gallons per day of the Authority's capacity. The City has paid the Prince William County Service Authority $9,870,000 for the purchase of this capacity.

Note 13–Pension Plan:

Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of the City and (nonprofessional) employees of the public school divisions are automatically covered by the VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through City of Manassas Park, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. 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 set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About 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.	**About 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.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

Note 13–Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 (Cont.)	**About Plan 2 (Cont.)**	**About the Hybrid Retirement Plan (Cont.)** • 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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they 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.	**Eligible Members** Employees are in 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.	**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* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

Note 13–Pension Plan: (Continued)

Plan Description: (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Hybrid Opt-In Election (Cont.)
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.</td><td>Hybrid Opt-In Election (Cont.)
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.</td><td>*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.</td></tr>
<tr><td>Retirement Contributions
Employees contribute 5% 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.</td><td>Retirement Contributions
Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</td><td>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.</td></tr>
</table>

Note 13–Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**Creditable Service** Same as Plan 1.	**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 Contribution Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
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.	**Vesting** Same as 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.

Note 13–Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.) 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.	**Vesting (Cont.)** Same as Plan 1.	**Vesting** **<u>Defined Benefit Component: (Cont.)</u>** 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. **<u>Defined Contribution Component:</u>** 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.

Note 13–Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **<u>Defined Contribution Component:</u> (Cont.)** • 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 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.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1. **<u>Defined Contribution Component:</u>** 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 A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Note 13–Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Service Retirement Multiplier **VRS:** 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%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** 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.	**Service Retirement Multiplier** **VRS:** 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 and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u>** **VRS:** 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. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **<u>Defined Benefit Component:</u>** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 13–Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Not applicable.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable.

Note 13–Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **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).	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Eligibility:** Same as Plan 1 **Exceptions to COLA Effective Dates:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Eligibility:** Same as Plan 1 and Plan 2. **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

Note 13–Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **<u>Exceptions to COLA Effective Dates: (Cont.)</u>** • 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.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **<u>Exceptions to COLA Effective Dates: (Cont.)</u>**	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **<u>Exceptions to COLA Effective Dates: (Cont.)</u>**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions and School divisions (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.

Note 13–Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**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.

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 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 13–Pension Plan: (Continued)

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:

	Primary Government	Component Unit School Board (Nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	90	27
Inactive members: Vested inactive members	37	9
Non-vested inactive members	73	27
Inactive members active elsewhere in VRS	84	15
Total inactive members	194	51
Active members	150	67
Total covered employees	434	145

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% 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 9.36% 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 $848,922 and $848,530 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2018 was 1.88% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

Note 13–Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were $13,544 and $23,881 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The City's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities were 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.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the City's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 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	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, 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 return 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:
- Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related
  - Pre-Retirement:
    - RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
  - Post-Retirement:
    - RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
  - Post-Disablement:
    - RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 13–Pension Plan: (Continued)

Actuarial Assumptions – General Employees: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Note 13–Pension Plan: (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City's Retirement Plan was based on an actuarial valuation as of June 30, 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	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, 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 return 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:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 13–Pension Plan: (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (continued)

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:

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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:

Note 13–Pension Plan: (Continued)

Long-Term Expected Rate of Return (continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
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%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides 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 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 2.50%.

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 City and Component Unit School Board (nonprofessional) Retirement Plans 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.

Note 13–Pension Plan: (Continued)

Changes in Net Pension Liability

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	$ 34,932,916	$ 30,509,846	$ 4,423,070
Changes for the year:			
Service cost	$ 1,076,036	$ -	$ 1,076,036
Interest	2,397,777	-	2,397,777
Changes of assumptions	(281,172)	-	(281,172)
Differences between expected and actual experience	(312,326)	-	(312,326)
Contributions - employer	-	826,406	(826,406)
Contributions - employee	-	504,197	(504,197)
Net investment income	-	3,733,931	(3,733,931)
Benefit payments, including refunds of employee contributions	(1,357,907)	(1,357,907)	-
Administrative expenses	-	(21,163)	21,163
Other changes	-	(3,342)	3,342
Net changes	$ 1,522,408	$ 3,682,122	$ (2,159,714)
Balances at June 30, 2017	$ 36,455,324	$ 34,191,968	$ 2,263,356

Note 13–Pension Plan: (Continued)

Changes in Net Pension Liability

	Component School Board (nonprofessional) Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at June 30, 2016	$ 3,126,311	$ 3,712,054	$ (585,743)
Changes for the year:			
Service cost	$ 118,908	$ -	$ 118,908
Interest	212,429	-	212,429
Changes of assumptions	(7,214)	-	(7,214)
Differences between expected and actual experience	(35,247)	-	(35,247)
Contributions - employer	-	15,831	(15,831)
Contributions - employee	-	56,932	(56,932)
Net investment income	-	446,619	(446,619)
Benefit payments, including refunds of employee contributions	(183,217)	(183,217)	-
Administrative expenses	-	(2,633)	2,633
Other changes	-	(395)	395
Net changes	$ 105,659	$ 333,137	$ (227,478)
Balances at June 30, 2017	$ 3,231,970	$ 4,045,191	$ (813,221)

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

The following presents the net pension liability (asset) of the City and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the City's and Component Unit School Board's (nonprofessional) net pension liability (asset) 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:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
City Net Pension Liability (Asset)	$ 7,601,544	$ 2,263,356	$ (2,102,791)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	$ (417,754)	$ (813,221)	$ (1,143,238)

Note 13–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 and Component Unit School Board (nonprofessional) recognized pension expense of ($4,954) and ($127,582), respectively. At June 30, 2018, the City and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 64,319	$ 407,005	$ 8,046	$ 183,740
Change in assumptions	-	191,627	-	4,849
Changes in proportion and differences between employer contribuions and proprotionate share of contributions	9,554	9,554	-	-
Net difference between projected and actual earnings on pension plan investments	-	496,495	-	56,215
Employer contributions subsequent to the measurement date	848,922	-	13,544	-
Total	$ 922,795	$ 1,104,681	$ 21,590	$ 244,804

$848,922 and $13,544 reported as deferred outflows of resources related to pensions resulting from the City's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the 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 in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (Nonprofessional)
2019	$ (637,289)	$ (150,562)
2020	(40,274)	(47,733)
2021	(33,234)	(312)
2022	(320,011)	(38,151)

Note 13–Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 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 employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were $3,425,402 and $2,966,471 for the years ended June 30, 2018 and June 30, 2017, respectively.

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 $32,060,000 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 .26070% as compared to .27855% at June 30, 2016.

Note 13–Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2018, the school division recognized pension expense of $3,067,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, 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	$ -	$ 2,270,000
Change in assumptions	468,000	-
Changes in proportion and differences between employer contribuions and proprotionate share of contributions	2,891,000	2,004,000
Net difference between projected and actual earnings on pension plan investments	-	1,165,000
Employer contributions subsequent to the measurement date	3,425,402	-
Total	$ 6,784,402	$ 5,439,000

$3,425,402 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 in future reporting periods as follows:

Year ended June 30	
2019	$ (558,000)
2020	491,000
2021	(259,000)
2022	(1,378,000)
2023	(376,000)

Note 13–Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 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	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, 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 return 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:

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

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

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

The actuarial assumptions used in the June 30, 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:

Note 13–Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (continued)

Mortality Rates: (continued)

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

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 is as follows (amounts expressed in thousands):

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

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.

Note 13–Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each one of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Note 13–Pension Plan: (Continued)

Component Unit School Board (professional) (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 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 school division for the VRS Teacher 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, school divisions 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.

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 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:

	Rate		
	(6.00%)	**(7.00%)**	**(8.00%)**
School division's proportinate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	$ 47,877,000	$ 32,060,000	$ 18,977,000

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/2017annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14–Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

The City is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Note 14–Risk Management: (Continued)

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The City pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The City continues to carry commercial insurance for all other risks of losses. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

Note 15–Commitments and Contingencies:

Federal programs in which the City and its component units participate were audited in accordance with the provisions of Title 2, Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of 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.

Note 16–Expenditures Over Appropriations:

At June 30, 2018 expenditures exceeded appropriations as follows:

Fund	Appropriations	Actual	Variance
School Cafeteria Fund	$ 1,944,860	$ 2,030,378	$ (85,518)

Note 17–Surety Bond:

	Amount
Fidelity and Deposit Company of Maryland - Surety	
Treasurer	$ 200,000
Above constitutional offiers' employees	50,000
Director of Social Services	100,000
Virginia Municipal League	
School Board Employees Blanket Bond	1,000,000

Note 18–Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic 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 Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Note 18–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the City were $49,000 and $46,000 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to School Professional Plan were $114,000 and $107,000 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the School Nonprofessional Plan were $7,000 and $5,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 18–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the City, School Board (Professional) and School Board (Nonprofessional) reported a liabilities of $740,000, $1,713,000, and $104,000, for their proportionate share of the Net GLI OPEB Liability, respectively. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program 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, City, School Board (Professional) and School Board (Nonprofessional)'s proportion were .04917%, .11386% and .00689% respectively, as compared to .04888% .11855% and .00711% at June 30, 2016.

For the year ended June 30, 2018, the City, School Board (Professional) and School Board (Nonprofessional) recognized GLI OPEB expense of $9,000, $6,000, and $0 respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		School Professional		School Nonprofessional	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 16,000	$ -	$ 3,000	$ -	$ 39,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	28,000	-	4,000	-	64,000
Change in assumptions	-	38,000	-	5,000	-	88,000
Changes in proportion	4,000	-	-	3,000	-	69,000
Employer contributions subsequent to the measurement date	49,000	-	114,000	-	7,000	-
Total	$ 53,000	$ 82,000	$ 114,000	$ 15,000	$ 7,000	$ 260,000

Note 18–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

$49,000, $114,000, and $7,000 reported as deferred outflows of resources related to the GLI OPEB resulting from the respective City, School Board (Professional) and School Board (Nonprofessional)'s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	School Professional	School Nonprofessional
2019	$ (16,000)	$ (3,000)	$ (52,000)
2020	(16,000)	(3,000)	(52,000)
2021	(16,000)	(3,000)	(52,000)
2022	(16,000)	(2,000)	(52,000)
2023	(10,000)	(1,000)	(36,000)
Thereafter	(4,000)	(3,000)	(16,000)

Actuarial Assumptions

The total GLI OPEB liability 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	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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 OPEB liabilities.

Note 18–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – General State Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Note 18–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers

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

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

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

The actuarial assumptions used in the June 30, 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:

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

Note 18–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – SPORS Employees

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

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

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

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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Note 18–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – VaLORS Employees

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

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

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

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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Note 18–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – JRS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Note 18–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees

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

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

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

The actuarial assumptions used in the June 30, 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Note 18–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

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

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

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

The actuarial assumptions used in the June 30, 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

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

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

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

Note 18–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)

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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

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

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

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

Note 18–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

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:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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

Note 18–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	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%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides 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 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 2.50%.

Discount Rate

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

Note 18–Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

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

	Rate		
	1% Decrease	**Current Discount**	**1% Increase**
	(6.00%)	**(7.00%)**	**(8.00%)**
Proportionate share of the Group Life Insurance Program Net OPEB Liability:			
Primary Government	$ 957,000	$ 740,000	$ 564,000
School Professional	2,216,000	1,713,000	1,306,000
School Nonprofessional	134,000	104,000	79,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program'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.

Note 19–Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The 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.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS

Eligible Employees

The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement** – For Teacher and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
- **Disability Retirement** – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
    - $4.00 per month, multiplied by twice the amount of service credit, or
    - $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

Health Insurance Credit Program Notes:

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

Note 19–Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were $269,000 and $233,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2018, the school division reported a liability of $3,375,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB 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 of the VRS Teacher Employee Health Insurance Credit Program was .26603% as compared to .27853% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of $254,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

Note 19–Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	$ -	$ 6,000
Change in assumptions	-	35,000
Change in proportion	-	138,000
Employer contributions subsequent to the measurement date	269,000	-
Total	$ 269,000	$ 179,000

$269,000 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30		
2019	$	(28,000)
2020		(28,000)
2021		(28,000)
2022		(28,000)
2023		(26,000)
Thereafter		(41,000)

Note 19–Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program 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	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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 OPEB liabilities.

Mortality Rates – Teachers

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

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

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

Note 19–Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (Continued)

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:

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	$	1,268,611
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		7.04%

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

Note 19–Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
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%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides 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 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 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program 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, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Note 19–Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	**Current Discount (7.00%)**	**1% Increase (8.00%)**
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	$ 3,766,000	$ 3,375,000	$ 3,041,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program'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.

Note 20–Health Insurance Credit (HIC) Program:

Plan Description

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The 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.

The specific information about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees of participating employers are enrolled automatically upon employment. They include: • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees: • **At Retirement** – For employees who retire, the monthly benefit is $1.50 per year of service per month with a maximum benefit of $45.00 per month. • **Disability Retirement**- For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is $45.00 per month.
Health Insurance Credit Program Notes: • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Note 20–Health Insurance Credit (HIC) Program: (Continued)

Employees Covered by Benefit Terms

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

	School Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	4
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	-
Active members	67
Total covered employees	71

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The School Nonprofessional contractually required employer contribution rate for the year ended June 30, 2018 was .14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board for the Nonprofessional plan were $1,826 and $1,788 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 20–Health Insurance Credit (HIC) Program: (Continued)

Net HIC OPEB Liability (Asset)

The School Nonprofessional Plan net Health Insurance Credit OPEB asset was measured as of June 30, 2017. The total Health Insurance Credit OPEB asset 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.

Actuarial Assumptions

The total HIC OPEB asset 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	2.5%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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 the OPEB liabilities.

Note 20–Health Insurance Credit (HIC) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees

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

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

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

The actuarial assumptions used in the June 30, 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Note 20–Health Insurance Credit (HIC) Program: (Continued)

Actuarial Assumptions: (Continued)

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

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

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

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

The actuarial assumptions used in the June 30, 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Note 20–Health Insurance Credit (HIC) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

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

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

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

The actuarial assumptions used in the June 30, 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Note 20–Health Insurance Credit (HIC) Program: (Continued)

Actuarial Assumptions: (Continued)

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

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

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

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

The actuarial assumptions used in the June 30, 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:

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

Note 20–Health Insurance Credit (HIC) Program: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	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%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides 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 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 2.50%.

Discount Rate

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

Note 20–Health Insurance Credit (HIC) Program: (Continued)

Changes in Net HIC OPEB Liability (Asset)

	School Nonprofessional Plan		
	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 34,807	$ 41,701	$ (6,894)
Changes for the year:			
Service cost	$ 2,018	$ -	$ 2,018
Interest	2,425	-	2,425
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Assumption changes	(525)	-	(525)
Contributions - employer	-	1,788	(1,788)
Net investment income	-	4,908	(4,908)
Benefit payments	(318)	(318)	-
Administrative expenses	-	(82)	82
Other changes	-	243	(243)
Net changes	$ 3,600	$ 6,539	$ (2,939)
Balances at June 30, 2017	$ 38,407	$ 48,240	$ (9,833)

Sensitivity of the Health Insurance Credit Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the School Nonprofessional Health Insurance Credit Program net HIC OPEB liability (asset) using the discount rate of 7.00%, as well as what the net HIC OPEB liability (asset) 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:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School Nonprofessional's Net HIC OPEB Liability	$ (5,107)	$ (9,833)	$ (13,803)

Note 20–Health Insurance Credit (HIC) Program: (Continued)

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2018, the School Nonprofessional plan recognized Health Insurance Credit Program OPEB expense of $834. At June 30, 2018, the School Nonprofessional plan reported deferred outflows of resources and deferred inflows of resources related to their Health Insurance Credit Program from the following sources:

	School Nonprofessional	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB plan investments	$ -	$ 1,546
Change in assumptions	-	439
Employer contributions subsequent to the measurement date	1,826	-
Total	$ 1,826	$ 1,985

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB: (Continued)

$1,826 reported by the School Nonprofessional plan as deferred outflows of resources related to the HIC OPEB resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	School Nonprofessional
2019	$ (472)
2020	(472)
2021	(472)
2022	(474)
2023	(86)
Thereafter	(9)

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program 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 21–Line of Duty Act (LODA) Program:

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM PLAN PROVISIONS

Eligible Employees

The eligible employees of the Line of Duty Act Program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS).

Benefit Amounts

The Line of Duty Act Program provides death and health insurance benefits for eligible individuals:

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

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

Note 21–Line of Duty Act (LODA) Program: (Continued)

Contributions

The contribution requirements for the Line of Duty Act Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program for the year ended June 30, 2018 was $567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program from the entity were $34,000 and $35,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the City reported a liability of $815,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the entity's proportion was .31038% as compared to .30843% at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of $73,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

Note 21–Line of Duty Act (LODA) Program: (Continued)

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

At June 30, 2018, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on LODA OPEB plan investments	$ -	$ 1,000
Change in assumptions	-	85,000
Change in proportion	4,000	-
Employer contributions subsequent to the measurement date	34,000	-
Total	$ 38,000	$ 86,000

$34,000 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended June 30	
2019	$ (10,000)
2020	(10,000)
2021	(10,000)
2022	(10,000)
2023	(10,000)
Thereafter	(32,000)

Note 21–Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions

The total LODA OPEB liability 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	2.5%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Investment rate of return	3.56%, net of OPEB plan investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

Note 21–Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates – General State Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Note 21–Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates – SPORS Employees

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

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

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

The actuarial assumptions used in the June 30, 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Note 21–Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates – VaLORS Employees

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

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

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

The actuarial assumptions used in the June 30, 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Note 21–Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers with Public Safety Employees

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

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

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

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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Note 21–Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

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

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

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

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

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:

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

Note 21–Line of Duty Act (LODA) Program: (Continued)

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

The following 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 will be factored into future actuarial valuations for the LODA Program.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
- The extension of health care benefits for dependent children to age 26.
- The expansion of the definition of presumption of death or disability to include infectious diseases.

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Line of Duty Act Program is as follows (amounts expressed in thousands):

		LODA Program
Total LODA OPEB Liability	$	266,252
Plan Fiduciary Net Position		3,461
Employers' Net OPEB Liability (Asset)	$	262,791
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability		1.30%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.56% 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. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

Note 21–Line of Duty Act (LODA) Program: (Continued)

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.56%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current rate:

	Discount Rate		
	1% Decrease (2.56%)	**Current (3.56%)**	**1% Increase (4.56%)**
City's proportionate share of the total LODA Net OPEB Liability	$ 925,000	$ 815,000	$ 724,000

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

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

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 4.00%)	**Current (7.75% decreasing to 5.00%)**	**1% Increase (8.75% decreasing to 6.00%)**
City's proportionate share of the total LODA Net OPEB Liability	$ 692,000	$ 815,000	$ 969,000

Note 21–Line of Duty Act (LODA) Program: (Continued)

LODA OPEB Fiduciary Net Position

Detailed information about the Line of Duty Act Program 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.

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Note 22–Health Insurance – Pay-As-You-Go (OPEB Plan):

Plan Description

In addition to the pension benefits described in Note 13, the City administers a single-employer defined benefit healthcare plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the City's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

The City of Manassas Park provides post-retirement medical, prescription drug, and dental insurance benefits on behalf of its eligible retirees and their dependents. The City maintains two fully-insured medical and dental plans and a fully insured vision plan, which are offered to current and retired employees and their dependents that are under 65. To be eligible to continue coverage under the City's plan, employees must be eligible for and receive an immediate retirement benefit from VRS. Retirees are required to contribute the full premium rate.

Plan Membership

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

Inactive employees currently receiving benefit payments	$	7
Active employees		125
Total	$	132

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The 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. This is determined annually as part of the budgetary process. The amount paid by the City for OPEB as the benefits came due during the year ended June 30, 2018 was $63,123.

Note 22–Health Insurance – Pay-As-You-Go (OPEB Plan): (Continued)

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2018.

Actuarial Assumptions

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

Inflation	3.00%
Salary Increases	3.00%
Discount Rate	3.62%
Investment Rate of Return	N/A

Mortality rates for pre-retirement employees were based on RP-2014 Employee Mortality Tables with projection scale MP-2018 while mortality rates for healthy retirees were based on RP-2014 Healthy Annuitant Mortality table, with projection scale MP-2018 and mortality rates for disabled retirees were based on RP-2014 Disabled mortality tables, with projection scale MP-2018.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the June 30, 2018 Fidelity General Obligation AA 20-Year Yield. The final equivalent single discount rate used for this year's valuation is 3.62% as of the end of the fiscal year with the expectation that the City will continue paying the pay-go cost.

Changes in Total OPEB Liability

Changes in Net OPEB Liability - City

		Primary Government Total OPEB Liability
Balances at June 30, 2017	$	1,421,106
Changes for the year:		
Service cost		37,035
Interest		51,643
Difference between expected and actual experience		(14,131)
Benefit payments		(63,123)
Net changes		11,424
Balances at June 30, 2018	$	1,432,530

Note 22–Health Insurance – Pay-As-You-Go (OPEB Plan): (Continued)

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

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

Rate		
1% Decrease (2.62%)	**Current Discount Rate (3.62%)**	**1% Increase (4.62%)**
$ 1,582,044	$ 1,432,530	$ 1,301,039

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

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.5% decreasing to an ultimate rate of 4.0%) or one percentage point higher (7.5% decreasing to an ultimate rate of 6%) than the current healthcare cost trend rates:

Rates		
1% Decrease	**Healthcare Cost Trend**	**1% Increase**
$ 1,270,475	$ 1,432,530	$ 1,624,615

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

For the year ended June 30, 2018, the City recognized OPEB expense in the amount of $81,612. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resouces	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 7,065
Total	$ -	$ 7,065

Note 22–Health Insurance – Pay-As-You-Go (OPEB Plan): (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: (Continued)

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

Year Ended June 30		
2019	$	(7,065)
2020		-
2021		-
2022		-
2023		-
Thereafter		-

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

Note 23–Health Insurance – Pay-As-You-Go (OPEB Plan) – School Board:

Plan Description

In addition to the pension benefits described in Note 13, the School Board administers a single-employer defined benefit healthcare plan. The Plan is a single-employer defined benefit healthcare plan which offers health insurance for retired employees. The plan is administered by the School Board. To be eligible to continue coverage under the School Board's plan, employees must (1) be age 55 with five years of service or age 50 with ten years of service with the School Board; (2) be eligible for and receive an immediate retirement benefit from VRS; and (3) be employed by the School Board at the time of retirement and have been covered under the medical and/or dental plan for at least two full years prior to retirement. The plan has no separate financial report.

Benefits Provided

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. This is determined annually as part of the budgetary process. The City of Manassas Park School Board provides post-retirement medical, prescription drug, and dental insurance benefits on behalf of its eligible retirees and their dependents. The School Board maintains three fully-insured medical and dental plans, which are offered to current and retired employees and their dependents that are under 65. The School Board also maintains a separate fully-insured medical and dental plan for retirees over the age of 65. Retirees are required to contribute the full premium rate. Current retirees were assumed to continue receiving their actual years of service subsidy. This subsidy is assumed to continue to age 65. Future retirees are not eligible for the subsidy.

Plan Membership

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

Inactive employees currently receiving benefit payments	$	34
Active employees		280
Total	$	314

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School for OPEB as the benefits came due during the year ended June 30, 2018 was $192,887.

Note 23–Health Insurance – Pay-As-You-Go (OPEB Plan) – School Board: (Continued)

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2018.

Actuarial Assumptions

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

Inflation	3.00%
Salary Increases	3.00%
Discount Rate	3.62%
Investment Rate of Return	N/A

Mortality Rates:

- Mortality rates for active employees were based on the RPH-2014 Employee Mortality Table, Generational with Projection Scale MP-2017 for males or females, as appropriate.
- Mortality rates for retirees were based on the RPH-2014 Healthy Annuitant Mortality Table, Generational with Projection Scale MP-2018 for males or females, as appropriate.
- Mortality rates for disabled retirees were based on the RPH-2014 Disabled Mortality Table, Generational with Projection Scale MP-2018 for males or females, as appropriate.

Discount Rate

The discount rate was based on the June 30, 2018 Fidelity General Obligation AA 20-Year Yield. The final equivalent single discount rate used for this year's valuation is 3.62% as of the end of the fiscal year with the expectation that the School Board will continue paying the pay-go cost.

Note 23–Health Insurance – Pay-As-You-Go (OPEB Plan) – School Board: (Continued)

Changes in Total OPEB Liability

Changes in Net OPEB Liability - School Board

		Total OPEB Liability
Balances at June 30, 2017	$	2,293,167
Changes for the year:		
Service cost		111,421
Interest		83,554
Difference between expected and actual experience		41,414
Benefit payments		(192,887)
Net changes		43,502
Balances at June 30, 2018	$	2,336,669

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

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

Rate					
	1% Decrease (2.62%)		Current Discount Rate (3.62%)		1% Increase (4.62%)
$	2,566,489	$	2,336,669	$	2,129,832

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (2.90% increasing to an ultimate rate of 4.00%) or one percentage point higher (4.90% increasing to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

Rates					
	1% Decrease		Healthcare Cost Trend		1% Increase
$	2,056,313	$	2,336,669	$	2,679,745

Note 23–Health Insurance – Pay-As-You-Go (OPEB Plan) – School Board: (Continued)

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

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of $201,878. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resouces	Deferred Inflows of Resources
Differences between expected and actual experience	$ 34,511	$ -

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: (Continued)

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

Year Ended June 30	
2019	$ 6,902
2020	6,902
2021	6,902
2022	6,902
2023	6,903
Thereafter	-

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

Summary of Net OPEB Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources:

	Primary Government			Component Unit School Board			
	Net OPEB Liability	Deferred Outflows	Deferred Inflows	Net OPEB Asset	Net OPEB Liability	Deferred Outflows	Deferred Inflows
School Pay-as-you-go (Note 23)	$ -	$ -	$ -	$	$ 2,336,669	$ 34,511	$
City Pay-as-you-go (Note 22)	1,432,530	-	7,065	-	-	-	-
City LODA (Note 21)	815,000	38,000	86,000		-	-	-
Group Life (Note 18)	740,000	53,000	82,000	-	-	-	-
Teacher Group Life (Note 18)	-	-	-	-	1,713,000	114,000	15,000
Nonprofessional Group Life (Note 18)	-	-	-	-	104,000	7,000	260,000
Nonprofessional HIC Program (Note 20)	-	-	-	9,833	-	1,826	1,985
Teacher HIC Program (Note 19)	-	-	-	-	3,375,000	269,000	179,000
Total	$ 2,987,530	$ 91,000	$ 175,065	$ 9,833	$ 7,528,669	$ 426,337	$ 455,985

Note 24—Line of Credit:

On October 27, 2017 the City entered into an agreement on a line of credit (Taxable Revenue Anticipation Note, Series 2017). Advances of up to $2,000,000 of principal may be taken on this Note. Interest on draws is payable at the Prime Rate (as published in The *Wall Street Journal* and rounded up to the nearest .125% minus 1% provided, however, that in no event shall the interest rate be less than 3.25% per annum. The note will mature on October 27, 2018 at which time any balance drawn is due in full together with all unpaid accrued interest. No draws were made on this line during the year ended June 30, 2018 and there was no balance outstanding on the Note at June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2018

	General Fund			
Fund, Function, Activity, Element	**Original Budget**	**Final Budget**	**Actual**	**Variance From Final Budget Positive (Negative)**
Revenues:				
General property taxes	$ 27,008,963	$ 28,276,778	$ 28,202,325	$ (74,453)
Other local taxes	4,834,130	4,834,130	5,540,591	706,461
Permits, privilege fees and regulatory licenses	224,928	270,928	161,106	(109,822)
Fines and forfeitures	307,000	307,000	244,775	(62,225)
Revenue from use of money and property	60,166	60,359	45,026	(15,333)
Charges for services	2,790,229	1,641,675	1,614,821	(26,854)
Miscellaneous	536,613	532,510	1,257,460	724,950
Intergovernmental:				
Commonwealth	5,494,255	5,502,063	4,465,979	(1,036,084)
Federal	218,750	218,750	825,857	607,107
Total revenues	$ 41,475,034	$ 41,644,193	$ 42,357,940	$ 713,747
Expenditures:				
General government administration:				
Legislative:				
City council	$ 166,203	$ 343,267	$ 374,920	$ (31,653)
General and financial administration:				
Management services	$ 208,611	$ 205,799	$ 196,248	$ 9,551
Legal services	315,202	137,702	52,150	85,552
Human resources	159,876	159,316	130,017	29,299
Commissioner of the Revenue	335,730	335,039	324,213	10,826
Treasurer	379,331	380,778	389,529	(8,751)
Information technology	611,932	672,386	643,384	29,002
Department of finance	662,753	723,173	730,789	(7,616)
Other general and financial administration	286,000	286,000	335,525	(49,525)
Total general and financial administration	$ 2,959,435	$ 2,900,193	$ 2,801,855	$ 98,338
Board of Elections:				
Electoral board and officials	$ 140,780	$ 140,779	$ 127,193	$ 13,586
Total board of elections	$ 140,780	$ 140,779	$ 127,193	$ 13,586
Total general government administration	$ 3,266,418	$ 3,384,239	$ 3,303,968	$ 80,271

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2018 (Continued)

	General Fund			
Fund, Function, Activity, Element	**Original Budget**	**Final Budget**	**Actual**	**Variance From Final Budget Positive (Negative)**
Expenditures: (continued)				
Judicial administration:				
Courts:				
Courts	$ 192,487	$ 192,487	$ 214,873	$ (22,386)
Sheriff	298,387	298,387	298,392	(5)
Total courts	$ 490,874	$ 490,874	$ 513,265	$ (22,391)
Total judicial administration	$ 490,874	$ 490,874	$ 513,265	$ (22,391)
Public safety:				
Law enforcement and traffic control:				
Police department	$ 3,505,896	$ 3,488,459	$ 3,330,677	$ 157,782
VJCCCA	-	-	35,946	(35,946)
E-911	460,552	460,488	439,737	20,751
Total law enforcement and traffic control	$ 3,966,448	$ 3,948,947	$ 3,806,360	$ 142,587
Fire and rescue services:				
Fire department	$ 2,795,410	$ 2,785,610	$ 2,683,474	$ 102,136
Total fire and rescue services	$ 2,795,410	$ 2,785,610	$ 2,683,474	$ 102,136
Correction and detention:				
Juvenile detention home	$ 250,000	$ 250,000	$ 177,510	$ 72,490
VJCCCA	32,406	32,406	-	32,406
County jail	700,000	700,000	872,958	(172,958)
Total correction and detention	$ 982,406	$ 982,406	$ 1,050,468	$ (68,062)

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2018 (Continued)

	General Fund			
Fund, Function, Activity, Element	**Original Budget**	**Final Budget**	**Actual**	**Variance From Final Budget Positive (Negative)**
Expenditures: (continued)				
Public safety: (continued)				
Inspections:	$ 207	$ -	$ 20	$ (20)
Other protection:				
Animal control	$ 66,000	$ 66,000	$ 69,216	$ (3,216)
Total other protection	$ 66,000	$ 66,000	$ 69,216	$ (3,216)
Total public safety	$ 7,810,471	$ 7,782,963	$ 7,609,538	$ 173,425
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Streets	$ 593,085	$ 585,735	$ 566,788	$ 18,947
Maintenance of general buildings and grounds:				
General properties	$ 420,713	$ 429,963	$ 346,918	$ 83,045
City garage	521,118	534,518	473,817	60,701
Total maintenance of general buildings and grounds	$ 941,831	$ 964,481	$ 820,735	$ 143,746
Total public works	$ 1,534,916	$ 1,550,216	$ 1,387,523	$ 162,693
Health and welfare:				
Health:				
Local health department	$ 25,000	$ 25,000	$ 27,022	$ (2,022)
Mental health and mental retardation:				
Community services board	$ 826,339	$ 826,339	$ 826,344	$ (5)
Welfare:				
Administration and public assistance	$ 1,471,387	$ 1,463,385	$ 1,334,943	$ 128,442
Agency on aging	114,916	114,916	114,912	4
Other social services programs	66,295	66,295	66,288	7
Tax relief for the elderly	-	-	319,327	(319,327)
Childrens services	812,500	812,500	1,107,096	(294,596)
Total welfare	$ 2,465,098	$ 2,457,096	$ 2,942,566	$ (485,470)
Total health and welfare	$ 3,316,437	$ 3,308,435	$ 3,795,932	$ (487,497)

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2018 (Continued)

Fund, Function, Activity, Element	General Fund Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (continued)				
Education:				
Contributions to community colleges	$ 35,917	$ 35,917	$ 36,533	$ (616)
Contribution to Component Unit School Board	12,300,000	12,300,000	12,102,348	197,652
Total education	$ 12,335,917	$ 12,335,917	$ 12,138,881	$ 197,036
Parks, recreation and cultural:				
Parks and recreation:				
Administration and maintenance	$ 3,023,727	$ 3,013,144	$ 2,895,315	$ 117,829
Total parks and recreation	$ 3,023,727	$ 3,013,144	$ 2,895,315	$ 117,829
Library:				
Library	$ 454,441	$ 454,441	$ 454,440	$ 1
Total parks, recreation and cultural	$ 3,478,168	$ 3,467,585	$ 3,349,755	$ 117,830
Community development:				
Planning and community development:				
Economic development	$ 79,879	$ 79,879	$ 78,599	$ 1,280
Planning and zoning	612,306	588,806	359,830	228,976
Community organizations	46,484	46,484	53,444	(6,960)
Total planning and community development	$ 738,669	$ 715,169	$ 491,873	$ 223,296

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2018 (Continued)

	General Fund			
Fund, Function, Activity, Element	**Original Budget**	**Final Budget**	**Actual**	**Variance From Final Budget Positive (Negative)**
Expenditures: (continued)				
Total community development	$ 738,669	$ 715,169	$ 491,873	$ 223,296
Total expenditures	$ 32,971,870	$ 33,035,398	$ 32,590,735	$ 444,663
Excess (deficiency) of revenues over (under) expenditures	$ 8,503,164	$ 8,608,795	$ 9,767,205	$ 1,158,410
Other financing sources (uses):				
Operating transfers in	$ 1,454,659	$ 2,722,542	$ 1,513,508	$ (1,209,034)
Operating transfers (out)	(11,628,130)	(11,331,337)	(10,054,470)	1,276,867
Total other financing sources (uses)	$ (10,173,471)	$ (8,608,795)	$ (8,540,962)	$ 67,833
Net changes in fund balance	$ (1,670,307)	$ -	$ 1,226,243	$ 1,226,243
Fund balance at beginning of year, as restated	1,670,307	-	4,404,376	4,404,376
Fund balance at end of year	$ -	$ -	$ 5,630,619	$ 5,630,619

Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 1,076,036	$ 1,117,218	$ 1,047,779	$ 1,064,478
Interest	2,397,777	2,248,299	2,206,192	2,055,476
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(312,326)	153,035	(1,460,317)	-
Changes in assumptions	(281,172)	-	-	-
Benefit payments, including refunds of employee contributions	(1,357,907)	(1,408,375)	(975,881)	(957,870)
Net change in total pension liability	$ 1,522,408	$ 2,110,177	$ 817,773	$ 2,162,084
Total pension liability - beginning	34,932,916	32,822,739	32,004,966	29,842,882
Total pension liability - ending (a)	$ 36,455,324	$ 34,932,916	$ 32,822,739	$ 32,004,966
Plan fiduciary net position				
Contributions - employer	$ 826,406	$ 993,265	$ 1,018,190	$ 994,568
Contributions - employee	504,197	427,962	468,005	563,442
Net investment income	3,733,931	532,420	1,312,006	3,821,021
Benefit payments, including refunds of employee contributions	(1,357,907)	(1,408,375)	(975,881)	(957,870)
Administrative expense	(21,163)	(18,428)	(17,208)	(19,878)
Other	(3,342)	(223)	(281)	201
Net change in plan fiduciary net position	$ 3,682,122	$ 526,621	$ 1,804,831	$ 4,401,484
Plan fiduciary net position - beginning	30,509,846	29,983,225	28,178,394	23,776,910
Plan fiduciary net position - ending (b)	$ 34,191,968	$ 30,509,846	$ 29,983,225	$ 28,178,394
County's net pension liability - ending (a) - (b)	$ 2,263,356	$ 4,423,070	$ 2,839,514	$ 3,826,572
Plan fiduciary net position as a percentage of the total pension liability	93.79%	87.34%	91.35%	88.04%
Covered payroll	$ 9,065,489	$ 8,783,631	$ 8,948,073	$ 8,246,555
County's net pension liability as a percentage of covered payroll	24.97%	50.36%	31.73%	46.40%

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

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 118,908	$ 115,671	$ 180,689	$ 188,357
Interest	212,429	227,053	211,793	197,750
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(35,247)	(376,333)	36,444	-
Changes in assumptions	(7,214)	-	-	-
Benefit payments, including refunds of employee contributions	(183,217)	(167,380)	(254,481)	(116,497)
Net change in total pension liability	$ 105,659	$ (200,989)	$ 174,445	$ 269,610
Total pension liability - beginning	3,126,311	3,327,300	3,152,855	2,883,245
Total pension liability - ending (a)	$ 3,231,970	$ 3,126,311	$ 3,327,300	$ 3,152,855
Plan fiduciary net position				
Contributions - employer	$ 15,831	$ 76,655	$ 72,948	$ 136,003
Contributions - employee	56,932	57,741	54,851	74,450
Net investment income	446,619	63,921	162,457	491,115
Benefit payments, including refunds of employee contributions	(183,217)	(167,380)	(254,481)	(116,497)
Administrative expense	(2,633)	(2,271)	(2,320)	(2,539)
Other	(395)	(27)	(33)	26
Net change in plan fiduciary net position	$ 333,137	$ 28,639	$ 33,422	$ 582,558
Plan fiduciary net position - beginning	3,712,054	3,683,415	3,649,993	3,067,435
Plan fiduciary net position - ending (b)	$ 4,045,191	$ 3,712,054	$ 3,683,415	$ 3,649,993
School Division's net pension liability (asset) - ending (a) - (b)	$ (813,221)	$ (585,743)	$ (356,115)	$ (497,138)
Plan fiduciary net position as a percentage of the total pension liability	125.16%	118.74%	110.70%	115.77%
Covered payroll	$ 1,270,252	$ 1,271,597	$ 1,182,769	$ 1,505,991
School Division's net pension liability as a percentage of covered payroll	-64.02%	-46.06%	-30.11%	-33.01%

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

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2018*

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.26070%	0.27855%	0.26507%	0.23397%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 32,060,000	$ 39,036,000	$ 33,363,000	$ 29,448,000
Employer's Covered Payroll	20,995,217	21,238,250	19,707,662	17,820,060
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	152.70%	183.80%	169.29%	165.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

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

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	$ 848,922	$ 848,922	$ -	$ 9,410,600	9.02%
2017	848,530	848,530	-	9,065,489	9.36%
2016	1,005,726	1,005,726	-	8,783,631	11.45%
2015	1,024,554	1,024,554	-	8,948,073	11.45%
2014	995,359	995,359	-	8,246,555	12.07%
2013	1,004,562	1,004,562	-	8,322,803	12.07%
2012	756,732	756,732	-	7,932,203	9.54%
2011	759,678	759,678	-	7,963,077	9.54%
2010	665,255	665,255	-	8,507,099	7.82%
2009	692,624	692,624	-	8,857,090	7.82%
Component Unit School Board (nonprofessional)					
2018	$ 13,544	$ 13,544	$ -	$ 1,304,629	1.04%
2017	23,881	23,881	-	1,270,252	1.88%
2016	76,655	76,655	-	1,271,597	6.03%
2015	77,235	77,235	-	1,182,769	6.53%
2014	137,347	137,347	-	1,505,991	9.12%
2013	137,353	137,353	-	1,506,063	9.12%
2012	113,263	113,263	-	1,496,203	7.57%
2011	103,024	103,024	-	1,360,956	7.57%
2010	135,621	135,621	-	1,482,192	9.15%
2009	133,439	133,439	-	1,458,346	9.15%
Component Unit School Board (professional) (1)					
2018	$ 3,425,402	$ 3,425,402	$ -	$ 21,907,252	15.64%
2017	2,966,471	2,966,471	-	20,995,217	14.13%
2016	2,986,098	2,986,098	-	21,238,250	14.06%
2015	2,857,611	2,857,611	-	19,707,662	14.50%

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

Changes of benefit terms – There have been no actuarially material changes to the 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 is a fairly 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.

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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

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

Schedule of City of Manassas Park, Virginia's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2017	0.04917%	$ 740,000	$ 9,069,906	8.16%	48.86%
Component Unit School Board (nonprofessional)					
2017	0.00689%	$ 104,000	$ 1,270,252	8.19%	48.86%
Component Unit School Board (professional)					
2017	0.11386%	$ 1,713,000	$ 21,001,265	8.16%	48.86%

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

Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	$ 48,935	$ 48,935	$ -	$ 9,410,600	0.52%
2017	47,164	47,164	-	9,069,906	0.52%
2016	42,161	42,161	-	8,783,631	0.48%
2015	42,951	42,951	-	8,948,073	0.48%
2014	39,661	39,661	-	8,262,605	0.48%
2013	40,060	40,060	-	8,345,900	0.48%
2012	22,210	22,210	-	7,932,203	0.28%
2011	22,307	22,307	-	7,966,760	0.28%
2010	17,577	17,577	-	8,519,684	0.21%
2009	24,160	24,160	-	8,948,164	0.27%
Component Unit School Board (nonprofessional)					
2018	$ 6,852	$ 6,852	$ -	$ 1,317,613	0.52%
2017	6,605	6,605	-	1,270,252	0.52%
2016	6,130	6,130	-	1,276,991	0.48%
2015	5,690	5,690	-	1,185,336	0.48%
2014	7,437	7,437	-	1,549,445	0.48%
2013	7,229	7,229	-	1,506,063	0.48%
2012	4,189	4,189	-	1,496,203	0.28%
2011	3,822	3,822	-	1,365,062	0.28%
2010	2,900	2,900	-	1,482,192	0.20%
2009	3,977	3,977	-	1,472,995	0.27%
Component Unit School Board (professional)					
2018	$ 113,649	$ 113,649	$ -	$ 21,855,662	0.52%
2017	109,207	109,207	-	21,001,265	0.52%
2016	102,260	102,260	-	21,304,163	0.48%
2015	95,043	95,043	-	19,800,640	0.48%
2014	85,775	85,775	-	17,869,876	0.48%
2013	80,385	80,385	-	16,746,965	0.48%
2012	44,227	44,227	-	15,795,461	0.28%
2011	43,768	43,768	-	15,631,545	0.28%
2010	30,585	30,585	-	15,965,141	0.19%
2009	41,882	41,882	-	15,511,970	0.27%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions

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:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Manassas Park School Board's Share of Net OPEB Liability
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.26603%	$ 3,375,000	$ 20,995,217	16.08%	7.04%

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

Schedule of Employer Contributions
Teacher Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 268,825	$ 268,825	$ -	$ 21,855,662	1.23%
2017	233,049	233,049	-	20,995,217	1.11%
2016	225,125	225,125	-	21,238,249	1.06%
2015	208,901	208,901	-	19,707,659	1.06%
2014	197,803	197,803	-	17,820,061	1.11%
2013	185,905	185,905	-	16,748,191	1.11%
2012	94,773	94,773	-	15,795,461	0.60%
2011	93,789	93,789	-	15,631,545	0.60%
2010	117,809	117,809	-	15,965,141	0.74%
2009	167,529	167,529	-	15,511,970	1.08%

Notes to Required Supplementary Information
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

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

Changes of assumptions – The 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:

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

Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios
Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

		School Nonprofessional 2017
Total HIC OPEB Liability		
Service cost	$	2,018
Interest		2,425
Impact of change in proportion		-
Changes in assumptions		(525)
Benefit payments		(318)
Net change in total HIC OPEB liability	$	3,600
Total HIC OPEB Liability - beginning		34,807
Total HIC OPEB Liability - ending (a)	$	38,407
Plan fiduciary net position		
Contributions - employer	$	1,788
Net investment income		4,908
Benefit payments		(318)
Administrative expense		(82)
Other		243
Net change in plan fiduciary net position	$	6,539
Plan fiduciary net position - beginning		41,701
Plan fiduciary net position - ending (b)	$	48,240
Net HIC OPEB liability (asset) - ending (a) - (b)	$	(9,833)
Plan fiduciary net position as a percentage of the total HIC OPEB liability		125.60%
Covered payroll	$	1,270,252
Net HIC OPEB liability as a percentage of covered payroll		-0.77%

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Health Insurance Credit Program (HIC)
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Component Unit School Board (nonprofessional)					
2018	$ 1,826	$ 1,826	$ -	$ 1,304,629	0.14%
2017	1,778	1,778	-	1,270,252	0.14%
2016	1,526	1,526	-	1,271,597	0.12%
2015	1,419	1,419	-	1,182,769	0.12%
2014	3,163	3,163	-	1,505,991	0.21%
2013	3,163	3,163	-	1,506,065	0.21%
2012	2,843	2,843	-	1,496,203	0.19%
2011	2,586	2,586	-	1,360,956	0.19%
2010	5,039	5,039	-	1,482,192	0.34%
2009	4,958	4,958	-	1,458,345	0.34%

Notes to Required Supplementary Information
Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

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

Changes of assumptions – The 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 Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Employer's Share of Net OPEB Liability - LODA
Line of Duty Act Program (LODA)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered-Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2017	0.31038%	$ 815,000	$ Not Applicable	Not Applicable	1.30%

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

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

Schedule of Employer Contributions
Line of Duty Act Program (LODA)
For the Years Ended June 30, 2017 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered-Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2018	$ 34,000	$ 34,000	$ -	$ Not Applicable	Not Applicable
2017	35,000	35,000	-	Not Applicable	Not Applicable

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

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

Notes to Required Supplementary Information
Line of Duty Act Program (LODA)
For the Year Ended June 30, 2018

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

Changes of assumptions – The 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:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Employees in the Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

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

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Pay-As-You-Go Plan
For the Year Ended June 30, 2018

		Primary Government 2018
Total OPEB liability		
Service cost	$	37,035
Interest		51,643
Differences between expected and actual experience		(14,131)
Benefit payments		(63,123)
Net change in total OPEB liability	$	11,424
Total OPEB liability - beginning		1,421,106
Total OPEB liability - ending	$	1,432,530
Covered payroll	$	7,855,512
School Board's total OPEB liability (asset) as a percentage of covered payroll		18.24%

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

Notes to Required Supplementary Information - Pay-As-You Go OPEB Plan
For the Year Ended June 30, 2018

Valuation Date: 7/1/2017
Measurement Date: 6/30/2018

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal
Discount Rate	3.62%
Inflation	3.00%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 6.50% in 2018 and gradually decreases to 5.0% after 5 years
Salary Increase Rates	3.00%
Retirement Age	Based in VRS eligibility and service requirments
Mortality Rates	The mortality rates are based on the RP-2014 Employee Mortality Tables.

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Component Unit School Board Pay-As-You-Go Plan
For the Year Ended June 30, 2018

		2018
Total OPEB liability		
Service cost	$	111,421
Interest		83,554
Changes in assumptions		-
Differences between expected and actual experience		41,414
Benefit payments		(192,887)
Net change in total OPEB liability	$	43,502
Total OPEB liability - beginning		2,293,167
Total OPEB liability - ending	$	2,336,669
Covered payroll	$	15,605,802
School Board's total OPEB liability (asset) as a percentage of covered payroll		14.97%

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

Notes to Required Supplementary Information - Component Unit School Board Pay-As-You Go OPEB Plan
For the Year Ended June 30, 2018

Valuation Date:	7/1/2017
Measurement Date:	6/30/2018

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal
Discount Rate	3.62%
Inflation	3.00%
Healthcare Trend Rate	The healthcare trend rate assumptions start at 3.90% to 7.04% in 2018 based on the medical plan and gradually increases to 5.00% after 5 years
Salary Increase Rates	3.00%
Retirement Age	Based in VRS eligibility and service requirments
Mortality Rates	The mortality rates are based on the RP-2014 Employee Mortality Tables.

OTHER SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements and Schedules

Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from local sources:				
Other local taxes	$ 1,950,695	$ 310,000	$ 2,067	$ (307,933)
Revenue from use of money and property	-	700	1,641	941
Miscellaneous	284,500	311,500	38,855	(272,645)
Intergovernmental:				
Commonwealth	90,000	245,000	126,435	(118,565)
Federal	-	-	145,024	145,024
Total revenues	$ 2,325,195	$ 867,200	$ 314,022	$ (553,178)
Expenditures:				
Capital outlay:				
General government administration:				
Equipment additions	$ 32,400	$ 72,400	$ 34,183	$ 38,217
Total general government administration	$ 32,400	$ 72,400	$ 34,183	$ 38,217
Public safety:				
Equipment additions	$ 348,429	$ 348,429	$ 341,533	$ 6,896
Vehicle additions	550,000	550,000	213,974	336,026
Total public safety	$ 898,429	$ 898,429	$ 555,507	$ 342,922
Public works:				
Miscellaneous capital outlays	$ 89,125	$ 131,405	$ 50,096	$ 81,309
Health and welfare:				
Equipment additions	$ 303,075	$ 303,075	$ 114,889	$ 188,186
Capital projects:				
General government administration:				
City hall roof & HVAC	$ 16,500	$ 16,500	$ 16,500	$ -
Public safety:				
E-911 facility	$ 303,337	$ 295,026	$ 286,322	$ 8,704
Public works:				
Road and traffic projects	$ 1,585,000	$ 825,000	$ 466,884	$ 358,116

Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
Year Ended June 30, 2017 (Continued)

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Expenditures: (Continued)				
Capital projects: (Continued)				
Health and welfare:				
Miscellaneous health and welfare projects	$ 33,904	$ 77,183	$ 79,166	$ (1,983)
Parks and recreation:				
Parks and recreation projects	$ 15,000	$ 15,000	$ 10,983	$ 4,017
Debt service:				
Principal retirement	$ -	$ -	$ 346,184	$ (346,184)
Interest and other fiscal charges	-	-	32,717	(32,717)
Total debt service	$ -	$ -	$ 378,901	$ (378,901)
Total expenditures	$ 3,276,770	$ 2,634,018	$ 1,993,431	$ 640,587
Excess (deficiency) of revenues over (under) expenditures	$ (951,575)	$ (1,766,818)	$ (1,679,409)	$ 87,409
Other financing sources (uses):				
Transfers in	$ 1,603,661	$ 1,766,818	$ 360,000	$ (1,406,818)
Issuance of capital leases	-	-	213,974	213,974
Total other financing sources (uses):	$ 1,603,661	$ 1,766,818	$ 573,974	$ (1,192,844)
Net changes in fund balance	$ 652,086	$ -	$ (1,105,435)	$ (1,105,435)
Fund balance at beginning of year	(652,086)	-	(3,212,559)	(3,212,559)
Fund balance at end of year	$ -	$ -	$ (4,317,994)	$ (4,317,994)

Proffer Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Miscellaneous	$ 260,000	$ 260,000	$ 440,500	$ 180,500
Other financing sources (uses):				
Transfers (out)	$ (260,000)	$ (260,000)	$ (253,970)	$ 6,030
Total other financing sources (uses):	$ (260,000)	$ (260,000)	$ (253,970)	$ 6,030
Net changes in fund balance	$ -	$ -	$ 186,530	$ 186,530
Fund balance at beginning of year	-	-	1,376,887	1,376,887
Fund balance at end of year	$ -	$ -	$ 1,563,417	$ 1,563,417

Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	$ -	$ -	$ 603	$ 603
Expenditures:				
Debt service:				
Principal retirement	$ 5,990,405	$ 5,990,405	$ 5,990,405	$ -
Interest and other fiscal charges	4,064,065	4,064,065	4,031,965	32,100
Total debt service	$ 10,054,470	$ 10,054,470	$ 10,022,370	$ 32,100
Total expenditures	$ 10,054,470	$ 10,054,470	$ 10,022,370	$ 32,100
Excess (deficiency) of revenues over (under) expenditures	$ (10,054,470)	$ (10,054,470)	$ (10,021,767)	$ 32,703
Other financing sources (uses):				
Transfers in	$ 10,054,470	$ 10,054,470	$ 10,054,470	$ -
Net changes in fund balance	$ -	$ -	$ 32,703	$ 32,703
Fund balance at beginning of year	-	-	309,413	309,413
Fund balance at end of year	$ -	$ -	$ 342,116	$ 342,116

CITY OF MANASSAS PARK, VIRGINIA **Exhibit 35**

Combing Balance Sheet
Nonmajor Special Revenue Funds
At June 30, 2018

	Gang Task Force Fund	Special Transportation Fund	Total
ASSETS			
Cash and cash equivalents	$ 20	$ 1,812,550	$ 1,812,570
Total assets	$ 20	$ 1,812,550	$ 1,812,570
FUND BALANCES			
Committed	$ 20	$ 1,812,550	$ 1,812,570
Total fund balances	$ 20	$ 1,812,550	$ 1,812,570
Total liabilities and fund balances	$ 20	$ 1,812,550	$ 1,812,570

Combing Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2018

	Gang Task Force Fund	Special Transportation Fund	Total
Revenues:			
Miscellaneous	$ -	$ 466,081	$ 466,081
Other financing sources (uses):			
Transfers in	$ -	$ 253,970	$ 253,970
Transfers (out)	-	(484,200)	(484,200)
Total other financing sources (uses):	$ -	$ (230,230)	$ (230,230)
Net changes in fund balance	$ -	$ 235,851	$ 235,851
Fund balance at beginning of year	20	1,576,699	1,576,719
Fund balance at end of year	$ 20	$ 1,812,550	$ 1,812,570

Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2018

	Gang Task Force Fund				Special Transportation Fund			
	Original Budget	**Final Budget**	**Actual**	**Variance From Final Budget Positive (Negative)**	**Original Budget**	**Final Budget**	**Actual**	**Variance From Final Budget Positive (Negative)**
Revenues:								
Revenue from local sources:								
Miscellaneous	$ -	$ -	$ -	$ -	$ 437,000	$ 437,000	$ 466,081	$ 29,081
Other financing sources (uses):								
Transfers in	$ -	$ -	$ -	$ -	$ 253,000	$ 253,000	$ 253,970	$ 970
Transfers (out)	-	-	-	-	(1,016,813)	(1,016,813)	(484,200)	532,613
Total other financing sources (uses):	$ -	$ -	$ -	$ -	$ (763,813)	$ (763,813)	$ (230,230)	$ 533,583
Net changes in fund balance	$ -	$ -	$ -	$ -	$ (326,813)	$ (326,813)	$ 235,851	$ 562,664
Fund balance at beginning of year	-	-	20	20	326,813	326,813	1,576,699	1,249,886
Fund balance at end of year	$ -	$ -	$ 20	$ 20	$ -	$ -	$ 1,812,550	$ 1,812,550

Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2018

		Balance Beginning Of Year		Additions		Deletions		Balance End of Year
CDA Fund:								
Assets:								
Cash and cash equivalents	$	-	$	477,051	$	458,941	$	18,110
Liabilities:								
Accounts payable	$	-	$	2,100	$	-	$	2,100
Amounts held for others	$	-	$	474,951	$	458,941	$	16,010
Total liabilities	$	-	$	477,051	$	458,941	$	18,110

Balance Sheet - Discretely Presented Component Unit - School Board
At June 30, 2018

	School Operating	School Cafeteria	Total
ASSETS			
Cash and cash equivalents	$ 3,923,401	$ 416,042	$ 4,339,443
Receivables (Net of allowance for uncollectibles):			
Accounts	549,518	2,736	552,254
Inventories	5,420	15,934	21,354
Prepaid items	14,845	369	15,214
Due from other governmental units	704,964	61,702	766,666
Total assets	$ 5,198,148	$ 496,783	$ 5,694,931
LIABILITIES			
Accounts payable	$ 1,389,283	$ 7,051	$ 1,396,334
Accrued liabilities	3,515,818	33,883	3,549,701
Unearned revenue	50,900	-	50,900
Total liabilities	$ 4,956,001	$ 40,934	$ 4,996,935
FUND BALANCES			
Nonspendable - prepaid items	$ 14,845	$ 369	$ 15,214
Committed - cafeteria	-	455,480	455,480
Committed - health insurance	242,147	-	242,147
Unassigned	(14,845)	-	(14,845)
Total fund balances	$ 242,147	$ 455,849	$ 697,996
Total liabilities and fund balances	$ 5,198,148	$ 496,783	$ 5,694,931

Detailed explanation of adjustments from fund statements to government-wide statement of net position:

Total fund balances, balance sheet, governmental funds	$ 697,996
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the School Board as a whole.	27,278,165
The Net Pension and OPEB Assets are not an available resources and, therefore are not reported in the funds.	823,054
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(86)
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.	7,232,329
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	(6,139,789)
Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position.	(39,997,218)
Net position of Governmental Activities	$ (10,105,549)

Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2018

	School Operating	School Cafeteria	Total
Revenues:			
Revenue from use of money and property	$ 11,368	$ 2,486	$ 13,854
Charges for services	-	422,294	422,294
Miscellaneous	358,525	20,104	378,629
Intergovernmental:			
County contribution to School Board	12,102,348	-	12,102,348
Commonwealth	25,516,308	58,452	25,574,760
Federal	1,132,131	1,637,887	2,770,018
Total revenues	$ 39,120,680	$ 2,141,223	$ 41,261,903
Expenditures:			
Current:			
Education	$ 39,019,423	$ 2,030,378	$ 41,049,801
Debt service:			
Principal retirement	137,009	-	137,009
Interest and fiscal charges	3,517	-	3,517
Total expenditures	$ 39,159,949	$ 2,030,378	$ 41,190,327
Excess (deficiency) of revenues over (under) expenditures	$ (39,269)	$ 110,845	$ 71,576
Net changes in fund balances	$ (39,269)	$ 110,845	$ 71,576
Fund balances at beginning of year	281,416	345,004	626,420
Fund balances at end of year	$ 242,147	$ 455,849	$ 697,996

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities - Discretely Presented Component Unit - School Board
Year Ended June 30, 2018

			Component Unit School Board
Amounts reported for governmental activities in the statement of activities are different because:			
Net changes in fund balances - total governmental funds			$ 71,576
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. The amount by which the depreciation exceeded capital outlays in the current period is computed as follows:			
Capital additions	$	835,951	
Depreciation expense		(1,130,404)	(294,453)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.			(6,130)
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 premiums and similar items. A summary of items supporting this adjustment is as follows:			
Principal retired on capital lease obligations			137,009
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. The following is a summary of the items supporting this adjustment:			
Pension expense	$	492,007	
OPEB expense		122,001	
Change in accrued interest payable		85	
Change in compensated absences		85,958	700,051
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board			3,681,049
Change in net position of governmental activities			$ 4,289,102

CITY OF MANASSAS PARK, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
Governmental Funds
Year Ended June 30, 2018

	School Operating Fund			
	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Revenue from use of money and property	$ -	$ 14,727	$ 11,368	$ (3,359)
Charges for services	-	-	-	-
Miscellaneous	1,674,810	1,871,868	358,525	(1,513,343)
Intergovernmental:				
County contribution to School Board	12,305,000	12,305,135	12,102,348	(202,787)
Commonwealth	25,835,871	26,345,956	25,516,308	(829,648)
Federal	1,268,279	1,166,073	1,132,131	(33,942)
Total revenues	$ 41,083,960	$ 41,703,759	$ 39,120,680	$ (2,583,079)
Expenditures:				
Current:				
Instruction	$ 30,726,434	$ 30,932,416	$ 28,437,781	$ 2,494,635
Administration, attendance and health	2,686,321	2,650,768	2,667,067	(16,299)
Pupil transportation	2,211,057	2,329,072	2,298,493	30,579
Operation and maintenance	3,107,660	3,179,143	3,211,229	(32,086)
School food service costs	-	-	-	-
Facilities	-	79,632	55,808	23,824
Technology	2,519,367	2,457,901	2,349,045	108,856
Total education	$ 41,250,839	$ 41,628,932	$ 39,019,423	$ 2,609,509
Debt service:				
Principal retirement	$ 137,009	$ 137,009	$ 137,009	$ -
Interest and fiscal charges	59,977	59,977	3,517	56,460
Total debt service	$ 196,986	$ 196,986	$ 140,526	$ 56,460
Total expenditures	$ 41,447,825	$ 41,825,918	$ 39,159,949	$ 2,665,969
Excess (deficiency) of revenues over (under) expenditures	$ (363,865)	$ (122,159)	$ (39,269)	$ 82,890
Fund balances at beginning of year	$ 363,865	$ 122,159	$ 281,416	$ 159,257
Fund balances at end of year	$ -	$ -	$ 242,147	$ 242,147

School Cafeteria Fund			
Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
$ 700	$ 700	$ 2,486	$ 1,786
482,000	485,936	422,294	(63,642)
20,000	20,000	20,104	104
-	-	-	-
58,219	86,316	58,452	(27,864)
1,461,000	1,461,000	1,637,887	176,887
$ 2,021,919	$ 2,053,952	$ 2,141,223	$ 87,271
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
1,880,482	1,944,860	2,030,378	(85,518)
-	-	-	-
-	-	-	-
$ 1,880,482	$ 1,944,860	$ 2,030,378	$ (85,518)
$ -	$ -	$ -	$ -
-	-	-	-
$ -	$ -	$ -	$ -
$ 1,880,482	$ 1,944,860	$ 2,030,378	$ (85,518)
$ 141,437	$ 109,092	$ 110,845	$ 1,753
$ (141,437)	$ (109,092)	$ 345,004	$ 454,096
$ -	$ -	$ 455,849	$ 455,849

Supporting Schedule

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	**Original Budget**	**Final Budget**	**Actual**	**Variance From Final Budget Positive (Negative)**
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 23,241,881	$ 24,509,694	$ 24,235,926	$ (273,768)
Public service taxes	517,199	517,200	428,819	(88,381)
Personal property taxes	2,998,165	2,998,165	3,147,909	149,744
Penalties	151,718	151,718	246,819	95,101
Interest	100,000	100,001	142,852	42,851
Total general property taxes	$ 27,008,963	$ 28,276,778	$ 28,202,325	$ (74,453)
Other local taxes:				
Local sales and use taxes	$ 1,900,000	$ 1,900,000	$ 2,131,602	$ 231,602
Consumer utility taxes	790,000	790,000	817,402	27,402
Business license taxes	780,000	780,000	943,314	163,314
Motor vehicle licenses	450,000	450,000	535,307	85,307
Bank franchise taxes	38,000	38,000	45,547	7,547
Recordation taxes	220,000	220,000	234,999	14,999
Cigarette taxes	280,000	280,000	233,100	(46,900)
Meals tax	356,000	356,000	566,351	210,351
Cable TV franchise fees	20,130	20,130	32,969	12,839
Total other local taxes	$ 4,834,130	$ 4,834,130	$ 5,540,591	$ 706,461
Permits, privilege fees and regulatory licenses:				
Animal licenses	$ 3,500	$ 3,500	$ 2,510	$ (990)
Building and related permits	216,578	216,578	97,983	(118,595)
Cell tower fees	-	46,000	50,800	4,800
Other permits and licenses	4,850	4,850	9,813	4,963
Total permits, privilege fees and regulatory licenses	$ 224,928	$ 270,928	$ 161,106	$ (109,822)
Fines and Forfeitures:				
Court and other fines and forfeitures	$ 307,000	$ 307,000	$ 244,775	$ (62,225)

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	**Original Budget**	**Final Budget**	**Actual**	**Variance From Final Budget Positive (Negative)**
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	$ 60,166	$ 60,359	$ 45,026	$ (15,333)
Total revenue from use of money and property	$ 60,166	$ 60,359	$ 45,026	$ (15,333)
Charges for services:				
Commuter rail parking fees	$ 99,885	$ 99,885	$ 104,880	$ 4,995
Courthouse maintenance fees	400	800	300	(500)
Charges for EMS	215,000	215,000	263,089	48,089
Charges for parks and recreation	2,474,944	1,325,990	1,246,552	(79,438)
Total charges for services	$ 2,790,229	$ 1,641,675	$ 1,614,821	$ (26,854)
Miscellaneous:				
Miscellaneous	$ 419,113	$ 415,010	$ 1,167,644	$ 752,634
Other refunds	47,500	47,500	53,035	5,535
Rebates and refunds from schools	70,000	70,000	36,781	(33,219)
Total miscellaneous	$ 536,613	$ 532,510	$ 1,257,460	$ 724,950
Total revenue from local sources	$ 35,762,029	$ 35,923,380	$ 37,066,104	$ 1,142,724

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	$ 50,000	$ 50,000	$ 3,961	$ (46,039)
Recordation tax	65,000	65,000	45,925	(19,075)
Auto rental tax	95,000	95,000	123,074	28,074
Communication tax	740,000	740,000	668,668	(71,332)
PPTRA	1,370,000	1,370,000	1,368,393	(1,607)
Total noncategorical aid	$ 2,320,000	$ 2,320,000	$ 2,210,021	$ (109,979)
Categorical aid:				
Shared expenses:				
Commissioner of the Revenue	$ 75,000	$ 80,000	$ 88,210	$ 8,210
Treasurer	63,000	67,000	75,302	8,302
Registrar/electoral board	50,000	50,000	42,216	(7,784)
Total shared expenses	$ 188,000	$ 197,000	$ 205,728	$ 8,728
Other categorical aid:				
Welfare administration and assistance	$ 1,115,000	$ 1,115,000	$ 205,505	$ (909,495)
Litter control	6,192	-	6,038	6,038
Aid to localities with police departments	440,000	440,000	433,340	(6,660)
Children's services	530,000	530,000	608,472	78,472
Street maintenance	735,000	745,000	713,966	(31,034)
Fire programs	123,713	123,713	47,717	(75,996)

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	**Original Budget**	**Final Budget**	**Actual**	**Variance From Final Budget Positive (Negative)**
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Other categorical aid	$ 36,350	$ 31,350	$ 35,192	$ 3,842
Total other categorical aid	$ 2,986,255	$ 2,985,063	$ 2,050,230	$ (934,833)
Total categorical aid	$ 3,174,255	$ 3,182,063	$ 2,255,958	$ (926,105)
Total revenue from the Commonwealth	$ 5,494,255	$ 5,502,063	$ 4,465,979	$ (1,036,084)
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	$ -	$ -	$ 694,319	$ 694,319
Law enforcement grants	50,000	50,000	29,169	(20,831)
Other categorical aid	168,750	168,750	102,369	(66,381)
Total revenue from the federal government	$ 218,750	$ 218,750	$ 825,857	$ 607,107
Total General Fund	$ 41,475,034	$ 41,644,193	$ 42,357,940	$ 713,747
Capital Projects Fund:				
Revenue from local sources:				
Other local taxes:				
Gasoline taxes	$ 1,950,695	$ 310,000	$ 2,067	$ (307,933)

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Projects Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	$ -	$ 700	$ 1,641	$ 941
Miscellaneous:				
Proffers	$ 274,000	$ 274,000	$ -	$ (274,000)
Miscellaneous	10,500	37,500	38,855	1,355
Total miscellaneous	$ 284,500	$ 311,500	$ 38,855	$ (272,645)
Total revenue from local sources	$ 2,235,195	$ 622,200	$ 42,563	$ (579,637)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public safety grants	$ 90,000	$ 90,000	$ 13,544	$ (76,456)
VDOT grants	-	155,000	112,891	(42,109)
Total revenue from the Commonwealth	$ 90,000	$ 245,000	$ 126,435	$ (118,565)
Revenue from the federal government:				
Categorical aid:				
VDOT grants	$ -	$ -	$ 145,024	$ 145,024
Total Capital Projects Fund	$ 2,325,195	$ 867,200	$ 314,022	$ (553,178)
Debt Service Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	$ -	$ -	$ 603	$ 603
Proffer Fund:				
Revenue from local sources:				
Miscellaneous:				
Proffers	$ 260,000	$ 260,000	$ 440,500	$ 180,500
Special Transportation Fund:				
Miscellaneous revenue:				
Northern Virginia Transportation Authority	$ 437,000	$ 437,000	$ 466,081	$ 29,081
Grand Total Revenues -- Primary Government	$ 44,497,229	$ 43,208,393	$ 43,579,146	$ 370,753
Component Unit -- School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	$ -	$ 2,776	$ 3,301	$ 525
Revenue from use of property	-	11,951	8,067	(3,884)
Total revenue from use of money and property	$ -	$ 14,727	$ 11,368	$ (3,359)

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	$ 122,810	$ 206,771	$ 220,632	$ 13,861
Other reimbursements and recoveries	1,552,000	1,665,097	137,893	(1,527,204)
Total miscellaneous	$ 1,674,810	$ 1,871,868	$ 358,525	$ (1,513,343)
Total revenue from local sources	$ 1,674,810	$ 1,886,595	$ 369,893	$ (1,516,702)
Intergovernmental:				
County contribution to School Board	$ 12,305,000	$ 12,305,135	$ 12,102,348	$ (202,787)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	$ 3,079,035	$ 3,082,740	$ 2,928,368	$ (154,372)
Basic school aid	12,592,230	12,936,712	12,922,021	(14,691)
English as a second language	978,523	1,019,906	1,019,906	-
Textbook payments	278,194	283,581	284,711	1,130
Special education	1,153,017	1,179,980	1,180,030	50
Fringe benefits	2,460,615	2,518,155	2,518,262	107
Lottery	-	712,537	711,571	(966)
K-3 primary class size reduction	595,491	623,800	623,800	-
Prevention, intervention, and remediation	636,060	650,934	650,962	28
At risk	592,999	263,202	616,332	353,130
Other state funds	3,469,707	3,074,409	2,060,345	(1,014,064)
Total categorical aid	$ 25,835,871	$ 26,345,956	$ 25,516,308	$ (829,648)
Total revenue from the Commonwealth	$ 25,835,871	$ 26,345,956	$ 25,516,308	$ (829,648)
Revenue from the federal government:				
Categorical aid:				
Title I	$ 336,074	$ 319,461	$ 321,671	$ 2,210
Title VI - B	609,705	609,705	599,717	(9,988)
Title III	200,000	124,279	140,058	15,779
Title II - A	77,000	65,965	25,648	(40,317)
Other federal assistance	45,500	46,663	45,037	(1,626)
Total categorical aid	$ 1,268,279	$ 1,166,073	$ 1,132,131	$ (33,942)
Total revenue from the federal government	$ 1,268,279	$ 1,166,073	$ 1,132,131	$ (33,942)
Total School Operating Fund	$ 41,083,960	$ 41,703,759	$ 39,120,680	$ (2,583,079)

Governmental Funds and Discretely Presented Component Unit - School Board
Schedule of Revenues -- Budget and Actual
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	**Original Budget**	**Final Budget**	**Actual**	**Variance From Final Budget Positive (Negative)**
Component Unit -- School Board: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	$ 700	$ 700	$ 2,486	$ 1,786
Charges for services:				
Cafeteria sales	$ 482,000	$ 485,936	$ 422,294	$ (63,642)
Miscellaneous:				
Miscellaneous	$ 20,000	$ 20,000	$ 20,104	$ 104
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	$ 58,219	$ 86,316	$ 58,452	$ (27,864)
Revenue from the federal government:				
Categorical aid:				
School food	$ 1,461,000	$ 1,461,000	$ 1,637,887	$ 176,887
Total School Cafeteria Fund	$ 2,021,919	$ 2,053,952	$ 2,141,223	$ 87,271
Total Revenues--Component Unit-School Board	$ 43,105,879	$ 43,757,711	$ 41,261,903	$ (2,495,808)

Other Supplementary Information

Statistical Information

CITY OF MANASSAS PARK, VIRGINIA

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2009	2010	2011	2012
Governmental activities:				
Net investment in capital assets	$ 16,208,837	$ 10,158,642	$ 10,192,577	$ 8,733,283
Restricted				
Unrestricted	1,533,600	1,822,217	754,330	80,071
Total governmental activities net position	$ 17,742,437	$ 11,980,859	$ 10,946,907	$ 8,813,354
Business-type activities:				
Net investment in capital assets	$ 6,473,546	$ 5,538,509	$ 6,374,387	$ 5,864,609
Unrestricted	9,269,265	7,706,159	4,826,068	3,788,753
Total business-type net position	$ 15,742,811	$ 13,244,668	$ 11,200,455	$ 9,653,362
Primary government:				
Net investment in capital assets	$ 22,682,383	$ 15,697,151	$ 16,566,964	$ 14,597,892
Unrestricted	10,802,865	9,528,376	5,580,398	3,868,823
Total primary government net position	$ 33,485,248	$ 25,225,527	$ 22,147,362	$ 22,147,361

Table 1

	2013	2014	2015	2016	2017	2018
	$ 1,628,248	$ 1,092,294	$ 1,377,597	$ (659,469)	$ 1,577,177	$ 1,257,453
	8,164,504	14,051,662	(3,217,713)	(2,771,801)	(1,069,313)	(1,654,146)
	$ 9,792,752	$ 15,143,956	$ (1,840,116)	$ (3,431,270)	$ 507,864	$ (396,693)
	$ 5,530,973	$ 5,562,531	$ 5,080,344	$ 4,425,297	$ 4,757,274	$ 5,510,752
	5,562,921	8,875,134	8,364,649	9,289,985	10,612,624	11,239,410
	$ 11,093,894	$ 14,437,665	$ 13,444,993	$ 13,715,282	$ 15,369,898	$ 16,750,162
	$ 7,159,221	$ 6,654,825	$ 6,457,941	$ 3,765,828	$ 6,334,451	$ 6,768,205
	13,727,425	22,926,796	5,146,936	6,518,184	9,543,311	9,585,264
	$ 20,886,646	$ 29,581,621	$ 11,604,877	$ 10,284,012	$ 15,877,762	$ 16,353,469

CITY OF MANASSAS PARK, VIRGINIA **Table 2**

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:									
Governmental activities:									
General government administration	$ 4,042,638	$ 3,526,179	$ 3,336,472	$ 3,179,850	$ 3,256,686	$ 3,510,406	$ 3,494,109	$ 3,412,539	$ 3,393,795
Judicial administration	559,672	490,668	294,830	432,654	440,062	424,601	418,957	477,386	513,265
Public safety	9,813,118	7,194,524	7,230,246	7,035,619	7,841,255	7,619,134	8,311,741	8,603,687	8,334,813
Public works	2,996,931	1,975,496	1,876,329	1,409,808	1,515,720	1,620,357	2,635,148	2,347,810	2,322,877
Health and welfare	4,057,559	2,966,358	2,559,741	2,602,329	2,845,422	2,760,795	3,509,747	3,835,012	3,888,770
Education	10,769,321	10,182,020	12,144,639	10,475,632	11,403,318	11,226,765	16,069,968	14,918,955	17,046,767
Parks, recreation, and cultural	2,657,667	3,576,168	3,310,150	2,838,718	3,406,151	3,691,420	3,918,221	4,122,190	3,818,159
Community development	119,764	128,613	118,463	126,305	149,703	1,769,014	254,517	532,461	467,237
Interest on long-term debt	5,095,520	4,246,782	5,364,219	5,842,574	3,892,389	7,503,698	4,744,844	4,014,767	4,058,604
Total governmental activities expenses	$ 40,112,190	$ 34,286,808	$ 36,235,089	$ 33,943,489	$ 34,750,705	$ 40,126,189	$ 43,357,252	$ 42,264,807	$ 43,844,287
Business-type activities:									
Solid Waste Management	$ -	$ -	$ 810,622	$ 700,115	$ 778,891	$ 846,022	$ 768,538	$ 807,545	$ 857,410
Storm Water	-	-	20,974	174,325	137,995	152,761	229,347	197,463	409,628
Water and sewer	7,541,752	6,779,429	5,295,066	6,081,746	6,370,507	6,418,896	6,635,548	6,894,305	6,418,196
Total business-type activities expenses	$ 7,541,752	$ 6,779,429	$ 6,126,662	$ 6,956,186	$ 7,287,394	$ 7,417,679	$ 7,633,433	$ 7,899,313	$ 7,685,234
Total primary government expenses	$ 47,653,942	$ 41,066,237	$ 42,361,749	$ 40,899,674	$ 42,038,099	$ 47,543,867	$ 50,990,685	$ 50,164,120	$ 51,529,521
Program revenues:									
Governmental activities:									
Charges for services:									
General government	$ 103,718	$ 114,232	$ 198,343	$ 182,473	$ 193,446	$ 346,570	$ -	$ -	$ 50,800
Judicial administration	235,557	219,512	338,279	307,560	284,341	228,659	209,859	262,554	245,075
Public safety	299,932	295,965	314,561	272,597	267,502	293,905	247,265	232,007	265,599
Public works	69,907	-	-	-	-	-	357,787	278,451	107,796
Health and welfare	225,128	205,637	210,741	199,721	145,095	108,697	-	-	-
Parks, recreation, and cultural	397,330	1,107,280	1,143,816	849,185	1,031,779	1,041,027	1,119,794	1,314,845	1,246,552
Community development	-	96,531	109,064	167,332	14,970	44,400	96,152	99,886	104,880
Operating grants and contributions	4,975,818	2,312,612	2,055,170	1,944,670	1,552,698	1,925,199	2,775,829	3,169,565	3,081,815
Capital grants and contributions	10,128	761,210	653,848	669,533	94,835	704,787	644,168	2,895,472	271,459
Total governmental activities program revenues	$ 6,317,518	$ 5,112,979	$ 5,023,822	$ 4,593,069	$ 3,584,666	$ 4,693,243	$ 5,450,854	$ 8,252,780	$ 5,373,976
Business-type activities:									
Charges for services:									
Solid Waste Management	$ -	$ -	$ 655,824	$ 713,658	$ 788,931	$ 752,572	$ 686,157	$ 802,996	$ 991,776
Storm Water	-	-	222,309	232,162	229,933	233,221	238,569	237,270	862,123
Water and Sewer	5,622,665	5,719,818	5,564,405	8,448,695	10,129,798	9,231,577	7,895,844	9,872,102	8,548,073
Grants and contributions	192,982	-	-	-	-	-	22,000	-	-
Total business-type activities program revenues	$ 5,815,647	$ 5,719,818	$ 6,442,538	$ 9,394,515	$ 11,148,662	$ 10,217,370	$ 8,842,570	$ 10,912,368	$ 10,401,972
Total primary government program revenues	$ 12,133,165	$ 10,832,797	$ 11,466,360	$ 13,987,584	$ 14,733,328	$ 14,910,613	$ 14,293,424	$ 19,165,148	$ 15,775,948
Net (expense) / revenue									
Governmental activities	$ (33,794,672)	$ (29,173,829)	$ (31,211,265)	$ (29,350,420)	$ (31,166,039)	$ (35,432,946)	$ (37,906,398)	$ (34,012,027)	$ (38,470,311)
Business-type activities	(1,726,105)	(1,059,611)	315,876	2,438,330	3,861,268	2,799,691	1,209,137	3,013,055	2,716,738
Total primary government net expense	$ (35,520,777)	$ (30,233,440)	$ (30,895,389)	$ (26,912,090)	$ (27,304,771)	$ (32,633,254)	$ (36,697,261)	$ (30,998,972)	$ (35,753,573)

Changes in Net Position
Last Nine Fiscal Years
(Accrual Basis of Accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position									
Governmental activities:									
Property taxes	$ 20,352,144	$ 19,706,438	$ 21,094,698	$ 22,177,590	$ 22,339,972	$ 24,098,409	$ 25,293,814	$ 27,151,030	$ 28,255,204
Other local taxes	3,634,698	4,136,296	4,028,247	4,223,238	4,478,885	4,752,567	4,851,707	5,543,183	5,542,658
Unrestricted grants and contributions	2,253,053	2,280,974	2,249,892	2,250,465	1,538,462	2,357,913	2,216,212	2,240,002	2,210,021
Unrestricted revenues from use of money and property	169,053	-	-	-	134,713	514,342	93,395	52,715	47,270
Miscellaneous	802,521	815,859	926,440	675,890	7,134,984	2,388,347	2,862,709	1,356,214	2,202,896
Transfers	821,625	984,604	994,143	1,002,633	890,228	1,141,487	997,407	1,608,017	1,389,308
Total governmental activities	$ 28,033,094	$ 27,924,171	$ 29,293,420	$ 30,329,816	$ 36,517,244	$ 35,253,065	$ 36,315,244	$ 37,951,161	$ 39,647,357
Business-type activities:									
Miscellaneous	$ -	$ -	$ -	$ -	$ -	$ -	$ 58,501	$ 249,498	$ 151,850
Unrestricted revenues from use of money and property	49,587	-	-	4,836	2,591	-	58	80	178
Transfers	(821,625)	(984,604)	(1,027,093)	(1,002,633)	(890,228)	(1,141,487)	(997,407)	(1,608,017)	(1,389,308)
Total business-type activities	$ (772,038)	$ (984,604)	$ (1,027,093)	$ (997,797)	$ (887,637)	$ (1,141,487)	$ (938,848)	$ (1,358,439)	$ (1,237,280)
Total primary government	$ 27,261,056	$ 26,939,567	$ 28,266,327	$ 29,332,020	$ 35,629,608	$ 34,111,578	$ 35,376,396	$ 36,592,722	$ 38,410,077
Change in Net Position									
Governmental activities	$ (5,761,578)	$ (1,249,658)	$ (1,917,846)	$ 979,397	$ 5,351,205	$ (179,880)	$ (1,591,154)	$ 3,939,134	$ 1,177,046
Business-type activities	(2,498,143)	(2,044,214)	(711,217)	1,440,533	2,973,632	1,658,204	270,289	1,654,616	1,479,458
Total primary government	$ (8,259,721)	$ (3,293,872)	$ (2,629,063)	$ 2,419,930	$ 8,324,837	$ 1,478,324	$ (1,320,865)	$ 5,593,750	$ 2,656,504

CITY OF MANASSAS PARK, VIRGINIA

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2009	2010	2011	2012
General Fund				
Nonspendable	$ -	$ -	$ -	$ -
Committed	-	-	-	-
Assigned	3,670,274	3,648,548	6,701,315	4,066,695
Unassigned	(1,722,528)	(2,662,325)	(2,105,265)	1,201,825
Total general fund	$ 1,947,746	$ 986,223	$ 4,596,050	$ 5,268,520
All other Governmental Funds				
Nonspendable	$ -	$ -	$ -	$ -
Assigned	18,739,323	3,950,543	2,197,852	2,162,657
Committed	-	-	-	-
Unassigned, reported in:				
Capital projecteds funds	(1,707,248)	32,826	38,099	23,219
General Fund	-	-	-	-
Debt service funds	1,540,389	2,382,784	460	-
Total all other governmental funds	$ 18,572,464	$ 6,366,153	$ 2,236,411	$ 2,185,876

Table 3

2013	2014	2015	2016	2017	2018
$ -	$ -	$ -	$ 109,084	$ 179,974	$ 191,146
-	-	-	1,095,863	-	-
4,353,131	5,071,294	4,353,131	-	-	-
1,570,580	2,251,715	(239,548)	982,760	4,143,244	5,439,473
$ 5,923,711	$ 7,323,009	$ 4,113,583	$ 2,187,707	$ 4,323,218	$ 5,630,619
$ -	$ -	$ -	$ 1,751	$ 839,044	$ 47,636
1,269,946	2,078,311	796,192	-	-	-
-	-	-	3,465,785	2,953,606	3,715,518
1,100,622	3,279,419	2,555,127	(2,139,769)	(3,742,190)	(4,363,045)
86,917	-	-	-	-	-
-	-	-	-	-	-
$ 2,457,485	$ 5,357,730	$ 3,351,319	$ 1,327,767	$ 50,460	$ (599,891)

CITY OF MANASSAS PARK, VIRGINIA

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2009	2010	2011	2012
Revenues:				
General property taxes	$ 22,855,998	$ 20,697,342	$ 19,706,438	$ 21,094,698
Other local taxes	4,809,112	3,634,698	4,136,296	4,028,247
Permits, privilege fees and regulatory licenses	61,535	58,302	46,173	77,199
Fines and forfeitures	359,919	262,980	219,512	338,279
Revenue from use of money and property	847,954	169,053	48,366	108,961
Charges for services	1,449,154	1,010,290	1,726,410	1,790,366
Miscellaneous	589,635	802,521	768,956	926,440
Recovered costs	5,952	2,442	193,939	-
Intergovernmental:				
Commonwealth	4,381,214	4,685,241	4,461,030	4,150,742
Federal	1,036,712	2,553,758	2,099,279	1,724,222
Total revenues	$ 36,397,185	$ 33,876,627	$ 33,406,399	$ 34,239,154
Expenditures:				
General government administration	$ 3,613,198	$ 3,337,526	$ 3,299,738	$ 3,228,061
Judicial administration	471,206	500,014	481,512	294,830
Public safety	6,852,347	8,114,220	7,526,507	6,762,969
Public works	2,351,120	1,949,266	1,193,804	1,166,563
Health and welfare	3,837,889	3,610,447	2,909,297	2,558,003
Education	12,633,695	10,552,384	9,992,014	10,659,394
Parks, recreation, and cultural	2,062,513	2,213,340	2,761,682	2,762,256
Community development	367,374	118,991	126,213	118,463
Capital projects	29,448,466	12,255,215	1,214,462	550,032
Debt service:				
Principal	1,527,691	1,469,655	-	1,179,523
Interest and other fiscal charges	3,839,278	4,993,428	5,408,033	5,364,219
Total expenditures	$ 67,004,777	$ 49,114,486	$ 34,913,262	$ 34,644,313
Excess of revenues over (under) expenditures	$ (30,607,592)	$ (15,237,859)	$ (1,506,863)	$ (405,159)
Other financing sources (uses):				
Transfers in	$ 6,660,821	$ 7,315,156	$ 9,697,818	$ 7,833,158
Transfers (out)	(6,035,821)	(6,493,531)	(8,710,870)	(6,806,065)
Premium on bonds issued	-	-	-	-
Bond issue costs	-	(459,062)	-	-
Payment to refunded bond escrow agent	-	(11,932,538)	-	-
Issuance of long-term debt	-	13,640,000	-	-
Issuance of capital leases	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	$ 625,000	$ 2,070,025	$ 986,948	$ 1,027,093
Net changes in fund balances	$ (29,982,592)	$ (13,167,834)	$ (519,915)	$ 621,934
Debt service as a percentage of noncapital expenditures	14.21%	17.42%	16.16%	18.94%

Table 4

2013	2014	2015	2016	2017	2018
$ 22,177,590	$ 22,339,972	$ 24,098,409	$ 25,056,546	$ 26,884,651	$ 28,202,325
4,223,238	4,478,885	4,752,567	4,851,707	5,543,183	5,542,658
52,565	193,446	346,570	359,877	281,011	161,106
307,560	284,341	228,659	209,522	262,165	244,775
112,400	134,713	514,342	93,395	52,715	47,270
1,506,341	1,459,346	1,488,028	1,461,458	1,644,567	1,614,821
794,179	7,134,984	2,388,347	2,862,709	1,080,788	2,202,896
149,129	19,643	-	-	-	-
4,329,217	3,134,473	5,071,100	4,753,555	5,563,329	4,592,414
1,308,163	752,956	29,584	882,654	2,741,710	970,881
$ 34,960,384	$ 39,932,760	$ 38,917,606	$ 40,531,423	$ 44,054,119	$ 43,579,146
$ 3,179,850	$ 3,036,165	$ 3,106,395	$ 3,745,225	$ 3,355,199	$ 3,354,651
432,654	413,760	424,601	418,957	477,386	513,265
7,035,619	7,485,424	7,619,134	8,793,006	9,138,160	8,451,367
1,409,808	1,425,129	1,620,357	3,978,948	5,012,098	1,904,503
2,602,329	2,675,359	2,760,795	3,479,493	4,034,451	3,989,987
10,475,632	10,721,772	11,226,765	13,016,385	11,527,708	12,138,881
2,838,718	3,202,575	3,691,420	3,555,956	3,675,348	3,360,738
126,305	140,755	219,906	253,044	566,579	491,873
455,720	1,515,845	1,769,014	-	-	-
947,652	1,463,813	2,298,633	4,204,532	4,223,100	6,336,589
5,531,931	4,172,838	5,205,065	4,759,334	4,250,359	4,064,682
$ 35,036,217	$ 36,253,435	$ 39,942,083	$ 46,204,880	$ 46,260,388	$ 44,606,536
$ (75,833)	$ 3,679,325	$ (1,024,477)	$ (5,673,457)	$ (2,206,269)	$ (1,027,390)
$ 7,636,155	$ 9,633,334	$ 15,852,887	$ 10,608,836	$ 10,588,062	$ 12,181,948
(6,633,522)	(8,993,962)	(14,711,400)	(9,611,429)	(8,980,045)	(10,792,640)
-	-	-	264,671	-	-
-	-	-	-	-	-
-	-	-	(10,914,582)	(23,581,666)	-
-	-	-	10,775,000	23,840,000	-
-	-	-	292,783	922,696	213,974
-	-	-	308,750	275,426	-
$ 1,002,633	$ 639,372	$ 1,141,487	$ 1,724,029	$ 3,064,473	$ 1,603,282
$ 926,800	$ 4,318,697	$ 117,010	$ (3,949,428)	$ 858,204	$ 575,892
18.69%	16.00%	19.17%	20.82%	20.48%	25.37%

Assessed Value and Estimated Actual Value of Taxable Property (in thousands)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service[1]	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value	Total Direct Tax Rate
2018	$ 1,625,686	$ 149,864	$ 1,002	$ 27,667	$ 1,804,219	$ 1,804,219	100%	1.72
2017	1,526,753	145,244	1,080	25,220	1,698,297	1,698,297	100%	1.72
2016	1,472,036	144,010	1,103	25,453	1,642,601	1,642,601	100%	1.72
2015	1,332,539	134,539	1,063	26,531	1,494,672	1,494,672	100%	1.73
2014	1,210,409	113,067	1,107	26,021	1,350,604	1,350,604	100%	1.81
2013	1,144,328	114,934	1,361	27,369	1,287,992	1,287,992	100%	1.82
2012	1,101,110	109,624	1,219	27,369	1,239,322	1,239,322	100%	1.82
2011	1,006,426	114,600	128	28,787	1,149,941	1,149,941	100%	1.83
2010	1,100,695	110,082	961	27,995	1,239,732	1,239,732	100%	1.82
2009	1,603,567	124,937	1,032	26,304	1,755,840	1,755,840	100%	1.40

[1] Assessed values are established by the State Corporation Commission
Source: Manassas Park Commissioner of Revenue

2018	90.10%	8.31%	0.06%	1.53%	100.00%
2017	89.90%	8.55%	0.06%	1.49%	100.00%
2016	89.62%	8.77%	0.07%	1.55%	100.00%
2015	89.15%	9.00%	0.07%	1.78%	100.00%
2014	89.62%	8.37%	0.08%	1.93%	100.00%
2013	88.85%	8.92%	0.11%	2.12%	100.00%
2012	88.85%	8.85%	0.10%	2.21%	100.00%
2011	87.52%	9.97%	0.01%	2.50%	100.00%
2010	88.78%	8.88%	0.08%	2.26%	100.00%
2009	91.33%	7.12%	0.06%	1.50%	100.00%

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service
2018	$ 1.55	$ 3.50	$ 3.50	1.55
2017	1.55	3.50	3.50	1.55
2016	1.55	3.50	3.50	1.55
2015	1.55	3.50	3.50	1.55
2014	1.65	3.50	3.50	1.65
2013	1.65	3.50	3.50	1.65
2012	1.65	3.50	3.50	1.65
2011	1.65	3.50	3.50	1.65
2010	1.65	3.50	3.50	1.65
2009	1.24	3.50	3.50	1.24

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2018	$ 1.55	$ 3.50	$ 3.50	$ 3.50
2017	1.55	3.50	3.50	3.50
2016	1.55	3.50	3.50	3.50
2015	1.55	3.50	3.50	3.50
2014	1.65	3.50	3.50	3.50
2013	1.65	3.50	3.50	3.50
2012	1.65	3.50	3.50	3.50
2011	1.65	3.50	3.50	3.50
2010	1.65	3.50	3.50	3.50
2009	1.24	3.50	3.50	3.50

(1) Per $100 of assessed value
Source: Manassas Park Commissioner of Revenue

CITY OF MANASSAS PARK, VIRGINIA **Table 7**

Principal Property Taxpayers

Taxpayer		Fiscal Year 2018 Assessed Valuation	% of Total Assessed Valuation
Haverhill Investors LLC	$	56,438,800	3.47%
TNHYIF REIV Hotel LLC		51,677,200	3.18%
Oxford Palisades Apartments LLC		32,586,000	2.00%
Haverhill Investors LLC		56,438,800	3.47%
Manassas Park Village LTD Partnership		23,095,600	1.42%
Centrum-Manassas Park Limited Partnership		16,331,400	1.00%
JERAX Enterprises		10,179,900	0.63%
GPT Manassas WHSE Owner LLC		6,960,000	0.43%
Hillbrooke Towers Assoc LLLP		5,776,300	0.36%
Manassas park self storage LLC		5,425,800	0.33%
Total	$	264,909,800	16.30%

CITY OF MANASSAS PARK, VIRGINIA **Table 8**

Property Tax Levies and Collections
Last Ten Fiscal 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	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2018	$ 25,198,128	$ 22,982,478	91.21%	$ 34,175	$ 23,016,653	91.34%
2017	23,664,664	22,421,679	94.75%	643,263	23,064,941	97.47%
2016	22,816,550	22,255,426	97.54%	561,125	22,816,551	100.00%
2015	23,468,509	22,997,577	97.99%	398,032	23,395,609	99.69%
2014	22,510,377	21,855,905	97.09%	456,338	22,312,243	99.12%
2013	21,259,845	20,667,022	97.21%	592,823	21,259,845	100.00%
2012	20,418,916	19,526,080	95.63%	838,027	20,364,107	99.73%
2011	19,946,043	18,665,377	93.58%	762,305	19,427,682	97.40%
2010	20,715,844	19,825,330	95.70%	826,988	20,652,318	99.69%
2009	23,923,934	22,068,389	92.24%	1,036,355	23,104,744	96.58%

Source: Manassas Park Treasurer's Collection

CITY OF MANASSAS PARK, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities				
Fiscal Year	**General Obligation Bonds**	**Bond Anticipation Note**	**Literary Fund Loans**	**Other Notes/ Bonds**	**Capital Leases**
2018	$ 94,356,847	$ -	$ 7,370,000	$ -	$ 712,658
2017	101,117,151	-	7,400,000	-	844,868
2016	104,128,386	-	7,500,000	-	461,760
2015	107,165,329	-	625,000	-	357,721
2014	109,463,962	-	625,000	-	-
2013	107,014,175	-	4,875,000	-	-
2012	109,406,827	-	5,500,000	-	-
2011	109,961,350	-	6,125,000	-	-
2010	110,497,211	-	6,750,000	-	-
2009	101,674,592	7,500,000	7,375,000	-	127,724

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 13.

Table 9

Business-type Activities				
General Obligations Bonds	**Capital Leases**	**Total Primary Government**	**Percentage of Personal Income (1)**	**Per Capita (1)**
$ 12,927,842	$ 163,722	$ 115,531,069	23.58%	$ 6,990
13,965,824	215,513	123,543,356	25.81%	7,446
14,944,488	-	127,034,634	27.82%	8,026
14,040,000	-	122,188,050	17.40%	7,760
14,040,000	-	124,128,962	17.88%	8,180
14,800,000	-	126,689,175	30.23%	8,538
14,800,000	-	129,706,827	30.95%	8,460
14,800,000	-	130,886,350	28.73%	9,098
14,800,000	-	132,047,211	33.70%	10,966
14,405,000	-	131,081,866	34.25%	11,488

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Bond Anticipation Notes	Literary Fund Loans	Gross Bonded Debt	Less Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2018	94,356,847 $	- $	7,370,000 $	101,726,847 $	342,116	101,384,731	5.62% $	6,134
2017	101,117,151	-	7,400,000	108,517,151	309,413	108,207,738	6.37%	6,522
2016	104,128,386	-	7,500,000	111,628,386	249,609	111,378,777	6.78%	7,037
2015	93,940,329	-	625,000	94,565,329	-	94,565,329	6.35%	6,023
2014	96,028,962	-	625,000	96,653,962	-	96,653,962	7.16%	6,370
2013	93,374,175	-	4,875,000	98,249,175	-	98,249,175	7.63%	6,621
2012	95,766,827	-	5,500,000	101,266,175	-	101,266,175	8.17%	6,605
2011	96,321,350	-	6,125,000	102,446,350	-	102,446,350	8.91%	7,121
2010	96,857,211	-	6,750,000	103,607,211	-	103,607,211	8.39%	8,604
2009	101,674,592	7,500,000	7,375,000	116,549,592	-	116,549,592	6.69%	10,215

Sources:

(1) Population data can be found in the table of Demographic and Economic Statistics - Table 13.

(2) See the table of Assessed Value and Estimated Actual Value of Taxable Property - Table 5.

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans, and excludes revenue bonds, capital leases, and compensated absences and debt of the business-type activities.

CITY OF MANASSAS PARK, VIRGINIA

Legal Debt Margin Information (in thousands)
Last Ten Fiscal Years

	2009	2010	2011	2012
Debt Limit	$ 163,033	$ 112,869	$ 103,521	$ 112,848
Total net debt applicable to limit	116,550	103,607	102,446	101,267
Legal debt margin	$ 46,483	$ 9,262	$ 1,075	$ 11,581
Total net debt applicable to the limit as a percentage of the debt limit	71.49%	91.79%	98.96%	89.74%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 11

2013	2014	2015	2016	2017	2018
$ 117,170	$ 123,643	$ 135,907	$ 164,260	$ 169,830	$ 180,422
98,249	96,654	94,565	111,379	108,208	101,385
$ 18,921	$ 26,989	$ 41,342	$ 52,881	$ 61,622	$ 79,037
83.85%	78.17%	69.58%	67.81%	63.72%	56.19%

Assessed value	$ 1,804,219
Debt limit (10% of total assessed value)	$ 180,422
Net debt applicable to limit	101,385
Legal debt margin	$ 79,037

Pledged-Revenue Coverage
Last Ten Fiscal Years

Water & Sewer Bonds

	Water & Sewer Activities			Debt Service			
Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Principal	Interest	Total Debt Service	Debt Service Coverage
2018	$ 8,700,101	$ 3,499,036	$ 5,201,065	$ 906,911	$ 513,565	$ 1,420,476	3.66
2017	10,121,686	4,105,860	6,015,826	839,010	547,376	1,386,386	4.34
2016	7,954,359	3,874,001	4,080,358	637,178	552,026	1,189,204	3.43
2015	9,231,577	5,768,980	3,492,596	-	-	-	1.00
2014	10,129,798	564,199	4,465,599	-	170,976	170,976	26.12
2013	8,448,695	4,570,960	3,877,735	-	838,176	838,176	4.63
2012	6,442,538	4,881,944	1,560,594	-	669,828	669,828	2.33
2011	5,769,220	4,209,312	1,559,908	-	498,852	498,852	3.13
2010	5,865,234	6,046,963	(181,729)	95,000	864,304	959,304	(0.19)
2009	6,758,076	4,990,017	1,768,059	90,000	483,602	573,602	3.00

N/M= Not meaningful

(1) Includes all revenues
(2) Total operating expenses exclusive of depeciation

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Total Personal Income (1)	Per Capita Personal Income	School Enrollment	Unemployment Rate
2018	16,528	$ 489,906,448	$ 29,641	3,724	2.80%
2017	16,591	478,666,941	28,851	3,588	3.40%
2016	15,827	456,624,777	28,851	3,443	3.90%
2015	15,625	440,062,500	28,164	3,359	4.40%
2014	14,992	420,585,568	28,054	3,216	4.50%
2013	15,125	407,528,000	26,944	3,123	5.02%
2012	14,409	393,452,154	27,306	3,019	4.70%
2011	13,759	371,204,061	26,979	2,957	5.20%
2010	13,195	360,685,325	27,335	2,707	5.80%
2009	11,410	382,695,197	33,540	2,464	6.50%

Source: Weldon Cooper Center, Virginia Employment Commission, Annual School Report
Source for School Enrollment: Virginia Department of Education
http://www.doe.virginia.gov/statistics_reports/enrollment/fall_membership/report_data.shtm

CITY OF MANASSAS PARK, VIRGINIA **Table 14**

June 30, 2018
Principal Employers

Rank	Employer	Number of Employees	Rank
1	Manassas Park City School Board	477	1
2	City of Manassas Park	146	2
3	Atlas Plumbing LLC	100-249	3
4	C.W. Strittmatter Equipment LLC	100-249	4
5	Labor ReadyMid-Atlantic, Inc.	100-249	5
6	Titan Erosion Control, Inc	50-99	6
7	QMT Associates	50-99	7
8	Stafford Systems Inc	50-99	8
9	United Masonry Inc of VA	50-99	9
10	United Building Envelope Restoration LLC	50-99	10

Source: Bi.Virginialmi.com, Virginia Employment Commission
Employees exclude part-timers

Compliance

Independent Auditors' 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 the City Council
City of Manassas Park, 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,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manassas Park, Virginia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Manassas Park, Virginia's basic financial statements and have issued our report thereon dated February 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Manassas Park, Virginia'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 of Manassas Park, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Manassas Park, Virginia'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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses (2018-001 through 2018-003).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Manassas Park, Virginia'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* and which are described in the accompanying schedule of findings and questioned costs as items 2018-004 through 2018-006.

City of Manassas Park, Virginia's Response to Findings

City of Manassas Park, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs City of Manassas Park, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
February 28, 2019

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Members of the Board of Supervisors
City of Manassas Park, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Manassas Park, Virginia's 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 of Manassas Park, Virginia's major federal programs for the year ended June 30, 2018. City of Manassas Park, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Manassas Park, Virginia'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 of Manassas Park, Virginia'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 of Manassas Park, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Manassas Park, Virginia 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.

Report on Internal Control over Compliance

Management of the City of Manassas Park, Virginia 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 of Manassas Park, Virginia'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 of Manassas Park, Virginia'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.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
February 28, 2019

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2018

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number		Federal Expenditures
PRIMARY GOVERNMENT:				
DEPARTMENT OF JUSTICE:				
Direct payments:				
Bulletproof vest partnership program	16.607	N/A	$	3,818
Pass through payments:				
Edward Byrne memorial justice assistance grant program	16.738	CJS7101601		1,533
Total Department of Justice			$	5,351
DEPARTMENT OF TRANSPORTATION:				
Pass through payments:				
Virginia Department of Transportation:				
Highway planning and construction	20.205	UPC76683/UPC102851/ UPC101302	$	145,024
Virginia Department of Motor Vehicles:				
Alcohol open container requirements	20.607	154AL-17-57015	$	5,188
Highway Safety Cluster:				
National priority safety programs	20.616	M60T-18-58094	$	3,940
State and community highway safety	20.600	SC-17-57062/ OP-17-57063/ FOP-18-58901/ FSC-18-58100		18,508
Total Highway Safety Cluster:			$	22,448
Total Department of Transportation			$	172,660
DEPARTMENT OF HOMELAND SECURITY:				
Pass through payments:				
Department of Emergency Services:				
Disaster grants - public assistance (presidentially declared disasters)	97.036	DEM0016799	$	91,051
Emergency management performance grants	97.042	0000110273		7,500
Total Department of Homeland Security			$	98,551
DEPARTMENT OF AGRICULTURE:				
Pass Through Payments:				
Department of Social Services:				
State administrative matching grants for the supplemental nutrition assistance program	10.561	0040118/0010117	$	184,439
Total Department of Agriculture			$	184,439
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Pass Through Payments:				
Department of Social Services:				
Child care mandatory and matching funds of the child care and development fund	93.596	0760118/0760117	$	15,159
Foster care-title IV-E	93.658	1100118/1100117		96,751
Adoption assistance	93.659	1120118/1120117		12,715
Promoting safe and stable families	93.556	0950117/0950116		9,527
Temporary assistance for needy families	93.558	0400118/0400117		92,489
Refugee and entrant assistance - state administered programs	93.566	0500118/0500117		713
Low-income home energy assistance	93.568	0600418/0600417		10,810
Social services block grant	93.667	1000118/1000117		71,457
Stephanie Tubbs Jones child welfare services program	93.645	900117		251
Chafee foster care independence program	93.674	9150118/9150117		624
Children's health insurance program	93.767	0540118/0540117		7,851
Medical assistance program	93.778	1200118/1200117		191,533
Total Department of Health and Human Services			$	509,880
Total Primary Government			$	970,881

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number		Federal Expenditures
COMPONENT UNIT-SCHOOL BOARD:				
DEPARTMENT OF AGRICULTURE:				
Direct payments:				
Child and adult care food program	10.558	N/A	$	68,175
Pass through payments:				
Child Nutrition Cluster:				
Department of Agriculture and Consumer Services:				
Food distribution - national school lunch program	10.555	201717N109941/ 201818N109941		137,762
Department of Education:				
National school lunch program	10.555	201717N109941/ 201818N109941		1,062,071
Total 10.555			$	1,199,833
Department of Agriculture and Consumer Services:				
Summer Food Service Program for Children	10.559	201717N109941/ 201818N109941	$	46,526
School breakfast program	10.553	201717N109941/ 201818N109941		323,353
Total Child Nutrition Cluster			$	1,569,712
Total Department of Agriculture			$	1,637,887
DEPARTMENT OF EDUCATION:				
Title I grants to local educational agencies	84.010	S010A170046/ S010A180046	$	321,671
Special Education Cluster (IDEA):				
Special education - grants to states	84.027	H027A170107/ H027A160107		599,717
Special education - preschool grants	84.173	H173A170112		10,663
Total Special Education Cluster (IDEA)			$	610,380
English language acquisition state grants	84.365	S365A160046/ S365A150046		140,058
Supporting Effective Instruction State Grants	84.367	S367A160044 S367A170044		25,648
Career and technical education - basic grants to states	84.048	V048A170046		34,374
Total Department of Education			$	1,132,131
Total Component Unit School Board			$	2,770,018
Total Expenditures of Federal Awards			$	3,740,899

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Manassas Park, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the City of Manassas Park, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Manassas Park, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The City did not elect to use the 10% de minimis indirect cost rate.

(4) The City did not pass any federal awards through to sub-recipients during the year ended June 30, 2018.

Note 3 - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and disbursed.

Note 4 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:		
Primary government:		
General Fund	$	825,857
Capital Projects Fund		145,024
Total primary government	$	970,881
Component Unit School Board:		
School Operating Fund	$	1,132,131
School Cafeteria Fund		1,637,887
Total component unit school board	$	2,770,018
Total federal expenditures per basic financial statements	$	3,740,899
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$	3,740,899

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516 (a)?	No

Identification of major .510 programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS:

2018-001 Material Weakness- Material Audit Adjustments Proposed by the External Auditor

Criteria: Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.

Condition: The financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles (GAAP). Material audit adjustments were proposed to several accounts and financial statement groups including capital assets, receivables, due from other governments, unearned revenue, and debt to be in accordance with Generally Accepted Accounting Principles.

Cause: The City's internal controls in place to capture and record all necessary balances in the automated accounting system were not adequate for the year ended June 30, 2018.

Effect: There a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation:

We recommend that the City strengthen internal controls to capture and record all balances accurately in accordance with General Accepted Accounting Principles and eliminate the need for material audit adjustments. In addition, capturing and recording all necessary balances in the accounting system will assist Management and those charged with governance in their decision making for the City.

Management Response: Agreed. The recommended strengthening of internal controls has been implemented to review all financial records / components / statements to ensure completeness, accuracy and compliance with GAAP. Significant research and analysis was performed by management to provide financial information for audit adjustments.

2018-002- Material Weakness - Reconciliation of Property Tax Delinquent Lists to General Ledger

Criteria: Property tax delinquent lists should be reconciled to the general ledger on a monthly basis.

Condition: During fiscal year 2018 the City was not reconciling the property tax delinquent lists to the taxes receivable accounts as reported in the general ledger on a monthly basis.

Cause: The City does not post tax assessments or supplements and abatements in the accounting system to establish running taxes receivable balances in the general ledger.

Effect: As a result, material adjustments to the City's general ledger were necessary.

SECTION II – FINANCIAL STATEMENT FINDINGS:

2018-002- Material Weakness - Reconciliation of Property Tax Delinquent Lists to General Ledger (continued)

Recommendation:

We recommend the City post tax assessments, supplements, and abatements and subsequent tax payments to taxes receivable accounts in the general ledger. We recommend the City reconcile property tax delinquent lists to the general ledger on a monthly basis and any differences be investigated and corrected.

Management Response: Agreed. The City has been working on drafting a memorandum of understanding for constitutional offices to address this tax billing and collection issues. An offline workaround process was implemented in FY19.

2018-003 Material Weakness - Utility Billings and Receivable Reconciliation

Criteria: The utility billing subsidiary system should be reconciled to the general ledger on a monthly basis.

Condition: The City was not reconciling the amounts billed, collected, outstanding, and delinquent to the general ledger on a monthly basis.

Cause: The City does not currently post utility billings to a receivable line in the general ledger.

Effect: There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation:

We recommend the City post utility billings to receivable accounts in the general ledger. We recommend the City implement procedures to ensure the utility billing subsidiary system reconciles to the General Ledger and any differences noted during the reconciliation are documented and corrected.

Management Response: Agreed. The City has been working with Keystone, the vendor of financial system, to develop an automatic interface with general ledger to establish a receivable when bills are mailed out for all city services, including tax and any other billings. In the meantime, an off-line workaround process was established to address this issue.

SECTION II – FINANCIAL STATEMENT FINDINGS:

2018-004 Compliance Findings – Prompt Payment of Bills by Localities

Criteria: In accordance with Virginia Code Section 2.2-4352 Prompt Payment of Bills by Localities, local governments that acquire goods or services, or conducts any other type of contractual business with a nongovernmental, privately owned enterprise, shall promptly pay for the completed delivered goods or services by the required payment date. The required payment date is either the due date of the invoice or, if no due date is noted, not more than forty-five days after goods or services are received or not more than forty-five days after this invoice is rendered.

Condition: There were instances in which the City was not remitting payment to vendors for goods and services in a timely manner.

Cause: Cash levels at certain times during the year did not allow for the prompt payment of City invoices.

Effect: Late payment to vendors can lead to payment of late fees, interest and the potential for litigation.

Recommendation:

We recommend the City pay its vendors in a timely manner.

Management Response: Agreed. Management is aware of the low cash level that does not allow us to make timely payments. This cash issue is expected to improve by FY2023 when debt service payments will come down significantly. We are actively working on developing a policy to help manage cash and debt and will continue reviewing cash on an ongoing basis.

2018-005 Compliance Finding- Social Services' Continuity of Operations Program (COOP)

Criteria: Per Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns*, published by the Commonwealth of Virginia's Auditor of Public Accounts, cities are responsible for having a documented business continuity plan in which requirements are described on the Virginia Department of Emergency Management's website.

Condition: The City's Department of Social Services did not have a current documented Business Continuity Plan in place during the year ended June 30, 2018.

Cause: The City's Department of Social services had not implemented a current COOP.

SECTION II – FINANCIAL STATEMENT FINDINGS:

2018-005 Compliance Finding- Social Services' Continuity of Operations Program (COOP) (continued)

Effect: Noncompliance may result in action by the Commonwealth.

Recommendation:

We recommend the Department of Social Services implement a current documented Business Continuity Plan.

Management Response: Agreed. The City's Department of Social Services is currently working on developing and implementing a Business Continuity Plan as recommended.

2018-006 Compliance Finding – Unclaimed Property

Criteria: The Uniform Disposition of Unclaimed Property Act in Chapter 11.1 of Title 55 of the Code of Virginia requires local governments to file an annual report with the State Treasurer listing all unclaimed property.

Condition: The City's Treasurer Office did not file an unclaimed property report with the State Treasurer in 2018.

Cause: The City did not have procedures in place to prepare and file the required report with the State Treasurer.

Effect: Unclaimed property may not have been remitted properly to the State in accordance with the Unclaimed Property Act.

Recommendation:

We recommend the Treasurer file an unclaimed property report with the State Treasurer on an annual basis and if necessary remit any unclaimed property to the State Treasurer for final disposition.

Management Response: Agreed. The City Treasurer is working on implementing this recommendation.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

There are no federal award findings and questioned costs to report.

SECTION IV – PRIOR AUDIT FINDINGS:

2017-001: Material Audit Adjustments Proposed by the External Auditor – Material Weakness in Internal Controls

Status: A similar finding is reported in the 2018 findings and questioned costs.

2017-002: Reconciliation of Property Tax Delinquent Lists to General Ledger – Material Weakness in Internal Controls

Status: A similar finding is reported in the 2018 findings and questioned costs.

2017-003: Utility Billings and Receivable Reconciliation – Material Weakness in Internal Controls

Status: A similar finding is reported in the 2018 findings and questioned costs.

2017-004: Accounting System Local Revenue Interface – Material Weakness in Internal Controls

Status: This finding is not reported in 2018.

2017-005: Expenditures in Excess of Appropriations – Compliance Finding

Status: This finding is not reported in 2018.

2017-006: Highway Maintenance Funds – Compliance Finding

Status: This finding is not reported in 2018.

2017-007: Social Services' Continuity of Operations Program (COOP) – Compliance Finding

Status: A similar finding is reported in the 2018 findings and questioned costs.

2017-008: School Budget Advertisement – Compliance Finding

Status: This finding is not reported in 2018.

2017-009: Unclaimed Property – Compliance Finding

Status: A similar finding is reported in the 2018 findings and questioned costs.