

CITY OF MANASSAS PARK, VIRGINIA

Comprehensive Annual Financial Report

Year Ended June 30, 2017

PREPARED BY:

Pon Yusuf, Director of Finance

CITY OF MANASSAS PARK, VIRGINIA

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CITY OF MANASSAS PARK

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www.cityofmanassaspark.us

Mayor:
Jeanette Rishell
Vice Mayor:
Suhas Naddoni

City Manager:
Laszlo A. Palko

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, 2017 is hereby submitted as mandated by both local ordinances and state statutes. 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.

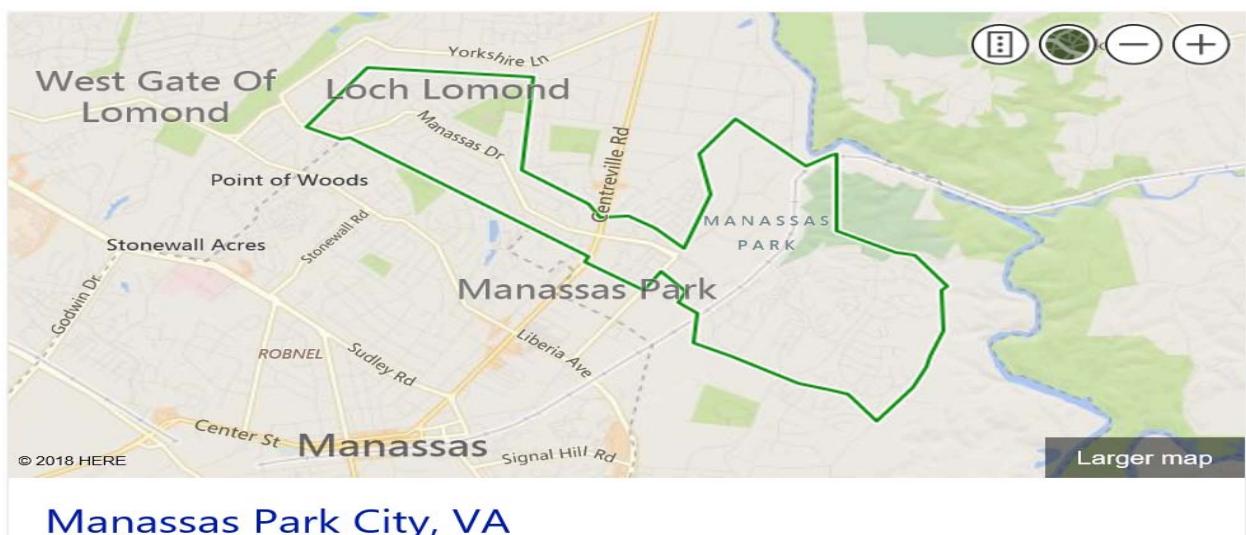
The City of Manassas Park is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 (as amended in 1997) and the U.S. Office of Management and Budget's Uniform Guidance. Information related to this single audit, including a schedule of expenditures 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. Effective 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 and FY2017. They have issued an unmodified "(Clean)" opinion on the City of Manassas Park's financial statements for the year ended June 30, 2017. 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.



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. However, the Industrial Development Authority, a related organization of the City of Manassas Park and the Upper Occoquan Sewage Authority and the Potomac and Rappahannock Transportation, jointly governed organizations, have 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 now completed its audit.

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. 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. Among the changes also includes the departure of Human Resources Director, Deputy City Manager, Director of Public Works, etc.

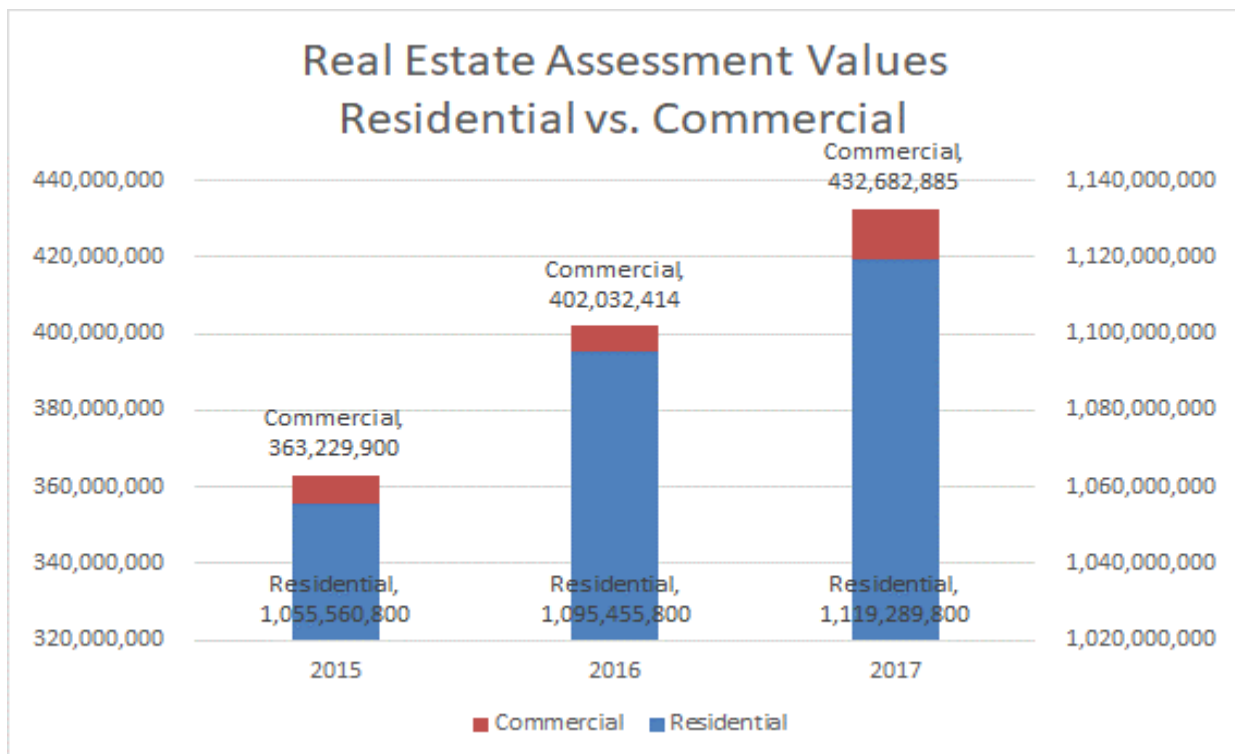
Mr. Palko came to City of Manassas Park from Lovettsville after serving two tours with the U.S. Army in Afghanistan. He has degrees in criminal justice, psychology, international relations and public policy, public administration and financial management, and has worked as a corporate analyst with IBM 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.

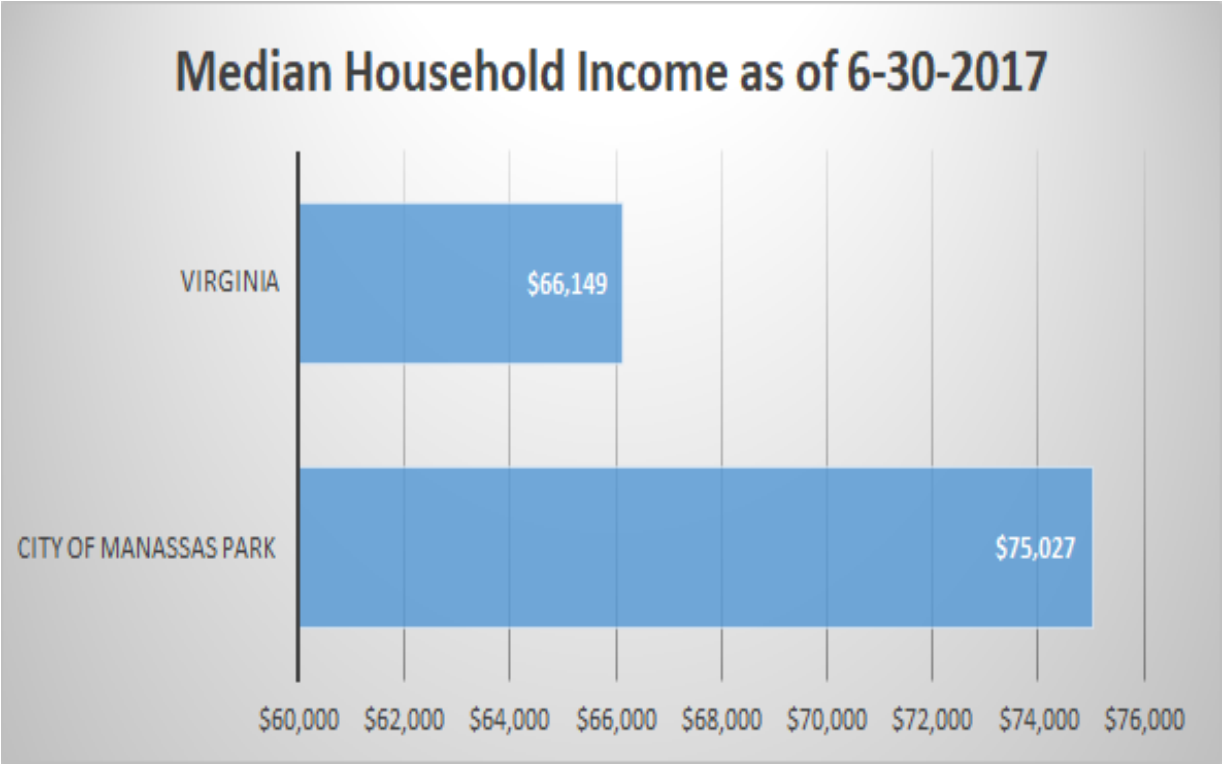
LOCAL ECONOMY

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%).

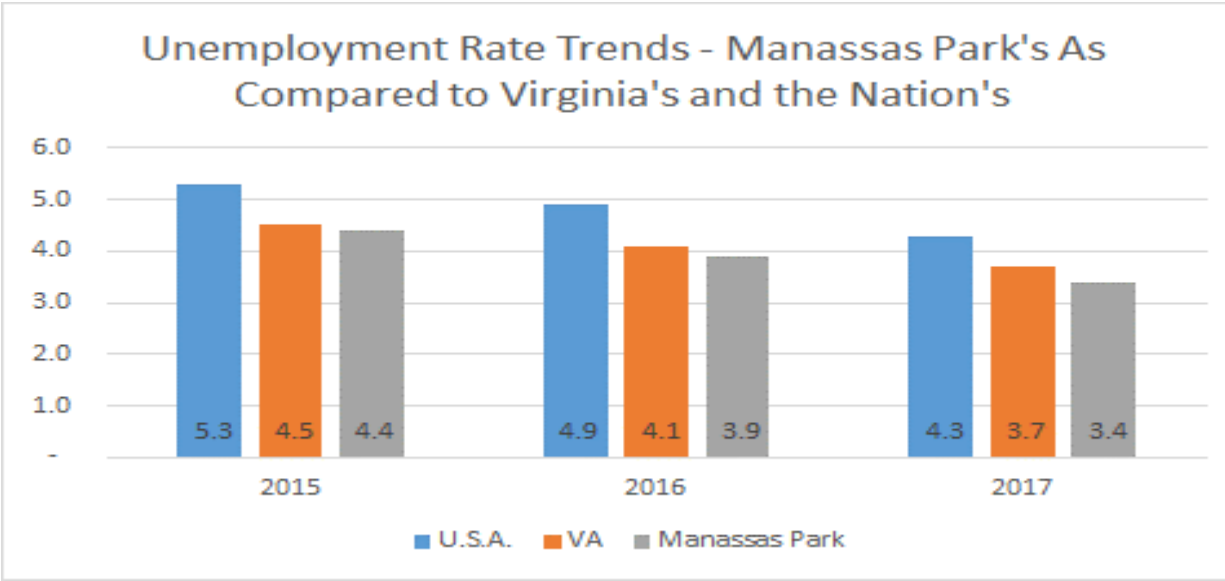


Since 2000, the City has made major investments in almost all its public facilities by the City, including a new fire station, police station and community center. The largest investment was made in City Schools. A new elementary school (Cougar Elementary) was built and opened in 2001. The construction 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 2017 with a median household income of \$75,027 (2016 dollars), favorably compared to the State of Virginia of \$66,149, up from \$61,406 the prior year. See the graph below.



The City’s unemployment rate was 3.4% as of June 2017, which was less that the State’s unemployment rate of 3.7% and the national unemployment rate of 4.3%.

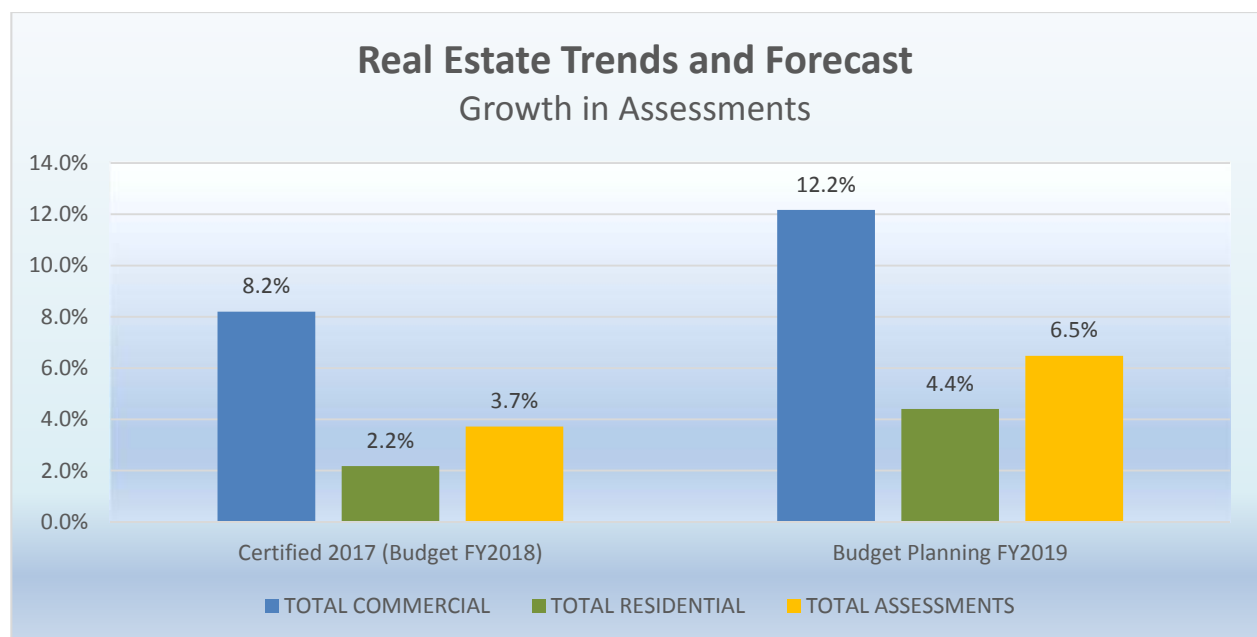


The financial condition of the City was severely impacted by the 2008 recession, causing a downturn in housing prices, as well reduced revenues from State sources, such as sales tax. An overall decline of 8% in City assessed values in 2008 was followed up in 2009 with a massive 33% decline in average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

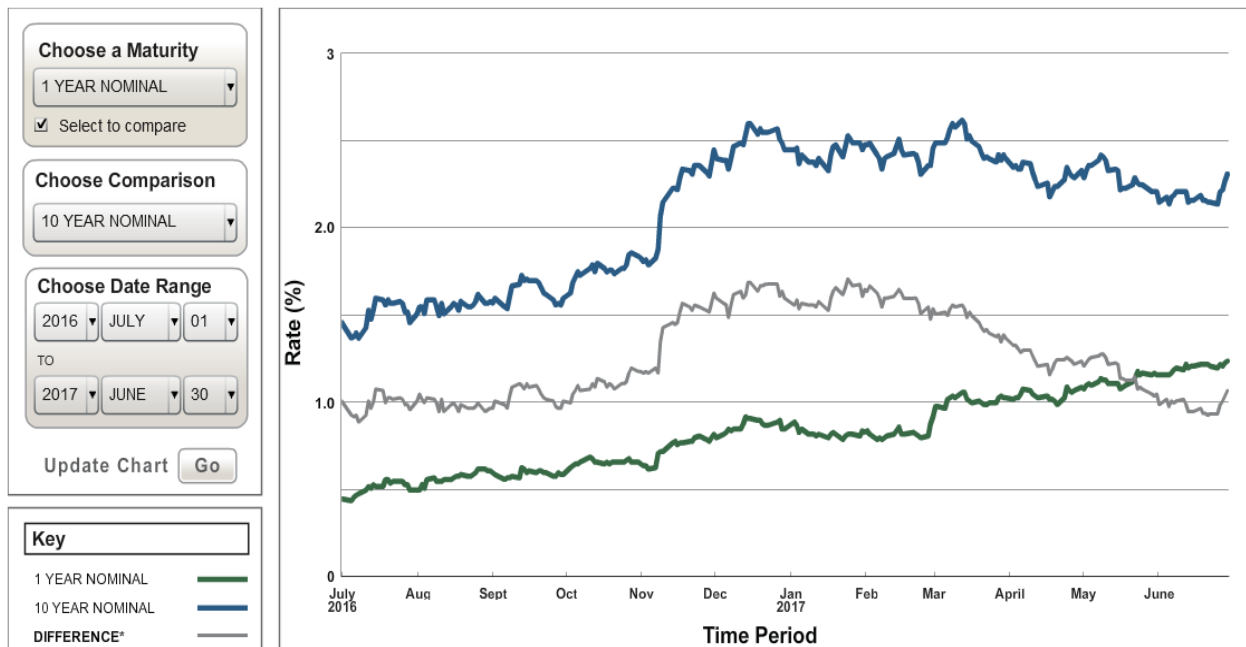
With this recovery in the City, and the entire region, the long-term outlook for the City is encouraging. Current mixed-use developments are well underway and many new housing units have been completed and are occupied. The City still has plans to develop surplus City-owned, as well as expansion of the 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 and 2017 to show an upward change in almost all classifications and that residential values represented about 72-73% 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 2017 real estate assessment growth.



Real Property Classification	2016 Assessments	2017 Assessments	\$ Amount Of Change	Total % Change
1	2	3	4	5
Locally-assessed Taxable Real Property				
Residential Real Property				
Single Family Detached Home (Class 10)	\$706,268,800	\$722,414,600	\$16,145,800	2.29%
Single Family Townhouse (Class 20)	282,597,000	287,069,000	4,472,000	1.58%
Residential Condominium (Class 30)	106,070,000	109,286,200	3,216,200	3.03%
Subtotal Residential	1,094,935,800	1,118,769,800	23,834,000	2.18%
Vacant Land - Residential (Class 60 & 69)	520,000	520,000	0	0.00%
Total Residential Real Property	1,095,455,800	1,119,289,800	23,834,000	2.18%
Commercial/Industrial Real Property				
Commercial (Class 41, 43, 44, 47 & 48)	83,953,400	84,479,700	526,300	0.63%
Multi-family Apartment (Class 42, 45 & Neigh. :)	175,865,100	204,286,600	28,421,500	16.16%
Industrial (Class 40, 50 & 52)	106,925,100	108,860,300	1,935,200	1.81%
Vacant Land - Commercial (Class 63)	3,429,700	3,429,700	0	0.00%
Vacant Land - Industrial (Class 65)	6,406,400	6,406,400	0	0.00%
Total Commercial/Industrial Real Property	376,579,700	407,462,700	30,883,000	8.20%
Total Locally-assessed Taxable Real Property	1,472,035,500	1,526,752,500	54,717,000	3.72%
Non-locally Assessed Taxable Real Property				
State Corporation Commission-assessed Properties				
Electric Light & Power Corporations	13,932,189	13,510,845	-421,344	-3.02%
Gas Corporations	5,865,121	6,061,801	196,680	3.35%
Telecommunications Companies	3,458,499	3,458,635	136	0.00%
Total SCC-assessed Properties	23,255,809	23,031,281	-224,528	-0.97%
Virginia Department of Taxation-assessed Properties				
Railroad Companies	2,196,905	2,188,904	-8,001	-0.36%
Total for All State-assessed Properties	25,452,714	25,220,185	-232,529	-0.91%
Grand Total Taxable Real Property Assessme	1,497,488,214	1,551,972,685	54,484,471	3.64%

Historical Treasury Rates

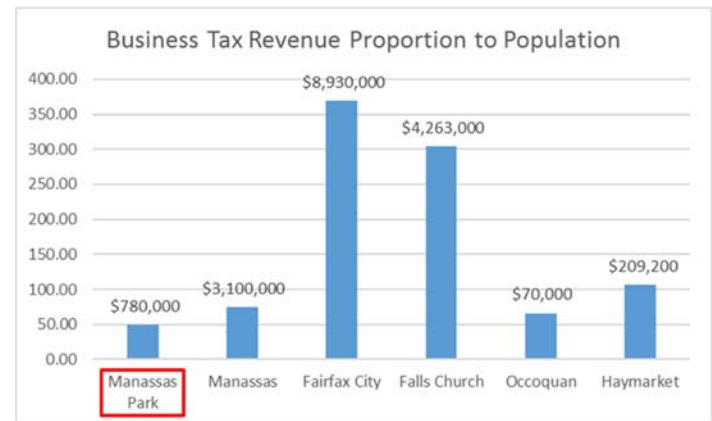
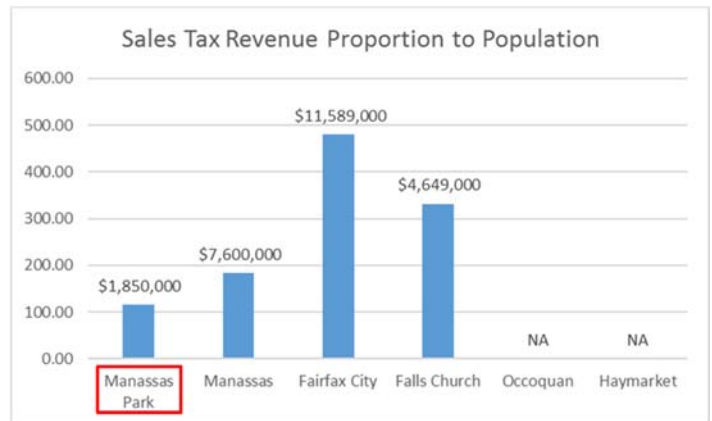
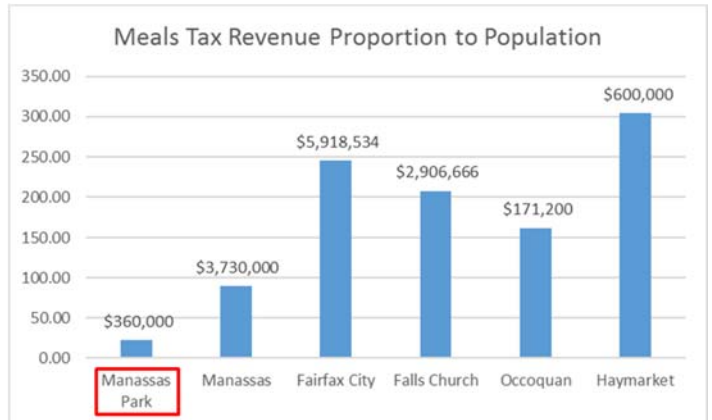


ECONOMIC DEVELOPMENT

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 our 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 in 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.

Single Audit

As a recipient of federal and state financial assistance, the City also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to periodic evaluation by management.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the system of internal control, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2017 disclosed no instances of material weaknesses in the system of internal control and no violations of applicable laws and regulations.

Budgeting Controls

In addition to internal accounting controls the City also maintains budgetary controls at the departmental level to ensure compliance with the annual appropriated budget approved by the Governing Body. Budgetary control is maintained at the fund level and any unspent appropriations at the fiscal year end may be re-appropriated as part of the following year's revised budget. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to review its responsibility for sound financial management.

Debt Administration

The City is heavily debt leveraged with the acquisitions of School buildings, Safety buildings, and the Community Center. At June 30, 2017, the City had a number of debt issues outstanding. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Cash Management

The City is currently working on developing key financial policies and procedures in strengthening its cash and financial management.

Risk Management

The City Clerk handles the City's risk management with a periodic review of it for adequacy.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The City selected the accounting firm of Robinson, Farmer, Cox, and Associates, Certified Public Accountants. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984, as amended in 1997, and related OMB Uniform Guidance.

The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the Financial Section of this report. The auditors' report related specifically to the Single Audit is included in the Compliance Section.

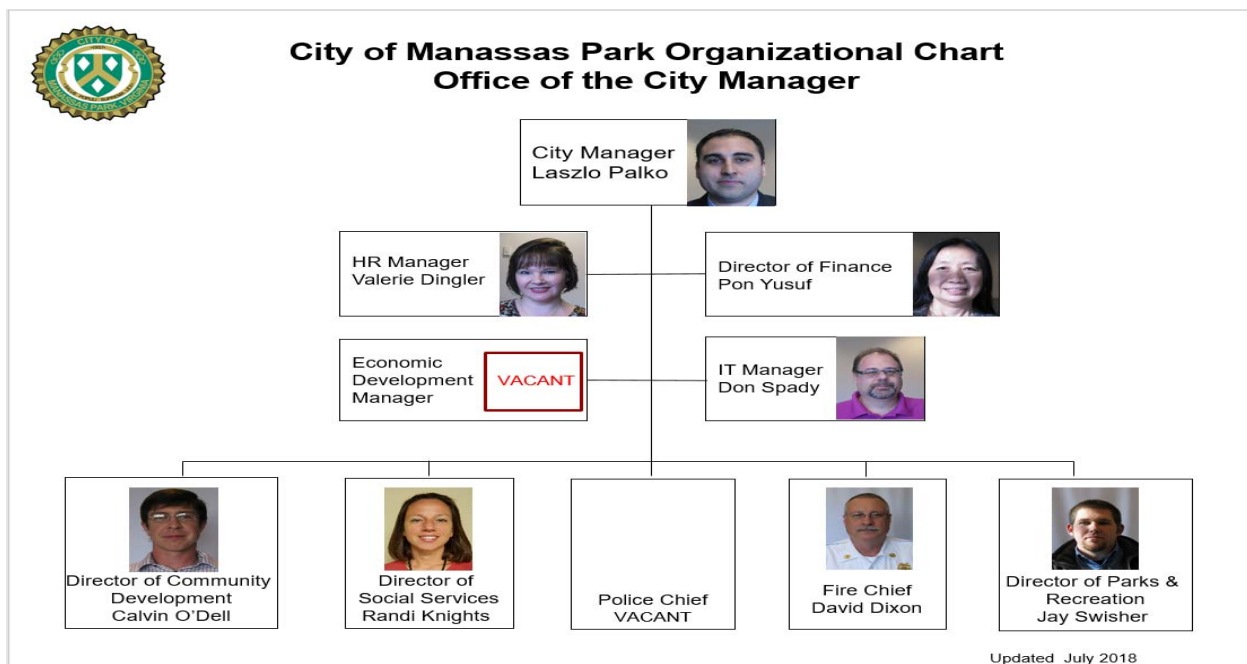
OTHER INFORMATION

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,



October 15, 2018
Pon Chen Yusuf, CPA/CFF, MGT, CGMA
Finance Director / CFO

CITY OF MANASSAS PARK, VIRGINIA

Principal Officials

June 30, 2017

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

Winifred O'Neal, Treasurer

Dr. Bruce McDade, Superintendent of Schools

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, 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, 2017, 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.

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 4-13, 84-88, and 89-94 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, 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 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 October 15, 2018, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Manassas Park, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
October 15, 2018

CITY OF MANASSAS PARK Management's Discussion and Analysis

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, 2017. The information presented here should be considered in conjunction with additional information provided in the letter of transmittal.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the City's governmental activities exceeded its liabilities and deferred inflows at June 30, 2017 by \$0.5 million (net position). Of this net position amount, a negative unrestricted balance of \$(1.1) million was reported. The School Board reported a net negative position of \$(8.1) million, of which \$23.7 million was reported as invested in capital assets and the remaining balance of \$(31.8) million as unrestricted. (See Exhibit 1)

- The Primary Government's net position increased by \$5.5 million and the School Board's net position decreased by \$.2 million. (See "Change in net position" on Exhibit 2)
- The unassigned balance of the General Fund was \$4.1 million (See Exhibit 3). Additionally, the Fund had total revenues of \$40.4 million. (See Exhibit 4).
- Net position of governmental activities decreased \$3.9 million to \$0.5 million while net position of business-type activities increased \$1.7 million to \$15.4 million. (See Exhibit 2)
- During FY 2017, the City's long-term obligation of governmental activities decreased by \$1.4 million from \$116.5 million to \$115.1 million. See Note 6 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. Due to these adjustments and their non-comparative / qualitative aspects of many financial elements, the management's discussion and analysis was omitted from the FY2016 Financial Report. A detailed listing of restatements made for balances prior to fiscal year 2016 can be found in the FY2016 Financial Report, Note 22 Net Position/Fund Balance Restatements.

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS: (Continued)

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.

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 17-19 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 20-22 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 23-83 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 84-94 of this report. Other supplementary information can be found on pages 95-107 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 (in millions)								
	Governmental		Business-type		Total Primary		Component Unit	
	2017	2016	2017	2016	2017	2016	2017	2016
ASSETS								
Current & other assets	\$ 8.9	\$ 8.0	\$ 12.6	\$ 13.2	\$ 21.5	\$ 21.3	\$ 6.5	\$ 5.0
Capital assets	103.7	104.6	18.0	18.3	121.7	122.9	23.9	22.6
Total assets	<u>\$ 112.6</u>	<u>\$ 112.6</u>	<u>\$ 30.6</u>	<u>\$ 31.5</u>	<u>\$ 143.2</u>	<u>\$ 144.1</u>	<u>\$ 30.4</u>	<u>\$ 27.6</u>
DEFERRED OUTFLOWS OF RESOURCES								
Total deferred outflows of resources	\$ 8.9	\$ 7.8	\$ 1.1	\$ 1.2	\$ 9.9	\$ 8.9	\$ 9.4	\$ 6.4
LIABILITIES								
Other liabilities	\$ 12.5	\$ 11.3	\$ 2.7	\$ 4.4	\$ 15.1	\$ 15.7	\$ 5.5	\$ 4.7
Long-term debt outstanding	107.9	110.8	13.6	14.4	121.5	125.3	40.9	35.2
Total liabilities	<u>\$ 120.4</u>	<u>\$ 122.2</u>	<u>\$ 16.3</u>	<u>\$ 18.8</u>	<u>\$ 136.7</u>	<u>\$ 141.0</u>	<u>\$ 46.3</u>	<u>\$ 39.9</u>
DEFERRED INFLOWS OF RESOURCES								
Total deferred inflows of resources	\$ 0.6	\$ 1.6	\$ 0.1	\$ 0.1	\$ 0.6	\$ 1.8	\$ 1.5	\$ 2.6
NET POSITION:								
Invested in capital assets	\$ 1.6	\$ -0.7	\$ 4.8	\$ 4.4	\$ 6.3	\$ 3.8	\$ 23.7	\$ 22.2
Unrestricted (deficit)	-1.1	-2.8	10.6	9.3	9.5	6.5	-31.8	-30.6
Total net position	<u>\$ 0.5</u>	<u>\$ -3.4</u>	<u>\$ 15.4</u>	<u>\$ 13.7</u>	<u>\$ 15.9</u>	<u>\$ 10.3</u>	<u>\$ -8.1</u>	<u>\$ -8.4</u>

The City's combined net position increased from \$10.3 million at June 30, 2016 to \$15.9 million at June 30, 2017. The majority of the City's net position of governmental activities is invested in capital assets (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 City has about 54.1 percent of total primary government net position being unrestricted and available for providing services to the citizens of the City.

The Component Unit School Board's net negative position improved by \$0.4 million.

The net position of the City's governmental activities is \$0.5 million, an increase of \$3.9 million while the net position of the City's business-type activities is \$15.4 million, an increase of \$1.7 million. As with the governmental activities, a large portion (31%) 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 \$10.6 million or 69% of total net position of business-type activities as of June 30, 2017.

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:

Changes in Net Position (in thousands) For Fiscal Years Ending June 30, 2017 and 2016								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit School Board	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues:								
Program revenues:								
Charges for services	\$ 2,188	\$ 2,031	\$ 10,912	\$ 8,821	\$ 13,100	\$ 10,851	\$ 482	\$ 470
Operating grants and contributions	3,170	2,776	-	22	3,170	2,798	28,107	25,807
Capital grants and contributions	2,895	644	-	-	2,895	644	-	511
General revenues:								
Property taxes	27,151	25,294	-	-	27,151	25,294	-	-
Other taxes	5,543	4,852	-	-	5,543	4,852	-	-
Payment from City of Manassas Park	-	-	-	-	-	-	13,738	14,675
Grants and contributions not restricted to specific programs	2,293	2,310	-	-	2,293	2,310	5	4
Other	1,356	2,863	249	59	1,606	2,921	372	342
Total Revenues	\$ 44,596	\$ 40,769	\$ 11,162	\$ 8,901	\$ 55,758	\$ 49,670	\$ 42,703	\$ 41,809
Expenses:								
General government	\$ 3,413	\$ 3,494	\$ -	\$ -	\$ 3,413	\$ 3,494	\$ -	\$ -
Judicial administration	477	419	-	-	477	419	-	-
Public safety	8,604	8,312	-	-	8,604	8,312	-	-
Public works	2,348	2,635	-	-	2,348	2,635	-	-
Health and welfare	3,835	3,510	-	-	3,835	3,510	-	-
Education	14,919	16,070	-	-	14,919	16,070	-	-
Parks recreation and cultural	4,122	3,918	-	-	4,122	3,918	-	-
Community development	532	255	-	-	532	255	-	-
Interest on long-term debt	4,015	4,745	-	-	4,015	4,745	-	-
Water and Sewer	-	-	7,899	7,633	7,899	7,633	-	-
School Board	-	-	-	-	-	-	42,454	40,339
Total Expenses	\$ 42,265	\$ 43,357	\$ 7,899	\$ 7,633	\$ 50,164	\$ 50,991	\$ 42,454	\$ 40,339
Increase in net position before transfers	\$ 2,331	\$ (2,589)	\$ 3,263	\$ 1,268	\$ 5,594	\$ (1,321)	\$ 249	\$ 1,470
Transfers	1,608	997	(1,608)	(997)	-	-	-	-
Increase In net position	\$ 3,939	\$ (1,591)	\$ 1,655	\$ 270	\$ 5,594	\$ (1,321)	\$ 249	\$ 1,470
Net Position - beginning	(3,431)	(1,840)	13,715	13,445	10,284	11,605	(8,428)	(9,899)
Net Position - ending	\$ 508	\$ (3,431)	\$ 15,370	\$ 13,715	\$ 15,878	\$ 10,284	\$ (8,179)	\$ (8,428)

Governmental Activities

Revenues

For FY 2017, revenues from governmental activities totaled \$44.6 million. General Revenues, specifically Property Taxes and Other Local Taxes, are the largest components of revenues (about 73 percent). General Property Tax revenues were about \$27.2 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 \$23.2 million, which represents more than half of total revenues.

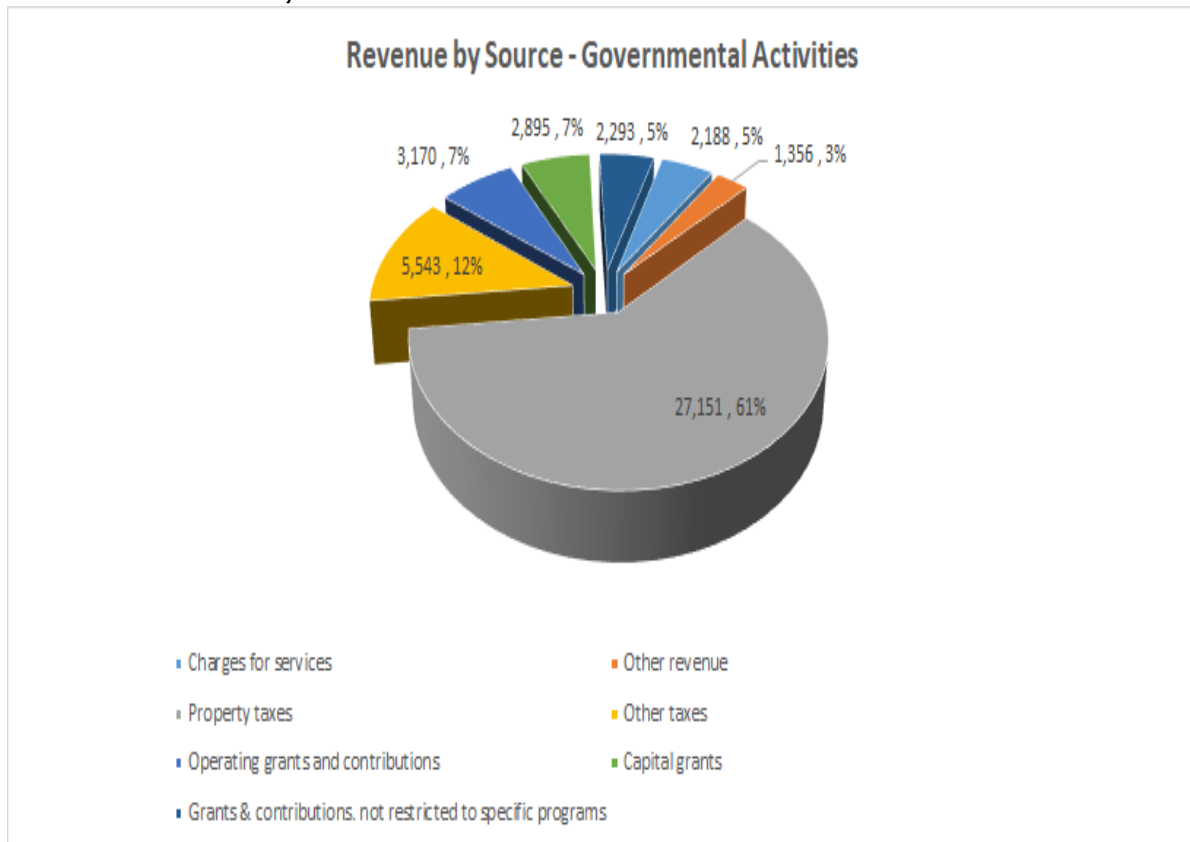
GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)

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 \$3.0 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 twelve percent of total revenues of \$44.6 million for FY2017. They are comprised of many different types of taxes as detailed in the table below. For the year, these general revenues went up by about \$0.7 million, driven primarily by the upward change in local sales and use taxes of \$0.2 million and business license taxes of \$0.5 million.

<i>Itemized list of other taxes:</i>	Local Taxes (in thousands)			Governmental Activities	
	2017	2016	Increase/ (Decrease)		
Local sales and use taxes	\$ 2,072	\$ 1,865	\$ 207	37%	38%
Consumer utility taxes	848	773	75	15%	16%
Business license taxes	1,257	750	508	23%	15%
Motor vehicle licenses	414	541	(127)	7%	11%
Recordation taxes	158	142	15	3%	3%
Meal tax	431	372	59	8%	8%
Cigarette taxes	298	335	(37)	5%	7%
Other taxes	65	74	(8)	1%	2%
	<u>\$ 5,543</u>	<u>\$ 4,852</u>	<u>\$ 691</u>	<u>100%</u>	<u>100%</u>

Revenue by Source - Governmental Activities



GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)

Expenses

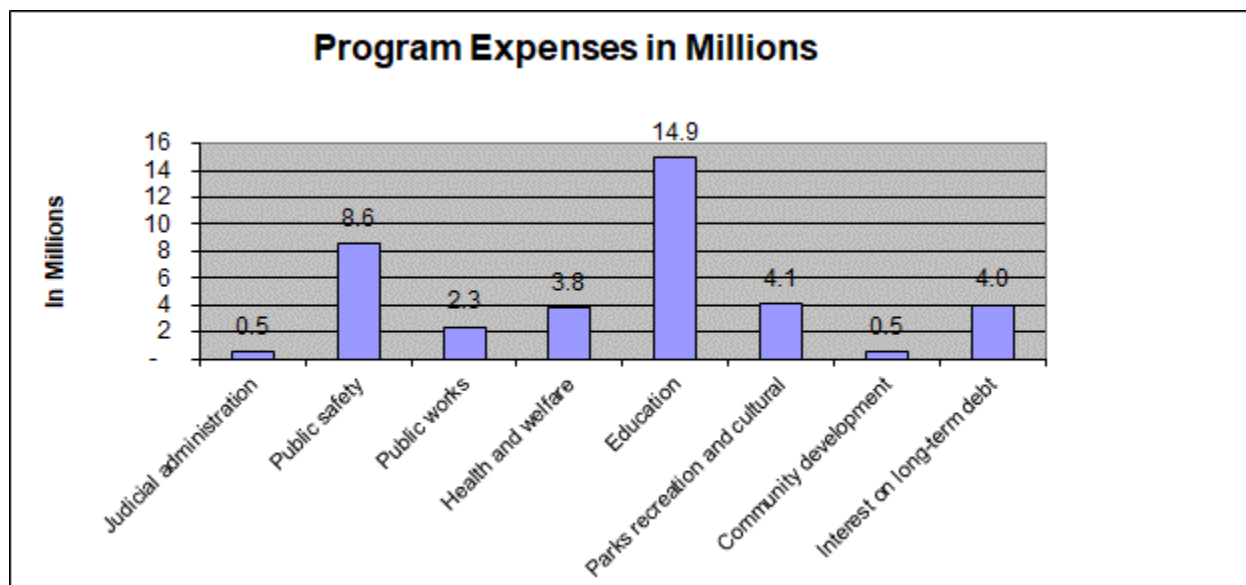
For FY 2017, expenses for governmental activities totaled \$42.3 million. Refer to the comparative table below for details. The City's five largest funded programs are local support for

- Education (35% of total),
- Public safety (20%),
- Public works (6%),
- Health and welfare (9%), and
- Parks and Recreation (10%).

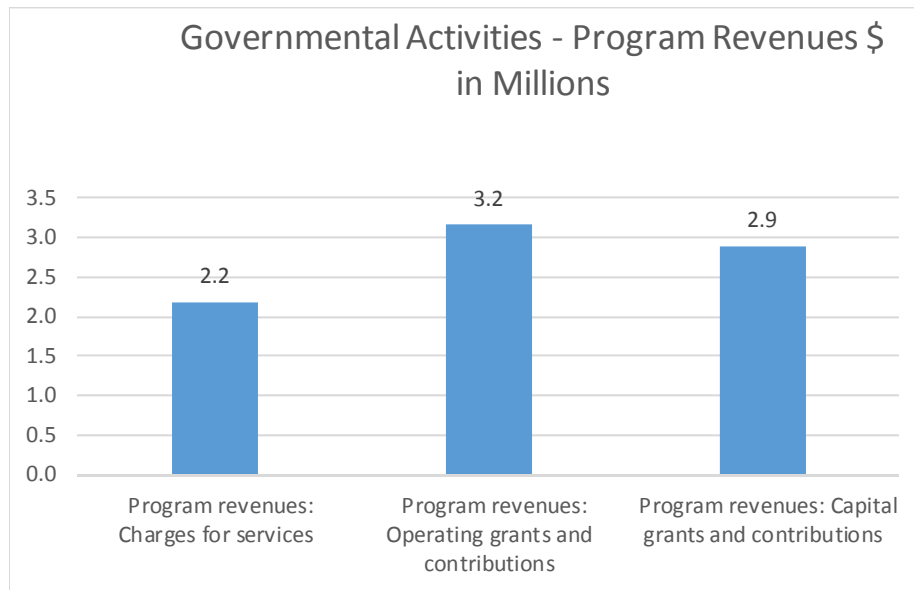
Education continues to be one of the City's highest priorities and commitments. The City's education expense totaled \$14.9 million, a decrease of about \$1.2 million from the previous year's amount. This reflects a \$1.2 million excess of Schools appropriations over the FY2016 budget. Another major area of expenses is interest cost on debt service payment. This remains high at 9%, although reducing by about \$0.7 million from \$4.7 million in FY2016 to \$4.0 million in FY2017.

	Program Expenses (in thousands)			Governmental Activities	
	2017	2016	Increase/ (Decrease)		
General government	\$ 3,413	\$ 3,494	\$ (82)	8%	8%
Judicial administration	477	419	58	1%	1%
Public safety	8,604	8,312	292	20%	19%
Public works	2,348	2,635	(287)	6%	6%
Health and welfare	3,835	3,510	325	9%	8%
Education	14,919	16,070	(1,151)	35%	37%
Parks recreation and cultural	4,122	3,918	204	10%	9%
Community development	532	255	278	1%	1%
Interest on long-term debt	4,015	4,745	(730)	9%	11%
	<u>\$ 42,265</u>	<u>\$ 43,357</u>	<u>\$ (1,092)</u>	<u>100%</u>	<u>100%</u>

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



GOVERNMENT-WIDE FINANCIAL ANALYSIS: (Continued)



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 \$1.7 million. The increase in net position is, in part, the result of a rise in charges for services from the previous year.

At June 30, 2017 total net position for business-type activities was \$15.4 million, of which \$4.8 million is invested in capital assets. The balance of \$10.6 million is unrestricted and available to provide funding for future operations. Refer to Exhibit 1 for more details.

Revenues

Total revenues of business-type activities, both operating and non-operating, were \$11.2 million. Of this amount, \$10.9 million was in charges for services and the remainder was provided by other revenues.

Expenses

Expenses of business-type activities, including interest expense, totaled \$7.9 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 20-22 for more details.

Component Unit - School Board

The net position of the School Board increased by \$0.4 million for the total net position of \$(8.1) million. This increase was primarily related to a drop in operating expenses in FY 2017 as compared to the prior fiscal year.

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 2017, the City's governmental funds reported a combined fund balance of \$4.4 million.

General Fund

The General Fund is the chief operating fund of the City. At the end of FY 2017, the unassigned fund balance was \$4.3 million. The unassigned fund balance represents 10.3 percent of total General Fund revenues.

Actual revenues and other financing sources were more than the amended budget revenues by \$1.3 million. This positive variance is mostly the net result of a larger than expected tax revenues.

Expenditures, transfers and other uses of funds were \$1.0 million less than the FY 2017 amended budget. Positive expenditure variances were attributable primarily to less actual transfers than budgeted for.

FY 2017 General Fund Budgetary Highlights (in thousands)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Amended vs Actual</u>
Revenues, & Other Sources:				
Taxes	30,355	30,355	32,427	2,072
Intergovernmental	5,422	5,422	5,410	(13)
Other	3,564	3,564	2,538	(1,026)
Transfers	1,630	1,630	1,630	-
Issuance of debt (less early retirement)	-	-	258	258
Total	<u>40,971</u>	<u>40,971</u>	<u>42,263</u>	<u>1,291</u>
Expenditures, Transfers & Other Uses:				
Expenditures	32,369	32,369	32,416	(47)
Transfers	<u>8,780</u>	<u>8,780</u>	<u>7,712</u>	<u>1,068</u>
Total	<u>41,149</u>	<u>41,149</u>	<u>40,128</u>	<u>1,021</u>
Change in Fund Balance	<u>(177)</u>	<u>(177)</u>	<u>2,135</u>	<u>2,312</u>
Fund balances at beginning of year			<u>2,188</u>	
Fund balances at end of year			<u>4,323</u>	
Percent of ending fund balance over revenues			10.2%	

FUND FINANCIAL ANALYSIS:

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 2017 with a net position of \$15.5 million, \$0.3 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. This issue was addressed and resolved in FY2018. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

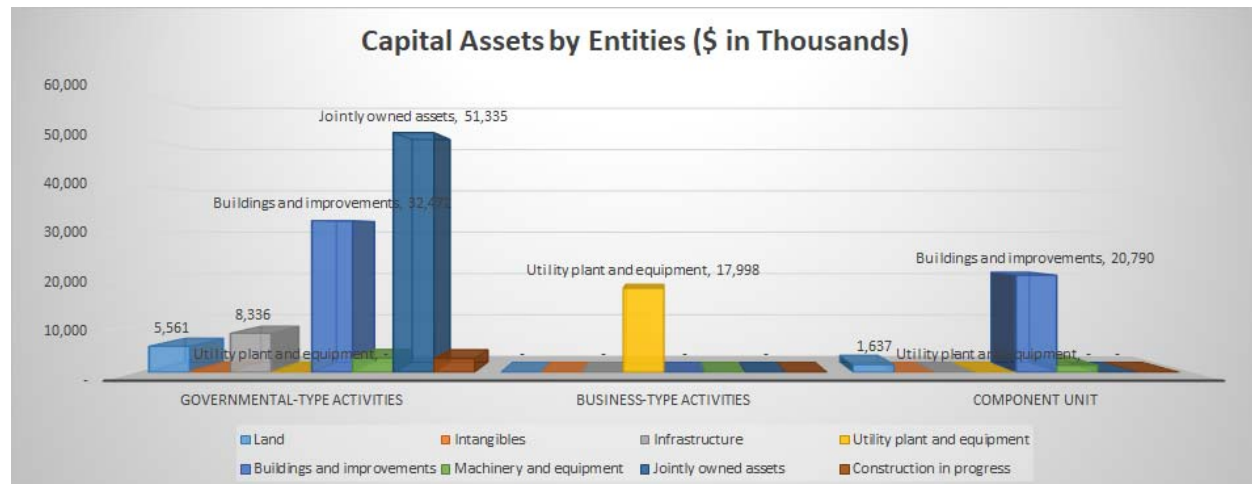
CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital Assets (in thousands) (net of depreciation) as of June 30, 2017

	Govern- mental	Business- Type	Total	Component Unit
Land	\$ 5,561	\$ -	\$ 5,561	\$ 1,637
Intangibles	109		109	
Infrastructure	8,336		8,336	
Utility plant and equipment		17,998	17,998	
Buildings and improvements	32,472		32,472	20,790
Machinery and equipment	2,992	-	2,992	1,470
Jointly owned assets	51,335	-	51,335	-
Construction in progress	2,906	-	2,906	-
Total	\$ 103,709	\$ 17,998	\$ 121,707	\$ 23,898

Investments in Capital Assets in FY 2017 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.



FUND FINANCIAL ANALYSIS:

Long-Term Debt

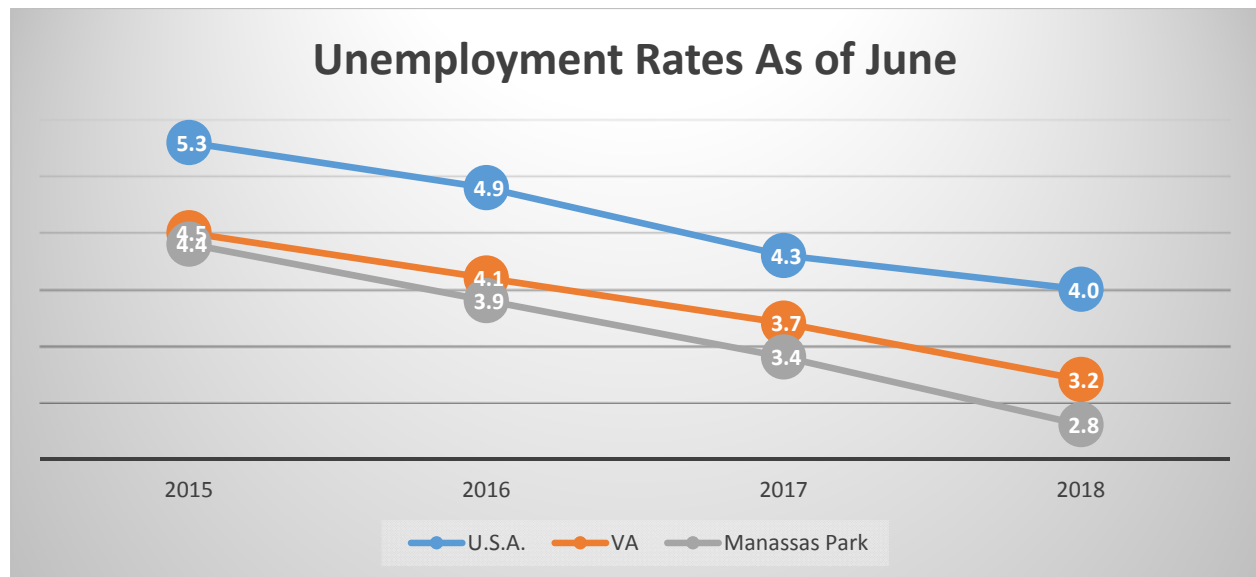
At the end of FY 2017, the City's total outstanding principal bonded debt for governmental activities was \$95.4 million, \$7.4 million of State Literary Fund Loans for Schools, and \$0.8 million capital lease principal payments. Accrued compensated absences, bank loans and capital leases are not included 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 6 to this report.

EMPLOYMENT STATISTICS

The City's unemployment rate as of June 2017 was 3.4% percent. This compares favorably to the State's unemployment rate of 3.7% percent and to the national average rate of 4.3% 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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 2,388,206	\$ 11,506,943	\$ 13,895,149	\$ 2,980,220
Investments	328,430	11,427	339,857	8,249
Receivables (net of allowance for uncollectibles):				
Property taxes	1,384,762	-	1,384,762	-
Accounts receivable	352,757	1,103,736	1,456,493	816,004
Due from other governments	3,419,471	-	3,419,471	2,118,545
Pension asset	-	-	-	585,743
Inventory	-	-	-	7,576
Prepaid items	1,019,018	12,358	1,031,376	16,718
Total Current Assets	\$ 8,892,644	\$ 12,634,464	\$ 21,527,108	\$ 6,533,055
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land	\$ 5,560,783	\$ -	\$ 5,560,783	\$ 1,637,491
Intangibles	108,699	-	108,699	-
Infrastructure	8,335,616	-	8,335,616	-
Utility plant and equipment	-	17,998,182	17,998,182	-
Buildings and improvements	32,471,707	-	32,471,707	20,790,345
Equipment	2,991,924	-	2,991,924	1,469,863
Jointly owned assets	51,334,847	-	51,334,847	-
Construction in progress	2,905,702	-	2,905,702	-
Total capital assets	\$ 103,709,278	\$ 17,998,182	\$ 121,707,460	\$ 23,897,699
Total Assets	\$ 112,601,922	\$ 30,632,646	\$ 143,234,568	\$ 30,430,754
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to the measurement date	\$ 793,922	\$ 54,608	\$ 848,530	\$ 2,990,352
Items related to the measurement of the net pension liability	845,046	68,703	913,749	6,376,498
Deferred charge on refunding	7,229,918	940,429	8,170,347	-
Total deferred outflows of resources	\$ 8,868,886	\$ 1,063,740	\$ 9,932,626	\$ 9,366,850
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 1,077,534	\$ 206,801	\$ 1,284,335	\$ 1,874,414
Retainage payable	116,996	-	116,996	-
Customer deposits	-	91,389	91,389	-
Accrued liabilities	558,293	117,591	675,884	3,446,478
Amounts held for others	1,449,940	-	1,449,940	-
Unearned revenue	250,589	1,017,016	1,267,605	-
Accrued interest payable	1,836,375	133,084	1,969,459	171
Long-term obligations -current portion	7,186,761	1,100,353	8,287,114	180,625
Total Current Liabilities	\$ 12,476,488	\$ 2,666,234	\$ 15,142,722	\$ 5,501,688
Noncurrent Liabilities				
Long-term obligations - noncurrent portion	107,923,493	13,607,014	121,530,507	40,942,448
Total Liabilities	\$ 120,399,981	\$ 16,273,248	\$ 136,673,229	\$ 46,444,136
DEFERRED INFLOWS OF RESOURCES				
Items related to the measurement of the net pension liability	\$ 562,963	\$ 53,240	\$ 616,203	\$ 1,533,191
NET POSITION				
Net investment in capital assets	\$ 1,577,177	\$ 4,757,274	\$ 6,334,451	\$ 23,702,340
Unrestricted assets	(1,069,313)	10,612,624	9,543,311	(31,882,063)
Total Net Position	\$ 507,864	\$ 15,369,898	\$ 15,877,762	\$ (8,179,723)

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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,412,539	\$ -	\$ 187,620	\$ -
Judicial administration	477,386	262,554	-	-
Public safety	8,603,687	232,007	519,702	67,238
Public works	2,347,810	278,451	806,372	2,828,234
Health and welfare	3,835,012	-	1,655,871	-
Education	14,918,955	-	-	-
Parks, recreation, and cultural	4,122,190	1,314,845	-	-
Community development	532,461	99,886	-	-
Interest on long-term debt	4,014,767	-	-	-
Total governmental activities	<u>\$ 42,264,807</u>	<u>\$ 2,187,743</u>	<u>\$ 3,169,565</u>	<u>\$ 2,895,472</u>
Business-type activities:				
Water and sewer	\$ 6,894,305	\$ 9,872,102	\$ -	\$ -
Storm Water	197,463	237,270	-	-
Solid Waste	807,545	802,996	-	-
Total business-type activities	<u>\$ 7,899,313</u>	<u>\$ 10,912,368</u>	<u>\$ -</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 50,164,120</u>	<u>\$ 13,100,111</u>	<u>\$ 3,169,565</u>	<u>\$ 2,895,472</u>
COMPONENT UNITS:				
School Board	<u>\$ 42,454,428</u>	<u>\$ 481,661</u>	<u>\$ 28,106,773</u>	<u>\$ -</u>
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				
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	
\$ (3,224,919)	\$ -	\$ (3,224,919)	\$ -	-
(214,832)	-	(214,832)	-	-
(7,784,740)	-	(7,784,740)	-	-
1,565,247	-	1,565,247	-	-
(2,179,141)	-	(2,179,141)	-	-
(14,918,955)	-	(14,918,955)	-	-
(2,807,345)	-	(2,807,345)	-	-
(432,575)	-	(432,575)	-	-
(4,014,767)	-	(4,014,767)	-	-
<u>\$ (34,012,027)</u>	<u>\$ -</u>	<u>\$ (34,012,027)</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ 2,977,797	\$ 2,977,797	\$ -	-
-	39,807	39,807	-	-
-	(4,549)	(4,549)	-	-
<u>\$ -</u>	<u>\$ 3,013,055</u>	<u>\$ 3,013,055</u>	<u>\$ -</u>	<u>-</u>
<u>\$ (34,012,027)</u>	<u>\$ 3,013,055</u>	<u>\$ (30,998,972)</u>	<u>\$ -</u>	<u>-</u>
			\$ (13,865,994)	
\$ 27,151,030	\$ -	\$ 27,151,030	\$ -	-
2,072,275	-	2,072,275	-	-
847,784	-	847,784	-	-
1,257,248	-	1,257,248	-	-
414,229	-	414,229	-	-
157,564	-	157,564	-	-
431,086	-	431,086	-	-
297,600	-	297,600	-	-
65,397	-	65,397	-	-
2,240,002	-	2,240,002	-	-
52,715	80	52,795	4,718	-
-	-	-	13,737,574	-
1,356,214	249,498	1,605,712	372,333	-
1,608,017	(1,608,017)	-	-	-
<u>\$ 37,951,161</u>	<u>\$ (1,358,439)</u>	<u>\$ 36,592,722</u>	<u>\$ 14,114,625</u>	<u>-</u>
\$ 3,939,134	\$ 1,654,616	\$ 5,593,750	\$ 248,631	-
(3,431,270)	13,715,282	10,284,012	(8,428,354)	-
<u>\$ 507,864</u>	<u>\$ 15,369,898</u>	<u>\$ 15,877,762</u>	<u>\$ (8,179,723)</u>	<u>-</u>

Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2017

	Governmental Funds					
	General	Capital Projects Fund	Debt Service Fund	Proffer Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 5,105,347	\$ -	\$ -	\$ 1,376,887	\$ 1,576,719	\$ 8,058,953
Investments	182,534	107,134	38,762	-	-	328,430
Receivables (Net of allowance for uncollectibles):						
Taxes, including penalties	1,384,762	-	-	-	-	1,384,762
Accounts	352,757	-	-	-	-	352,757
Due from other governmental units	847,113	2,572,358	-	-	-	3,419,471
Prepaid items	179,974	70,774	768,270	-	-	1,019,018
Total assets	<u>\$ 8,052,487</u>	<u>\$ 2,750,266</u>	<u>\$ 807,032</u>	<u>\$ 1,376,887</u>	<u>\$ 1,576,719</u>	<u>\$ 14,563,391</u>
LIABILITIES						
Reconciled overdraft	\$ -	\$ 5,173,128	\$ 497,619	\$ -	\$ -	\$ 5,670,747
Accounts payable	473,690	603,844	-	-	-	1,077,534
Retainage payable	-	116,996	-	-	-	116,996
Accrued liabilities	558,293	-	-	-	-	558,293
Amounts held for others	1,449,940	-	-	-	-	1,449,940
Unearned revenue	181,732	68,857	-	-	-	250,589
Total liabilities	<u>\$ 2,663,655</u>	<u>\$ 5,962,825</u>	<u>\$ 497,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,124,099</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	\$ 1,065,614	\$ -	\$ -	\$ -	\$ -	\$ 1,065,614
FUND BALANCES						
Nonspendable	\$ 179,974	\$ 70,774	\$ 768,270	\$ -	\$ -	\$ 1,019,018
Committed	-	-	-	1,376,887	1,576,719	2,953,606
Unassigned	4,143,244	(3,283,333)	(458,857)	-	-	401,054
Total fund balances	<u>\$ 4,323,218</u>	<u>\$ (3,212,559)</u>	<u>\$ 309,413</u>	<u>\$ 1,376,887</u>	<u>\$ 1,576,719</u>	<u>\$ 4,373,678</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,052,487</u>	<u>\$ 2,750,266</u>	<u>\$ 807,032</u>	<u>\$ 1,376,887</u>	<u>\$ 1,576,719</u>	<u>\$ 14,563,391</u>

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

Total fund balances, balance sheet, governmental funds	\$ 4,373,678
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 County as a whole.	103,709,278
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.	(562,963)
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.	1,065,614
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	793,922
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(1,836,375)
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.	(107,035,290)
Net position of governmental activities	<u>\$ 507,864</u>

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, 2017

	Governmental Funds					Total Governmental Funds
	General	Capital Projects Fund	Debt Service Fund	Proffer Fund	Nonmajor Governmental Funds	
Revenues:						
General property taxes	\$ 26,884,651	\$ -	\$ -	\$ -	\$ -	\$ 26,884,651
Other local taxes	5,542,161	1,022	-	-	-	5,543,183
Permits, privilege fees and regulatory licenses	281,011	-	-	-	-	281,011
Fines and forfeitures	262,165	-	-	-	-	262,165
Revenue from use of money and property	51,665	777	273	-	-	52,715
Charges for services	1,644,567	-	-	-	-	1,644,567
Miscellaneous	298,936	27,609	-	300,786	453,457	1,080,788
Intergovernmental:						
Commonwealth	4,414,758	1,148,571	-	-	-	5,563,329
Federal	994,809	1,746,901	-	-	-	2,741,710
Total revenues	\$ 40,374,723	\$ 2,924,880	\$ 273	\$ 300,786	\$ 453,457	\$ 44,054,119
Expenditures:						
Current:						
General government administration	\$ 3,276,460	\$ 78,739	\$ -	\$ -	\$ -	\$ 3,355,199
Judicial administration	477,386	-	-	-	-	477,386
Public safety	7,693,473	1,444,687	-	-	-	9,138,160
Public works	1,438,984	3,573,114	-	-	-	5,012,098
Health and welfare	3,586,743	447,708	-	-	-	4,034,451
Education	11,527,708	-	-	-	-	11,527,708
Parks, recreation, and cultural	3,589,947	85,401	-	-	-	3,675,348
Community development	566,579	-	-	-	-	566,579
Debt service:						
Principal retirement	-	539,587	3,683,513	-	-	4,223,100
Interest and other fiscal charges	-	22,730	3,969,295	-	-	3,992,025
Bond issuance costs	258,334	-	-	-	-	258,334
Total expenditures	\$ 32,415,614	\$ 6,191,966	\$ 7,652,808	\$ -	\$ -	\$ 46,260,388
Excess (deficiency) of revenues over (under) expenditures	\$ 7,959,109	\$ (3,267,086)	\$ (7,652,535)	\$ 300,786	\$ 453,457	\$ (2,206,269)
Other financing sources (uses):						
Transfers in	\$ 1,630,407	\$ 994,423	\$ 7,712,339	\$ -	\$ 250,893	\$ 10,588,062
Transfers out	(7,712,339)	-	-	(250,893)	(1,016,813)	(8,980,045)
Proceeds from the sale of capital assets	-	275,426	-	-	-	275,426
Payment to refunded bond escrow agent	(23,581,666)	-	-	-	-	(23,581,666)
Issuance of capital leases	-	922,696	-	-	-	922,696
Long-term debt issued	23,840,000	-	-	-	-	23,840,000
Total other financing sources (uses)	\$ (5,823,598)	\$ 2,192,545	\$ 7,712,339	\$ (250,893)	\$ (765,920)	\$ 3,064,473
Net changes in fund balances	\$ 2,135,511	\$ (1,074,541)	\$ 59,804	\$ 49,893	\$ (312,463)	\$ 858,204
Fund balances at beginning of year	2,187,707	(2,138,018)	249,609	1,326,994	1,889,182	3,515,474
Fund balances at end of year	\$ 4,323,218	\$ (3,212,559)	\$ 309,413	\$ 1,376,887	\$ 1,576,719	\$ 4,373,678

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, 2017

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	\$	858,204
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	\$ 4,879,736	
Depreciation expense	<u>(3,662,037)</u>	1,217,699
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		(2,095,783)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	266,379	
Change in deferred inflows related to the measurement of the net pension liability	<u>1,077,904</u>	1,344,283
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:		
Proceeds from issuance of long-term obligations	\$ (23,840,000)	
Capital lease proceeds	(922,696)	
Payment to refunded bond escrow agent	23,581,666	
Amortization of bond premium	861,909	
Amortization of deferred amount on refunding	(789,248)	
Principal retired on general obligation bonds	3,683,512	
Principal retired on capital leases	<u>539,588</u>	3,114,731
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	\$ 184,042	
Change in net pension liability	(1,487,871)	
Change in deferred outflows related to pension contributions subsequent to the measurement date	(124,909)	
Change in deferred outflows related to the measurement of the net pension liability	845,046	
Change in OPEB	(79,239)	
Change in accrued interest payable	<u>162,931</u>	(500,000)
Change in net position of governmental activities	\$	<u><u>3,939,134</u></u>

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

Statement of Net Position - Proprietary Funds
At June 30, 2017

	Enterprise Funds			
	Water and Sewer Fund	Storm Water Fund	Solid Waste Management Fund	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 11,642,034	\$ 349,889	\$ -	\$ 11,991,923
Investments	11,427	-	-	11,427
Receivables (net of allowance for uncollectibles):				
Accounts receivable	955,039	4,736	143,961	1,103,736
Prepaid items	12,358	-	-	12,358
Total Current Assets	\$ 12,620,858	\$ 354,625	\$ 143,961	\$ 13,119,444
Noncurrent Assets				
Capital assets:				
Utility plant and equipment	\$ 28,245,232	\$ 159,226	\$ -	\$ 28,404,458
Accumulated depreciation	(10,406,276)	-	-	(10,406,276)
Total Capital Assets	\$ 17,838,956	\$ 159,226	\$ -	\$ 17,998,182
Total Assets	\$ 30,459,814	\$ 513,851	\$ 143,961	\$ 31,117,626
DEFERRED OUTFLOWS OF RESOURCES:				
Pension contributions subsequent to the measurement date	\$ 54,608	\$ -	\$ -	\$ 54,608
Items related to the measurement of the net pension liability	68,703	-	-	68,703
Deferred charge on refunding	940,429	-	-	940,429
Total deferred outflows of resources	\$ 1,063,740	\$ -	\$ -	\$ 1,063,740
LIABILITIES				
Current Liabilities				
Reconciled overdraft	\$ -	\$ -	\$ 484,980	\$ 484,980
Accounts payable	123,036	15,171	68,594	206,801
Accrued liabilities	37,610	60,347	19,634	117,591
Customer deposits	91,389	-	-	91,389
Unearned revenue	1,017,016	-	-	1,017,016
Accrued interest payable	133,084	-	-	133,084
Long-term obligations - current portion	1,075,179	25,174	-	1,100,353
Total Current Liabilities	\$ 2,477,314	\$ 100,692	\$ 573,208	\$ 3,151,214
Noncurrent Liabilities				
Long-term obligations - noncurrent portion	13,527,433	79,581	-	13,607,014
Total Liabilities	\$ 16,004,747	\$ 180,273	\$ 573,208	\$ 16,758,228
DEFERRED INFLOWS OF RESOURCES				
Items related to the measurement of the net pension liability	\$ 53,240	\$ -	\$ -	\$ 53,240
NET POSITION				
Net Investment in capital assets	\$ 4,702,803	\$ 54,471	\$ -	\$ 4,757,274
Unrestricted	10,762,764	279,107	(429,247)	10,612,624
Total Net Position	\$ 15,465,567	\$ 333,578	\$ (429,247)	\$ 15,369,898

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, 2017

	Enterprise Funds			
	Water and Sewer Fund	Storm Water Fund	Solid Waste Management Fund	Total
Operating revenues:				
Charges for services	\$ 7,004,483	\$ 237,270	\$ 802,996	\$ 8,044,749
Other revenues	249,498	-	-	249,498
Total operating revenues	\$ 7,253,981	\$ 237,270	\$ 802,996	\$ 8,294,247
Operating expenses:				
Personnel services	\$ 648,884	\$ 47,934	\$ 12,328	\$ 709,146
Fringe benefits	181,353	13,857	2,990	198,200
Contractual services	127,222	125,324	792,199	1,044,745
Depreciation	686,355	-	-	686,355
Other operating expenses	3,148,401	10,348	28	3,158,777
Total operating expenses	\$ 4,792,215	\$ 197,463	\$ 807,545	\$ 5,797,223
Net income (loss) from operations	\$ 2,461,766	\$ 39,807	\$ (4,549)	\$ 2,497,024
Nonoperating revenues (expenses):				
Interest income	\$ 80	\$ -	\$ -	\$ 80
Availability/connection fees	2,867,619	-	-	2,867,619
UOSA debt service	(1,577,954)	-	-	(1,577,954)
Interest expense	(524,136)	-	-	(524,136)
Total nonoperating revenues (expenses)	\$ 765,609	\$ -	\$ -	\$ 765,609
Net income (loss) before transfers	\$ 3,227,375	\$ 39,807	\$ (4,549)	\$ 3,262,633
Transfers:				
Transfers out	\$ (1,398,057)	\$ (129,570)	\$ (80,390)	\$ (1,608,017)
Change in net position	\$ 1,829,318	\$ (89,763)	\$ (84,939)	\$ 1,654,616
Net position, beginning of year	13,636,249	423,341	(344,308)	13,715,282
Net position, end of year	\$ 15,465,567	\$ 333,578	\$ (429,247)	\$ 15,369,898

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

Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2017

	Enterprise Funds			
	Water and Sewer Fund	Storm Water Fund	Solid Waste Management Fund	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 7,195,908	\$ 236,785	\$ 748,081	\$ 8,180,774
Payments to and for employees	(885,481)	(60,731)	(15,314)	(961,526)
Payments to suppliers	(3,344,563)	(127,002)	(652,377)	(4,123,942)
Net cash provided by operating activities	\$ 2,965,864	\$ 49,052	\$ 80,390	\$ 3,095,306
Cash flows from non-capital financing activities:				
Availability/connection fees	\$ 1,015,168	\$ -	\$ -	\$ 1,015,168
Transfers (out)	(1,510,323)	(141,106)	(80,390)	(1,731,819)
Net cash provided by non-capital financing activities	\$ (495,155)	\$ (141,106)	\$ (80,390)	\$ (716,651)
Cash flows from capital and related financing activities:				
Construction and acquisition of capital assets	\$ (219,890)	\$ (159,226)	\$ -	\$ (379,116)
Proceeds from capital lease issuance	140,298	132,695	-	272,993
Retirement of indebtedness	(868,550)	(27,940)	-	(896,490)
UOSA debt service	(1,577,954)	-	-	(1,577,954)
Interest expense	(547,376)	-	-	(547,376)
Net cash provided by (used for) capital and related financing activities	\$ (3,073,472)	\$ (54,471)	\$ -	\$ (3,127,943)
Net increase (decrease) in cash and cash equivalents	\$ (602,763)	\$ (146,525)	\$ -	\$ (749,288)
Cash and cash equivalents at beginning of year	12,244,797	496,414	-	12,741,211
Cash and cash equivalents at end of year	\$ 11,642,034	\$ 349,889	\$ -	\$ 11,991,923
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Cash flows from operations:				
Income (loss) from operations	\$ 2,461,766	\$ 39,807	\$ (4,549)	\$ 2,497,024
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	686,355	-	-	686,355
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(99,384)	(485)	(54,915)	(154,784)
(Increase) deferred outflows - pension contributions subsequent to the measurement date	32,286	-	-	32,286
(Increase) decrease in deferred outflows - items related to measurement of net pension liability	(57,223)	-	-	(57,223)
(Increase) decrease in prepaid items	(12,328)	-	-	(12,328)
Increase (decrease) in reconciled overdraft	-	-	131,726	131,726
Increase (decrease) in accounts payable	(56,612)	8,670	8,124	(39,818)
Increase (decrease) in accrued liabilities	(9,980)	1,060	4	(8,916)
Increase (decrease) in customer deposits	41,311	-	-	41,311
Increase (decrease) in net pension liability	95,685	-	-	95,685
Increase (decrease) in net OPEB obligation	8,804	-	-	8,804
Increase (decrease) in deferred inflows - items related to measurement of net pension liability	(95,241)	-	-	(95,241)
Increase (decrease) in compensated absences	(29,575)	-	-	(29,575)
Net cash provided by operating activities	\$ 2,965,864	\$ 49,052	\$ 80,390	\$ 3,095,306

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

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements As of June 30, 2017

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.

Financial Statement Presentation

Management’s Discussion and Analysis - 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).

Government-wide and Fund Financial Statements

Government-wide financial statements - 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.

Statement of Net Position - 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.

Statement of Activities - 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).

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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, 2017.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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, 2017.

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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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).

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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, 2017.
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 \$378,795 at June 30, 2017 and is comprised of the following:

Property taxes	\$ 251,081
Water & sewer accounts	<u>127,714</u>
Total	<u>\$ 378,795</u>

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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, 2017.

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:

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

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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 asset or liability. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. Lastly the City reports contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

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 two items that qualify for reporting in this category. The first item represents amounts prepaid on property taxes that are reported as deferred inflows of resources. The second item consists of certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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:

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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, 2017 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	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 181,650
State Non-Arbitrage Pool	<u>166,456</u>
Total	<u><u>\$ 348,106</u></u>

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 2—Deposits and Investments: (Continued)

Interest Rate Risk

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

<u>Investment</u>	<u>June 30, 2017</u>	<u>Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Local Government Investment Pool \$	181,650 \$	181,650
State Non-Arbitrage Pool	<u>166,456</u>	<u>166,456</u>
Total	\$ <u>348,106</u>	\$ <u>348,106</u>

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 LGIP and SNAP are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 3—Due From Other Governments:

At June 30, 2017, 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	\$ -	\$ 551,993
Regional tuition	-	849,516
Local sales taxes	368,499	-
Communications tax	113,478	-
Public assistance	85,546	-
Department of transportation	820,030	-
Shared expenses	14,074	-
CSA	140,216	-
Other	95,705	291,269
Federal Government:		
School funds	-	425,767
Department of transportation	1,746,901	-
Public assistance	35,022	-
Totals	\$ <u>3,419,471</u>	\$ <u>2,118,545</u>

Note 4—Interfund Transfers:

Interfund transfers for the year ended June 30, 2017 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 1,630,407	\$ 7,712,339
Debt Service Fund	7,712,339	-
Proffer Fund	-	250,893
Water and Sewer Fund	-	1,398,057
Storm Water Fund	-	129,570
Solid Waste Management Fund	-	80,390
Special Transportation Fund	250,893	1,016,813
Capital Projects Fund	994,423	-
Total	\$ <u>10,588,062</u>	\$ <u>10,588,062</u>

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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 5—Capital Assets:

The following is a summary of capital asset activity for the year ended June 30, 2017:

Primary Government:

	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 5,560,783	\$ -	\$ -	\$ 5,560,783
Intangibles	108,699	-	-	108,699
Construction in progress	271,225	3,477,337	842,860	2,905,702
Total capital assets not being depreciated	<u>\$ 5,940,707</u>	<u>\$ 3,477,337</u>	<u>\$ 842,860</u>	<u>\$ 8,575,184</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 41,348,673	\$ 213,042	\$ -	\$ 41,561,715
Equipment	9,534,674	1,402,399	-	10,937,073
Infrastructure	19,292,584	629,818	-	19,922,402
Jointly owned assets	67,296,991	-	3,000,707	64,296,284
Total capital assets being depreciated	<u>\$ 137,472,922</u>	<u>\$ 2,245,259</u>	<u>\$ 3,000,707</u>	<u>\$ 136,717,474</u>
Accumulated depreciation:				
Buildings and improvements	\$ 8,233,902	\$ 856,106	\$ -	\$ 9,090,008
Equipment	7,086,801	858,348	-	7,945,149
Infrastructure	10,934,667	652,119	-	11,586,786
Jointly owned assets	12,570,897	1,295,464	904,924	12,961,437
Total accumulated depreciation	<u>\$ 38,826,267</u>	<u>\$ 3,662,037</u>	<u>\$ 904,924</u>	<u>\$ 41,583,380</u>
Total capital assets being depreciated, net	<u>\$ 98,646,655</u>	<u>\$ (1,416,778)</u>	<u>\$ 2,095,783</u>	<u>\$ 95,134,094</u>
Governmental activities capital assets, net	<u>\$ 104,587,362</u>	<u>\$ 2,060,559</u>	<u>\$ 2,938,643</u>	<u>\$ 103,709,278</u>

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 5—Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
Business-type activities:				
Capital assets being depreciated:				
Utility plant and equipment	\$ 28,025,342	\$ 379,116	\$ -	\$ 28,404,458
Accumulated depreciation:				
Utility plant and equipment	\$ 9,719,921	\$ 686,355	\$ -	\$ 10,406,276
Total capital assets being depreciated, net	\$ 18,305,421	\$ (307,239)	\$ -	\$ 17,998,182
Business-type activities capital assets, net	\$ 18,305,421	\$ (307,239)	\$ -	\$ 17,998,182

Discretely Presented Component Unit—School Board:

	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
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	\$ 32,827,544	\$ 3,095,707	\$ -	\$ 35,923,251
Equipment	4,972,115	121,517	-	5,093,632
Total capital assets being depreciated	\$ 37,799,659	\$ 3,217,224	\$ -	\$ 41,016,883
Accumulated depreciation:				
Buildings and improvements	\$ 13,495,497	\$ 1,637,409	\$ -	\$ 15,132,906
Equipment	3,361,337	262,432	-	3,623,769
Total accumulated depreciation	\$ 16,856,834	\$ 1,899,841	\$ -	\$ 18,756,675
Total capital assets being depreciated, net	\$ 20,942,825	\$ 1,317,383	\$ -	\$ 22,260,208
School Board capital assets, net	\$ 22,580,316	\$ 1,317,383	\$ -	\$ 23,897,699

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 5—Capital Assets: (Continued)

Reconciliation of primary government net investment in capital assets:

Net capital assets	\$ 103,709,278
Long-term debt applicable to capital assets at June 30, 2017	\$ 109,362,019
Deferred charge on refunding	7,229,918
Net investment in capital assets	\$ 1,577,177

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

Governmental activities:	
General government	\$ 226,979
Public safety	773,644
Public works	821,024
Health and Welfare	5,999
Education	1,295,464
Parks, recreation and cultural	538,927
Total	\$ 3,662,037
Component Unit-School Board	\$ 994,917 (1)
Water and Sewer	\$ 686,355
(1) Depreciation expense	\$ 994,917
Accumulated depreciation on Joint tenancy asset transfer	904,924
Total increase in accumulated depreciation, page 39	\$ 1,899,841

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, 2017:

	Balance July 1, 2016	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017	Due Within One Year
Governmental Funds					
General Obligation Bonds	\$ 97,337,649	\$ 23,840,000	\$ 25,818,512	\$ 95,359,137	\$ 5,960,406
Capital leases	461,760	922,696	539,588	844,868	301,131
State Literary Fund Loans	7,500,000	-	100,000	7,400,000	30,000
Compensated Absences	1,137,289	-	184,042	953,247	95,325
Net OPEB obligation	633,698	115,886	36,647	712,937	-
Net Pension Liability	2,594,180	3,290,892	1,803,021	4,082,051	-
Premium on bonds	6,790,737	-	1,032,723	5,758,014	799,899
Total	\$ 116,455,313	\$ 28,169,474	\$ 29,514,533	\$ 115,110,254	\$ 7,186,761

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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:

Year Ending June 30,	Governmental Activities					
	General Obligation Bonds		Capital Leases		State Literary Fund Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 5,960,406	\$ 3,808,541	\$ 301,131	\$ 30,917	\$ 30,000	\$ 222,000
2019	6,929,254	3,539,426	254,832	19,091	55,000	221,100
2020	6,938,367	3,263,491	142,208	9,132	60,000	219,450
2021	7,194,645	2,973,984	146,697	4,642	60,000	217,650
2022	7,489,144	2,674,370	-	-	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	496,998	11,559	-	-	-	-
Total	\$ <u>95,359,137</u>	\$ <u>28,912,140</u>	\$ <u>844,868</u>	\$ <u>63,782</u>	\$ <u>7,400,000</u>	\$ <u>3,278,550</u>

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 6—Long-Term Obligations: (Continued)

Governmental Activities: (Continued)

Details of Long-Term Obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>General Obligation Bonds:</u>		
\$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%	\$ 6,525,000	\$ 375,000
\$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%	2,919,843	302,317
\$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%	7,765,000	595,000
\$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%	3,040,000	560,000
\$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%	5,952,050	482,695
\$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%	6,057,244	775,394
\$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%	10,360,000	550,000
\$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%	23,425,000	495,000
\$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%	2,200,000	575,000
\$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%	23,840,000	395,000
\$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%	3,275,000	855,000
Total General Obligation Bonds	\$ 95,359,137	\$ 5,960,406

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements As of June 30, 2017 (Continued)

Note 6—Long-Term Obligations: (Continued)

Governmental Activities: (Continued)

Details of Long-Term Obligations: (Continued)

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>State Literary Fund Loans:</u>		
\$7,500,000, dated November 19, 2015, due in various annual installments through August 1, 2034, interest at 3%	\$ 7,400,000	\$ 30,000
<u>Capital Leases:</u>		
\$37,642 lease obligation due in annual installments of \$8,498 through February 27, 2018, interest payable annually at 6.45%, secured by equipment	\$ 7,983	\$ 7,983
\$28,988 lease obligation due in annual installments of \$7,860 through May 13, 2018, interest payable annually at 5.70%, secured by equipment	7,436	7,436
\$292,784 lease obligation due in annual installments of \$79,390 through August 24, 2018, interest payable annually at 5.70%, secured by equipment	146,166	71,058
\$195,206 lease obligation due in annual installments of \$41,768 through December 1, 2017, interest payable annually at 3.326%, secured by an ambulance	40,423	40,423
\$675,563 lease obligation due in annual installments of \$97,835 through June 23, 2021, interest payable at 2.64%, secured by equipment	366,813	88,151
\$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)	57,288	13,767
\$174,567 lease obligation due in annual installments of \$38,226 through December 20, 2020, interest payable at 4.75%, secured by equipment	136,339	31,750
\$203,015 lease obligation due in annual installments of \$43,192 through March 15, 2015, interest payable annually at 3.19%, secured by equipment	82,420	40,563
Total Capital Leases	\$ 844,868	\$ 301,131
Compensated Absences	\$ 953,247	\$ 95,325
Premium on bonds	\$ 5,758,014	\$ 799,899
Net OPEB obligation	\$ 712,937	\$ -
Net Pension Liability	\$ 4,082,051	\$ -
Total governmental activities long-term obligations	\$ 115,110,254	\$ 7,186,761

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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, 2017:

<u>Proprietary Funds</u>	<u>Balance July 1, 2016</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 13,839,713	\$ -	\$ 839,010	\$ 13,000,703	\$ 906,911
Net OPEB obligation	70,411	12,876	4,072	79,215	-
Net pension liability	245,334	272,718	177,033	341,019	-
Capital Lease	-	272,993	57,480	215,513	51,791
Compensated Absences	135,371	-	29,575	105,796	10,580
Premium on bonds	<u>1,104,775</u>	<u>-</u>	<u>139,654</u>	<u>965,121</u>	<u>131,071</u>
Total	<u>\$ 15,395,604</u>	<u>\$ 558,587</u>	<u>\$ 1,246,824</u>	<u>\$ 14,707,367</u>	<u>\$ 1,100,353</u>

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

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 906,911	\$ 513,565	\$ 51,791	\$ 5,690
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	<u>163,003</u>	<u>3,821</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 13,000,703</u>	<u>\$ 3,841,616</u>	<u>\$ 215,513</u>	<u>\$ 14,410</u>

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 6—Long-Term Obligations: (Continued)

Business-Type Activities: (Continued)

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>General Obligation Bonds:</u>		
\$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%	\$ 2,432,950	\$ 197,305
\$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%	1,207,753	154,606
\$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%	<u>9,360,000</u>	<u>555,000</u>
Total General Obligation Bonds	\$ <u>13,000,703</u>	\$ <u>906,911</u>
<u>Capital Leases:</u>		
\$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)	\$ <u>215,513</u>	\$ <u>51,791</u>
Compensated absences	\$ <u>105,796</u>	\$ <u>10,580</u>
Premium on bonds	\$ <u>965,121</u>	\$ <u>131,071</u>
Net OPEB obligation	\$ <u>79,215</u>	\$ -
Net Pension Liability	\$ <u>341,019</u>	\$ -
Total business-type long-term obligations	\$ <u>14,707,367</u>	\$ <u>1,100,353</u>

Component Unit School Board:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Net OPEB obligation	\$ 1,325,684	\$ 178,264	\$ 48,391	\$ 1,455,557	\$ -
Net pension liability	33,363,000	13,245,000	7,572,000	39,036,000	-
Capital leases	426,578	-	231,219	195,359	137,009
Compensated absences payable	<u>326,298</u>	<u>142,489</u>	<u>32,630</u>	<u>436,157</u>	<u>43,616</u>
Total	\$ <u>35,441,560</u>	\$ <u>13,565,753</u>	\$ <u>7,884,240</u>	\$ <u>41,123,073</u>	\$ <u>180,625</u>

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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	Interest
2018	\$ 137,009	\$ 3,518
2019	<u>58,350</u>	<u>1,035</u>
Total	\$ <u>195,359</u>	\$ <u>4,553</u>

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Capital Leases:</u>		
\$391,316 lease obligation, dated July 1, 2014, due in annual installments of \$81,142, interest payable at 1.84%, secured by equipment	\$ 79,677	\$ 79,677
\$286,749 lease obligation, dated May 20, 2015, due in annual installments of \$59,385, interest payable at 1.77%, secured by equipment	<u>115,682</u>	<u>57,332</u>
Total Capital Leases	\$ <u>195,359</u>	\$ <u>137,009</u>
Compensated Absences	\$ <u>436,157</u>	\$ <u>43,616</u>
Net OPEB obligation	\$ <u>1,455,557</u>	\$ <u>-</u>
Net Pension Liability	\$ <u>39,036,000</u>	\$ <u>-</u>
Total	\$ <u>41,123,073</u>	\$ <u>180,625</u>

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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	\$ <u>953,247</u>
Proprietary Funds	\$ <u>105,796</u>
Component Unit School Board	\$ <u>436,157</u>

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	Business-type Activities
Unearned revenue - state and federal seizure funds not yet expended	\$ 181,732	\$ -
Unearned revenue - amounts related to a land sale	68,857	-
Unearned revenue - prepaid connections	-	1,017,016
Total	\$ <u>250,589</u>	\$ <u>1,017,016</u>
	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.	\$ 1,065,614	
Unearned revenue - amounts related to a land sale	68,857	
Unearned revenue - state and federal seizure funds not yet expended	<u>181,732</u>	
Total	\$ <u>1,316,203</u>	

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 9–Litigation:

The City has been named as a defendant in various matters. It is not known what liability, if any, the City faces.

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, 2017 is 5.40%.

UOSA's financial condition as of June 30, 2017 (latest available financial information) and operating results for the year then ended is summarized as follows:

Total Assets and Deferred Outflows	\$	611,031,241
Total Liabilities and Deferred Inflows		547,197,290
Net Equity	\$	<u>63,833,951</u>
Total Revenues	\$	47,037,334
Total Expenses		60,352,611
Net (Loss)	\$	<u>(13,315,277)</u>

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 2017 as follows:

Operating and reserve maintenance costs	\$	1,453,204
Debt service		1,577,954
Total	\$	<u>3,031,158</u>

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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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:

<u>Issue</u>	<u>Original Amount</u>	<u>Maturity</u>	<u>Interest</u>
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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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 2017, the City received \$453,457 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 Manassas 182.4 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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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
<p>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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>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. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 13—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • 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.
<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • 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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 13—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>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.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>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.</p>

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 13—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> 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.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>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.</p>	<p>Vesting Same as Plan</p>	<p>Vesting <u>Defined Benefit Component:</u> 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.</p>

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 13—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p> <p>Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting (Cont.)</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p><u>Defined Benefit Component: (Cont.)</u></p> <p>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.</p> <p><u>Defined Contributions Component:</u></p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> • 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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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 Contributions Component: (Cont.)</u> <ul style="list-style-type: none"> After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 13—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>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.</p>	<p>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.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 13—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>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.</p>	<p>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.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: 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.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p>
<p>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%.</p>	<p>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%.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p>

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 13—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Eligibility:</u> 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.</p> <p>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.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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). 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Eligibility:</u> Same as Plan 1</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 13—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • 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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p>
<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits</p>	<p>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.</p> <p>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.</p>

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 13–Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

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 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 13—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 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	86	25
Inactive members:		
Vested inactive members	31	10
Non-vested inactive members	67	23
Inactive members active elsewhere in VRS	79	13
Total inactive members	177	46
Active members	148	61
Total covered employees	411	132

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, 2017 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 \$848,530 and \$1,005,726 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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 \$23,881 and \$76,655 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The City's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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, 2015, 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, 2016.

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: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 13–Pension Plan: (Continued)

Actuarial Assumptions – General Employees: (Continued)

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 13—Pension Plan: (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 13—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 13—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, 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, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 32,822,739	\$ 29,983,225	\$ 2,839,514
Changes for the year:			
Service cost	\$ 1,117,218	\$ -	\$ 1,117,218
Interest	2,248,299	-	2,248,299
Differences between expected and actual experience	153,035	-	153,035
Contributions - employer	-	993,265	(993,265)
Contributions - employee	-	427,962	(427,962)
Net investment income	-	532,420	(532,420)
Benefit payments, including refunds of employee contributions	(1,408,375)	(1,408,375)	-
Administrative expenses	-	(18,428)	18,428
Other changes	-	(223)	223
Net changes	\$ 2,110,177	\$ 526,621	\$ 1,583,556
Balances at June 30, 2016	\$ 34,932,916	\$ 30,509,846	\$ 4,423,070

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 13–Pension Plan: (Continued)

Changes in Net Pension Liability

	<u>Component School Board (nonprofessional)</u>		
	<u>Increase (Decrease)</u>		
	<u>Total</u>	<u>Plan</u>	<u>Net</u>
	<u>Pension</u>	<u>Fiduciary</u>	<u>Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Asset</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at June 30, 2015	\$ <u>3,327,300</u>	\$ <u>3,683,415</u>	\$ <u>(356,115)</u>
Changes for the year:			
Service cost	\$ 115,671	\$ -	\$ 115,671
Interest	227,053	-	227,053
Differences between expected and actual experience	(376,333)	-	(376,333)
Contributions - employer	-	76,655	(76,655)
Contributions - employee	-	57,741	(57,741)
Net investment income	-	63,921	(63,921)
Benefit payments, including refunds of employee contributions	(167,380)	(167,380)	-
Administrative expenses	-	(2,271)	2,271
Other changes	-	(27)	27
Net changes	\$ <u>(200,989)</u>	\$ <u>28,639</u>	\$ <u>(229,628)</u>
Balances at June 30, 2016	\$ <u>3,126,311</u>	\$ <u>3,712,054</u>	\$ <u>(585,743)</u>

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

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

	<u>Rate</u>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
County Net Pension Liability (Asset)	\$ 9,563,339	\$ 4,423,070	\$ 210,518
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ (207,636)	\$ (585,743)	\$ (901,830)

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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, 2017, the City and Component Unit School Board (nonprofessional) recognized pension expense of \$501,407 and (\$66,396), respectively. At June 30, 2017, 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	\$ 108,677	\$ 616,203	\$ 17,512	\$ 268,191
Net difference between projected and actual earnings on pension plan investments	805,072	-	97,986	-
Employer contributions subsequent to the measurement date	<u>848,530</u>	<u>-</u>	<u>23,881</u>	<u>-</u>
Total	<u>\$ 1,762,279</u>	<u>\$ 616,203</u>	<u>\$ 139,379</u>	<u>\$ 268,191</u>

\$848,530 and \$23,881 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, 2018. 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)
2018	\$ (356,176)	\$ (97,073)
2019	(128,266)	(98,492)
2020	468,749	4,337
2021	313,239	38,535

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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 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.

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$2,966,471 and \$2,986,098 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$39,036,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was .27855% as compared to .26507% at June 30, 2015.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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, 2017, the school division recognized pension expense of \$4,482,000. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016, 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, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,265,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,031,000	-
Net difference between projected and actual earnings on pension plan investments	2,230,000	-
Employer contributions subsequent to the measurement date	<u>2,966,471</u>	<u>-</u>
Total	\$ <u>9,227,471</u>	\$ <u>1,265,000</u>

\$2,966,471 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2018	\$ 864,000
2019	864,000
2020	1,993,000
2021	1,221,000
2022	54,000

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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, 2015, 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, 2016.

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-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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, 2018, 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, 2018 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 proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 55,646,000	\$ 39,036,000	\$ 25,353,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016annual-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.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

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, 2017 expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 32,368,746	\$ 32,415,614	\$ (46,868)
School Cafeteria Fund	1,928,439	1,987,364	(58,925)

Note 17–Surety Bond:

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

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 18—Other Postemployment Benefits—Health Insurance:

City:

A. Plan Description:

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.

B. Funding Policy:

The City has elected not to pre-fund the other post-employment benefit liability. The City funds other post-employment benefits on a "pay-as-you-go" basis, which is the practice of paying for these benefits as they become due each year.

C. Annual OPEB Cost and Net OPEB Obligation:

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$	129,274
Interest on net OPEB obligation		24,644
Adjustment to annual required contribution		(25,156)
Annual OPEB cost (expense)	\$	128,762
Contributions made		(40,719)
Increase in net OPEB obligation	\$	88,043
Net OPEB obligation-beginning of year		704,109
Net OPEB obligation-end of year	\$	792,152

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 128,762	\$ 31.62%	\$ 792,152
June 30, 2016	128,836	21.20%	704,109
June 30, 2015	119,239	47.40%	602,548

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 18—Other Postemployment Benefits—Health Insurance: (Continued)

City: (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015 is as follows:

Actuarial accrued liability (AAL)	\$	1,614,803
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		1,614,803
Funded ratio (actuarial value of plan assets/AAL)		-
Covered payroll (active plan members)		6,788,019
UAAL as a percentage of covered payroll		23.79%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cost Method

The cost method for valuation of liabilities used for this valuation is the Entry-Age Normal (NC) Actuarial Cost Method. Under the NC cost method the Actuarial Present Value (PVB) of the Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s).

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 18—Other Postemployment Benefits—Health Insurance: (Continued)

City: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

Cost Method: (Continued)

The actuarial liability and the normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner by projecting the member's average final compensation to each assumed date of termination, disablement, or death. The actuarial liability and normal cost for the supplemental benefits are based upon the present value of the expected supplement expected to be paid to those covered employees attaining eligibility. The actuarial liability for inactive members is determined as the actuarial present value of the pension and supplemental benefits expected to be paid.

The difference between the actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The annual required contribution is the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability over the amortization period and is adjusted with one-half year's interest to reflect that payments are made throughout the year. The amortization amount is determined as a level percentage of payroll.

Interest Assumptions

In the July 1, 2015, most recent actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.50% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.39% initially, reduced by decrements to an ultimate rate of 5.00% after seven. Both rates included a 3.00% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2015, was thirty years.

	<u>Unfunded</u>
Discount rate	\$ 3.50%
Payroll growth	3.00%

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 18—Other Postemployment Benefits—Health Insurance:

School Board:

F. Plan Description:

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. 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. Retirees are required to contribute the full premium rate.

G. Funding Policy:

The School Board has elected not to pre-fund the other post-employment benefit liability. The School Board funds other post-employment benefits on a "pay-as-you-go" basis, which is the practice of paying for these benefits as they become due each year.

H. Annual OPEB Cost and Net OPEB Obligation:

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation:

Annual required contribution	\$	179,228
Interest on net OPEB obligation		46,399
Adjustment to annual required contribution		(47,363)
Annual OPEB cost (expense)	\$	178,264
Contributions made		(48,391)
Increase in net OPEB obligation	\$	129,873
Net OPEB obligation-beginning of year		1,325,684
Net OPEB obligation-end of year	\$	<u>1,455,557</u>

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 18—Other Postemployment Benefits—Health Insurance: (Continued)

School Board: (Continued)

H. Annual OPEB Cost and Net OPEB Obligation: (Continued)

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 178,264	\$ 27.15%	\$ 1,455,557
June 30, 2016	178,322	55.70%	1,325,684
June 30, 2015	249,948	34.80%	1,246,630

I. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015 is as follows:

Actuarial accrued liability (AAL)	\$ 1,771,787
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,771,787
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	13,902,281
UAAL as a percentage of covered payroll	12.74%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

J. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 18—Other Postemployment Benefits—Health Insurance: (Continued)

City: (Continued)

J. Actuarial Methods and Assumptions: (Continued)

Cost Method

The cost method for valuation of liabilities used for this valuation is the Entry-Age Normal (NC) Actuarial Cost Method. Under the NC cost method the Actuarial Present Value (PVB) of the Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s).

The actuarial liability and the normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner by projecting the member's average final compensation to each assumed date of termination, disablement, or death. The actuarial liability and normal cost for the supplemental benefits are based upon the present value of the expected supplement expected to be paid to those covered employees attaining eligibility. The actuarial liability for inactive members is determined as the actuarial present value of the pension and supplemental benefits expected to be paid.

The difference between the actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The annual required contribution is the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability over the amortization period and is adjusted with one-half year's interest to reflect that payments are made throughout the year. The amortization amount is determined as a level percentage of payroll.

Interest Assumptions

In the July 1, 2015, most recent actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.50% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.39% initially, reduced by decrements to an ultimate rate of 5.00% after seven. Both rates included a 3.00% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2015, was thirty years.

	<u>Unfunded</u>
Discount rate	\$ 3.50%
Payroll growth	3.00%

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 19—Health Insurance Credit Program-Other Postemployment Benefits:

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 13.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.05% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2017, 2016, and 2015 were \$233,046, \$228,997, and \$139,872 respectively and equaled the required contributions for each year.

Note 20—Debt Refunding:

On December 22, 2016 the City of Manassas Park, Virginia issued \$23,840,000 of General Obligation Refunding Bonds, Series 2016 with interest at 2.94%. The bonds were issued to refund \$22,235,000 of General Obligation Bonds. The bonds will be repaid in various installments through January 1, 2033. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$1,346,666. The advance refunding reduced the total debt service payments over the next 16 years by \$691,879 and resulted in an economic gain of \$1,846,994. At June 30, 2017, the defeased bonds had balances outstanding of \$21,460,000.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 21—Upcoming GASB Pronouncements:

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. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

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

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, 2017

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 25,454,442	\$ 25,454,442	\$ 26,884,651	\$ 1,430,209
Other local taxes	4,900,500	4,900,500	5,542,161	641,661
Permits, privilege fees and regulatory licenses	188,350	188,350	281,011	92,661
Fines and forfeitures	276,000	276,000	262,165	(13,835)
Revenue from use of money and property	60,000	60,000	51,665	(8,335)
Charges for services	2,640,204	2,640,204	1,644,567	(995,637)
Miscellaneous	399,794	399,794	298,936	(100,858)
Intergovernmental:				
Commonwealth	5,203,445	5,203,445	4,414,758	(788,687)
Federal	218,750	218,750	994,809	776,059
Total revenues	\$ 39,341,485	\$ 39,341,485	\$ 40,374,723	\$ 1,033,238
Expenditures:				
General government administration:				
Legislative:				
City council	\$ 164,314	\$ 164,314	\$ 163,703	\$ 611
General and financial administration:				
Management services	\$ 323,273	\$ 323,273	\$ 290,119	\$ 33,154
Legal services	310,200	310,200	289,439	20,761
Human resources	268,888	268,888	173,497	95,391
Commissioner of the Revenue	327,186	327,186	343,170	(15,984)
Treasurer	384,009	384,009	370,489	13,520
Information technology	587,601	587,601	587,386	215
Department of finance	387,089	387,089	579,556	(192,467)
Other general and financial administration	300,000	300,000	329,867	(29,867)
Total general and financial administration	\$ 2,888,246	\$ 2,888,246	\$ 2,963,523	\$ (75,277)
Board of Elections:				
Electoral board and officials	\$ 152,105	\$ 152,105	\$ 149,234	\$ 2,871
Total board of elections	\$ 152,105	\$ 152,105	\$ 149,234	\$ 2,871
Total general government administration	\$ 3,204,665	\$ 3,204,665	\$ 3,276,460	\$ (71,795)

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

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Judicial administration:				
Courts:				
Courts	\$ 218,729	\$ 218,729	\$ 219,374	\$ (645)
Sheriff	258,016	258,016	258,012	4
Total courts	\$ 476,745	\$ 476,745	\$ 477,386	\$ (641)
Total judicial administration	\$ 476,745	\$ 476,745	\$ 477,386	\$ (641)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 3,454,391	\$ 3,454,391	\$ 3,325,502	\$ 128,889
E-911	436,178	436,178	433,284	2,894
Total law enforcement and traffic control	\$ 3,890,569	\$ 3,890,569	\$ 3,758,786	\$ 131,783
Fire and rescue services:				
Fire department	\$ 2,752,027	\$ 2,752,027	\$ 2,752,830	\$ (803)
Total fire and rescue services	\$ 2,752,027	\$ 2,752,027	\$ 2,752,830	\$ (803)
Correction and detention:				
Juvenile detention home	\$ 250,000	\$ 250,000	\$ 125,982	\$ 124,018
VJCCCA	37,193	37,193	35,946	1,247
County jail	700,000	700,000	949,257	(249,257)
Total correction and detention	\$ 987,193	\$ 987,193	\$ 1,111,185	\$ (123,992)

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

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Public safety: (continued)				
Inspections:	\$ -	\$ -	\$ 252	\$ (252)
Other protection:				
Animal control	\$ 66,000	\$ 66,000	\$ 70,420	\$ (4,420)
Total other protection	\$ 66,000	\$ 66,000	\$ 70,420	\$ (4,420)
Total public safety	\$ 7,695,789	\$ 7,695,789	\$ 7,693,473	\$ 2,316
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Streets	\$ 619,094	\$ 619,094	\$ 574,009	\$ 45,085
Maintenance of general buildings and grounds:				
General properties	\$ 424,574	\$ 424,574	\$ 441,491	\$ (16,917)
City garage	511,114	511,114	423,484	87,630
Total maintenance of general buildings and grounds	\$ 935,688	\$ 935,688	\$ 864,975	\$ 70,713
Total public works	\$ 1,554,782	\$ 1,554,782	\$ 1,438,984	\$ 115,798
Health and welfare:				
Health:				
Local health department	\$ 25,000	\$ 25,000	\$ 27,373	\$ (2,373)
Mental health and mental retardation:				
Community services board	\$ 736,704	\$ 736,704	\$ 736,704	\$ -
Welfare:				
Administration and public assistance	\$ 1,445,649	\$ 1,445,649	\$ 1,335,924	\$ 109,725
Agency on aging	83,314	83,314	83,316	(2)
Other social services programs	52,620	52,620	52,620	-
Tax relief for the elderly	-	-	299,895	(299,895)
Childrens services	812,500	812,500	1,050,911	(238,411)
Total welfare	\$ 2,394,083	\$ 2,394,083	\$ 2,822,666	\$ (428,583)
Total health and welfare	\$ 3,155,787	\$ 3,155,787	\$ 3,586,743	\$ (430,956)

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

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Education:				
Contributions to community colleges	\$ 35,917	\$ 35,917	\$ 35,917	\$ -
Contribution to Component Unit School Board	11,945,761	11,945,761	11,491,791	453,970
Total education	\$ 11,981,678	\$ 11,981,678	\$ 11,527,708	\$ 453,970
Parks, recreation and cultural:				
Parks and recreation:				
Administration and maintenance	\$ 2,972,422	\$ 2,972,422	\$ 3,089,931	\$ (117,509)
Total parks and recreation	\$ 2,972,422	\$ 2,972,422	\$ 3,089,931	\$ (117,509)
Library:				
Library	\$ 500,015	\$ 500,015	\$ 500,016	\$ (1)
Total parks, recreation and cultural	\$ 3,472,437	\$ 3,472,437	\$ 3,589,947	\$ (117,510)
Community development:				
Planning and community development:				
Economic development	\$ 103,255	\$ 103,255	\$ 91,968	\$ 11,287
Planning and zoning	677,124	677,124	444,572	232,552
Community organizations	46,484	46,484	30,039	16,445
Total planning and community development	\$ 826,863	\$ 826,863	\$ 566,579	\$ 260,284

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

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Total community development	\$ 826,863	\$ 826,863	\$ 566,579	\$ 260,284
Debt service:				
Bond issuance costs	\$ -	\$ -	\$ 258,334	\$ (258,334)
Total debt service	\$ -	\$ -	\$ 258,334	\$ (258,334)
Total expenditures	\$ 32,368,746	\$ 32,368,746	\$ 32,415,614	\$ (46,868)
Excess (deficiency) of revenues over (under) expenditures	\$ 6,972,739	\$ 6,972,739	\$ 7,959,109	\$ 986,370
Other financing sources (uses):				
Long-term debt issued	\$ -	\$ -	\$ 23,840,000	\$ 23,840,000
Payment to refunded bond escrow agent	-	-	(23,581,666)	(23,581,666)
Operating transfers in	1,630,407	1,630,407	1,630,407	-
Operating transfers (out)	(8,780,524)	(8,780,524)	(7,712,339)	1,068,185
Total other financing sources (uses)	\$ (7,150,117)	\$ (7,150,117)	\$ (5,823,598)	\$ 1,326,519
Net changes in fund balance	\$ (177,378)	\$ (177,378)	\$ 2,135,511	\$ 2,312,889
Fund balance at beginning of year	177,378	177,378	2,187,707	2,010,329
Fund balance at end of year	\$ -	\$ -	\$ 4,323,218	\$ 4,323,218

Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 1,117,218	\$ 1,047,779	\$ 1,064,478
Interest	2,248,299	2,206,192	2,055,476
Changes of benefit terms	-	-	-
Differences between expected and actual experience	153,035	(1,460,317)	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(1,408,375)	(975,881)	(957,870)
Net change in total pension liability	\$ 2,110,177	\$ 817,773	\$ 2,162,084
Total pension liability - beginning	32,822,739	32,004,966	29,842,882
Total pension liability - ending (a)	<u>\$ 34,932,916</u>	<u>\$ 32,822,739</u>	<u>\$ 32,004,966</u>
Plan fiduciary net position			
Contributions - employer	\$ 993,265	\$ 1,018,190	\$ 994,568
Contributions - employee	427,962	468,005	563,442
Net investment income	532,420	1,312,006	3,821,021
Benefit payments, including refunds of employee contributions	(1,408,375)	(975,881)	(957,870)
Administrative expense	(18,428)	(17,208)	(19,878)
Other	(223)	(281)	201
Net change in plan fiduciary net position	\$ 526,621	\$ 1,804,831	\$ 4,401,484
Plan fiduciary net position - beginning	29,983,225	28,178,394	23,776,910
Plan fiduciary net position - ending (b)	<u>\$ 30,509,846</u>	<u>\$ 29,983,225</u>	<u>\$ 28,178,394</u>
County's net pension liability - ending (a) - (b)	\$ 4,423,070	\$ 2,839,514	\$ 3,826,572
Plan fiduciary net position as a percentage of the total pension liability	87.34%	91.35%	88.04%
Covered payroll	\$ 8,783,631	\$ 8,948,073	\$ 8,246,555
County's net pension liability as a percentage of covered payroll	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 and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 115,671	\$ 180,689	\$ 188,357
Interest	227,053	211,793	197,750
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(376,333)	36,444	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(167,380)	(254,481)	(116,497)
Net change in total pension liability	\$ (200,989)	\$ 174,445	\$ 269,610
Total pension liability - beginning	3,327,300	3,152,855	2,883,245
Total pension liability - ending (a)	<u>\$ 3,126,311</u>	<u>\$ 3,327,300</u>	<u>\$ 3,152,855</u>
Plan fiduciary net position			
Contributions - employer	\$ 76,655	\$ 72,948	\$ 136,003
Contributions - employee	57,741	54,851	74,450
Net investment income	63,921	162,457	491,115
Benefit payments, including refunds of employee contributions	(167,380)	(254,481)	(116,497)
Administrative expense	(2,271)	(2,320)	(2,539)
Other	(27)	(33)	26
Net change in plan fiduciary net position	\$ 28,639	\$ 33,422	\$ 582,558
Plan fiduciary net position - beginning	3,683,415	3,649,993	3,067,435
Plan fiduciary net position - ending (b)	<u>\$ 3,712,054</u>	<u>\$ 3,683,415</u>	<u>\$ 3,649,993</u>
School Division's net pension liability - ending (a) - (b)	\$ (585,743)	\$ (356,115)	\$ (497,138)
Plan fiduciary net position as a percentage of the total pension liability	118.74%	110.70%	115.77%
Covered payroll	\$ 1,271,597	\$ 1,182,769	\$ 1,505,991
School Division's net pension liability as a percentage of covered payroll	-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, 2017*

	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.27855%	0.26507%	0.23397%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 39,036,000	\$ 33,363,000	\$ 29,448,000
Employer's Covered Payroll	20,235,136	21,238,250	19,707,662
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	192.91%	157.09%	149.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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, 2008 through June 30, 2017

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					
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%
2008	684,396	684,396	-	8,565,657	7.99%
Component Unit School Board (nonprofessional)					
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%
2008	106,040	106,040	-	1,501,984	7.06%
Component Unit School Board (professional) (1)					
2017	\$ 2,966,471	\$ 2,966,471	-	\$ 20,235,136	14.66%
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.

Notes to Required Supplementary Information
Year Ended June 30, 2017

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, 2016 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Schedule of OPEB Funding Progress
Last Three Fiscal Years

Other Postemployment Benefits:
City:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2015	\$ -	\$ 1,614,803	\$ 1,614,803	0.00%	\$ 6,788,019	23.8%
7/1/2008	-	1,241,361	1,241,361	0.00%	7,253,838	17.1%

Other Postemployment Benefits:
Discretely Presented Component Unit - School Board:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2015	\$ -	\$ 1,771,787	\$ 1,771,787	0.00%	\$ 13,902,281	12.7%
7/1/2008	-	2,611,374	2,611,374	0.00%	11,824,984	22.1%

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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Revenue from local sources:				
Other local taxes	\$ 1,087,500	\$ 1,087,500	\$ 1,022	\$ (1,086,478)
Revenue from use of money and property	15,000	15,000	777	(14,223)
Miscellaneous	1,245,538	1,245,538	27,609	(1,217,929)
Intergovernmental:				
Commonwealth	4,560,947	4,560,947	1,148,571	(3,412,376)
Federal	-	-	1,746,901	1,746,901
Total revenues	<u>\$ 6,908,985</u>	<u>\$ 6,908,985</u>	<u>\$ 2,924,880</u>	<u>\$ (3,984,105)</u>
Expenditures:				
Capital outlay:				
General government administration:				
Equipment additions	\$ 32,400	\$ 32,400	\$ 75,671	\$ (43,271)
Total general government administration	<u>\$ 32,400</u>	<u>\$ 32,400</u>	<u>\$ 75,671</u>	<u>\$ (43,271)</u>
Public safety:				
Vehicle and equipment acquisition - EMS	\$ -	\$ -	\$ -	\$ -
Equipment additions	393,930	393,930	165,472	228,458
Vehicle additions	495,000	495,000	920,528	(425,528)
Total public safety	<u>\$ 888,930</u>	<u>\$ 888,930</u>	<u>\$ 1,086,000</u>	<u>\$ (197,070)</u>
Public works:				
Miscellaneous capital outlays	\$ 144,575	\$ 144,575	\$ 173,294	\$ (28,719)
Health and welfare:				
Equipment additions	\$ 296,550	\$ 296,550	\$ 230,011	\$ 66,539
Capital projects:				
General government administration:				
City hall roof & HVAC	\$ -	\$ -	\$ 3,068	\$ (3,068)
Public safety:				
E-911 facility	\$ 361,580	\$ 361,580	\$ 358,687	\$ 2,893
Public works:				
Road and traffic projects	<u>\$ 6,393,560</u>	<u>\$ 6,393,560</u>	<u>\$ 3,399,820</u>	<u>\$ 2,993,740</u>

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	\$ 33,903	\$ 33,903	\$ 217,697	\$ (183,794)
Parks and recreation:				
Parks and recreation projects	\$ 88,000	\$ 88,000	\$ 85,401	\$ 2,599
Debt service:				
Principal retirement	\$ -	\$ -	\$ 539,587	\$ (539,587)
Interest and other fiscal charges	-	-	22,730	(22,730)
Total debt service	\$ -	\$ -	\$ 562,317	\$ (562,317)
Total expenditures	\$ 8,239,498	\$ 8,239,498	\$ 6,191,966	\$ 2,047,532
Excess (deficiency) of revenues over (under) expenditures	\$ (1,330,513)	\$ (1,330,513)	\$ (3,267,086)	\$ (1,936,573)
Other financing sources (uses):				
Transfers in	\$ 994,423	\$ 994,423	\$ 994,423	\$ -
Issuance of capital leases	-	-	922,696	922,696
Proceeds from the sale of capital assets	-	-	275,426	275,426
Total other financing sources (uses):	\$ 994,423	\$ 994,423	\$ 2,192,545	\$ 1,198,122
Net changes in fund balance	\$ (336,090)	\$ (336,090)	\$ (1,074,541)	\$ (738,451)
Fund balance at beginning of year	336,090	336,090	(2,138,018)	(2,474,108)
Fund balance at end of year	\$ -	\$ -	\$ (3,212,559)	\$ (3,212,559)

Proffer Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Miscellaneous	\$ 181,302	\$ 181,302	\$ 300,786	\$ 119,484
Other financing sources (uses):				
Transfers (out)	\$ (1,619,788)	\$ (1,619,788)	\$ (250,893)	\$ 1,368,895
Total other financing sources (uses):	\$ (1,619,788)	\$ (1,619,788)	\$ (250,893)	\$ 1,368,895
Net changes in fund balance	\$ (1,438,486)	\$ (1,438,486)	\$ 49,893	\$ 1,488,379
Fund balance at beginning of year	1,438,486	1,438,486	1,326,994	(111,492)
Fund balance at end of year	\$ -	\$ -	\$ 1,376,887	\$ 1,376,887

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 273	\$ 273
Expenditures:				
Debt service:				
Principal retirement	\$ 3,683,513	\$ 3,683,513	\$ 3,683,513	\$ -
Interest and other fiscal charges	5,328,333	5,328,333	3,969,295	1,359,038
Total debt service	\$ 9,011,846	\$ 9,011,846	\$ 7,652,808	\$ 1,359,038
Total expenditures	\$ 9,011,846	\$ 9,011,846	\$ 7,652,808	\$ 1,359,038
Excess (deficiency) of revenues over (under) expenditures	\$ (9,011,846)	\$ (9,011,846)	\$ (7,652,535)	\$ 1,359,311
Other financing sources (uses):				
Transfers in	\$ 8,780,524	\$ 8,780,524	\$ 7,712,339	\$ (1,068,185)
Net changes in fund balance	\$ (231,322)	\$ (231,322)	\$ 59,804	\$ 291,126
Fund balance at beginning of year	231,322	231,322	249,609	18,287
Fund balance at end of year	\$ -	\$ -	\$ 309,413	\$ 309,413

Combing Balance Sheet
 Nonmajor Special Revenue Funds
 At June 30, 2017

	Gang Task Force Fund	Special Transportation Fund	Total
ASSETS			
Cash and cash equivalents	\$ 20	\$ 1,576,699	\$ 1,576,719
Total assets	\$ 20	\$ 1,576,699	\$ 1,576,719
FUND BALANCES			
Committed	\$ 20	\$ 1,576,699	\$ 1,576,719
Total fund balances	\$ 20	\$ 1,576,699	\$ 1,576,719
Total liabilities and fund balances	\$ 20	\$ 1,576,699	\$ 1,576,719

Combing Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2017

	Gang Task Force Fund	Special Transportation Fund	Total
Revenues:			
Miscellaneous	\$ -	\$ 453,457	\$ 453,457
Other financing sources (uses):			
Transfers in	\$ -	\$ 250,893	\$ 250,893
Transfers (out)	-	(1,016,813)	(1,016,813)
Total other financing sources (uses):	\$ -	\$ (765,920)	\$ (765,920)
Net changes in fund balance	\$ -	\$ (312,463)	\$ (312,463)
Fund balance at beginning of year	20	1,889,162	1,889,182
Fund balance at end of year	<u>\$ 20</u>	<u>\$ 1,576,699</u>	<u>\$ 1,576,719</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2017

	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	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ 400,000	\$ 453,457	\$ 53,457
Other financing sources (uses):								
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 260,000	\$ 260,000	\$ 250,893	\$ (9,107)
Transfers (out)	-	-	-	-	(1,016,813)	(1,016,813)	(1,016,813)	-
Total other financing sources (uses):	\$ -	\$ -	\$ -	\$ -	\$ (756,813)	\$ (756,813)	\$ (765,920)	\$ (9,107)
Net changes in fund balance	\$ -	\$ -	\$ -	\$ -	\$ (356,813)	\$ (356,813)	\$ (312,463)	\$ 44,350
Fund balance at beginning of year	-	-	20	20	356,813	356,813	1,889,162	1,532,349
Fund balance at end of year	\$ -	\$ -	\$ 20	\$ 20	\$ -	\$ -	\$ 1,576,699	\$ 1,576,699

Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2017

	Balance Beginning Of Year	Additions	Deletions	Balance End of Year
CDA Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 917,900	\$ 917,900	\$ -
Liabilities:				
Amounts held for others	\$ -	\$ 917,900	\$ 917,900	\$ -

Balance Sheet - Discretely Presented Component Unit - School Board
At June 30, 2017

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,586,281	\$ 393,939	\$ 2,980,220
Investments	8,249	-	8,249
Receivables (Net of allowance for uncollectibles):			
Accounts	816,004	-	816,004
Inventories	5,184	2,392	7,576
Prepaid items	16,349	369	16,718
Due from other governmental units	<u>2,118,545</u>	<u>-</u>	<u>2,118,545</u>
 Total assets	 <u>\$ 5,550,612</u>	 <u>\$ 396,700</u>	 <u>\$ 5,947,312</u>
LIABILITIES			
Accounts payable	\$ 1,861,358	\$ 13,056	\$ 1,874,414
Accrued liabilities	<u>3,407,838</u>	<u>38,640</u>	<u>3,446,478</u>
 Total liabilities	 <u>\$ 5,269,196</u>	 <u>\$ 51,696</u>	 <u>\$ 5,320,892</u>
FUND BALANCES			
Nonspendable - prepaid items	\$ 16,349	\$ 369	\$ 16,718
Committed - cafeteria	-	344,635	344,635
Committed - health insurance	281,416	-	281,416
Unassigned	<u>(16,349)</u>	<u>-</u>	<u>(16,349)</u>
 Total fund balances	 <u>\$ 281,416</u>	 <u>\$ 345,004</u>	 <u>\$ 626,420</u>
 Total liabilities and fund balances	 <u>\$ 5,550,612</u>	 <u>\$ 396,700</u>	 <u>\$ 5,947,312</u>
Detailed explanation of adjustments from fund statements to government-wide statement of net position:			
Total fund balances, balance sheet, governmental funds		\$	626,420
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.			
			23,897,699
The Net Pension Asset is not an available resources and, therefore is not reported in the funds.			
			585,743
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.			
			(171)
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.			
			(1,533,191)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.			
			2,990,352
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.			
			<u>(34,746,575)</u>
Net position of Governmental Activities		\$	<u>(8,179,723)</u>

Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2017

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>Total</u>
Revenues:			
Revenue from use of money and property	\$ 3,788	\$ 930	\$ 4,718
Charges for services	4,500	477,161	481,661
Miscellaneous	347,646	24,687	372,333
Intergovernmental:			
County contribution to School Board	11,641,791	-	11,641,791
Commonwealth	25,227,513	53,501	25,281,014
Federal	<u>1,209,479</u>	<u>1,616,280</u>	<u>2,825,759</u>
Total revenues	<u>\$ 38,434,717</u>	<u>\$ 2,172,559</u>	<u>\$ 40,607,276</u>
Expenditures:			
Current:			
Education	\$ 37,991,283	\$ 1,987,364	\$ 39,978,647
Debt service:			
Principal retirement	231,219	-	231,219
Interest and fiscal charges	<u>9,735</u>	<u>-</u>	<u>9,735</u>
Total expenditures	<u>\$ 38,232,237</u>	<u>\$ 1,987,364</u>	<u>\$ 40,219,601</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 202,480</u>	<u>\$ 185,195</u>	<u>\$ 387,675</u>
Net changes in fund balances	\$ 202,480	\$ 185,195	\$ 387,675
Fund balances at beginning of year	<u>78,936</u>	<u>159,809</u>	<u>238,745</u>
Fund balances at end of year	<u><u>\$ 281,416</u></u>	<u><u>\$ 345,004</u></u>	<u><u>\$ 626,420</u></u>

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, 2017

		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	\$	387,675
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	\$ 216,517	
Depreciation expense	<u>(994,917)</u>	(778,400)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		
Change in deferred inflows related to the measurement of the net pension liability		1,061,903
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		231,219
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:		
Change in net OPEB obligation	\$ (129,873)	
Change in net pension liability	(5,673,000)	
Change in net pension asset	229,628	
Change in deferred outflows related to the measurement of the net pension liability	3,003,520	
Change in deferred outflows related to pension contributions subsequent to the measurement date	(72,401)	
Change in accrued interest payable	2,436	
Change in compensated absences	<u>(109,859)</u>	(2,749,549)
Transfer of joint tenancy assets from Primary Government to the Component Unit School Board		<u>2,095,783</u>
Change in net position of governmental activities	\$	<u><u>248,631</u></u>

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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, 2017

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Revenue from use of money and property	\$ 2,000	\$ -	\$ 3,788	\$ 3,788
Charges for services	-	4,500	4,500	-
Miscellaneous	1,723,818	1,732,875	347,646	(1,385,229)
Intergovernmental:				
County contribution to School Board	12,095,761	12,095,761	11,641,791	(453,970)
Commonwealth	24,767,806	24,649,805	25,227,513	577,708
Federal	1,133,714	1,143,308	1,209,479	66,171
Total revenues	\$ 39,723,099	\$ 39,626,249	\$ 38,434,717	\$ (1,191,532)
Expenditures:				
Current:				
Instruction	\$ 29,587,957	\$ 29,198,496	\$ 27,939,241	\$ 1,259,255
Administration, attendance and health	2,590,562	2,622,294	2,678,194	(55,900)
Pupil transportation	2,174,680	2,277,771	2,077,092	200,679
Operation and maintenance	3,040,239	2,930,189	2,683,618	246,571
School food service costs	-	-	-	-
Facilities	-	101,350	116,350	(15,000)
Technology	2,594,909	2,635,223	2,496,788	138,435
Total education	\$ 39,988,347	\$ 39,765,323	\$ 37,991,283	\$ 1,774,040
Debt service:				
Principal retirement	\$ 231,219	\$ 231,219	\$ 231,219	\$ -
Interest and fiscal charges	63,390	63,390	9,735	53,655
Total debt service	\$ 294,609	\$ 294,609	\$ 240,954	\$ 53,655
Total expenditures	\$ 40,282,956	\$ 40,059,932	\$ 38,232,237	\$ 1,827,695
Excess (deficiency) of revenues over (under) expenditures	\$ (559,857)	\$ (433,683)	\$ 202,480	\$ 636,163
Fund balances at beginning of year	\$ 559,857	\$ 433,683	\$ 78,936	\$ (354,747)
Fund balances at end of year	\$ -	\$ -	\$ 281,416	\$ 281,416

School Cafeteria Fund			
Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ 550	\$ 550	\$ 930	\$ 380
490,100	490,000	477,161	(12,839)
23,500	23,500	24,687	1,187
-	-	-	-
38,206	50,620	53,501	2,881
1,275,000	1,313,329	1,616,280	302,951
\$ 1,827,356	\$ 1,877,999	\$ 2,172,559	\$ 294,560
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
1,842,295	1,928,439	1,987,364	(58,925)
-	-	-	-
-	-	-	-
\$ 1,842,295	\$ 1,928,439	\$ 1,987,364	\$ (58,925)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
\$ -	\$ -	\$ -	\$ -
\$ 1,842,295	\$ 1,928,439	\$ 1,987,364	\$ (58,925)
\$ (14,939)	\$ (50,440)	\$ 185,195	\$ 235,635
\$ 14,939	\$ 50,440	\$ 159,809	\$ 109,369
\$ -	\$ -	\$ 345,004	\$ 345,004

Supporting Schedule

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2017

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	\$ 21,972,582	\$ 21,972,582	\$ 23,166,760	\$ 1,194,178
Public service taxes	446,860	446,860	384,464	(62,396)
Personal property taxes	2,785,000	2,785,000	2,971,167	186,167
Penalties	150,000	150,000	268,664	118,664
Interest	100,000	100,000	93,596	(6,404)
Total general property taxes	\$ 25,454,442	\$ 25,454,442	\$ 26,884,651	\$ 1,430,209
Other local taxes:				
Local sales and use taxes	\$ 1,900,000	\$ 1,900,000	\$ 2,072,275	\$ 172,275
Consumer utility taxes	785,000	785,000	847,784	62,784
Business license taxes	780,000	780,000	1,257,248	477,248
Motor vehicle licenses	420,000	420,000	414,229	(5,771)
Bank franchise taxes	38,000	38,000	39,069	1,069
Recordation taxes	250,000	250,000	157,564	(92,436)
Cigarette taxes	362,500	362,500	297,600	(64,900)
Meals tax	365,000	365,000	431,086	66,086
Cable TV franchise fees	-	-	25,306	25,306
Total other local taxes	\$ 4,900,500	\$ 4,900,500	\$ 5,542,161	\$ 641,661
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 3,500	\$ 3,500	\$ 2,560	\$ (940)
Building and related permits	180,000	180,000	264,847	84,847
Other permits and licenses	4,850	4,850	13,604	8,754
Total permits, privilege fees and regulatory licenses	\$ 188,350	\$ 188,350	\$ 281,011	\$ 92,661
Fines and Forfeitures:				
Court and other fines and forfeitures	\$ 276,000	\$ 276,000	\$ 262,165	\$ (13,835)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2017 (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	\$ 60,000	\$ 60,000	\$ 51,665	\$ (8,335)
Total revenue from use of money and property	\$ 60,000	\$ 60,000	\$ 51,665	\$ (8,335)
Charges for services:				
Commuter rail parking fees	\$ 99,885	\$ 99,885	\$ 99,886	\$ 1
Courthouse maintenance fees	400	400	389	(11)
Charges for EMS	315,000	315,000	229,447	(85,553)
Charges for parks and recreation	1,340,000	1,340,000	1,314,845	(25,155)
Other charges for services	884,919	884,919	-	(884,919)
Total charges for services	\$ 2,640,204	\$ 2,640,204	\$ 1,644,567	\$ (995,637)
Miscellaneous:				
Miscellaneous	\$ 282,294	\$ 282,294	\$ 195,827	\$ (86,467)
Other refunds	47,500	47,500	52,120	4,620
Rebates and refunds from schools	70,000	70,000	50,989	(19,011)
Total miscellaneous	\$ 399,794	\$ 399,794	\$ 298,936	\$ (100,858)
Total revenue from local sources	\$ 33,919,290	\$ 33,919,290	\$ 34,965,156	\$ 1,045,866

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2017 (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	\$ 4,002	\$ (45,998)
Recordation tax	65,000	65,000	48,332	(16,668)
Auto rental tax	95,000	95,000	129,028	34,028
Communication tax	740,000	740,000	690,247	(49,753)
PPTRA	1,368,393	1,368,393	1,368,393	-
Total noncategorical aid	\$ 2,318,393	\$ 2,318,393	\$ 2,240,002	\$ (78,391)
Categorical aid:				
Shared expenses:				
Commissioner of the Revenue	\$ 75,000	\$ 75,000	\$ 79,141	\$ 4,141
Treasurer	63,000	63,000	66,669	3,669
Registrar/electoral board	50,000	50,000	41,810	(8,190)
Total shared expenses	\$ 188,000	\$ 188,000	\$ 187,620	\$ (380)
Other categorical aid:				
Welfare administration and assistance	\$ 1,045,877	\$ 1,045,877	\$ 219,488	\$ (826,389)
Litter control	-	-	6,192	6,192
Aid to localities with police departments	419,825	419,825	433,340	13,515
Children's services	460,000	460,000	553,728	93,728
Street maintenance	735,000	735,000	745,165	10,165

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2017 (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	\$ 36,350	\$ 29,223	\$ (7,127)
Total other categorical aid	\$ 2,697,052	\$ 2,697,052	\$ 1,987,136	\$ (709,916)
Total categorical aid	\$ 2,885,052	\$ 2,885,052	\$ 2,174,756	\$ (710,296)
Total revenue from the Commonwealth	\$ 5,203,445	\$ 5,203,445	\$ 4,414,758	\$ (788,687)
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ -	\$ -	\$ 882,655	\$ 882,655
Law enforcement grants	50,000	50,000	57,139	7,139
Other categorical aid	168,750	168,750	55,015	(113,735)
Total revenue from the federal government	\$ 218,750	\$ 218,750	\$ 994,809	\$ 776,059
Total General Fund	\$ 39,341,485	\$ 39,341,485	\$ 40,374,723	\$ 1,033,238
Capital Projects Fund:				
Revenue from local sources:				
Other local taxes:				
Gasoline taxes	\$ 1,087,500	\$ 1,087,500	\$ 1,022	\$ (1,086,478)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2017 (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	\$ 15,000	\$ 15,000	\$ 777	\$ (14,223)
Miscellaneous:				
Proffers	\$ 1,209,788	\$ 1,209,788	\$ -	\$ (1,209,788)
Miscellaneous	35,750	35,750	27,609	(8,141)
Total miscellaneous	\$ 1,245,538	\$ 1,245,538	\$ 27,609	\$ (1,217,929)
Total revenue from local sources	\$ 2,348,038	\$ 2,348,038	\$ 29,408	\$ (2,318,630)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public safety grants	\$ 147,500	\$ 147,500	\$ 67,238	\$ (80,262)
VDOT grants	4,413,447	4,413,447	1,081,333	(3,332,114)
Total revenue from the Commonwealth	\$ 4,560,947	\$ 4,560,947	\$ 1,148,571	\$ (3,412,376)
Revenue from the federal government:				
Categorical aid:				
VDOT grants	\$ -	\$ -	\$ 1,746,901	\$ 1,746,901
Total Capital Projects Fund	\$ 6,908,985	\$ 6,908,985	\$ 2,924,880	\$ (3,984,105)
Debt Service Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 273	\$ 273
Proffer Fund:				
Revenue from local sources:				
Miscellaneous:				
Proffers	\$ 181,302	\$ 181,302	\$ 300,786	\$ 119,484
Special Transportation Fund:				
Miscellaneous revenue:				
Northern Virginia Transportation Authority	\$ 400,000	\$ 400,000	\$ 453,457	\$ 53,457
Grand Total Revenues -- Primary Government	\$ 46,831,772	\$ 46,831,772	\$ 44,054,119	\$ (2,777,653)
Component Unit -- School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 5	\$ 5
Revenue from use of property	2,000	-	3,783	3,783
Total revenue from use of money and property	\$ 2,000	\$ -	\$ 3,788	\$ 3,788
Charges for services:				
Charges for education	\$ -	\$ 4,500	\$ 4,500	\$ -
Total charges for services	\$ -	\$ 4,500	\$ 4,500	\$ -

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2017 (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	\$ 150,271	\$ 174,825	\$ 218,779	\$ 43,954
Other reimbursements and recoveries	1,573,547	1,558,050	128,867	(1,429,183)
Total miscellaneous	\$ 1,723,818	\$ 1,732,875	\$ 347,646	\$ (1,385,229)
Total revenue from local sources	\$ 1,725,818	\$ 1,737,375	\$ 355,934	\$ (1,381,441)
Intergovernmental:				
County contribution to School Board	\$ 12,095,761	\$ 12,095,761	\$ 11,641,791	\$ (453,970)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,020,518	\$ 2,942,918	\$ 2,974,546	\$ 31,628
Basic school aid	12,447,557	12,518,108	12,548,729	30,621
English as a second language	887,502	954,181	954,181	-
Textbook payments	274,962	275,219	275,913	694
Special education	1,139,621	1,140,687	1,143,563	2,876
Fringe benefits	2,264,214	2,266,333	2,272,047	5,714
K-3 primary class size reduction	636,438	611,730	611,730	-
Prevention, intervention, and remediation	628,670	629,258	630,845	1,587
At risk	585,419	586,116	587,511	1,395
Other state funds	2,882,905	2,725,255	3,228,448	503,193
Total categorical aid	\$ 24,767,806	\$ 24,649,805	\$ 25,227,513	\$ 577,708
Total revenue from the Commonwealth	\$ 24,767,806	\$ 24,649,805	\$ 25,227,513	\$ 577,708
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 358,065	\$ 336,074	\$ 337,281	\$ 1,207
Title VI - B	573,681	573,681	585,382	11,701
Title III	100,000	126,652	149,204	22,552
Title II - A	55,000	55,185	52,460	(2,725)
Other federal assistance	46,968	51,716	85,152	33,436
Total categorical aid	\$ 1,133,714	\$ 1,143,308	\$ 1,209,479	\$ 66,171
Total revenue from the federal government	\$ 1,133,714	\$ 1,143,308	\$ 1,209,479	\$ 66,171
Total School Operating Fund	\$ 39,723,099	\$ 39,626,249	\$ 38,434,717	\$ (1,191,532)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2017 (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	\$ 550	\$ 550	\$ 930	\$ 380
Charges for services:				
Cafeteria sales	\$ 490,100	\$ 490,000	\$ 477,161	\$ (12,839)
Miscellaneous:				
Miscellaneous	\$ 23,500	\$ 23,500	\$ 24,687	\$ 1,187
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 38,206	\$ 50,620	\$ 53,501	\$ 2,881
Revenue from the federal government:				
Categorical aid:				
School food	\$ 1,275,000	\$ 1,313,329	\$ 1,616,280	\$ 302,951
Total School Cafeteria Fund	\$ 1,827,356	\$ 1,877,999	\$ 2,172,559	\$ 294,560
Total Revenues--Component Unit-School Board	\$ 41,550,455	\$ 41,504,248	\$ 40,607,276	\$ (896,972)

Other Supplementary Information

Statistical Information

CITY OF MANASSAS PARK, VIRGINIA

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities:				
Net investment in capital assets	\$ 19,998,796	\$ 16,208,837	\$ 10,158,642	\$ 10,192,577
Restricted				
Unrestricted	<u>2,443,881</u>	<u>1,533,600</u>	<u>1,822,217</u>	<u>754,330</u>
Total governmental activities net position	<u>\$ 22,442,677</u>	<u>\$ 17,742,437</u>	<u>\$ 11,980,859</u>	<u>\$ 10,946,907</u>
Business-type activities:				
Net investment in capital assets	\$ 9,042,212	\$ 6,473,546	\$ 5,538,509	\$ 6,374,387
Unrestricted	<u>6,349,929</u>	<u>9,269,265</u>	<u>7,706,159</u>	<u>4,826,068</u>
Total business-type net position	<u>\$ 15,392,141</u>	<u>\$ 15,742,811</u>	<u>\$ 13,244,668</u>	<u>\$ 11,200,455</u>
Primary government:				
Net investment in capital assets	\$ 29,041,008	\$ 22,682,383	\$ 15,697,151	\$ 16,566,964
Unrestricted	<u>8,793,810</u>	<u>10,802,865</u>	<u>9,528,376</u>	<u>5,580,398</u>
Total primary government net position	<u>\$ 37,834,818</u>	<u>\$ 33,485,248</u>	<u>\$ 25,225,527</u>	<u>\$ 22,147,362</u>

Table 1

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 8,733,283	\$ 1,628,248	\$ 1,092,294	\$ 1,377,597	\$ (659,469)	\$ 1,577,177
<u>80,071</u>	<u>8,164,504</u>	<u>14,051,662</u>	<u>(3,217,713)</u>	<u>(2,771,801)</u>	<u>(1,069,313)</u>
<u>\$ 8,813,354</u>	<u>\$ 9,792,752</u>	<u>\$ 15,143,956</u>	<u>\$ (1,840,116)</u>	<u>\$ (3,431,270)</u>	<u>\$ 507,864</u>
\$ 5,864,609	\$ 5,530,973	\$ 5,562,531	\$ 5,080,344	\$ 4,425,297	\$ 4,757,274
<u>3,788,753</u>	<u>5,562,921</u>	<u>8,875,134</u>	<u>8,364,649</u>	<u>9,289,985</u>	<u>10,612,624</u>
<u>\$ 9,653,362</u>	<u>\$ 11,093,894</u>	<u>\$ 14,437,665</u>	<u>\$ 13,444,993</u>	<u>\$ 13,715,282</u>	<u>\$ 15,369,898</u>
\$ 14,597,892	\$ 7,159,221	\$ 6,654,825	\$ 6,457,941	\$ 3,765,828	\$ 6,334,451
<u>3,868,823</u>	<u>13,727,425</u>	<u>22,926,796</u>	<u>5,146,936</u>	<u>6,518,184</u>	<u>9,543,311</u>
<u>\$ 22,147,361</u>	<u>\$ 20,886,646</u>	<u>\$ 29,581,621</u>	<u>\$ 11,604,877</u>	<u>\$ 10,284,012</u>	<u>\$ 15,877,762</u>

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:									
Governmental activities:									
General government administration	\$ 4,314,847	\$ 4,042,638	\$ 3,526,179	\$ 3,336,472	\$ 3,179,850	\$ 3,256,686	\$ 3,510,406	\$ 3,494,109	\$ 3,412,539
Judicial administration	537,701	559,672	490,668	294,830	432,654	440,062	424,601	418,957	477,386
Public safety	8,485,280	9,813,118	7,194,524	7,230,246	7,035,619	7,841,255	7,619,134	8,311,741	8,603,687
Public works	3,529,688	2,996,931	1,975,496	1,876,329	1,409,808	1,515,720	1,620,357	2,635,148	2,347,810
Health and welfare	4,382,948	4,057,559	2,966,358	2,559,741	2,602,329	2,845,422	2,760,795	3,509,747	3,835,012
Education	12,436,101	10,769,321	10,182,020	12,144,639	10,475,632	11,403,318	11,226,765	16,069,968	14,918,955
Parks, recreation, and cultural	2,473,183	2,657,667	3,576,168	3,310,150	2,838,718	3,406,151	3,691,420	3,918,221	4,122,190
Community development	435,532	119,764	128,613	118,463	126,305	149,703	1,769,014	254,517	532,461
Interest on long-term debt	3,847,039	5,095,520	4,246,782	5,364,219	5,842,574	3,892,389	7,503,698	4,744,844	4,014,767
Total governmental activities expenses	\$ 40,442,319	\$ 40,112,190	\$ 34,286,808	\$ 36,235,089	\$ 33,943,489	\$ 34,750,705	\$ 40,126,189	\$ 43,357,252	\$ 42,264,807
Business-type activities:									
Solid Waste Management	\$ -	\$ -	\$ -	\$ 810,622	\$ 700,115	\$ 778,891	\$ 846,022	\$ 768,538	\$ 807,545
Storm Water	-	-	-	20,974	174,325	137,995	152,761	229,347	197,463
Water and sewer	5,867,322	7,541,752	6,779,429	5,295,066	6,081,746	6,370,507	6,418,896	6,635,548	6,894,305
Total business-type activities expenses	\$ 5,867,322	\$ 7,541,752	\$ 6,779,429	\$ 6,126,662	\$ 6,956,186	\$ 7,287,394	\$ 7,417,679	\$ 7,633,433	\$ 7,899,313
Total primary government expenses	\$ 46,309,641	\$ 47,653,942	\$ 41,066,237	\$ 42,361,749	\$ 40,899,674	\$ 42,038,099	\$ 47,543,867	\$ 50,990,685	\$ 50,164,120
Program revenues:									
Governmental activities:									
Charges for services:									
General government	\$ 48,126	\$ 103,718	\$ 114,232	\$ 198,343	\$ 182,473	\$ 193,446	\$ 346,570	\$ -	\$ -
Judicial administration	325,687	235,557	219,512	338,279	307,560	284,341	228,659	209,859	262,554
Public safety	243,553	299,932	295,965	314,561	272,597	267,502	293,905	247,265	232,007
Public works	747,060	69,907	-	-	-	-	-	357,787	278,451
Health and welfare	237,263	225,128	205,637	210,741	199,721	145,095	108,697	-	-
Parks, recreation, and cultural	268,919	397,330	1,107,280	1,143,816	849,185	1,031,779	1,041,027	1,119,794	1,314,845
Community development	-	-	96,531	109,064	167,332	14,970	44,400	96,152	99,886
Operating grants and contributions	3,835,569	4,975,818	2,312,612	2,055,170	1,944,670	1,552,698	1,925,199	2,775,829	3,169,565
Capital grants and contributions	10,325	10,128	761,210	653,848	669,533	94,835	704,787	644,168	2,895,472
Total governmental activities program revenues	\$ 5,716,502	\$ 6,317,518	\$ 5,112,979	\$ 5,023,822	\$ 4,593,069	\$ 3,584,666	\$ 4,693,243	\$ 5,450,854	\$ 8,252,780
Business-type activities:									
Charges for services:									
Solid Waste Management	\$ -	\$ -	\$ -	\$ 655,824	\$ 713,658	\$ 788,931	\$ 752,572	\$ 686,157	\$ 802,996
Storm Water	-	-	-	222,309	232,162	229,933	233,221	238,569	237,270
Water and Sewer	4,651,552	5,622,665	5,719,818	5,564,405	8,448,695	10,129,798	9,231,577	7,895,844	9,872,102
Grants and contributions	2,032,343	192,982	-	-	-	-	-	22,000	-
Total business-type activities program revenues	\$ 6,683,895	\$ 5,815,647	\$ 5,719,818	\$ 6,442,538	\$ 9,394,515	\$ 11,148,662	\$ 10,217,370	\$ 8,842,570	\$ 10,912,368
Total primary government program revenues	\$ 12,400,397	\$ 12,133,165	\$ 10,832,797	\$ 11,466,360	\$ 13,987,584	\$ 14,733,328	\$ 14,910,613	\$ 14,293,424	\$ 19,165,148
Net (expense) / revenue									
Governmental activities	\$ (34,725,817)	\$ (33,794,672)	\$ (29,173,829)	\$ (31,211,265)	\$ (29,350,420)	\$ (31,166,039)	\$ (35,432,946)	\$ (37,906,398)	\$ (34,012,027)
Business-type activities	816,573	(1,726,105)	(1,059,611)	315,876	2,438,330	3,861,268	2,799,691	1,209,137	3,013,055
Total primary government net expense	\$ (33,909,244)	\$ (35,520,777)	\$ (30,233,440)	\$ (30,895,389)	\$ (26,912,090)	\$ (27,304,771)	\$ (32,633,254)	\$ (36,697,261)	\$ (30,998,972)

Changes in Net Position
Last Nine Fiscal Years
(Accrual Basis of Accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position									
Governmental activities:									
Property taxes	\$ 23,093,932	\$ 20,352,144	\$ 19,706,438	\$ 21,094,698	\$ 22,177,590	\$ 22,339,972	\$ 24,098,409	\$ 25,293,814	\$ 27,151,030
Other local taxes	4,809,112	3,634,698	4,136,296	4,028,247	4,223,238	4,478,885	4,752,567	4,851,707	5,543,183
Unrestricted grants and contributions	1,572,032	2,253,053	2,280,974	2,249,892	2,250,465	1,538,462	2,357,913	2,216,212	2,240,002
Unrestricted revenues from use of money and property	847,954	169,053	-	-	-	134,713	514,342	93,395	52,715
Miscellaneous	589,635	802,521	815,859	926,440	675,890	7,134,984	2,388,347	2,862,709	1,356,214
Transfers	625,000	821,625	984,604	994,143	1,002,633	890,228	1,141,487	997,407	1,608,017
Total governmental activities	\$ 31,537,665	\$ 28,033,094	\$ 27,924,171	\$ 29,293,420	\$ 30,329,816	\$ 36,517,244	\$ 35,253,065	\$ 36,315,244	\$ 37,951,161
Business-type activities:									
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,501	\$ 249,498
Unrestricted revenues from use of money and property	74,181	49,587	-	-	4,836	2,591	-	58	80
Transfers	(625,500)	(821,625)	(984,604)	(1,027,093)	(1,002,633)	(890,228)	(1,141,487)	(997,407)	(1,608,017)
Total business-type activities	\$ (550,819)	\$ (772,038)	\$ (984,604)	\$ (1,027,093)	\$ (997,797)	\$ (887,637)	\$ (1,141,487)	\$ (938,848)	\$ (1,358,439)
Total primary government	\$ 30,986,846	\$ 27,261,056	\$ 26,939,567	\$ 28,266,327	\$ 29,332,020	\$ 35,629,608	\$ 34,111,578	\$ 35,376,396	\$ 36,592,722
Change in Net Position									
Governmental activities	\$ (3,188,152)	\$ (5,761,578)	\$ (1,249,658)	\$ (1,917,846)	\$ 979,397	\$ 5,351,205	\$ (179,880)	\$ (1,591,154)	\$ 3,939,134
Business-type activities	265,754	(2,498,143)	(2,044,214)	(711,217)	1,440,533	2,973,632	1,658,204	270,289	1,654,616
Total primary government	\$ (2,922,398)	\$ (8,259,721)	\$ (3,293,872)	\$ (2,629,063)	\$ 2,419,930	\$ 8,324,837	\$ 1,478,324	\$ (1,320,865)	\$ 5,593,750

CITY OF MANASSAS PARK, VIRGINIA

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Assigned	3,232,440	3,670,274	3,648,548	6,701,315
Unassigned	579,450	(1,722,528)	(2,662,325)	(2,105,265)
Total general fund	<u>\$ 3,811,890</u>	<u>\$ 1,947,746</u>	<u>\$ 986,223</u>	<u>\$ 4,596,050</u>
All other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Assigned	46,464,897	18,739,323	3,950,543	2,197,852
Committed	-	-	-	-
Unassigned, reported in:				
Capital projects funds	383,973	(1,707,248)	32,826	38,099
General Fund	-	-	-	-
Debt service funds	1,240,726	1,540,389	2,382,784	460
Total all other governmental funds	<u>\$ 48,089,596</u>	<u>\$ 18,572,464</u>	<u>\$ 6,366,153</u>	<u>\$ 2,236,411</u>

Table 3

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ 109,084	\$ 179,974
-	-	-	-	1,095,863	0
4,066,695	4,353,131	5,071,294	4,353,131	-	-
1,201,825	1,570,580	2,251,715	(239,548)	982,760	4,143,244
<u>\$ 5,268,520</u>	<u>\$ 5,923,711</u>	<u>\$ 7,323,009</u>	<u>\$ 4,113,583</u>	<u>\$ 2,187,707</u>	<u>\$ 4,323,218</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,751	\$ 839,044
2,162,657	1,269,946	2,078,311	796,192	-	-
-	-	-	-	3,465,785	2,953,606
23,219	1,100,622	3,279,419	2,555,127	(2,139,769)	(3,742,190)
-	86,917	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,185,876</u>	<u>\$ 2,457,485</u>	<u>\$ 5,357,730</u>	<u>\$ 3,351,319</u>	<u>\$ 1,327,767</u>	<u>\$ 50,460</u>

CITY OF MANASSAS PARK, VIRGINIA

Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	2008	2009	2010	2011
Revenues:				
General property taxes	\$ 22,873,462	\$ 22,855,998	\$ 20,697,342	\$ 19,706,438
Other local taxes	5,304,217	4,809,112	3,634,698	4,136,296
Permits, privilege fees and regulatory licenses	187,641	61,535	58,302	46,173
Fines and forfeitures	267,402	359,919	262,980	219,512
Revenue from use of money and property	1,975,533	847,954	169,053	48,366
Charges for services	1,524,075	1,449,154	1,010,290	1,726,410
Miscellaneous	2,840,639	589,635	802,521	768,956
Recovered costs	9,047	5,952	2,442	193,939
Intergovernmental:				
Commonwealth	3,960,903	4,381,214	4,685,241	4,461,030
Federal	1,128,911	1,036,712	2,553,758	2,099,279
Total revenues	\$ 40,071,830	\$ 36,397,185	\$ 33,876,627	\$ 33,406,399
Expenditures:				
General government administration	\$ 3,769,877	\$ 3,613,198	\$ 3,337,526	\$ 3,299,738
Judicial administration	360,418	471,206	500,014	481,512
Public safety	7,165,877	6,852,347	8,114,220	7,526,507
Public works	2,519,927	2,351,120	1,949,266	1,193,804
Health and welfare	3,536,343	3,837,889	3,610,447	2,909,297
Education	13,589,111	12,633,695	10,552,384	9,992,014
Parks, recreation, and cultural	2,209,021	2,062,513	2,213,340	2,761,682
Community development	39,900	367,374	118,991	126,213
Capital projects	16,883,184	29,448,466	12,255,215	1,214,462
Debt service:				
Principal	2,924,999	1,527,691	1,469,655	-
Interest and other fiscal charges	3,913,495	3,839,278	4,993,428	5,408,033
Total expenditures	\$ 56,912,152	\$ 67,004,777	\$ 49,114,486	\$ 34,913,262
Excess of revenues over (under) expenditures	\$ (16,840,322)	\$ (30,607,592)	\$ (15,237,859)	\$ (1,506,863)
Other financing sources (uses):				
Transfers in	\$ 6,510,337	\$ 6,660,821	\$ 7,315,156	\$ 9,697,818
Transfers (out)	(5,960,337)	(6,035,821)	(6,493,531)	(8,710,870)
Premium on bonds issued	466,004	-	-	-
Bond issue costs	(375,237)	-	(459,062)	-
Payment to refunded bond escrow agent	(10,722,817)	-	(11,932,538)	-
Issuance of long-term debt	32,240,000	-	13,640,000	-
Issuance of capital leases	209,581	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	\$ 22,367,531	\$ 625,000	\$ 2,070,025	\$ 986,948
Net changes in fund balances	\$ 5,527,209	\$ (29,982,592)	\$ (13,167,834)	\$ (519,915)
Debt service as a percentage of noncapital expenditures	16.72%	14.21%	17.42%	16.16%

Table 4

<u>2012</u>		<u>2013</u>		<u>2014</u>		<u>2015</u>		<u>2016</u>		<u>2017</u>	
\$	21,094,698	\$	22,177,590	\$	22,339,972	\$	24,098,409	\$	25,056,546	\$	26,884,651
	4,028,247		4,223,238		4,478,885		4,752,567		4,851,707		5,543,183
	77,199		52,565		193,446		346,570		359,877		281,011
	338,279		307,560		284,341		228,659		209,522		262,165
	108,961		112,400		134,713		514,342		93,395		52,715
	1,790,366		1,506,341		1,459,346		1,488,028		1,461,458		1,644,567
	926,440		794,179		7,134,984		2,388,347		2,862,709		1,080,788
	-		149,129		19,643		-		-		-
	4,150,742		4,329,217		3,134,473		5,071,100		4,753,555		5,563,329
	1,724,222		1,308,163		752,956		29,584		882,654		2,741,710
\$	<u>34,239,154</u>	\$	<u>34,960,384</u>	\$	<u>39,932,760</u>	\$	<u>38,917,606</u>	\$	<u>40,531,423</u>	\$	<u>44,054,119</u>
\$	3,228,061	\$	3,179,850	\$	3,036,165	\$	3,106,395	\$	3,745,225	\$	3,355,199
	294,830		432,654		413,760		424,601		418,957		477,386
	6,762,969		7,035,619		7,485,424		7,619,134		8,793,006		9,138,160
	1,166,563		1,409,808		1,425,129		1,620,357		3,978,948		5,012,098
	2,558,003		2,602,329		2,675,359		2,760,795		3,479,493		4,034,451
	10,659,394		10,475,632		10,721,772		11,226,765		13,016,385		11,527,708
	2,762,256		2,838,718		3,202,575		3,691,420		3,555,956		3,675,348
	118,463		126,305		140,755		219,906		253,044		566,579
	550,032		455,720		1,515,845		1,769,014		-		-
	1,179,523		947,652		1,463,813		2,298,633		4,204,532		4,223,100
	5,364,219		5,531,931		4,172,838		5,205,065		4,759,334		4,250,359
\$	<u>34,644,313</u>	\$	<u>35,036,217</u>	\$	<u>36,253,435</u>	\$	<u>39,942,083</u>	\$	<u>46,204,880</u>	\$	<u>46,260,388</u>
\$	<u>(405,159)</u>	\$	<u>(75,833)</u>	\$	<u>3,679,325</u>	\$	<u>(1,024,477)</u>	\$	<u>(5,673,457)</u>	\$	<u>(2,206,269)</u>
\$	7,833,158	\$	7,636,155	\$	9,633,334	\$	15,852,887	\$	10,608,836	\$	10,588,062
	(6,806,065)		(6,633,522)		(8,993,962)		(14,711,400)		(9,611,429)		(8,980,045)
	-		-		-		-		264,671		-
	-		-		-		-		-		-
	-		-		-		-		(10,914,582)		(23,581,666)
	-		-		-		-		10,775,000		23,840,000
	-		-		-		-		292,783		922,696
	-		-		-		-		308,750		275,426
\$	<u>1,027,093</u>	\$	<u>1,002,633</u>	\$	<u>639,372</u>	\$	<u>1,141,487</u>	\$	<u>1,724,029</u>	\$	<u>3,064,473</u>
\$	<u>621,934</u>	\$	<u>926,800</u>	\$	<u>4,318,697</u>	\$	<u>117,010</u>	\$	<u>(3,949,428)</u>	\$	<u>858,204</u>
	<u>18.94%</u>		<u>18.69%</u>		<u>16.00%</u>		<u>19.17%</u>		<u>20.82%</u>		<u>20.48%</u>

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
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
2008	1,612,469	124,044	1,032	26,304	1,763,849	1,763,849	100%	1.31

⁽¹⁾ Assessed values are established by the State Corporation Commission
Source: Manassas Park Commissioner of Revenue

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%
2008	91.42%	7.03%	0.06%	1.49%	100.00%

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service
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
2008	1.14	3.50	3.50	1.14

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
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
2008	1.14	3.50	3.50	3.50

(1) Per \$100 of assessed value

Source: Manassas Park Commissioner of Revenue

Principal Property Taxpayers

Taxpayer	Fiscal Year 2017	
	Assessed Valuation	% of Total Assessed Valuation
Haverhill Investors LLC	\$ 64,015,000	4.19%
Oxford Palisades Apartments LLC	57,456,000	3.76%
GH City Center LLC	29,613,900	1.94%
GH City Center LLC	29,192,800	1.91%
Manassas Park Apartments LLC	16,402,500	1.07%
Centrum-Manassas Park Limited Partnership	15,985,000	1.05%
Jerax Enterprises	10,419,400	0.68%
Hillbrooke Towers Assoc LLLP	6,156,200	0.40%
Manassas park self storage LLC	5,782,600	0.38%
Twenty-two sac self storage corp	5,539,200	0.36%
Total	<u>\$ 240,562,600</u>	<u>15.76%</u>

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
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%
2008	24,614,002	22,132,942	89.92%	971,167	23,104,109	93.87%

Source: Manassas Park Treasurer's Collection

CITY OF MANASSAS PARK, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Bond Anticipation Note	Literary Fund Loans	Other Notes/ Bonds	Capital Leases
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
2008	102,415,462	7,500,000	8,000,000	42,002	247,093

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)
\$	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
	1,000,000	-	119,204,557	30.20%	10,336

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)
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
2008	102,415,462	7,500,000	8,000,000	117,915,462	-	117,915,462	6.69%	10,224

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.

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CITY OF MANASSAS PARK, VIRGINIA

Legal Debt Margin Information (in thousands)

Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit	\$ 163,877	\$ 163,033	\$ 112,869	\$ 103,521
Total net debt applicable to limit	<u>117,915</u>	<u>116,550</u>	<u>103,607</u>	<u>102,446</u>
Legal debt margin	<u>\$ 45,962</u>	<u>\$ 46,483</u>	<u>\$ 9,262</u>	<u>\$ 1,075</u>
Total net debt applicable to the limit as a percentage of the debt limit	71.95%	71.49%	91.79%	98.96%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 11

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	112,848	\$ 117,170	\$ 123,643	\$ 135,907	\$ 164,260	\$ 169,830
	<u>101,267</u>	<u>98,249</u>	<u>96,654</u>	<u>94,565</u>	<u>111,379</u>	<u>108,208</u>
\$	<u>11,581</u>	<u>18,921</u>	<u>26,989</u>	<u>41,342</u>	<u>52,881</u>	<u>61,622</u>
	89.74%	83.85%	78.17%	69.58%	67.81%	63.72%
Assessed value						\$ 1,698,297
Debt limit (10% of total assessed value)						\$ 169,830
Net debt applicable to limit						<u>108,208</u>
Legal debt margin						<u>\$ 61,622</u>

Pledged-Revenue Coverage
Last Ten Fiscal Years

Water & Sewer Bonds

Fiscal Year	Governmental Activities			Debt Service		Total Debt Service	Debt Service Coverage
	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Principal	Interest		
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
2008	3,894,688	4,414,868	(520,180)	85,000	32,499	117,499	N/M

N/M= Not meaningful

(1) Includes all revenues

(2) Total operating expenses exclusive of depreciation

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Total Personal Income (1)	Per Capita Personal Income	School Enrollment	Unemployment Rate
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%
2008	11,533	394,714,957	34,225	2,471	3.20%

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

June 30, 2017

Principal Employers

Rank	Employer	Number of Employees	Rank
1	Manassas Park Schools	477	1
2	City of Manassas Park	146	2
3	Atlas Plumbing LLC	100-249	3
4	Labor ReadyMid-Atlantic, Inc.	100-249	4
5	C.W. Strittmatter Equipment LLC	100-249	5
6	Titan Erosion Control, Inc	50-99	6
7	QMT Associates	50-99	7
8	United Building Envelope Restoration LLC	50-99	8
9	Stafford Systems Inc	50-99	9
10	James River Equipment	50-99	10

Source: Bi.Virginialmi.com, Virginia Employment Commission
Employees exclude part-timers

Compliance

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, 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 October 15, 2018.

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 (2017-001 through 2017-004).

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 2017-005 through 2017-009.

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
October 15, 2018

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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, 2017. 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, 2017.

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
October 15, 2018

CITY OF MANASSAS PARK, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2017

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
PRIMARY GOVERNMENT:			
<u>DEPARTMENT OF TRANSPORTATION:</u>			
Pass through payments:			
Virginia Department of Transportation:			
Highway planning and construction	20.205	UPC76683/UPC102851	\$ 1,746,901
Virginia Department of Motor Vehicles:			
Alcohol open container requirements	20.607	154AL-17-57015	\$ 19,532
Highway Safety Cluster:			
Alcohol impaired driving countermeasures incentive grants I	20.601	K8-16-56247	\$ 8,048
State and community highway safety	20.600	OP-17-57062/ OP-17-57063/ OP-16-56254/ SC-16-56259	29,559
Total Highway Safety Cluster:			\$ 37,607
Total Department of Transportation			\$ 1,804,040
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Pass through payments:</u>			
Department of Emergency Services:			
Disaster grants - public assistance (presidentially declared disasters)	97.036	DEM0016799	\$ 64,697
Emergency management performance grants	97.042	DEM6274500	7,500
Total Department of Homeland Security			\$ 72,197
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass Through Payments:</u>			
Department of Social Services:			
State administrative matching grants for the supplemental nutrition assistance program	10.561	0010116/0010117	\$ 228,064
Total Department of Agriculture			\$ 228,064
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass Through Payments:</u>			
Department of Social Services:			
Child care mandatory and matching funds of the child care and development fund	93.596	0760116/0760117	\$ 32,536
Foster care-title IV-E	93.658	1100116/1100117	114,916
Adoption assistance	93.659	1120116/1120117	14,337
Promoting safe and stable families	93.556	0950115/0950116	14,186
Temporary assistance for needy families	93.558	0400116/0400117	97,954
Refugee and entrant assistance - state administered programs	93.566	0500116/0500117	2,567
Low-income home energy assistance	93.568	0600416/0600417	10,207
Social services block grant	93.667	1000116/1000117	91,776
Stephanie Tubbs Jones child welfare services program	93.645	900116	194
Chafee foster care independence program	93.674	9150116/9150117	479
Children's health insurance program	93.767	0540116/0540117	7,548
Medical assistance program	93.778	1200116/1200117	267,891
Total Department of Health and Human Services			\$ 654,591
Total Primary Government			\$ 2,758,892

CITY OF MANASSAS PARK, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2017 (Continued)

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
PRIMARY GOVERNMENT: (Continued)			
COMPONENT UNIT-SCHOOL BOARD:			
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Direct payments:</u>			
Child and adult care food program	10.558	N/A	\$ 74,334
<u>Pass through payments:</u>			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services: Food distribution - national school lunch program	10.555	201616N109941/ 2015IN109941	129,592
Department of Education: National school lunch program	10.555	201616N109941/ 201717IN109941	1,046,654
Total 10.555			\$ 1,176,246
Department of Agriculture and Consumer Services: Summer Food Service Program for Children	10.559	201616N109941/ 201717IN109941	\$ 30,242
School breakfast program	10.553	201616N109941/ 201717IN109941	\$ 335,458
Total Child Nutrition Cluster			\$ 1,541,946
Total Department of Agriculture			\$ 1,616,280
Department of Education:			
Title I grants to local educational agencies	84.010	S010A150046/ S010A160046	\$ 337,281
Special Education Cluster (IDEA): Special education - grants to states	84.027	H027A150107/ H027A160107	585,382
Special education - preschool grants	84.173	H173A160112	10,664
Total Special Education Cluster (IDEA)			\$ 596,046
Advanced placement program	84.330	S330B160002	\$ 4,748
English language acquisition state grants	84.365	S365A140046/ S365A150046	149,204
Supporting Effective Instruction State Grant	84.367	S367A160044	52,460
Career and technical education - basic grants to states	84.048	V048A150046	52,558
Total Department of Education			\$ 1,192,297
Total Component Unit School Board			\$ 2,808,577
Total Expenditures of Federal Awards			\$ 5,567,469

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF MANASSAS PARK, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Manassas Park, Virginia under programs of the federal government for the year ended June 30, 2017. 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, 2017.

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	\$	994,809
Capital Projects Fund		<u>1,746,901</u>

Total primary government	\$	<u>2,741,710</u>
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Component Unit School Board:

School Operating Fund	\$	1,209,479
School Cafeteria Fund		<u>1,616,280</u>
Total component unit school board	\$	<u>2,825,759</u>

Total federal expenditures per basic financial statements	\$	<u>5,567,469</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u>5,567,469</u>
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CITY OF MANASSAS PARK, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

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
84.027/84.173	Special Education Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

CITY OF MANASSAS PARK, VIRGINIA

Schedule of Findings and Questioned Costs Year Ended June 30, 2017 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS:

2017-001 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 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, 2017.

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.

2017-002- 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 2017 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.

CITY OF MANASSAS PARK, VIRGINIA

Schedule of Findings and Questioned Costs Year Ended June 30, 2017 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS:

2017-002- 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.

2017-003 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.

CITY OF MANASSAS PARK, VIRGINIA

Schedule of Findings and Questioned Costs Year Ended June 30, 2017 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS:

2017-004 Material Weakness - Accounting System Local Revenue Interface

Criteria: The timely recording and processing of transactions in an automated accounting system is a critical internal control for the prevention of material misstatements in the financial statements.

Condition: For a period of time during fiscal year 2017 certain local revenues such as business license tax and meals tax revenue were not posted to the revenue module of the automated accounting system in a timely manner.

Cause: An adequate process was not in place to ensure that a required monthly entry to post these revenues to the general ledger in a timely manner.

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 implement procedures to ensure that all revenues are posted to the general ledger in the automated accounting system in a timely manner.

Management Response: Agreed. Keystone payment reporting and posting enhancements of other tax revenues were implemented in June of 2018. Staff training was done in May. Since then the City Treasurer's Office has implemented procedures to ensure the timely posting of daily and monthly closings is done.

2017-005 Compliance Finding - Expenditures in Excess of Appropriations

Criteria: Per the Code of Virginia, an expenditure should not be incurred until first an appropriation is made authorizing the expenditures.

Condition: The City had expenditures in excess of appropriations of \$46,868 in the General Fund.

Cause: The City did not have procedures in place to monitor appropriations and expenditures.

Effect: The City incurred expenditures without a corresponding appropriation authorizing the expenditure.

Recommendation:

We recommend the City implement procedures to ensure an appropriation is made prior to incurring the expenditure.

CITY OF MANASSAS PARK, VIRGINIA

Schedule of Findings and Questioned Costs Year Ended June 30, 2017 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS:

2017-005 Compliance Finding - Expenditures in Excess of Appropriations (continued)

Management Response: Agreed. The City has established monthly meetings to monitor appropriations and expenditures with staff and Schools. For FY2016, \$1,205,281(per page 4 of 5 of Exhibit 9) is due to Schools actual expenditures in excess of appropriations. For FY2017, the net excess of appropriations of \$46,868 is due primarily to 1) an increase in county jail for juvenile retention and 2) bond issuance costs on debt service refunding (per page 5 of 5 of Exhibit 9).

2017-006 Compliance Findings - Highway Maintenance Funds

Criteria: Code of Virginia Section 33.2-366 requires an annual categorical report accounting for all expenditures of highway maintenance funds. Costs reported on the annual Weldon Cooper Center Local Finance Survey must be allowable costs for the maintenance, construction, or reconstruction of eligible streets.

Condition: Adequate support such as work orders and other documentation for the expenditures reported on the Weldon Cooper Local Finance Survey was not available.

Cause: The City did not have adequate internal controls in place related to the Weldon Cooper Center Local Finance Survey.

Effect: The highway maintenance expenditures reported on the Weldon Cooper Center Local Finance Survey could not be verified and substantiated to ensure that all costs reported were allowable costs.

Recommendation:

We recommend adequate supporting documentation be maintained to support all expenditures reported on the Weldon Cooper Center Local Finance Survey.

Management Response: Agreed. The City has established a shared network drive to maintain supporting documentation by road projects as submitted to VDOT for reimbursement.

2017-007 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, 2017.

Cause: The City's Department of Social services had not implemented a current COOP.

CITY OF MANASSAS PARK, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS:

2017-007 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.

2017-008 Compliance Finding - School Budget Advertisement

Criteria: Section 22.1-92 of the Code of Virginia requires the notice of the public hearing of the proposed school board budget be made in a newspaper having a general circulation within the school division at least 10 days prior to the hearing.

Condition: The school division could not provide documentation showing that the public hearing was properly advertised at least 10 days prior to the public hearing on the fiscal year 2017 budget.

Cause: A paid legal advertisement was not purchased for the advertisement of the public hearing on the fiscal year 2017 budget. As a paid legal add was not purchased the newspaper was unable to provide documentation demonstrating compliance with the Code of Virginia requirement.

Effect: Potential noncompliance with section 22.1-92 of the Code of Virginia.

Recommendation:

We recommend that proper documentation be maintained showing that the public hearing on the school division budget is properly advertised each year.

Management Response: Agreed. In an effort to reduce costs while still complying with code, MPCS contacted Inside NOVA regarding publishing a notice of the public hearing on the FY17 Budget. This publication is a free print and online service that seems to be popular with residents. It was felt that this would be the most cost-effective way of advertising the budget hearing. Due to the nature of the publications, there was no receipt for services and MPCS failed to obtain a copy of the notice.

2017-009 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.

CITY OF MANASSAS PARK, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS:

2017-009 Compliance Finding - Unclaimed Property (continued)

Condition: The City's Treasurer Office did not file an unclaimed property report with the State Treasurer in 2017.

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:

2016-001: Material Audit Adjustments Proposed by the External Auditor - Material Weakness in Internal Controls

Status: A similar finding is reported in the 2017 findings and questioned costs.

2016-002: Beginning Balance Adjustments - Material Weakness in Internal Controls

Status: This finding is not reported in 2017.

2016-003: Accounting System Crash - Material Weakness in Internal Controls

Status: This finding is not reported in 2017.

2016-004: Bank Reconciliation - Material Weakness in Internal Controls

Status: This finding is not reported in 2017.

2016-005: Reconciliation of Investment Accounts - Material Weakness in Internal Controls

Status: This finding is not reported in 2017.

CITY OF MANASSAS PARK, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017 (Continued)

SECTION IV - PRIOR AUDIT FINDINGS:

2016-006: Other Postemployment Benefits (OPEB) - Material Weakness in Internal Controls

Status: This finding is not reported in 2017.

2016-007: Closed Cash and Investment Accounts - Material Weakness in Internal Controls

Status: This finding is not reported in 2017.

2016-008: Reconciliation of Property Tax Delinquent Lists to General Ledger - Material Weakness in Internal Controls

Status: A similar finding is reported in the 2017 findings and questioned costs.

2016-009: Utility Billings and Receivable Reconciliation - Material Weakness in Internal Controls

Status: A similar finding is reported in the 2017 findings and questioned costs.

2016-010: Unrecorded Debt Issuances - Material Weakness in Internal Controls

Status: This finding is not reported in 2017.

2016-011: Expenditures in Excess of Appropriations - Compliance Finding

Status: A similar finding is reported in the 2017 findings and questioned costs.

2016-012: Highway Maintenance Funds - Compliance Finding

Status: A similar finding is reported in the 2017 findings and questioned costs.

2016-013: Social Services' Continuity of Operations Program (COOP) - Compliance Finding

Status: A similar finding is reported in the 2017 findings and questioned costs.

2016-014: School Budget Advertisement - Compliance Finding

Status: A similar finding is reported in the 2017 findings and questioned costs.

2016-015: Unclaimed Property - Compliance Finding

Status: A similar finding is reported in the 2017 findings and questioned costs.