



City of Manassas, Virginia Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017



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CITY OF MANASSAS, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017



PREPARED BY:
CITY OF MANASSAS, VIRGINIA
FINANCE DEPARTMENT

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**CITY OF MANASSAS, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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CITY OF MANASSAS, VIRGINIA

CITY COUNCIL

Harry J. Parrish II, Mayor
Marc T. Aveni, Vice Mayor

Sheryl L. Bass
Ian T. Lovejoy
Mark D. Wolfe

Ken D. Elston
Pamela J. Sebesky

CITY MANAGER

William Patrick Pate

**MANASSAS CITY PUBLIC SCHOOLS
SCHOOL BOARD**

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

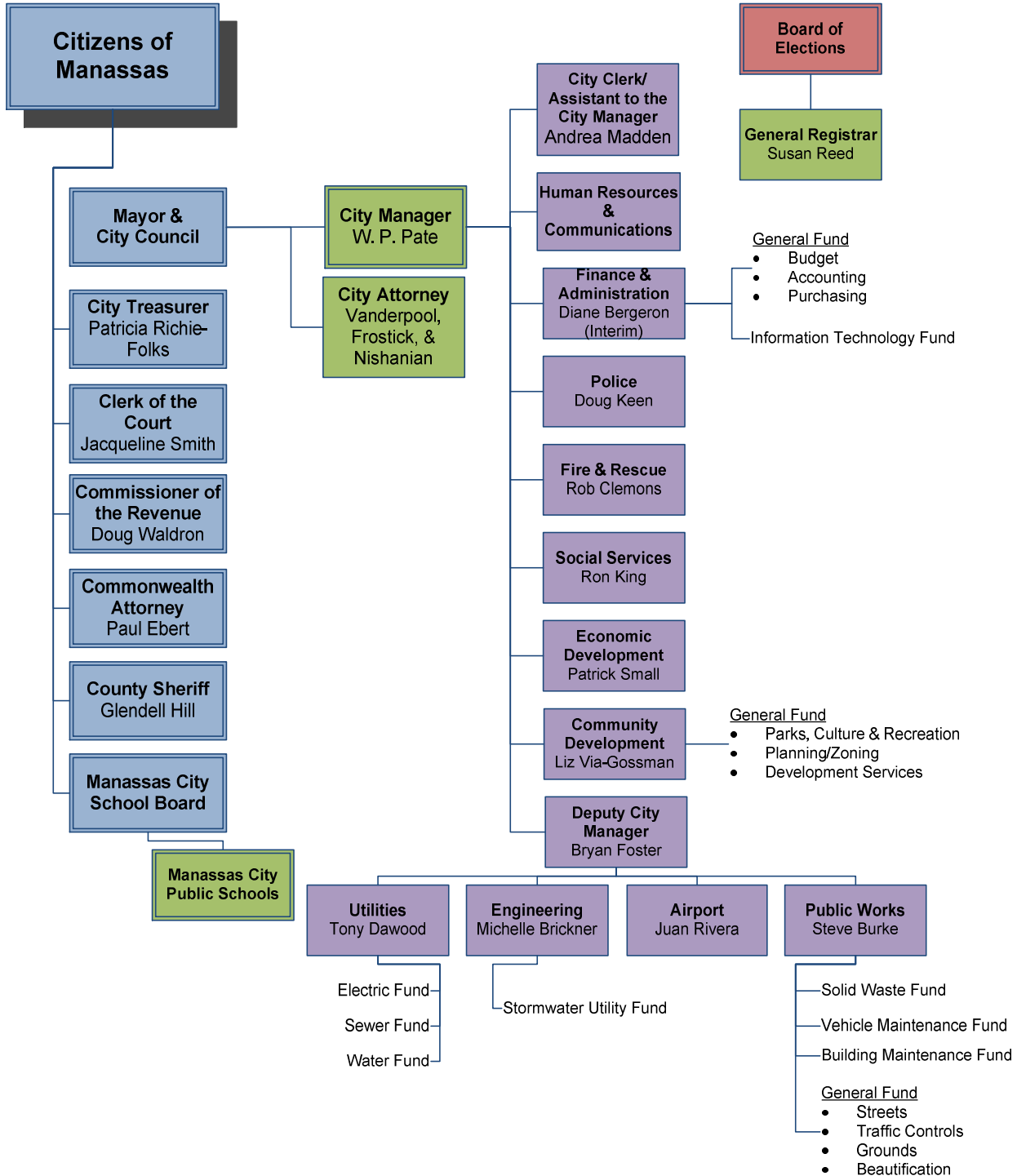
SUPERINTENDENT OF SCHOOLS

Dr. Catherine B. Magouyrk

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CITY OF MANASSAS, VIRGINIA

ORGANIZATIONAL CHART



Key:

- Elected
- Appointed
- Departments
- State Agency



CITY OF MANASSAS, VIRGINIA

MAYOR
Harry J. Parrish II

9027 Center Street
Manassas, VA 20110
Facsimile: 703/335-0042
Telephone: 703/257-8234

CITY COUNCIL
Jonathan L. Way, Vice Mayor
Marc T. Aveni
Sheryl L. Bass
Ken D. Elston
Ian T. Lovejoy
Mark D. Wolfe

CITY MANAGER
W. Patrick Pate

November 28, 2017

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

The comprehensive annual financial report (CAFR) of the City of Manassas, Virginia, (the City) for the fiscal year ended June 30, 2017 is hereby submitted. The Code of the Commonwealth of Virginia requires that all local governments shall be audited annually with a report to the governing body by December 31. This report is published to fulfill that requirement.

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

The City's financial statements have been audited by Brown, Edwards & Company LLP, a firm of licensed certified public accountants. The independent auditor has issued an unmodified ("clean") opinion on the City's financial statements for the fiscal year ended June 30, 2017. The independent auditor's report is located at the front of the Financial Section of the CAFR.

Management's Discussion and Analysis (MD&A) is found immediately following the independent auditor's report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The independent audit of the financial statements of the City was part of a broader federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. These reports are available in the Single Audit Section of the CAFR.

Profile of the City

The City of Manassas is a community of approximately 41,483 residents located in Northern Virginia within the Washington, D. C. Metropolitan Statistical Area. Surrounded by Prince William County, the City is thirty miles southwest of the nation's capital and encompasses a land area of ten square miles. The City is predominately residential in character and is an educational and government center with associated industrial, commercial and service activities. The Town of Manassas received its charter in 1873 and operated as a town in Prince William County until May 1, 1975, when it became an independent City of the Commonwealth of Virginia.

Governmental Organization

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

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

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

The City Treasurer and the Commissioner of the Revenue are elected at-large by the voters. Also, elected officials shared with Prince William County are the Commonwealth's Attorney, Clerk of the Court and Sheriff.

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

The City Council and the School Board adopted a joint budget agreement in October 2015 to provide a predictable local revenue source to support education in the City, using the fiscal year 2016 budgeted transfer amount of \$52,808,380 as the base, with 2.625% annual increases through fiscal year 2019. Prior to the fiscal year 2020 budget preparation, a joint committee will be appointed to consider future funding options.

Governmental Organization (Continued)

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

Local economy and long-term financial planning

In 2017, the City continued to show economic growth. The taxable real estate assessed values for the 2017 tax year (values as of January 1, 2016) increased 2.19% while the average residential assessment increased 2.92% and the average commercial assessment increased 0.95%. The 2017 residential/ commercial assessment ratio is 63.6 / 36.4, a small change from the 2016 ratio of 63.2 / 36.8. Combined general property tax revenues among all classes of properties increased 2.2% in fiscal year 2017. Other tax revenues continue the growth that began in fiscal year 2011. The 2017, meals tax revenues grew 5.8%, sales taxes increased 5.4% and all other local taxes increased 3.2% for the fiscal year. The City's unemployment rate stayed steady at 3.4% in 2017, well below the national rate of 4.4% and from a high of 7.7% in 2010 during the recession.

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

In August 2015, the City Council adopted comprehensive financial policies to ensure City assets and resources are prudently safeguarded and properly accounted for, to manage City finances wisely and to plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities. In June 2017, the City's fund balance policy was modified to maintain an unassigned general fund balance of 15% of the greater of current year actual or next year budgeted general fund operating revenues. At the end of the fiscal year, the unassigned general fund balance was \$16,768,856, which is within the policy guidelines.

Awards and acknowledgements

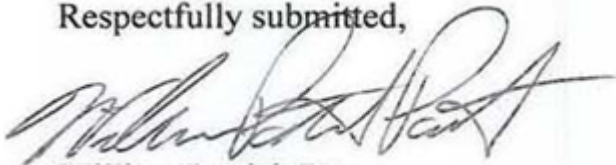
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Manassas for its CAFR for the fiscal year ended June 30, 2016. This was the thirty-fourth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Manassas also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2017. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,

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

William Patrick Pate
City Manager

A handwritten signature in blue ink, appearing to read "Diane V. Bergeron", written on a white background.

Diane V. Bergeron
Finance & Administration Director (interim)



Government Finance Officers Association

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

Presented to

**City of Manassas
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manassas, Virginia, as of and for the year ended June 30, 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance and should be considered in assessing the results of our audit.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 28, 2017

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CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2017

As management of the City of Manassas, Virginia (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii-vi of this report. Throughout this section, information is presented about the City, the primary government. We have also included information about the "Total Reporting Unit", which is the total of the City and its primary component units, the Manassas City Public Schools (MCPS) and the Manassas Economic Development Authority (EDA). Due to the material relationship between the City, MCPS, and the EDA, we believe that Total Reporting Unit information more accurately reflects the financial condition of the City of Manassas.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Total Reporting Unit exceeded its liabilities and deferred inflows of resources at June 30, 2017 by \$347,787,883 (net position). The Total Reporting Unit's net position invested in capital assets is \$347,433,080 and \$5,338,108 is restricted in its use. The remaining net position, \$(7,021,523) is unrestricted.
- The assets and deferred outflows of resources for the City exceeded its liabilities and deferred inflows of resources at June 30, 2017 by \$349,207,015 (net position). The City's net position invested in capital assets is \$325,122,736, with \$2,391,321 restricted in its use, and the remaining balance of \$21,692,958 is unrestricted. The deficit in unrestricted net position of the Governmental Activities (\$27,689,919) is the result of bonds issued by the City for MCPS. This debt is reflected as a liability of the City; however, the schools built with the bond proceeds are the assets of MCPS. At year-end, the City has \$58,382,445 of debt outstanding relating to MCPS.
- The unassigned fund balance for the City's general fund at June 30, 2017 was \$16,768,856. This amount is 15% of total general fund budgeted operating revenues of \$111,755,660 for fiscal year 2018. The City Council established a new policy in June 2017 to maintain the general fund unassigned fund balance at 15% of the greater of actual current year general fund revenues excluding other financing sources, or budgeted next year general fund revenues excluding other financing sources. General fund unassigned fund balance as a percent of general fund revenues is in accordance with the City's Unassigned Fund Balance Policy.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Government-wide Statements: (Continued)

The *statement of net position* presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Additionally, to assess the overall financial health of the City one must also consider non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health and welfare, and culture, recreation, and community development. The business-type activities of the City include electric, water and sewer and stormwater utilities, solid waste collection and a regional airport.

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

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

Fund Financial Statements

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

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

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Fund Financial Statements: (Continued)

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

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

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

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

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

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

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

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

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-79 of this report.

Other Information - In addition to the basic financial statements, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Schedules of funding progress for the OPEB plan and the applicable pension schedules for the City's defined benefit pension plan are provided on pages 80-86 of this report. The combining statements referred to earlier in connection with non-major governmental and enterprise funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 87-104 of this report.

MCPS, the City's component unit, does not issue separate financial statements. Therefore you will find fund statements for MCPS on pages 105-114 of this report. Likewise, you will find fund statements for the EDA on pages 115-118 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

An analysis of the City's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the City's net position and changes therein. It should be noted that the City's financial position can also be affected by non-financial factors, including economic conditions, population growth and new regulations.

The City's governmental activities' net position increased moderately, by \$2,140,972 in fiscal year 2017 (from the restated beginning net position of \$194,243,677 to \$195,043,152). Significant changes in net position include an increase of \$3.9 million in tax revenue from increased rates and assessments and \$5.8 million of revenue recognized from the sale of land for development. These increases are offset by \$9.8 million of transfers-out, which is comprised of \$3.1 million of net transfers-in offset by approximately \$13 million of existing infrastructure capital assets transferred to the stormwater enterprise fund for its future maintenance.

The net position of the business-type activities increased \$17,689,573 in fiscal year 2017. Program revenues for the electric, water, sewer, and stormwater utilities, airport and solid waste funds exceeded expenses by \$7.5 million and the business activities transferred \$4.7 million to the governmental activities, to fund utility portions of transportation capital projects, payment in lieu of taxes, and vehicle purchases.

The net position of MCPS has decreased \$2,243,422 in fiscal year 2017. This change was primarily due to an increase in net pension liability of \$9.8 million.

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

The following tables summarize the Statement of Net Position for the reporting unit as of June 30, 2017.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2017	FY 2016 (Restated)	FY 2017	FY 2016 (Restated)	FY 2017	FY 2016 (Restated)
Current assets	\$ 80,305,106	\$ 56,364,686	\$ 71,478,721	\$ 60,237,483	\$ 151,783,827	\$ 116,602,169
Capital assets	241,447,146	254,393,105	129,792,907	115,411,678	371,240,053	369,804,783
Total assets	<u>\$ 321,752,252</u>	<u>\$ 310,757,791</u>	<u>\$ 201,271,628</u>	<u>\$ 175,649,161</u>	<u>\$ 523,023,880</u>	<u>\$ 486,406,952</u>
Deferred outflows of resources	\$ 6,193,998	\$ 4,684,775	\$ 2,328,603	\$ 1,969,963	\$ 8,522,601	\$ 6,654,738
Current liabilities	\$ 7,804,958	\$ 8,951,100	\$ 10,652,887	\$ 7,413,461	\$ 18,457,845	\$ 16,364,561
Long-term liabilities	120,856,528	106,526,368	40,279,401	34,408,423	161,135,929	140,934,791
Total liabilities	<u>\$ 128,661,486</u>	<u>\$ 115,477,468</u>	<u>\$ 50,932,288</u>	<u>\$ 41,821,884</u>	<u>\$ 179,593,774</u>	<u>\$ 157,299,352</u>
Deferred inflows of resources	\$ 2,100,640	\$ 4,921,946	\$ 645,052	\$ 1,463,922	\$ 2,745,692	\$ 6,385,868
Net position:						
Net Investment						
in capital assets	\$ 224,620,939	\$ 238,905,626	\$ 100,501,797	\$ 90,521,955	\$ 325,122,736	\$ 329,427,581
Restricted	253,104	321,190	2,138,217	1,170,439	2,391,321	1,491,629
Unrestricted (deficit)	(27,689,919)	(44,183,664)	49,382,877	42,640,924	21,692,958	(1,542,740)
Total net position	<u>\$ 197,184,124</u>	<u>\$ 195,043,152</u>	<u>\$ 152,022,891</u>	<u>\$ 134,333,318</u>	<u>\$ 349,207,015</u>	<u>\$ 329,376,470</u>

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
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GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

	MCPS		EDA		Total Reporting Unit	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016 (Restated)
Current assets	\$ 27,723,815	\$ 34,652,041	\$ 3,126,678	\$ 635,872	\$ 182,634,320	\$ 151,890,082
Capital assets	79,422,004	74,712,929	-	-	450,662,057	444,517,712
Total assets	<u>\$ 107,145,819</u>	<u>\$ 109,364,970</u>	<u>\$ 3,126,678</u>	<u>\$ 635,872</u>	<u>\$ 633,296,377</u>	<u>\$ 596,407,794</u>
Deferred outflows of resources	\$ 17,318,065	\$ 11,980,685	\$ -	\$ -	\$ 25,840,666	\$ 18,635,423
Current liabilities	\$ 15,646,485	\$ 17,051,418	\$ 2,534,964	\$ -	\$ 36,639,294	\$ 33,415,979
Long-term liabilities	106,551,333	96,823,302	-	-	267,687,262	237,758,093
Total liabilities	<u>\$ 122,197,818</u>	<u>\$ 113,874,720</u>	<u>\$ 2,534,964</u>	<u>\$ -</u>	<u>\$ 304,326,556</u>	<u>\$ 271,174,072</u>
Deferred inflows of resources	\$ 4,276,912	\$ 7,238,359	\$ -	\$ -	\$ 7,022,604	\$ 13,624,227
Net position:						
Net Investment in capital assets	\$ 79,206,749	\$ 74,381,016	\$ -	\$ -	\$ 347,433,080	\$ 354,019,914
Restricted	4,985,005	11,233,318	-	-	7,376,326	12,724,947
Unrestricted (deficit)	(86,202,600)	(85,381,758)	591,714	635,872	(7,021,523)	(36,499,943)
Total net position	<u>\$ (2,010,846)</u>	<u>\$ 232,576</u>	<u>\$ 591,714</u>	<u>\$ 635,872</u>	<u>\$ 347,787,883</u>	<u>\$ 330,244,918</u>

The sum of net investment in capital assets of the primary government and the component unit does not equal net investment in capital assets of the total reporting unit, because the debt related to the component unit is reflected in the primary government's general governmental activities reducing unrestricted net position. The assets are reflected in the component unit as net investment in capital assets. The total reporting unit matches the assets with the debt and reports the net amount of the net investment in capital assets. The total adjustment was \$56,896,406 in FY 2017 and \$49,788,683 in FY 2016.

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

The following tables summarize the changes in net position for the reporting unit for the year ended June 30, 2017.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2017	FY 2016 (Restated)	FY 2017	FY 2016	FY 2017	FY 2016 (Restated)
Revenues:						
Program revenues:						
Charges for services	\$ 3,671,170	\$ 3,494,676	\$ 73,462,969	\$ 71,961,174	\$ 77,134,139	\$ 75,455,850
Operating grants, contributions	8,003,903	7,619,603	65,507	126,842	8,069,410	7,746,445
Capital grants, contributions	2,636,725	3,516,026	3,591,414	2,591,237	6,228,139	6,107,263
General Revenues:						
Property Taxes	79,451,231	76,912,413	-	-	79,451,231	76,912,413
Other Taxes	20,636,558	19,191,954	-	-	20,636,558	19,191,954
Unrestricted grants	8,032,305	8,104,957	-	-	8,032,305	8,104,957
City appropriation to component unit	-	-	-	-	-	-
Other	10,879,058	11,040,714	329,491	115,315	11,208,549	11,156,029
Total revenues	\$ 133,310,950	\$ 129,880,343	\$ 77,449,381	\$ 74,794,568	\$ 210,760,331	\$ 204,674,911
Expenses:						
General government	\$ 9,317,421	\$ 9,416,657	\$ -	\$ -	\$ 9,317,421	\$ 9,416,657
Public safety	29,347,211	29,590,090	-	-	29,347,211	29,590,090
Public works	11,242,030	10,271,259	-	-	11,242,030	10,271,259
Health and welfare	8,094,092	7,803,369	-	-	8,094,092	7,803,369
Culture, rec, development	7,909,986	6,674,897	-	-	7,909,986	6,674,897
Interest on long-term debt	2,899,640	2,895,236	-	-	2,899,640	2,895,236
Bond issuance costs	393,281	-	-	-	393,281	-
Electric	-	-	37,573,386	39,930,487	37,573,386	39,930,487
Water	-	-	7,870,578	7,963,709	7,870,578	7,963,709
Sewer	-	-	15,974,768	13,041,741	15,974,768	13,041,741
Airport	-	-	4,277,596	4,014,417	4,277,596	4,014,417
Solid Waste	-	-	2,769,954	3,346,175	2,769,954	3,346,175
Stormwater	-	-	1,178,358	616,603	1,178,358	616,603
Education	57,870,687	53,559,758	-	-	57,870,687	53,559,758
Economic Development	-	-	-	-	-	-
Total expenses	\$ 127,074,348	\$ 120,211,266	\$ 69,644,640	\$ 68,913,132	\$ 196,718,988	\$ 189,124,398
Increase (decrease) in net position before transfers	\$ 6,236,602	\$ 9,669,077	\$ 7,804,741	\$ 5,881,436	\$ 14,041,343	\$ 15,550,513
Transfers	(9,884,832)	5,469,380	9,884,832	(5,469,380)	-	-
Special item	5,789,202	-	-	-	5,789,202	5,789,202
Change in net position	\$ 2,140,972	\$ 15,138,457	\$ 17,689,573	\$ 412,056	\$ 19,830,545	\$ 21,339,715
Net position beginning	194,243,677	179,105,220	134,333,318	133,921,262	334,366,197	313,026,482
Restatement - Note 18	799,475	-	-	-	799,475	-
Net position beginning, as restated	195,043,152	179,105,220	134,333,318	133,921,262	329,376,470	313,026,482
Net position ending	\$ 197,184,124	\$ 194,243,677	\$ 152,022,891	\$ 134,333,318	\$ 349,207,015	\$ 334,366,197

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

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

	MCPS		EDA		Total Reporting Unit	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016 (Restated)
Program revenues:						
Charges for services	\$ 1,326,352	\$ 1,349,713	\$ 6,772	\$ 6,916	\$ 78,467,263	\$ 76,812,479
Operating grants, contributions	55,159,535	52,692,721	-	-	63,228,945	60,439,166
Capital grants, contributions	-	-	177,540	-	6,405,679	6,107,263
General Revenues:						
Property Taxes	-	-	-	-	79,451,231	76,912,413
Other Taxes	-	-	-	-	20,636,558	19,191,954
Unrestricted grants	-	-	-	-	8,032,305	8,104,957
City appropriation to component unit	57,870,687	53,559,758	241,000	-	58,111,687	53,559,758
Other	145,933	110,031	5,619,591	2,125	16,974,073	11,268,185
Total revenues	\$ 114,502,507	\$ 107,712,223	\$ 6,044,903	\$ 9,041	\$ 325,262,838	\$ 312,387,134
Expenses:						
General government	\$ -	\$ -	\$ -	\$ -	\$ 9,317,421	\$ 9,416,657
Public safety	-	-	-	-	29,347,211	29,590,090
Public works	-	-	-	-	11,242,030	10,271,259
Health and welfare	-	-	-	-	8,094,092	7,803,369
Culture, rec, development	-	-	-	-	7,909,986	6,674,897
Interest on long-term debt	-	-	-	-	2,899,640	2,895,236
Bond issuance costs	-	-	-	-	393,281	-
Electric	-	-	-	-	37,573,386	39,930,487
Water	-	-	-	-	7,870,578	7,963,709
Sewer	-	-	-	-	15,974,768	13,041,741
Airport	-	-	-	-	4,277,596	4,014,417
Solid Waste	-	-	-	-	2,769,954	3,346,175
Stormwater	-	-	-	-	1,178,358	616,603
Education	116,745,929	109,050,864	-	-	174,616,616	162,610,622
Economic Development	-	-	6,089,061	34,031	6,089,061	34,031
Total expenses	\$ 116,745,929	\$ 109,050,864	\$ 6,089,061	\$ 34,031	\$ 313,464,917	\$ 298,175,262
Increase (decrease) in net position before transfers	\$ (2,243,422)	\$ (1,338,641)	\$ (44,158)	\$ (24,990)	\$ 11,797,921	\$ 14,211,872
Transfers	-	-	-	-	-	-
Special item					5,789,202	5,789,202
Change in net position	\$ (2,243,422)	\$ (1,338,641)	\$ (44,158)	\$ (24,990)	\$ 17,587,123	\$ 20,001,074
Net position beginning	232,576	1,571,217	635,872	660,862	335,234,645	315,258,561
Restatement - Note 18	-	-	-	-	799,475	-
Net position beginning, as restated	232,576	1,571,217	635,872	660,862	330,244,918	315,258,561
Net position ending	\$ (2,010,846)	\$ 232,576	\$ 591,714	\$ 635,872	\$ 347,787,883	\$ 335,234,645

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

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2017

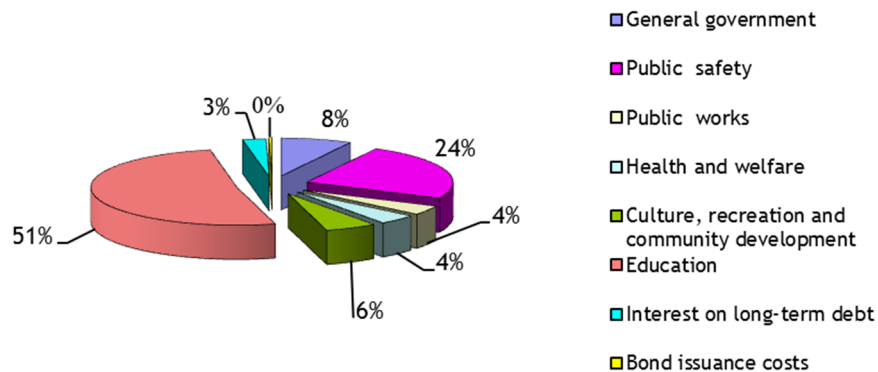
GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

The table below details the governmental activities expenses and program revenues showing the net cost by program/function. Program expenses and revenues were realigned in FY2017 with the implementation of a new ERP financial system to better track with budgeted program areas. Changes are evidenced by decreases in general government and public safety categories, offset by increases in public works and culture, recreation and community development. The total governmental activities net program/function costs were \$112,762,550, an increase of \$7,181,589 over last fiscal year. The increase is primarily due to an increase of \$4.3 million in education expenses due to the transfer of bond proceeds totaling \$3.9 million to cover the construction costs of new athletic fields, coupled with the standard increase of 2.625% per the 2016 joint budget agreement. Public works net program cost increased primarily due to an increase in salaries and internal service charges, and a decrease in capital grant funding and proffers. Education continues to be the City's largest program, with expenses totaling \$57,870,687. The education expense in the governmental activities also reflects the City's local revenue that is appropriated to MCPS. The program revenues of education are recorded in the component unit, MCPS, and therefore are not in the table or chart.

Governmental Activities Expenses and Program Revenues

	Program Expenses FY 2017	Program Revenues FY 2017	Net Program Cost FY 2017	Net Program Cost FY 2016
General government	\$ 9,317,421	\$ 480,971	\$ 8,836,450	\$ 8,322,341
Public safety	29,347,211	2,131,198	27,216,013	27,317,230
Public works	11,242,030	6,810,694	4,431,336	2,576,413
Health and welfare	8,094,092	3,389,161	4,704,931	4,595,953
Culture, recreation and community development	7,909,986	1,499,774	6,410,212	6,314,030
Education	57,870,687	-	57,870,687	53,559,758
Interest on long-term debt	2,899,640	-	2,899,640	2,895,236
Bond issuance costs	393,281	-	393,281	-
Total	<u>\$ 127,074,348</u>	<u>\$ 14,311,798</u>	<u>\$ 112,762,550</u>	<u>\$ 105,580,961</u>

Governmental Activities Net Program Costs



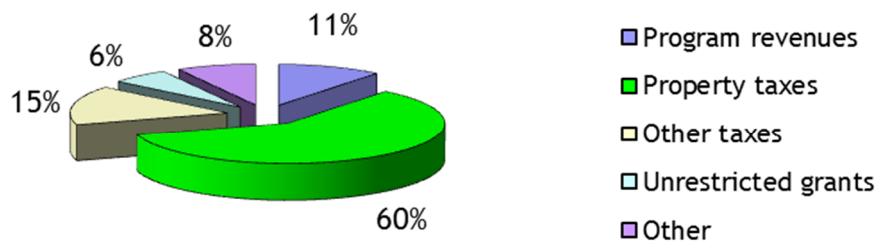
CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

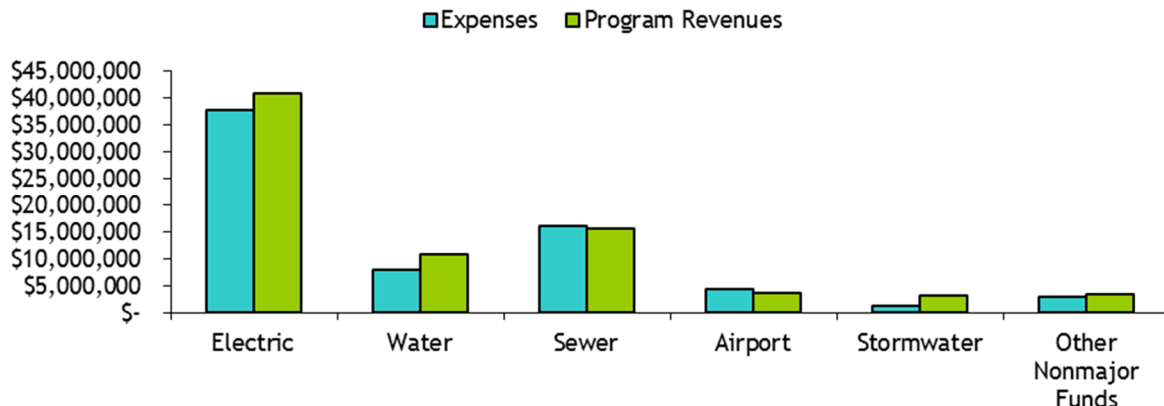
In addition to program revenues of \$14,311,798, there are also general revenues in the governmental activities, which are revenues that are not attributed to any specific program/function. The total general revenues in fiscal year 2017 are \$118,999,152 for total governmental activities revenues of \$133,310,950. Governmental activities revenues in fiscal year 2017 are \$3,430,607 more than fiscal year 2016, due mostly to an increase in property taxes, sales taxes, and other local taxes. The chart below indicates that the property taxes continue to be the largest source of revenue for the governmental activities.

Governmental Activities Revenues



For the City's business-type activities, total net position increased \$17,689,573 to \$152,022,891 for the year. The net (expenses)/revenues for all business type activities were positive with program revenues exceeding expenses by \$7,475,250. The cost of all business-type activities in fiscal year 2017 was \$69,644,640. As depicted in the chart below, program revenues of \$77,119,890 offset the cost of doing business. The Airport Fund received capital contributions of \$853,017 and the Stormwater Fund received capital contributions of \$1,878,615 that are reflected as revenues.

Business-type Activities Expenses and Program Revenues



CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

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

Governmental Funds

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

At the end of fiscal year 2017, the City's governmental funds reported combined ending fund balances of \$64,239,234 an increase of \$21,115,247 from fiscal year 2016. The general fund balance increased \$4,514,043 and other governmental fund balances increased \$16,601,204.

The general fund is the main operating fund of the City. At the end of fiscal year 2017 total fund balance of the general fund was \$31,087,313 and the unassigned fund balance \$16,768,856. The unassigned fund balance represents 15 percent of total general fund revenues of \$111,755,660 budgeted for fiscal year 2018. The remainder of fund balance is either nonspendable, restricted, committed or assigned to indicate that it is 1) not in spendable form (\$89,610), 2) legally required to be maintained intact, 3) restricted for particular purposes (\$840,093), 4) committed for particular purposes (\$10,743,996), or 5) assigned for particular purposes (\$2,644,758).

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The total of net position at the end of fiscal year 2017 for the Electric, Water, Sewer, Airport, Stormwater, and the non-major enterprise funds was \$152,022,891, which is an increase of \$17,689,573 over the prior year. The \$49,382,877 unrestricted portion of net position increased \$6,741,953 from FY 2016. The remaining \$100,501,797 is invested of capital assets net of related debt, and \$2,138,217 is restricted for capital projects. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

In fiscal year 2017, the City's general fund revenues exceeded the revised revenue budget by \$3,181,339. Expenditures ended the year under the revised budget by \$4,018,884. The net change in general fund balance was \$4,514,043.

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

- Total departmental expenditures were \$2,806,259 less than budget largely related to staff vacancies and a delay in street paving projects in the public works department.
- Other local taxes exceeded budgeted amounts by \$2,172,055 due to increased sales tax collections of \$889,013, business license tax of \$449,629, vehicle licenses of \$149,664, recordation taxes of \$226,633 and meals taxes of \$294,186.
- The City's 2016 funding agreement with the MCPS provided an additional \$1.4 million in funding to the schools in 2017. In addition, \$3.9 million of bond proceeds were transferred to the schools for capital improvements.
- An additional \$4.4 million was placed in the general fund balance committed for capital projects.
- The city completed phases 1 and 2 (Financials & Revenue/Tax) of the implementation of a new ERP financial management system with Tyler Technologies. Phases 3 through 5 (EnerGov, Payroll, Work Orders), and add-ons to phase 2 are due for completion in fiscal year 2018, with the final phase 6 (Utility Billing) to be completed in fiscal year 2019.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2017 is \$325,122,736, a decrease of \$4,304,845 from June 30, 2016. Net investment in capital assets is calculated as net capital assets minus outstanding bonds for capital improvements and the associated unamortized bond premiums, plus the associated unamortized deferred charges on bond refundings, and plus any unspent bond proceeds. The most significant change in net investment in capital assets from the prior year is the outstanding general obligation bonds and unamortized bond premium balances, which increased \$16 million for governmental and business-type activities due to the issuance of new bonds in August 2016, offset by the increase in unspent bond proceeds which increased \$12 million.

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION: (CONTINUED)

The following tables summarize the capital assets of the City and MCPS. Additional information on the capital assets is found in Note 6 on pages 37-41 of this report.

	Capital Assets FY 2017	Accumulated Depreciation FY 2017	Capital Assets net of Accumulated Depreciation		Net Increase (Decrease) Capital Assets
			FY 2017	FY 2016 (Restated)	
Governmental Activities					
Land	\$ 115,153,342	\$ -	\$ 115,153,342	\$ 111,722,083	\$ 3,431,259
Construction in progress	3,214,289	-	3,214,289	2,895,179	319,110
Buildings and improvements	39,462,266	(28,537,132)	10,925,134	11,949,636	(1,024,502)
Machinery and equipment	24,249,631	(13,612,090)	10,637,541	8,607,554	2,029,987
Infrastructure	186,445,329	(84,928,489)	101,516,840	119,218,654	(17,701,814)
Total	<u>\$ 368,524,857</u>	<u>\$ (127,077,711)</u>	<u>\$ 241,447,146</u>	<u>\$ 254,393,106</u>	<u>\$ (12,945,960)</u>
Business-type Activities					
Land	\$ 11,483,119	\$ -	\$ 11,483,119	\$ 11,521,721	\$ (38,602)
Construction in progress	9,435,762	-	9,435,762	8,117,270	1,318,492
Buildings and improvements	-	-	-	-	-
Investment in Plant	230,910,842	(145,378,048)	85,532,794	84,419,737	1,113,057
Infrastructure	22,815,155	(9,374,433)	13,440,722	-	13,440,722
Machinery and equipment	4,538,091	(3,675,283)	862,808	928,741	(65,933)
Purchased capacity	27,153,050	(18,115,348)	9,037,702	10,424,209	(1,386,507)
Total	<u>\$ 306,336,019</u>	<u>\$ (176,543,112)</u>	<u>\$ 129,792,907</u>	<u>\$ 115,411,678</u>	<u>\$ 14,381,229</u>
Total Primary Government					
Land	\$ 126,636,461	\$ -	\$ 126,636,461	\$ 123,243,804	\$ 3,392,657
Construction in progress	12,650,051	-	12,650,051	11,012,449	1,637,602
Buildings and improvements	39,462,266	(28,537,132)	10,925,134	11,949,636	(1,024,502)
Investment in Plant	230,910,842	(145,378,048)	85,532,794	84,419,737	1,113,057
Machinery and equipment	28,787,722	(17,287,373)	11,500,349	9,536,295	1,964,054
Infrastructure	209,260,484	(94,302,922)	114,957,562	119,218,654	(4,261,092)
Purchased capacity	27,153,050	(18,115,348)	9,037,702	10,424,209	(1,386,507)
Total	<u>\$ 674,860,876</u>	<u>\$ (303,620,823)</u>	<u>\$ 371,240,053</u>	<u>\$ 369,804,784</u>	<u>\$ 1,435,269</u>
MCPS					
Land	\$ 2,336,649	\$ -	\$ 2,336,649	\$ 2,336,649	\$ -
Construction in progress	2,291,810	-	2,291,810	30,555,637	(28,263,827)
Buildings and improvements	172,149,530	(100,580,219)	71,569,311	39,090,438	32,478,873
Machinery and equipment	9,965,473	(6,741,239)	3,224,234	2,730,205	494,029
Total	<u>\$ 186,743,462</u>	<u>\$ (107,321,458)</u>	<u>\$ 79,422,004</u>	<u>\$ 74,712,929</u>	<u>\$ 4,709,075</u>

CITY OF MANASSAS, VIRGINIA

**Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION: (CONTINUED)

Long-Term Obligations

The following tables summarize the long-term debt of the City and MCPS. Additional information on long-term debt is found in Note 8 on pages 43-47 of this report.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
General obligation bonds	\$ 83,502,015	\$ 75,818,870	\$ 29,498,562	\$ 23,555,650	\$ 113,000,577	\$ 99,374,520
Premium on bonds	8,400,637	6,052,910	2,506,574	2,220,863	10,907,211	8,273,773
Capital leases	149,686	78,953	-	-	149,686	78,953
VDOA obligation	-	-	-	1,568,000	-	1,568,000
Compensated absences	2,657,651	2,680,612	911,776	916,311	3,569,427	3,596,923
OPEB Obligation payable	3,712,011	3,371,803	744,567	649,740	4,456,578	4,021,543
Net Pension liability	22,434,528	18,523,220	6,617,922	5,497,859	29,052,450	24,021,079
Total	<u>\$ 120,856,528</u>	<u>\$ 106,526,368</u>	<u>\$ 40,279,401</u>	<u>\$ 34,408,423</u>	<u>\$ 161,135,929</u>	<u>\$ 140,934,791</u>

	MCPS		Total Reporting Unit	
	FY 2017	FY 2016	FY 2017	FY 2016
General obligation bonds	\$ -	\$ -	\$ 113,000,577	\$ 99,374,520
Premium on bonds	-	-	10,907,211	8,273,773
Capital leases	215,255	331,913	364,941	410,866
VDOA obligation	-	-	-	1,568,000
Compensated absences	2,109,035	2,046,595	5,678,462	5,643,518
OPEB Obligation payable	1,474,000	1,591,000	5,930,578	5,612,543
Net Pension liability	102,753,043	92,853,794	131,805,493	116,874,873
Total	<u>\$ 106,551,333</u>	<u>\$ 96,823,302</u>	<u>\$ 267,687,262</u>	<u>\$ 237,758,093</u>

The City's long term obligations of \$161,135,929 include outstanding general obligation (GO) bonds of \$113,000,577 and bond premiums of \$10,907,221. The total reflects an increase of \$20,201,138 from the prior year, primarily due to the issuance of \$31.5 million in GO and refunding bonds, offset by \$9.5 million of defeased bonds. The VDOA loan for \$1,568,000 was paid-off in FY2017. A new capital lease for a street sweeper commenced during the year, and the OPEB obligation payable and net pension liability increased by \$435K and \$5 million, respectively. The net increase to the MCPS total debt is \$9,728,031, which is primarily the result of an increase in net pension liability.

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

CITY OF MANASSAS, VIRGINIA
Management's Discussion and Analysis
(UNAUDITED)
For The Year Ended June 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION: (CONTINUED)

Long-Term Obligations (Continued)

The Code of the Commonwealth of Virginia, as amended, (Virginia Code) limits the amount of general obligation debt the City may issue to 10 percent of the assessed valuation of the real estate subject to taxation. The assessed valuation of the real estate subject to taxation in the City as of January 1, 2016 was \$4,714,999,700, making the 2017 legal debt limitation of the City \$471,499,970. The City's general obligation debt applicable to the limit is \$113,000,577, leaving a legal debt margin for creation of additional debt of \$358,499,393. Additional information on the City's long-term debt can be found in Note 8 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The unemployment rate for the City as of June 2017 was 3.4 percent, which is below the state rate (3.7 percent) and the national rate (4.1 percent).
- Real property taxable assessed values increased 2.2 percent in January 2016 (used for fiscal year 2017 tax levies) to \$4,714,999,700 up by \$101,132,400 over the previous year. Real property taxable assessed values increased 1.6 percent in January 2017 (to be used for fiscal year 2018 tax levies) to \$4,789,235,400 up by \$74,235,700 over the previous year.
- The City is projecting assessed values to continue increasing marginally in 2018 and has taken this factor into consideration in the projection of the FY2018 Budget and the development of the FY2019 Budget which is currently underway.
- At June 30, 2017, the general fund unassigned fund balance was \$16,768,856. The City has appropriated \$600,000 of this amount as a funding source in the FY2017/2018 Budget.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT WIDE FINANCIAL STATEMENTS

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CITY OF MANASSAS, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2017

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Manassas City Public Schools	Economic Development Authority
ASSETS					
Cash and investments (Note 3)	\$ 58,992,885	\$ 51,449,746	\$ 110,442,631	\$ 15,602,796	\$ 586,781
Cash and investments - restricted (Note 3)	10,655,685	4,848,013	15,503,698	6,480,585	-
Receivables, net:					
Taxes, including penalties	4,149,982	-	4,149,982	-	-
Accounts	149,339	11,798,920	11,948,259	1,425,659	6,772
Notes (Note 20)	-	-	-	-	2,533,125
Due from other governments (Note 4)	3,611,404	1,358,712	4,970,116	4,214,775	-
Due from component unit (Note 20)	2,533,125	-	2,533,125	-	-
Prepays	212,686	-	212,686	-	-
Inventories	-	2,023,330	2,023,330	-	-
Capital assets: (Note 6)					
Nondepreciable	118,367,631	20,918,881	139,286,512	4,628,459	-
Depreciable, net	123,079,515	108,874,026	231,953,541	74,793,545	-
Total assets	321,752,252	201,271,628	523,023,880	107,145,819	3,126,678
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	1,446,561	980,045	2,426,606	-	-
Pension related deferred outflows (Notes 12 and 13)	4,747,437	1,348,558	6,095,995	17,318,065	-
Total deferred outflows of resources	6,193,998	2,328,603	8,522,601	17,318,065	-
LIABILITIES					
Accounts payable and other current liabilities	4,168,050	4,492,627	8,660,677	15,646,485	1,839
Deposits	1,998,300	1,497,592	3,495,892	-	-
Due to other governments (Notes 9, 10)	6,211	3,317,339	3,323,550	-	-
Due to primary government (Note 20)	-	-	-	-	2,533,125
Accrued interest	1,532,397	473,300	2,005,697	-	-
Unearned revenues (Note 7)	100,000	872,029	972,029	-	-
Noncurrent liabilities:					
Net pension liability (Notes 12 and 13)	22,434,528	6,617,922	29,052,450	102,753,043	-
Due within one year (Note 8)	7,877,678	2,673,544	10,551,222	437,583	-
Due in more than one year (Note 8)	90,544,322	30,987,935	121,532,257	3,360,707	-
Total liabilities	128,661,486	50,932,288	179,593,774	122,197,818	2,534,964
DEFERRED INFLOWS OF RESOURCES					
Pension related deferred inflows (Notes 12 and 13)	2,100,640	645,052	2,745,692	4,276,912	-
Total deferred inflows of resources	2,100,640	645,052	2,745,692	4,276,912	-
NET POSITION					
Net investment in capital assets	224,620,939	100,501,797	325,122,736	79,206,749	-
Restricted for:					
Nonexpendable Cemetery principal	100,000	-	100,000	-	-
Expendable Cemetery funds	153,104	-	153,104	-	-
Escrow for future capital projects	-	2,138,217	2,138,217	4,985,005	-
Unrestricted	(27,689,919)	49,382,877	21,692,958	(86,202,600)	591,714
Total net position	\$ 197,184,124	\$ 152,022,891	\$ 349,207,015	\$ (2,010,846)	\$ 591,714

CITY OF MANASSAS, VIRGINIA
STATEMENT OF ACTIVITIES
For the 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	\$ 9,317,421	\$ 211,599	\$ 269,372	\$ -
Public safety	29,347,211	1,682,680	448,518	-
Public works	11,242,030	427,517	3,776,452	2,606,725
Health and welfare	8,094,092	35,946	3,353,215	-
Culture, recreation and community development	7,909,986	1,313,428	156,346	30,000
Education	57,870,687	-	-	-
Interest on long-term debt	2,899,640	-	-	-
Bond issuance costs	393,281	-	-	-
Total governmental activities	127,074,348	3,671,170	8,003,903	2,636,725
Business-type activities:				
Electric	37,573,386	40,796,452	-	1,313
Water	7,870,578	10,139,090	-	613,343
Sewer	15,974,768	15,161,560	-	245,126
Airport	4,277,596	2,779,185	57,413	853,017
Solid Waste	2,769,954	3,409,022	8,094	-
Stormwater	1,178,358	1,177,660	-	1,878,615
Total business-type activities	69,644,640	73,462,969	65,507	3,591,414
Total primary government	\$ 196,718,988	\$ 77,134,139	\$ 8,069,410	\$ 6,228,139
Component units:				
Manassas City Public Schools	\$ 116,745,929	\$ 1,326,352	\$ 55,159,535	\$ -
Economic Development Authority	6,089,061	6,772	-	177,540
Total component units	\$ 122,834,990	\$ 1,333,124	\$ 55,159,535	\$ 177,540

General revenues:

Taxes:

Property taxes

Sales taxes

Business license taxes

Meals taxes

Other taxes

Unrestricted grants

Unrestricted investment earnings

Other unrestricted revenues

Gain on sale of capital assets

Payments from component unit

Payments from City

Special item (Note 20)

Transfers

Total revenues, special items and transfers

Change in net position

Net position - beginning, as restated (Note 18)

Net position - ending

Net (Expenses) Revenues and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	MCPS	EDA
\$ (8,836,450)		\$ (8,836,450)		
(27,216,013)		(27,216,013)		
(4,431,336)		(4,431,336)		
(4,704,931)		(4,704,931)		
(6,410,212)		(6,410,212)		
(57,870,687)		(57,870,687)		
(2,899,640)		(2,899,640)		
(393,281)		(393,281)		
<u>(112,762,550)</u>		<u>(112,762,550)</u>		
	\$ 3,224,379	3,224,379		
	2,881,855	2,881,855		
	(568,082)	(568,082)		
	(587,981)	(587,981)		
	647,162	647,162		
	<u>1,877,917</u>	<u>1,877,917</u>		
-	<u>7,475,250</u>	<u>7,475,250</u>		
<u>(112,762,550)</u>	<u>7,475,250</u>	<u>(105,287,300)</u>		
			\$ (60,260,042)	\$ -
			<u>-</u>	<u>(5,904,749)</u>
			<u>\$ (60,260,042)</u>	<u>\$ (5,904,749)</u>
79,451,231	-	79,451,231	-	-
8,489,013	-	8,489,013	-	-
4,078,536	-	4,078,536	-	-
4,089,936	-	4,089,936	-	-
3,979,073	-	3,979,073	-	-
8,032,305	-	8,032,305	-	-
614,588	237,030	851,618	62,170	2,131
2,899,329	31,214	2,930,543	83,763	5,000
109,957	61,247	171,204	-	5,612,460
7,255,184	-	7,255,184	-	-
-	-	-	57,870,687	241,000
5,789,202	-	5,789,202	-	-
<u>(9,884,832)</u>	<u>9,884,832</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>114,903,522</u>	<u>10,214,323</u>	<u>125,117,845</u>	<u>58,016,620</u>	<u>5,860,591</u>
2,140,972	17,689,573	19,830,545	(2,243,422)	(44,158)
<u>195,043,152</u>	<u>134,333,318</u>	<u>329,376,470</u>	<u>232,576</u>	<u>635,872</u>
<u>\$ 197,184,124</u>	<u>\$ 152,022,891</u>	<u>\$ 349,207,015</u>	<u>\$ (2,010,846)</u>	<u>\$ 591,714</u>

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FUND FINANCIAL STATEMENTS

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CITY OF MANASSAS, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

Exhibit 3

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 33,275,618	\$ 22,196,540	\$ 55,472,158
Cash and investments - restricted	-	10,655,685	10,655,685
Receivables, net:			
Taxes, including penalties	3,846,213	303,769	4,149,982
Accounts	149,339	-	149,339
Prepays	4,244	3,056	7,300
Due from component unit	-	2,533,125	2,533,125
Due from other governments	2,617,583	993,821	3,611,404
Due from other funds (Note 5)	<u>85,366</u>	<u>-</u>	<u>85,366</u>
Total assets	<u>\$ 39,978,363</u>	<u>\$ 36,685,996</u>	<u>\$ 76,664,359</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 3,329,968	\$ 660,856	\$ 3,990,824
Retainage payable	-	-	-
Deposits	1,998,300	-	1,998,300
Unearned revenue	100,000	-	100,000
Due to other governments	6,211	-	6,211
Due to other funds	<u>-</u>	<u>85,366</u>	<u>85,366</u>
Total liabilities	<u>5,434,479</u>	<u>746,222</u>	<u>6,180,701</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue (Note 7 and Note 20)	<u>3,456,571</u>	<u>2,787,853</u>	<u>6,244,424</u>
Total deferred inflows of resources	<u>3,456,571</u>	<u>2,787,853</u>	<u>6,244,424</u>
FUND BALANCES (Note 17)			
Nonspendable	89,610	103,056	192,666
Restricted	840,093	16,295,973	17,136,066
Committed	10,743,996	16,752,892	27,496,888
Assigned	2,644,758	-	2,644,758
Unassigned	<u>16,768,856</u>	<u>-</u>	<u>16,768,856</u>
Total fund balances	<u>31,087,313</u>	<u>33,151,921</u>	<u>64,239,234</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 39,978,363</u>	<u>\$ 36,685,996</u>	<u>\$ 76,664,359</u>

CITY OF MANASSAS, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2017

Exhibit 4

Total fund balances for governmental funds (Exhibit 3)	\$ 64,239,234
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	236,771,347
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	6,244,424
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.	6,293,099
Deferred refunding costs are not financial resources and, therefore, are not reported in the funds.	1,446,561
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2017 employer contributions	2,356,976
Pension related deferred outflows	2,008,297
Pension related deferred inflows	(1,932,476)
Net pension liability	(20,696,524)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported in the funds	
Bonds payable	(83,502,015)
Premium on bonds payable	(8,400,637)
Accrued interest payable	(1,532,397)
Net OPEB obligation	(3,712,011)
Compensated absences	(2,399,754)
Net position of governmental activities	<u>\$ 197,184,124</u>

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

Exhibit 5

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
General property taxes	\$ 69,707,541	\$ 8,715,104	\$ 78,422,645
Other local taxes	20,162,055	-	20,162,055
Permits, fees and licenses	1,089,015	65,219	1,154,234
Fines and forfeitures	713,756	-	713,756
Revenues from use of money and property	591,453	70,568	662,021
Charges for services	616,052	577,375	1,193,427
Payment in lieu of debt service	-	7,255,184	7,255,184
Recovered costs	2,451,271	-	2,451,271
Miscellaneous	972,108	240,495	1,212,603
Contribution from component unit	-	3,256,077	3,256,077
Intergovernmental	12,248,505	6,211,522	18,460,027
Total revenues	<u>108,551,756</u>	<u>26,391,544</u>	<u>134,943,300</u>
EXPENDITURES			
Current:			
General government administration	8,538,007	386,140	8,924,147
Public safety	20,088,512	8,802,950	28,891,462
Public works	6,237,736	3,981	6,241,717
Health and welfare	2,463,549	5,645,093	8,108,642
Culture, recreation, and community development	7,213,592	8,932	7,222,524
Education	57,870,687	-	57,870,687
Capital outlay	720,988	6,148,334	6,869,322
Debt service:			
Principal retirement	-	6,286,702	6,286,702
Interest and fiscal charges	-	3,017,724	3,017,724
Bond issuance costs	193,361	199,920	393,281
Total expenditures	<u>103,326,432</u>	<u>30,499,776</u>	<u>133,826,208</u>
Excess (deficiency) of revenues over expenditures	<u>5,225,324</u>	<u>(4,108,232)</u>	<u>1,117,092</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	11,715,000	11,685,000	23,400,000
Premium on bonds	1,962,082	1,014,920	2,977,002
Payment to refunded bond escrow agent	(9,518,194)	-	(9,518,194)
Transfers in	1,860,341	8,075,923	9,936,264
Transfers out	(6,730,510)	(103,368)	(6,833,878)
Proceeds from sale of capital assets	-	36,961	36,961
Total other financing sources (uses)	<u>(711,281)</u>	<u>20,709,436</u>	<u>19,998,155</u>
Net change in fund balances	4,514,043	16,601,204	21,115,247
Fund balance - beginning	<u>26,573,270</u>	<u>16,550,717</u>	<u>43,123,987</u>
Fund balance - ending	<u>\$ 31,087,313</u>	<u>\$ 33,151,921</u>	<u>\$ 64,239,234</u>

**CITY OF MANASSAS, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

Exhibit 6

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 21,115,247
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation \$6,851,488 exceeded capital outlays \$6,821,330 in the current period.	(30,158)
In the Statement of Activities, only the <i>gain or loss</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the <i>cost</i> of the property sold.	(229,199)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,036,215
The transfer of capital assets from governmental activities to an enterprise fund are reported as transfers out the government-wide statement of activities.	52,946
The transfer of capital assets from enterprise funds to governmental activities are reported as transfers in the government-wide statement of activities.	(13,886,588)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Employer pension contributions, net of pension expense	652,144
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Principal repayments	6,286,702
Proceeds from bond issuance	(23,400,000)
Payments to escrow agent on bond refunding	9,518,194
Proceeds from premium on bond issuance	(2,977,002)
Amortization of bond premium	559,812
Amortization of deferred charge on refunding	(264,130)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	29,654
Net OPEB obligation	(340,208)
Accrued interest	(177,598)
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	1,194,941
Change in net position of governmental activities	<u>\$ 2,140,972</u>

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CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

Exhibit 7

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 69,425,970	\$ 69,425,970	\$ 69,707,541	\$ 281,571
Other local taxes	17,990,000	17,990,000	20,162,055	2,172,055
Permits, fees and licenses	768,600	768,600	1,089,015	320,415
Fines and forfeitures	692,000	692,000	713,756	21,756
Revenues from use of money and property	299,980	524,980	591,453	66,473
Charges for services	562,900	562,900	616,052	53,152
Recovered costs	2,314,040	2,314,040	2,451,271	137,231
Proffers	-	-	262,938	262,938
Miscellaneous	485,040	873,450	709,170	(164,280)
Intergovernmental:				
Commonwealth:				
PPTRA	3,786,630	3,786,630	3,786,635	5
Communications tax	2,750,000	2,750,000	2,724,493	(25,507)
Highway maintenance	3,829,210	3,829,210	3,776,452	(52,758)
Other	1,661,800	1,736,800	1,871,697	134,897
Federal	210,000	115,837	89,228	(26,609)
Total revenues	104,776,170	105,370,417	108,551,756	3,181,339
EXPENDITURES				
Departmental:				
City council	742,660	742,260	705,769	36,491
Clerk's office	356,440	356,840	352,333	4,507
City manager	807,480	847,480	783,078	64,402
Electoral board	337,170	425,800	425,155	645
Treasurer	772,030	842,030	805,909	36,121
Commissioner of the revenue	1,291,720	1,319,720	1,225,194	94,526
Finance and administration	1,859,810	1,909,810	1,905,456	4,354
Human resources	2,166,740	1,937,992	1,711,240	226,752
Police	15,034,350	15,834,605	15,070,108	764,497
Public works	7,281,870	7,760,362	6,852,424	907,938
Economic development	915,950	1,526,956	1,372,036	154,920
Community development	3,687,400	3,895,382	3,661,086	234,296
Contingency	311,940	276,810	-	276,810
Total departmental expenditures	35,565,560	37,676,047	34,869,788	2,806,259
Debt service:				
Interest and fees on long-term debt - general	-	62,589	193,361	(130,772)
Total debt service	-	62,589	193,361	(130,772)
Shared services	10,913,890	10,847,414	10,256,096	591,318
Contributions	136,500	136,500	136,500	-
Grants and donations	220,000	16,246	-	16,246
Community investment	374,000	398,000	-	398,000
Education	54,194,600	58,208,520	57,870,687	337,833
Total expenditures	101,404,550	107,345,316	103,326,432	4,018,884
Excess (deficiency) of revenues over expenditures	\$ 3,371,620	\$ (1,974,899)	\$ 5,225,324	\$ 7,200,223

Continued

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

Exhibit 7 (Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	\$ -	\$ 13,532,784	11,715,000	(1,817,784)
Premium on bonds	-	-	1,962,082	1,962,082
Payment to escrow agent on bond refunding	-	(9,518,195)	(9,518,194)	1
Transfers in (Note 5)	1,866,850	1,866,850	1,860,341	(6,509)
Transfers out (Note 5)	(5,824,070)	(6,292,496)	(6,730,510)	(438,014)
Total other financing sources (uses)	(3,957,220)	(411,057)	(711,281)	(300,224)
Net change in fund balances	<u>\$ (585,600)</u>	<u>\$ (2,385,956)</u>	4,514,043	<u>\$ 6,899,999</u>
Fund Balance, Beginning			<u>26,573,270</u>	
Fund Balance, Ending			<u><u>\$ 31,087,313</u></u>	

CITY OF MANASSAS, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
ASSETS			
Current assets:			
Cash and investments - unrestricted	\$ 14,870,464	\$ 14,603,327	\$ 15,593,482
Cash and investments - restricted	867,134	1,842,662	100,000
Accounts receivable, net	7,957,021	1,335,260	2,009,700
Prepays	-	-	-
Due from other governments	-	-	-
Inventories	1,632,009	347,796	43,525
Total current assets	25,326,628	18,129,045	17,746,707
Noncurrent assets:			
Capital assets:			
Nondepreciable	1,614,336	2,654,566	1,949,357
Depreciable, net	20,723,669	29,184,346	16,514,948
Total capital assets, net	22,338,005	31,838,912	18,464,305
Total noncurrent assets	22,338,005	31,838,912	18,464,305
Total assets	47,664,633	49,967,957	36,211,012
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	48,832	811,948
Pension related deferred outflows	749,177	290,777	94,951
Total deferred outflows of resources	749,177	339,609	906,899
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	3,010,932	258,486	75,825
Retainage payable	1,344	-	-
Due to other governments (Note 10)	-	-	3,317,339
Deposits	1,069,813	234,333	-
Accrued interest	35,844	131,183	235,017
Compensated absences	86,969	24,958	11,205
Bonds payable and other obligations - current	279,581	881,252	897,732
Total current liabilities	4,484,483	1,530,212	4,537,118
Noncurrent liabilities:			
Unearned revenue	-	863,979	8,050
Compensated absences	492,827	141,427	63,492
Net OPEB obligation	406,516	192,379	80,651
Net pension liability	3,528,982	1,692,812	659,406
Bonds payable and other obligations	4,453,489	7,273,550	10,973,901
Total noncurrent liabilities	8,881,814	10,164,147	11,785,500
Total liabilities	13,366,297	11,694,359	16,322,618
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	318,330	180,641	62,025
Total deferred inflows of resources	318,330	180,641	62,025
NET POSITION			
Net investment in capital assets	18,402,781	25,567,470	7,404,329
Restricted for future capital projects	-	-	100,000
Unrestricted	16,326,402	12,865,096	13,228,939
Total net position	\$ 34,729,183	\$ 38,432,566	\$ 20,733,268

Business-type Activities- Enterprise Funds				Governmental Activities
Airport Fund	Stormwater Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 5,324,393	\$ 328,254	\$ 729,826	\$ 51,449,746	\$ 3,520,727
1,228,753	809,464	-	4,848,013	-
209,795	64,896	222,248	11,798,920	-
-	-	-	-	205,386
264,092	1,094,620	-	1,358,712	-
-	-	-	2,023,330	-
<u>7,027,033</u>	<u>2,297,234</u>	<u>952,074</u>	<u>71,478,721</u>	<u>3,726,113</u>
9,045,240	5,655,382	-	20,918,881	77,285
<u>28,915,903</u>	<u>13,499,466</u>	<u>35,694</u>	<u>108,874,026</u>	<u>4,598,514</u>
<u>37,961,143</u>	<u>19,154,848</u>	<u>35,694</u>	<u>129,792,907</u>	<u>4,675,799</u>
<u>37,961,143</u>	<u>19,154,848</u>	<u>35,694</u>	<u>129,792,907</u>	<u>4,675,799</u>
<u>44,988,176</u>	<u>21,452,082</u>	<u>987,768</u>	<u>201,271,628</u>	<u>8,401,912</u>
119,265	-	-	980,045	-
<u>104,925</u>	<u>92,151</u>	<u>16,577</u>	<u>1,348,558</u>	<u>382,164</u>
<u>224,190</u>	<u>92,151</u>	<u>16,577</u>	<u>2,328,603</u>	<u>382,164</u>
271,545	384,751	176,276	4,177,815	177,226
66,174	247,294	-	314,812	-
-	-	-	3,317,339	-
193,446	-	-	1,497,592	-
29,428	41,828	-	473,300	-
12,661	154	819	136,766	38,685
<u>366,368</u>	<u>111,845</u>	<u>-</u>	<u>2,536,778</u>	<u>49,662</u>
<u>939,622</u>	<u>785,872</u>	<u>177,095</u>	<u>12,454,402</u>	<u>265,573</u>
-	-	-	872,029	-
71,747	874	4,643	775,010	219,212
53,297	8,797	2,927	744,567	-
500,563	126,942	109,217	6,617,922	1,738,004
<u>3,844,209</u>	<u>2,923,209</u>	<u>-</u>	<u>29,468,358</u>	<u>100,024</u>
<u>4,469,816</u>	<u>3,059,822</u>	<u>116,787</u>	<u>38,477,886</u>	<u>2,057,240</u>
<u>5,409,438</u>	<u>3,845,694</u>	<u>293,882</u>	<u>50,932,288</u>	<u>2,322,813</u>
<u>46,394</u>	<u>27,691</u>	<u>9,971</u>	<u>645,052</u>	<u>168,164</u>
<u>46,394</u>	<u>27,691</u>	<u>9,971</u>	<u>645,052</u>	<u>168,164</u>
33,573,446	15,518,077	35,694	100,501,797	4,526,113
1,228,753	809,464	-	2,138,217	-
<u>4,954,335</u>	<u>1,343,307</u>	<u>664,798</u>	<u>49,382,877</u>	<u>1,766,986</u>
<u>\$ 39,756,534</u>	<u>\$ 17,670,848</u>	<u>\$ 700,492</u>	<u>\$ 152,022,891</u>	<u>\$ 6,293,099</u>

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
OPERATING REVENUES			
Charges for services	\$ 38,207,883	\$ 9,501,791	\$ 13,919,640
Service reimbursements	2,374,914	-	-
Connection charges	213,655	637,299	1,241,920
Total operating revenues	<u>40,796,452</u>	<u>10,139,090</u>	<u>15,161,560</u>
OPERATING EXPENSES			
Personal services	5,027,487	2,405,990	807,991
Contractual services	1,049,735	353,512	116,205
Supplies	422,674	1,010,763	61,656
Internal and other services	1,712,907	1,489,461	684,298
Purchased power	26,822,650	-	-
Contract treatment charges	-	-	8,803,791
Depreciation and amortization	2,423,532	2,314,714	1,713,851
Total operating expenses	<u>37,458,985</u>	<u>7,574,440</u>	<u>12,187,792</u>
Operating income (loss)	<u>3,337,467</u>	<u>2,564,650</u>	<u>2,973,768</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental grants	-	-	-
Investment earnings	54,435	74,196	80,807
Gain (loss) on sale of capital assets	(7,139)	(43,436)	(82,938)
Other/insurance recoveries	9,844	1,837	14,577
Interest expense and fiscal charges	(107,262)	(252,702)	(386,699)
UOSA debt service true-up (Note 10)	-	-	(3,317,339)
Total nonoperating revenues (expenses)	<u>(50,122)</u>	<u>(220,105)</u>	<u>(3,691,592)</u>
Income (loss) before contributions and transfers	3,287,345	2,344,545	(717,824)
CAPITAL CONTRIBUTIONS	234,515	613,343	245,126
TRANSFERS IN (Note 5)	-	-	-
TRANSFERS OUT (Note 5)	<u>(2,250,910)</u>	<u>(1,639,408)</u>	<u>(1,102,956)</u>
Change in net position	1,270,950	1,318,480	(1,575,654)
Total net position - beginning, as restated (Note 18)	<u>33,458,233</u>	<u>37,114,086</u>	<u>22,308,922</u>
Total net position - ending	<u>\$ 34,729,183</u>	<u>\$ 38,432,566</u>	<u>\$ 20,733,268</u>

Business-type Activities- Enterprise Funds				Exhibit 9 Governmental Activities
Airport Fund	Stormwater Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 2,779,185	\$ 1,177,660	\$ 3,409,022	\$ 68,995,181	\$ 7,638,606
-	-	-	2,374,914	-
-	-	-	2,092,874	-
<u>2,779,185</u>	<u>1,177,660</u>	<u>3,409,022</u>	<u>73,462,969</u>	<u>7,638,606</u>
722,529	363,757	155,328	9,483,082	2,558,012
327,508	95,559	2,424,058	4,366,577	1,322,301
124,961	34,237	3,938	1,658,229	1,066,484
443,308	119,519	183,435	4,632,928	1,515,598
-	-	-	26,822,650	-
-	-	-	8,803,791	-
<u>2,516,842</u>	<u>520,365</u>	<u>3,195</u>	<u>9,492,499</u>	<u>948,629</u>
<u>4,135,148</u>	<u>1,133,437</u>	<u>2,769,954</u>	<u>65,259,756</u>	<u>7,411,024</u>
<u>(1,355,963)</u>	<u>44,223</u>	<u>639,068</u>	<u>8,203,213</u>	<u>227,582</u>
57,413	-	8,094	65,507	-
24,827	1,053	1,712	237,030	10,680
61,247	-	-	(72,266)	72,996
1,746	2,700	510	31,214	37,998
(142,448)	(44,921)	-	(934,032)	(739)
-	-	-	(3,317,339)	-
<u>2,785</u>	<u>(41,168)</u>	<u>10,316</u>	<u>(3,989,886)</u>	<u>120,935</u>
(1,353,178)	3,055	649,384	4,213,327	348,517
853,017	15,479,055	-	17,425,056	-
-	1,044,464	-	1,044,464	846,424
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,993,274)</u>	<u>-</u>
(500,161)	16,526,574	649,384	17,689,573	1,194,941
<u>40,256,695</u>	<u>1,144,274</u>	<u>51,108</u>	<u>134,333,318</u>	<u>5,098,158</u>
<u>\$ 39,756,534</u>	<u>\$ 17,670,848</u>	<u>\$ 700,492</u>	<u>\$ 152,022,891</u>	<u>\$ 6,293,099</u>

CITY OF MANASSAS, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
OPERATING ACTIVITIES			
Cash received from customers and users	\$ 38,009,761	\$ 9,532,860	\$ 14,968,363
Cash paid to suppliers	(28,557,742)	(1,329,644)	(8,969,385)
Cash paid to employees	(5,235,064)	(2,515,677)	(836,150)
Payments for interfund services used	<u>(1,712,907)</u>	<u>(1,489,461)</u>	<u>(684,298)</u>
Net cash provided by operating activities	<u>2,504,048</u>	<u>4,198,078</u>	<u>4,478,530</u>
NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	-	-
Transfers to other funds	(2,250,910)	(1,639,408)	(1,102,956)
Non-operating grants received	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(2,250,910)</u>	<u>(1,639,408)</u>	<u>(1,102,956)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants and contributions received	-	-	-
Purchases of capital assets	(1,959,013)	(544,692)	(528,421)
Proceeds from sale of capital assets	-	-	3,549
Issuance of debt	1,018,245	2,541,444	-
Principal paid on capital debt	(227,945)	(869,200)	(735,000)
Interest paid on capital debt	(161,982)	(324,014)	(496,681)
Insurance recoveries	<u>9,844</u>	<u>1,837</u>	<u>14,577</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,320,851)</u>	<u>805,375</u>	<u>(1,741,976)</u>
INVESTING ACTIVITIES			
Investment income	<u>54,435</u>	<u>74,196</u>	<u>80,807</u>
Net cash provided by investing activities	<u>54,435</u>	<u>74,196</u>	<u>80,807</u>
Net increase (decrease) in cash and investments	(1,013,278)	3,438,241	1,714,405
Cash and investments - beginning of year	<u>16,750,876</u>	<u>13,007,748</u>	<u>13,979,077</u>
Cash and investments - end of year	<u>\$ 15,737,598</u>	<u>\$ 16,445,989</u>	<u>\$ 15,693,482</u>
CASH AND INVESTMENTS IS COMPRISED OF THE FOLLOWING:			
Cash and investments - unrestricted	\$ 14,870,464	\$ 14,603,327	\$ 15,593,482
Cash and investments - restricted	<u>867,134</u>	<u>1,842,662</u>	<u>100,000</u>
Total	<u>\$ 15,737,598</u>	<u>\$ 16,445,989</u>	<u>\$ 15,693,482</u>

Business-type Activities- Enterprise Funds				Exhibit 10 Governmental Activities
Airport Fund	Stormwater Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 2,798,543	\$ 1,150,432	\$ 3,374,783	\$ 69,834,742	\$ 7,638,606
(483,921)	(115,893)	(2,504,404)	(41,960,989)	(2,536,911)
(742,886)	(404,906)	(161,009)	(9,895,692)	(2,697,044)
<u>(443,308)</u>	<u>(119,519)</u>	<u>(183,435)</u>	<u>(4,632,928)</u>	<u>(1,515,598)</u>
<u>1,128,428</u>	<u>510,114</u>	<u>525,935</u>	<u>13,345,133</u>	<u>889,053</u>
-	1,044,464	-	1,044,464	846,424
(392,000)	-	-	(5,385,274)	-
<u>57,413</u>	<u>-</u>	<u>8,094</u>	<u>65,507</u>	<u>-</u>
<u>(334,587)</u>	<u>1,044,464</u>	<u>8,094</u>	<u>(4,275,303)</u>	<u>846,424</u>
776,994	783,995	-	1,560,989	-
(828,748)	(4,493,613)	-	(8,354,487)	(2,095,669)
99,849	-	-	103,398	72,996
2,010,000	3,044,921	-	8,614,610	201,370
(1,897,943)	-	-	(3,730,088)	(90,790)
(124,051)	(73,039)	-	(1,179,767)	(739)
<u>1,746</u>	<u>2,700</u>	<u>510</u>	<u>31,214</u>	<u>37,998</u>
<u>37,847</u>	<u>(735,036)</u>	<u>510</u>	<u>(2,954,131)</u>	<u>(1,874,834)</u>
<u>24,827</u>	<u>1,053</u>	<u>1,712</u>	<u>237,030</u>	<u>10,680</u>
<u>24,827</u>	<u>1,053</u>	<u>1,712</u>	<u>237,030</u>	<u>10,680</u>
856,515	820,595	536,251	6,352,729	(128,677)
<u>5,696,631</u>	<u>317,123</u>	<u>193,575</u>	<u>49,945,030</u>	<u>3,649,404</u>
<u>\$ 6,553,146</u>	<u>\$ 1,137,718</u>	<u>\$ 729,826</u>	<u>\$ 56,297,759</u>	<u>\$ 3,520,727</u>
\$ 5,324,393	\$ 328,254	\$ 729,826	\$ 51,449,746	\$ 3,520,727
<u>1,228,753</u>	<u>809,464</u>	<u>-</u>	<u>4,848,013</u>	<u>-</u>
<u>\$ 6,553,146</u>	<u>\$ 1,137,718</u>	<u>\$ 729,826</u>	<u>\$ 56,297,759</u>	<u>\$ 3,520,727</u>

CITY OF MANASSAS, VIRGINIA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED BY			
OPERATING ACTIVITIES:			
Operating income (loss)	\$ 3,337,467	\$ 2,564,650	\$ 2,973,768
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	2,423,532	2,314,714	1,713,851
Pension expense net of employer contributions	(127,513)	(780)	(4,862)
(Increase) decrease in:			
Accounts receivable	(2,751,087)	(72,692)	(193,197)
Due from other governments	-	-	-
Inventories	(250,090)	21,356	3,480
Prepaid expenses	-	-	-
Increase (decrease) in:			
Unearned revenue	-	(539,890)	-
Accounts payable and accrued expenses	(188,325)	(84,364)	(21,785)
Customer deposits	(35,604)	6,352	-
Compensated absences	42,963	(32,625)	(769)
Net OPEB obligation	52,705	21,357	8,044
Total adjustments	(833,419)	1,633,428	1,504,762
Net cash provided by operating activities	\$ 2,504,048	\$ 4,198,078	\$ 4,478,530
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Carrying value of disposed capital assets	\$ 7,139	\$ 43,436	\$ 86,487
Capital contributions	\$ -	\$ 586,782	\$ 248,676
Capital assets transferred from general government	\$ 286,148	\$ -	\$ -
Capitalized interest	\$ 53,727	\$ 89,919	\$ 14,304
Capital assets purchased through accounts payable	\$ 65,830	\$ 8,063	\$ 291

Exhibit 10 (Continued)

Busines-type Activities- Enterprise Funds				Governmental Activities
Airport Fund	Stormwater Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<u>\$ (1,355,963)</u>	<u>\$ 44,223</u>	<u>\$ 639,068</u>	<u>\$ 8,203,213</u>	<u>\$ 227,582</u>
2,516,842	520,365	3,195	9,492,499	948,629
(15,997)	(5,966)	(1,497)	(156,615)	(52,474)
(22,168)	(27,228)	(34,239)	(3,100,611)	-
-	-	-	-	-
-	-	-	(225,254)	-
-	-	-	-	(105,902)
-	-	-	(539,890)	-
(55,764)	(335)	(80,202)	(430,775)	(135,475)
41,526	-	-	12,274	-
12,591	(24,909)	(1,786)	(4,535)	6,693
7,361	3,964	1,396	94,827	-
<u>2,484,391</u>	<u>465,891</u>	<u>(113,133)</u>	<u>5,141,920</u>	<u>661,471</u>
<u>\$ 1,128,428</u>	<u>\$ 510,114</u>	<u>\$ 525,935</u>	<u>\$ 13,345,133</u>	<u>\$ 889,053</u>
<u>\$ 38,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,664</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 835,458</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 13,600,440</u>	<u>\$ -</u>	<u>\$ 13,886,588</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 60,079</u>	<u>\$ -</u>	<u>\$ 218,029</u>	<u>\$ -</u>
<u>\$ 296,385</u>	<u>\$ 601,717</u>	<u>\$ -</u>	<u>\$ 972,286</u>	<u>\$ -</u>

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies

Reporting Entity

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

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

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

The EDA was created as a political subdivision of the Commonwealth of Virginia by ordinance of the City on February 7, 1972, pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.1-1373, et seq., of the code of Virginia (1950) as amended). The Authority is governed by seven directors appointed by the City. It is authorized to attract, retain, generate, and assist in the expansion of high-quality businesses, institutions of higher education, medical facilities, and non-profit organizations to ensure the continued existence of a vibrant, stable, and diverse economy within the City and the Commonwealth of Virginia through the use of Industrial Development Bond financing as well as loans and grants. The EDA has a June 30 year end and does not issue separate financial statements.

Government-Wide and Fund Financial Statements

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

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

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.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Deposits and Investments

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

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations.

Fair Value Measurements

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

Receivables and Payables

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

Inventories and Prepaid Items

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

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

Property Taxes

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

Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. At year end, the allowance for doubtful accounts is \$602,806 the general fund, \$28,536 in the electric fund, \$6,294 in the water fund, \$10,099 in the sewer fund, \$326 in the stormwater fund and \$1,117 in the nonmajor enterprise fund.

Use of Estimates

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets

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

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

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

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

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

Compensated Absences

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

Long-term Obligations

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

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

Fund Balances

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

The classifications are as follows:

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

Restricted Amounts

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

Minimum Fund Balance Policy

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, 2017 include \$253,870 in the general fund, \$894,034 in the general capital project fund, \$471,071 in the NVTa capital projects fund, \$144,509 in the fire rescue fund, \$303,541 in the school operating fund, \$303,078 in the school food service fund and \$3,424,123 in the school capital projects fund.

Net Position

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statements that present net position report a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The City and MCPS have the following items that qualify for reporting in this category:

- Deferred loss on refunding. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Due to the relationship with outstanding debt, these deferred outflows are included in the calculation of net position, net investment in capital assets.
- Contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension liability. This difference will be recognized in pension expense over the closed five year period.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows and Inflows of Resources (continued)

- Participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions. This difference will be recognized in pension expense over the closed five year period.
- Difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over the closed five year period.

In addition to liabilities, the statements that present financial position report a separate section for deferred inflows of resources. These items represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City and MCPS have the following items that qualify for reporting in this category:

- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension liability. This difference will be recognized in pension expense over the closed five year period.
- The governmental funds report unavailable revenue from property taxes and other receivables not collected within 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

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 Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's 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. Net pension liabilities and deferred outflows and inflows of resources are reported in the proprietary funds and the government-wide fund financial statements.

MCPS Debt/Capital Asset Reporting

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

Note 3. Deposits and Investments

Deposits

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

Investments

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

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 3. Deposits and Investments (Continued)

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

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

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

Investment Type	Fair Value	S & P Credit Rating	Weighted Average Maturity*
LGIP	\$ 69,879,184	AAAm	0.23
SNAP	19,740,768	AAAm	0.23
Wells Fargo	56	N/A	N/A
Money Market	77,924	N/A	N/A
Treasury Notes	1,125,707	AA+	2.15
Federal Agency Bonds and Notes	8,818,041	AA+	0.55
Corporate Notes	3,141,585	BBB to AAA	0.94
Commercial Paper	1,146,171	A-1	0.23
Certificates of Deposit	1,031,459	AA-, A-1	0.64
Common Stocks	880,219	Various	N/A
Mutual Funds	22,272	Various	N/A
Total investments	<u>\$ 105,863,386</u>		

* - Average Maturity in Years

Concentration of Credit Risk:

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

Issuer	Percent of Total Portfolio
Federal Agency Bonds and Notes	8.33%

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 3. Deposits and Investments (Continued)

Fair Value:

The City and MCPS categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City and MCPS have the following recurring fair value measurements as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks/equity securities:				
Consumer Discretionary	\$ 98,997	\$ -	\$ -	\$ 98,997
Consumer Staples	65,456	-	-	65,456
Energy	46,274	-	-	46,274
Financials	153,489	-	-	153,489
Health Care	113,926	-	-	113,926
Industrials	87,873	-	-	87,873
Information Technology	136,100	-	-	136,100
Materials	25,064	-	-	25,064
Real Estate Investment Trusts	38,022	-	-	38,022
Other	62,071	-	-	62,071
Mutual funds	75,219	-	-	75,219
Commercial Paper	-	1,146,171	-	1,146,171
Debt securities:		-	-	-
U.S. Treasury securities	1,125,707	-	-	1,125,707
Federal Agency Bonds and Notes	8,818,041	-	-	8,818,041
Corporate Notes	-	3,141,585	-	3,141,585
	<u>\$ 10,846,239</u>	<u>\$ 4,287,756</u>	<u>\$ -</u>	<u>\$ 15,133,995</u>

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 3. Deposits and Investments (Continued)

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

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

	Primary Government	MCPS	EDA
Deposits and investments:			
Deposits	\$ 27,694,584	\$ 15,602,795	\$ 586,781
Investments	98,251,745	6,480,585	-
Investments held in trust	-	1,131,055	-
	<u>\$ 125,946,329</u>	<u>\$ 23,214,435</u>	<u>\$ 586,781</u>
Statement of Net Position:			
Cash and investments	\$ 110,442,631	\$ 15,602,795	\$ 586,781
Cash and investments - restricted	15,503,698	6,480,585	-
Fiduciary fund cash and investments	-	1,131,055	-
	<u>\$ 125,946,329</u>	<u>\$ 23,214,435</u>	<u>\$ 586,781</u>

Cash and Investments - Restricted:

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 4. Due from Other Governments

The following amounts represent amounts due from other governments at June 30:

	<u>Primary Government</u>	<u>MCPS</u>
State sales tax	\$ -	\$ 1,379,276
Title VI-B	-	425,823
Title I	-	492,264
Northern Va. Special Education Regional Program	-	1,045,634
VPSA Technology	-	472,240
Other federal and state school funds	-	399,538
Local sales tax	1,564,833	-
Prince William County	500,063	-
Highway construction and transportation funds	590,402	-
Stormwater funds	1,094,620	-
Welfare grants	332,816	-
Communication tax	447,910	-
Airport grants	264,092	-
Other federal, state and local funds	175,380	-
Total	<u>\$ 4,970,116</u>	<u>\$ 4,214,775</u>

Note 5. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, consisted of the following:

Primary Government	
Due to general fund from:	
Non-major governmental funds	<u>\$ 85,366</u>
Total due to general fund from other funds for cash advances	<u><u>\$ 85,366</u></u>

The balance above consists of interfund loans from the general fund to the social services fund, which are short term obligations at June 30, 2017.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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

	Transfers In				
	General Fund	Nonmajor Governmental	Stormwater Fund	Internal Service	Total Transfers Out
Transfers Out:					
General fund	\$ -	\$ 6,021,046	\$ 709,464	\$ -	\$ 6,730,510
Nonmajor governmental	23,491	79,877	-	-	103,368
Electric fund	943,120	1,095,000	-	212,790	2,250,910
Water fund	622,920	880,000	-	136,488	1,639,408
Sewer fund	270,810	-	335,000	497,146	1,102,956
	<u>\$ 1,860,341</u>	<u>\$ 8,075,923</u>	<u>\$ 1,044,464</u>	<u>\$ 846,424</u>	<u>\$ 11,827,152</u>

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 6. Capital Assets

Primary Government

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

<u>Governmental Activities</u>	<u>Beginning Balance, As Restated*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, not being depreciated:				
Land and land rights	\$ 111,722,083	\$ 3,608,799	\$ (177,540)	\$ 115,153,342
Construction in progress	2,895,179	5,950,579	(5,631,469)	3,214,289
Total capital assets not being depreciated	114,617,262	9,559,378	(5,809,009)	118,367,631
Capital assets, being depreciated:				
Buildings and improvements	39,317,252	145,014	-	39,462,266
Machinery, equipment and software	21,490,883	3,711,358	(952,610)	24,249,631
Infrastructure	208,716,194	707,129	(22,977,994)	186,445,329
Total capital assets being depreciated	269,524,329	4,563,501	(23,930,604)	250,157,226
Less accumulated depreciation for:				
Buildings and improvements	(27,367,616)	(1,169,516)	-	(28,537,132)
Machinery, equipment and software	(12,883,329)	(1,681,370)	952,609	(13,612,090)
Infrastructure	(89,497,538)	(4,949,231)	9,518,280	(84,928,489)
Total accumulated depreciation	(129,748,483)	(7,800,117)	10,470,889	(127,077,711)
Total capital assets being depreciated, net	139,775,846	(3,236,616)	(13,459,715)	123,079,515
Governmental activities capital assets, net	<u>\$ 254,393,108</u>	<u>\$ 6,322,762</u>	<u>\$ (19,268,724)</u>	<u>\$ 241,447,146</u>

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

Governmental activities:	
General government	\$ 452,646
Public safety	709,900
Public works	5,122,546
Culture and recreation	566,396
Internal service funds amounts charged to functions based on usage	<u>948,629</u>
Total depreciation expense – governmental activities	<u>\$ 7,800,117</u>

*- See Note 18

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 6. Capital Assets (Continued)

Primary Government (Continued)

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

<u>Business Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, not being depreciated:				
Land and land rights	\$ 11,521,721	\$ -	\$ (38,603)	\$ 11,483,119
Construction in progress	8,117,270	9,144,765	(7,826,272)	9,435,762
Total capital assets not being depreciated	19,638,991	9,144,765	(7,864,875)	20,918,881
Capital assets, being depreciated:				
Investment in plant	222,759,869	8,928,837	(777,864)	230,910,842
Infrastructure	371,701	22,443,454	-	22,815,155
Machinery and equipment	4,366,340	198,074	(26,323)	4,538,091
Purchased capacity	27,153,050	-	-	27,153,050
Total capital assets being depreciated	254,650,960	31,570,365	(804,187)	285,417,138
Less accumulated depreciation for:				
Investment in plant	(138,699,433)	(7,326,448)	647,843	(145,378,048)
Infrastructure	(12,390)	(9,362,043)	-	(9,374,433)
Machinery and equipment	(3,437,599)	(260,514)	22,830	(3,675,283)
Purchased capacity	(16,728,841)	(1,386,507)	-	(18,115,348)
Total accumulated depreciation	(158,878,273)	18,335,512	670,673	(176,543,112)
Total capital assets being depreciated, net	95,772,687	13,234,853	(133,514)	108,874,026
Business-type activities capital assets, net	<u>\$ 115,411,678</u>	<u>\$ 22,379,618</u>	<u>\$ (7,998,389)</u>	<u>\$ 129,792,907</u>

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 6. Capital Assets (Continued)

Primary Government (Continued)

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

Electric fund	\$ 2,423,532
Water fund	2,314,714
Sewer fund	1,713,851
Airport fund	2,516,842
Stormwater fund	520,365
Nonmajor enterprise funds	<u>3,195</u>
Total	\$ 9,492,499
Add: Accumulated depreciation of assets transferred from governmental activities	8,843,013
Total additions to accumulated depreciation	<u>\$ 18,335,512</u>

Purchased Water Rights and Purchased Capacity:

The City purchased water rights from Prince William County Service Authority in 1998 and 2002 totaling \$9,553,340. Purchased water capacity is recognized as an asset and is amortized in the water fund over 20 years which is based on management's estimates since the term of the agreement was not explicitly stated. Amortization expense in the water fund in the current fiscal year totaled \$536,373.

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 6. Capital Assets (Continued)

Primary Government (Continued)

Construction Commitments:

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

	<u>Total Contracts</u>	<u>Total Payments</u>	<u>Future Amounts to be Expended</u>
General capital projects	\$ 1,149,042	\$ 255,008	\$ 894,034
Gateway capital projects	9,740	980	8,760
Streets capital projects	722,351	248,384	473,967
Stormwater management	2,330,544	2,295,129	35,415
Sewer capital projects	424,943	19,887	405,056
Water capital projects	834,894	112,290	722,604
Electric capital projects	901,283	112,930	788,353
Airport capital projects	1,321,718	1,078,895	242,823
MCPS capital projects	<u>15,507,368</u>	<u>11,903,642</u>	<u>3,603,726</u>
Total	<u>\$ 23,201,883</u>	<u>\$ 16,027,145</u>	<u>\$ 7,174,738</u>

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 6. Capital Assets (Continued)

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

<u>MCPS</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, not being depreciated:				
Land and land rights	\$ 2,336,649	\$ -	\$ -	\$ 2,336,649
Construction in progress	30,555,637	12,080,175	(40,344,002)	2,291,810
Total capital assets not being depreciated	32,892,286	12,080,175	(40,344,002)	4,628,459
Capital assets, being depreciated:				
Buildings and improvements	135,648,831	39,103,102	(2,602,403)	172,149,530
Machinery and equipment	9,643,945	1,240,900	(919,372)	9,965,473
Total capital assets being depreciated	145,292,776	40,344,002	(3,521,775)	182,115,003
Less accumulated depreciation for:				
Buildings and improvements	(96,558,393)	(6,311,809)	2,289,983	(100,580,219)
Machinery and equipment	(6,913,740)	(717,662)	890,163	(6,741,239)
Total accumulated depreciation	(103,472,133)	(7,029,471)	3,180,146	(107,321,458)
Total capital assets being depreciated, net	41,820,643	33,314,531	(341,629)	74,793,545
MCPS capital assets, net	<u>\$ 74,712,929</u>	<u>\$ 45,394,706</u>	<u>\$ (40,685,631)</u>	<u>\$ 79,422,004</u>

Depreciation expense of \$7,029,471 was charged to functions/programs of the respective Component Unit MCPS' governmental activities.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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

	<u>Governmental Funds</u>
Deferred property tax revenue, representing uncollected tax billings (General Fund)	\$ 2,607,784
Deferred vehicle license taxes, meal taxes and other items (General Fund)	<u>848,787</u>
Total deferred inflows of resources for the general fund	<u>3,456,571</u>
Unavailable revenues related to the Gateway, Project, see Note 20 (Capital Project Funds)	2,533,125
Deferred property tax revenue, representing uncollected tax billings (Special Revenue Funds)	<u>254,728</u>
Total deferred inflows of resources	<u><u>\$ 6,244,424</u></u>

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

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

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 8. Long-Term Debt

Primary Government

Changes in Long-Term Debt

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 75,818,870	\$ 23,400,000	\$ 15,716,855	\$ 83,502,015	\$ 6,827,540
Premium on bonds	6,052,910	2,977,002	629,275	8,400,637	601,828
Capital leases	78,953	201,370	130,637	149,686	49,662
Compensated absences	2,680,612	2,674,462	2,697,423	2,657,651	398,648
Net OPEB obligation	3,371,803	340,208	-	3,712,011	-
Governmental activities long-term liabilities	<u>\$ 88,003,148</u>	<u>\$ 29,593,042</u>	<u>\$ 19,174,190</u>	<u>\$ 98,422,000</u>	<u>\$ 7,877,678</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:					
General obligation bonds	\$ 23,555,650	\$ 8,105,000	\$ 2,162,088	\$ 29,498,562	\$ 2,348,828
VDOA obligation	1,568,000	-	1,568,000	-	-
Premium on bonds	2,220,863	509,610	223,899	2,506,574	187,950
Compensated absences	916,311	800,297	804,832	911,776	136,766
Net OPEB obligation	649,740	94,827	-	744,567	-
Business-type activities long-term liabilities	<u>\$ 28,910,564</u>	<u>\$ 9,509,734</u>	<u>\$ 4,758,819</u>	<u>\$ 33,661,479</u>	<u>\$ 2,673,544</u>
Total Primary Government	<u>\$ 116,913,712</u>	<u>\$ 39,102,776</u>	<u>\$ 23,933,009</u>	<u>\$ 132,083,479</u>	<u>\$ 10,551,222</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At June 30, \$257,897 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, the net OPEB obligation and compensated absences are generally liquidated by the general fund.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 8. Long-Term Debt (Continued)

Primary Government (Continued)

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

<u>MCPS</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases	\$ 331,912	\$ -	\$ 116,657	\$ 215,255	\$ 121,228
Compensated absences	2,046,595	1,249,545	1,187,105	2,109,035	316,355
Net OPEB obligation	<u>1,591,000</u>	<u>-</u>	<u>117,000</u>	<u>1,474,000</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 3,969,507</u>	<u>\$ 1,249,545</u>	<u>\$ 1,420,762</u>	<u>\$ 3,798,290</u>	<u>\$ 437,583</u>

The School Operating Fund is used to liquidate the net OPEB obligation and compensated absences.

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

<u>Series</u>	<u>Maturity date</u>	<u>Interest rates</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Series 2004 VARF	4/1/2024	5.00%	\$ -	\$ 641,506
Series 2005 A Refunding	1/1/2018	3.50 - 5.25%	1,450,500	149,500
Series 2007 VML/VACo	8/1/2017	4.25- 5.00%	-	770,000
Series 2009 VRA Refunding	10/1/2021	4.13 - 5.13%	-	950,000
Series 2010 ABC VML/VACo	2/15/2030	2.00 - 6.07%	1,656,050	2,193,950
Series 2010 D	7/1/2024	2.00 - 5.00%	1,142,400	1,097,600
Series 2010 D Refunding	7/1/2024	2.00 - 5.00%	12,505,000	-
Series 2010 E Refunding	7/1/2017	2.00 - 3.00%	369,880	245,120
Series 2014A	5/1/2034	3.00 - 5.00%	8,503,735	3,471,265
Series 2014C Refunding	7/1/2030	2.00 - 5.00%	2,924,450	10,315,550
Series 2014C	7/1/2034	2.00 - 5.00%	31,550,000	-
Series 2014D Refunding	7/1/2025	0.50 - 3.00%	-	1,645,000
Series 2016 Airport Refunding	10/1/2031	1.5344%	-	1,924,071
Series 2016	7/1/2036	2.00 - 5.00%	15,355,000	6,095,000
Series 2016 Refunding	7/1/2025	2.00 - 5.00%	8,045,000	-
Total general obligation bonds			<u>83,502,015</u>	<u>29,498,562</u>
Total primary government			<u>\$ 83,502,015</u>	<u>\$ 29,498,562</u>

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 8. Long-Term Debt (Continued)

Primary Government (Continued)

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

Fiscal Year Ending June 30	Governmental Activities			
	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2018	\$ 6,827,540	\$ 3,224,679	49,662	2,022
2019	5,082,155	2,977,601	49,463	2,221
2020	5,189,280	2,794,444	50,561	1,122
2021	5,272,840	2,613,053	-	-
2022	5,388,850	2,387,855	-	-
2023-2027	25,076,035	7,895,352	-	-
2028-2032	18,074,785	3,412,548	-	-
2033-2037	12,590,530	630,137	-	-
	<u>\$ 83,502,015</u>	<u>\$ 25,935,669</u>	<u>\$ 149,686</u>	<u>\$ 5,365</u>

Fiscal Year Ending June 30	Business-Type Activities	
	General Obligation Bonds	
	Principal	Interest
2018	\$ 2,348,828	\$ 1,099,510
2019	1,993,434	1,020,510
2020	2,050,627	952,561
2021	2,106,484	883,883
2022	2,179,993	800,475
2023-2027	10,573,207	2,586,624
2028-2032	5,851,518	682,081
2033-2037	2,394,471	133,922
	<u>\$ 29,498,562</u>	<u>\$ 8,159,566</u>

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 8. Long-Term Debt (Continued)

Primary Government (Continued)

Prior Year Issue and Current Year Refunding of Debt

In August 2016, the City issued \$8,045,000 in general obligation public improvement refunding bonds, Series 2016, with an average interest rate of 2.00-5.00%. These bonds were issued to complete a partial refunding of Series 2014A bonds in the amount of \$170,000 and a full refunding of the Series 2014B bonds in the amount of \$9,300,000. The proceeds were placed in trust with an escrow agent to fund all future debt service payments. As a result, the refunded bonds are considered to be defeased and a portion of the liability has been removed from the City's long-term debt. As of June 30, 2017, \$8,503,735 remains outstanding related to the refunded portion of Series 2014A bonds. This refunding was undertaken to reduce total debt service payments over the next 11 years by \$530,123 and to obtain an economic gain of \$498,629.

In prior years, the City defeased certain outstanding revenue bonds payable. The proceeds were placed in trust to fund all future debt service payments. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2017, approximately \$3,010,000 remains outstanding at June 30, 2017 related to Series 2014C prior year refundings of 2007 VML and 2010D new money bonds.

Operating Leases – City and MCPS

The City and MCPS have various leases for real estate and equipment with non-cancelable lease terms. Total rental expense under operating leases of the City and MCPS for the year ended June 30, 2017 was \$424,355 and \$359,182, respectively. The future minimum lease payment for these leases is as follows:

	<u>Primary Government</u>	<u>MCPS</u>
Fiscal Year Ending June 30:		
2018	\$ 412,518	\$ 361,833
2019	389,490	372,688
2020	343,405	383,869
2021	351,108	395,385
2022	364,774	407,247
2023-2026	857,625	419,464
Total	<u>\$ 2,718,920</u>	<u>\$ 2,340,486</u>

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 8. Long-Term Debt (Continued)

Primary Government (Continued)

Capital Leases – Primary Government and MCPS

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

The assets acquired through capital leases are as follows:

	<u>Primary Government</u>	<u>MCPS</u>
Assets:		
Two Street Sweepers	\$ 356,370	\$ -
Copiers	-	473,079
Less: Accumulated Depreciation	<u>(149,171)</u>	<u>(266,107)</u>
Total	<u><u>\$ 207,199</u></u>	<u><u>\$ 206,972</u></u>

The following is a schedule of future minimum lease payments, including interest for MCPS capital leases at June 30, 2017:

	<u>MCPS</u>	
	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 121,228	\$ 6,163
2019	<u>94,027</u>	<u>1,515</u>
	<u><u>\$ 215,255</u></u>	<u><u>\$ 7,678</u></u>

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 9. Contingent Liabilities and Commitments

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

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

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

The City's agreement with Prince William Manassas Regional Adult Detention Center (PWMRADC) requires periodic true-ups based on actual costs incurred for the City's prisoner day percentage, shared overhead costs and shared repairs. During 2017, the City paid the entire \$1,858,005 which was outstanding at June 30, 2016. As of June 30, 2017, the City's receivable for these costs totals \$396,209, which is included in due from other governments. The 2017 amount has not been finalized as of the date of this report. The City is awaiting final billings from PWMRADC for this year; however, amounts are subject to change for the most recent year based on verification by PWMRADC.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 16.1%.

UOSA's current operating costs and annual debt service is funded by each of the participants based on their allocated capacity with certain modifications. UOSA currently has nine Sewage System Revenue Bond issues outstanding: one issued in 1995, one issued in 2010, two issued in 2011, two issued in 2013, one in 2014, and two in 2016. The sewer enterprise fund is funding 100 percent of the City's share of the debt issues. As of June 30, 2017, the City's committed share of UOSA's remaining debt service (including interest) is as follows:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,197,144	\$ 1,774,380
2019	1,333,548	1,733,733
2020	1,380,445	1,686,123
2021	1,407,716	1,635,819
2022	1,687,853	1,601,201
2023-2027	8,802,463	7,292,120
2028-2032	9,603,036	5,423,947
2033-2037	10,423,788	3,494,727
2038-2042	10,239,014	1,420,850
2043-2047	2,006,260	195,483
2048	299,777	8,993
	<u>\$ 48,381,044</u>	<u>\$ 26,267,376</u>

The sewer fund made scheduled payments in fiscal year 2017 for its share of UOSA's operating costs and debt service costs of \$6,209,102 and \$2,594,689, respectively. During 2017 the City was notified that it had been under allocated its share of debt service costs to the UOSA dating back to 1995 in the amount of \$3,317,339. This entire amount is accrued and recognized as of June 30, 2017.

The sewer fund capitalizes its share of UOSA's construction costs as purchased capacity. These costs are amortized over 20 years, the estimated useful life of the system constructed. No construction costs were paid or capitalized in 2017.

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 10. Joint Ventures (Continued)

Potomac and Rappahannock Transportation Commission (PRTC)

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

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

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

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

Note 11. Jointly Governed Organization

Northern Virginia Transportation Authority (NVTA)

The NVTA was established under the provisions of the Code of Virginia, Title 15.2, Chapter 48.2 with the cities of Alexandria, Fairfax, Manassas, Manassas Park, and Falls Church and the counties of Arlington, Fairfax, Loudoun, and Prince William. The Authority is responsible for long-range transportation planning for regional transportation projects in Northern Virginia and sets regional transportation policies and priorities for regional transportation projects. While the jurisdictions have representatives as members of the governing body of the Authority, the jurisdictions do not have an explicit measurable equity interest in NVTA. Beginning in 2014, House Bill 2313 gave the Authority responsibility over the collection and distribution of certain dedicated taxes for transportation including 1% additional sales tax, 2% additional transient and occupancy tax and 1.5% additional grantor's tax. By law, 30% of these additional revenues are distributed to the jurisdictions provided they implement the commercial and industrial tax of 12.5 cents, or dedicate some other funds towards transportation. The other 70% will be used towards regional transportation projects approved by the Authority and implemented by the jurisdictions. In 2017, the City received \$1,875,962 of these taxes.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan

Plan Description

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

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

Plan 1 – Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% 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.
- **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.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
 - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **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.

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

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - **Eligibility** – Same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- **Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
- **Creditable Service** –
 - **Defined Benefit Component** – Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
 - **Defined Contributions Component** – Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Vesting –**
 - **Defined Benefit Component** – Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component** – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
 - **Defined Benefit Component** – See definition under Plan 1.
 - **Defined Contribution Component** – The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation – Same as Plan 2 for the defined benefit component of the plan.

- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age –**
 - **Defined Benefit Component** – Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Earliest Unreduced Retirement Eligibility –**
 - **Defined Benefit Component** – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility –**
 - **Defined Benefit Component** – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement –**
 - **Defined Benefit Component** – Same as Plan 2.
 - **Defined Contribution Component** – Not Applicable.
 - **Eligibility** – Same as Plan 1 and 2.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.
- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service –**
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - 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.
 - **Defined Contribution Component** – Not Applicable.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit 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:

	<u>City</u>	<u>MCPS Non- Professional</u>
Inactive members or their beneficiaries currently receiving benefits	227	73
Inactive members:		
Vested inactive members	74	19
Non-vested inactive members	96	37
Inactive members active elsewhere in VRS	100	29
Total inactive members	270	85
Active members	442	137
Total covered employees	939	295

Contributions

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

The City's contractually required contribution rate for the year ended June 30, 2017 was 11.45% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

The contractually required contribution rate for MCPS (Non-professional) for the year ended June 30, 2017 was 6.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$3,290,895 and \$3,843,566 for the years ended June 30, 2017 and June 30, 2016, respectively. Contributions to the pension plan from MCPS (Non-professional) were \$231,849 and \$293,120 for the years ended June 30, 2017 and June 30, 2016, respectively.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan (Continued)

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was 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

The total pension liability for General Employees in the Political Subdivision'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	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

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

Mortality rates: General employees – 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 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:

General Employees – Largest 10 – Non-LEOS and All Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (continued)

Public Safety Employees – Largest 10 – Non-LEOS and All Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) and increase in rates of withdrawal.

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	100.00 %		5.83 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		8.33 %

* 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%

(Continued)

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 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 - City

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2015	\$ 129,857,886	\$ 105,836,807	\$ 24,021,079
Changes for the year:			
Service cost	3,290,768	-	3,290,768
Interest	8,867,229	-	8,867,229
Differences between expected and actual experience	(84,432)	-	(84,432)
Contributions – employer	-	3,842,806	(3,842,806)
Contributions – employee	-	1,436,792	(1,436,792)
Net investment income	-	1,828,870	(1,828,870)
Benefit payments, including refunds of employee contributions	(6,366,376)	(6,366,376)	-
Administrative expenses	-	(65,416)	65,416
Other changes	-	(858)	858
Net changes	5,707,189	675,818	5,031,371
Balances at June 30, 2016	\$ 135,565,075	\$ 106,512,625	\$ 29,052,450

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan (Continued)

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2015	\$ 16,475,089	\$ 15,050,295	\$ 1,424,794
Changes for the year:			
Service cost	433,172	-	433,172
Interest	1,130,232	-	1,130,232
Differences between expected and actual experience	(288,681)	-	(288,681)
Contributions – employer	-	293,302	(293,302)
Contributions – employee	-	187,296	(187,296)
Net investment income	-	261,358	(261,358)
Benefit payments, including refunds of employee contributions	(657,835)	(657,835)	-
Administrative expenses	-	(9,371)	9,371
Other changes	-	(111)	111
Net changes	616,888	74,639	542,249
Balances at June 30, 2016	\$ 17,091,977	\$ 15,124,934	\$ 1,967,043

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
City's net pension liability	\$ 47,763,766	\$ 29,052,450	\$ 13,622,400
Component Unit: MCPS (Non-professional) net pension liability	\$ 4,295,177	\$ 1,967,043	\$ 40,444

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2017, the City recognized pension expense of \$2,429,661. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,745,692
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	2,805,100	-
Employer contributions subsequent to the measurement date	3,290,895	-
Total	<u>\$ 6,095,995</u>	<u>\$ 2,745,692</u>

For the year ended June 30, 2017, MCPS (Non-professional) recognized pension expense of \$357,112. At June 30, 2017, MCPS (Non-professional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 173,720	\$ 212,912
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	398,106	-
Employer contributions subsequent to the measurement date	231,849	-
Total	<u>\$ 803,675</u>	<u>\$ 212,912</u>

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Defined Benefit Pension Plan (Continued)

The \$3,290,895 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2018	\$ (990,356)
2019	(990,356)
2020	944,360
2021	1,095,760
2022	-
Total	\$ <u>59,408</u>

The \$231,849 reported as deferred outflows of resources related to pensions resulting from MCPS (Non-professional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2018	\$ 18,690
2019	17,816
2020	165,284
2021	157,124
2022	-
Total	\$ <u>358,914</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans 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.

Payables to the Pension Plan

At June 30, 2017, approximately \$278,000 was payable by the City to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

General Information about the Teacher Cost Sharing Plan

Plan Description

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

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that 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 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The 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 employee 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 division were \$7,956,390 and \$7,608,549 for the years ended June 30, 2017 and June 30, 2016, respectively.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

General Information about the Teacher Cost Sharing Plan (Continued)

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

At June 30, 2017, the school division reported a liability of \$100,786,000 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 0.72% as compared to 0.73% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$9,431,549. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,266,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	5,757,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,801,000	798,000
Employer contributions subsequent to the measurement date	7,956,390	-
Total	<u>\$ 16,514,390</u>	<u>\$ 4,064,000</u>

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

General Information about the Teacher Cost Sharing Plan (Continued)

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

The \$7,956,390 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 as follows:

<u>Year Ended June 30,</u>	
2017	\$ 123,000
2018	123,000
2019	2,984,000
2020	1,560,000
2021	<u>(296,000)</u>
Total	<u>\$ 4,494,000</u>

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 44,182,326
Plan Fiduciary Net Position	<u>30,168,211</u>
Employers' Net Pension Liability (Asset)	<u>\$ 14,014,115</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

General Information about the Teacher Cost Sharing Plan (Continued)

Net Pension Liability (Continued)

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's proportionate share of the VRS teacher employee retirement plan net pension liability	<u>\$ 143,672,000</u>	<u>\$ 100,786,000</u>	<u>\$ 65,460,000</u>

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 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.

Payables to the Pension Plan

At June 30, 2017, approximately \$1,115,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll for the Teacher Cost Sharing Pool and MCPS (Non-professional) employees.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 14. Other Post-Employment Benefits - VRS Health Insurance Credit

Plan Description

Retirees who have 15 or more years of creditable VRS service are granted the option to participate in the VRS Health Insurance Credit Program by paying 100% of their monthly health insurance premium less a \$1.50 per month per year of service for a maximum monthly health insurance credit of \$45.00 from VRS. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend the benefit provisions to the General Assembly of Virginia. The health insurance credit program is financed by payments from the City and MCPS (non-professional employees) for all active employees to VRS and is an agent and cost-sharing multiple-employer defined benefit plan. The surplus funds are not considered advance funded because the City, MCPS, its employees, and retirees have no vested rights to access the excess funds. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the VRS. A copy of that report may be obtained by writing the VRS at P.O. Box 2500, Richmond, Virginia 23218-2500 or by download from their website at <http://www.varetire.org>.

Funding Policy and Annual Benefit Contribution

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute actuarial percentage of their annual reported compensation of the VRS for the retiree health insurance credit. The City and MCPS (non-professional employees) have assumed this contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for 2017 was 0.19% of annual covered payroll. The MCPS contribution rate for 2017 was 0.26% of annual covered payroll of non-professional employees.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 14. Other Post-Employment Benefits - VRS Health Insurance Credit (Continued)

Actuarial Methods and Assumptions

The required contributions for the City and MCPS (non-professional employees) were determined as part of an actuarial valuation performed as of June 30, 2016 using the entry age normal cost method. The actuarial assumptions at June 30, 2016 included (a) 7.00% investment rate of return, and (b) a projected payroll growth rate of 3.00%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City and the MCPS (non-professional) assets are equal to the market value of the assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2016 was 18-27 years.

Three-Year Trend Information
City

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 47,773	100%	\$ -
June 30, 2016	\$ 43,632	100%	\$ -
June 30, 2014	\$ 43,865	100%	\$ -

Three-Year Trend Information
MCPS (non-professional employees)

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 8,979	100%	\$ -
June 30, 2016	\$ 10,497	100%	\$ -
June 30, 2014	\$ 10,971	100%	\$ -

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 14. Other Post-Employment Benefits - VRS Health Insurance Credit (Continued)

Funding Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the VRS health insurance credit program was 50.3% and 72.2% funded. The actuarial liability for the City and MCPS (non-professional employees) benefits were \$976,279 and \$231,878 respectively, and the actuarial value of assets was \$491,320 and \$167,373, resulting in an unfunded actuarial liability (UAAL) of \$484,959 and \$64,505 for the City and the MCPS (non-professional employees). The covered payroll (annual payroll of active employees covered by the plan) was \$27,449,467 and \$3,427,689 and ratio of the UAAL to the covered payroll was 1.8% and 1.9% for the City and the MCPS (non-professional employees).

The schedule of funding progress, presented as Required Supplementary Information following the Notes to the Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 15. Other Post-Employment Benefits – Health Insurance

Plan Description

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

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 15. Other Post-Employment Benefits – Health Insurance (Continued)

Plan Description (Continued)

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC.

The City and MCPS have elected not to pre-fund OPEB liabilities. The City and MCPS are required to recognize 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 OPEB cost for the year, the amount actually contributed to the plan, and the changes in net OPEB obligation for the healthcare benefits:

	<u>City</u>	<u>MCPS</u>
Annual required contribution	\$ 855,100	\$ 231,000
Interest on net OPEB obligation	140,754	64,000
Adjustment to annual required contribution	<u>(277,119)</u>	<u>(87,000)</u>
Annual OPEB cost	718,735	208,000
Contributions made	<u>(283,700)</u>	<u>(325,000)</u>
Increase (decrease) in net OPEB obligation	435,035	(117,000)
Net OPEB obligation – beginning of year, restated	<u>4,021,543</u>	<u>1,591,000</u>
Net OPEB obligation – end of year	<u><u>\$ 4,456,578</u></u>	<u><u>\$ 1,474,000</u></u>

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 15. Other Post-Employment Benefits – Health Insurance (Continued)

Trend Information

The City and MCPS annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows.

City:		Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation	
Fiscal Year Ending	Annual OPEB Cost				
June 30, 2017	\$ 718,735	39.47%		\$ 4,456,578	
June 30, 2016	\$ 712,727	38.51%		\$ 4,021,543	
June 30, 2015	\$ 677,679	33.22%		\$ 3,583,316	

MCPS:		Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation	
Fiscal Year Ending	Annual OPEB Cost				
June 30, 2017	\$ 208,000	156.25%		\$ 1,474,000	
June 30, 2016	\$ 207,000	145.41%		\$ 1,591,000	
June 30, 2015	\$ 189,000	179.37%		\$ 1,685,000	

Funding Status and Funding Progress

The funding status of the plan as of June 30, 2017 and July 1, 2016, respectively, was as follows:

	City	MCPS
Actuarial Accrued Liability (AAL)	\$ 8,090,400	\$ 2,505,000
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 8,090,400	2,505,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-%	-%
Covered Payroll (Active Plan Members)	\$ 29,645,000	57,686,171
UAAL as a Percentage of Covered Payroll	27.29%	4.34%

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 trend information that shows whether the actuarial value of plan assets and liabilities are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 15. Other Post-Employment Benefits – Health Insurance (Continued)

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 benefits costs between the employer and the 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 assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows.

	<u>City</u>	<u>MCPS</u>
Actuarial Valuation Date	June 30, 2017	July 1, 2016
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Closed
Amortization Period	30 years	30 years
Years Remaining	20 years	22 years
Asset Valuation Method	N/A	Market Value of Assets
Actuarial Assumptions:		
Investment Rate of Return	3.50%	4.00%
Payroll Growth Rate	3.00%	3.00%
Healthcare Cost Trend Rate	6.10%	5.00%
Initial	6.50%	5.00%
Ultimate	4.20%	4.60%

Note 16. Risk Management

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

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 17. Fund Balances

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

	General Fund	Other Governmental Funds
Nonspendable:		
Cemetery fund principal	\$ -	\$ 100,000
Prepays	4,244	3,056
Long term advances due from other funds	85,366	-
Total nonspendable	89,610	103,056
Restricted for:		
Police E-Summons program	143,636	-
Proffers for development	696,457	-
Bond proceeds and escrows not yet spent	-	10,402,581
Communication systems	-	608,876
Fire and rescue system	-	3,495,824
Road maintenance	-	232,678
Museum system	-	1,402,910
Cemetery maintenance	-	153,104
Total restricted	840,093	16,295,973
Committed to:		
Capital reserve	8,940,266	-
Community development	439,057	-
Employee benefits	1,356,000	-
Museum system	8,673	-
Debt service	-	674,932
Capital projects	-	16,077,960
Total committed	10,743,996	16,752,892
Assigned to:		
Authorized positions	600,000	-
Subsequent year appropriation	2,044,758	-
Total assigned	2,644,758	-
Unassigned	16,768,856	-
Total fund balance	\$ 31,087,313	\$ 33,151,921

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 18. Prior Period Adjustment

The City has adjusted beginning net position for items discovered subsequent to its previously issued financial statements as noted below.

	<u>Governmental Activities</u>	<u>Internal Service Funds</u>
Net Position, July 1, 2016, as previously reported	\$194,243,677	\$ 4,298,683
Various capital asset and depreciation errors	<u>799,475</u>	<u>799,475</u>
Net Position, July 1, 2016, as restated	<u><u>\$195,043,152</u></u>	<u><u>\$ 5,098,158</u></u>

Note 19. Major Customer

The City has one major sewer and water customer. This customer accounted for approximately 19% of total sewer fund revenues and for approximately 26% of total water fund revenues.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 20. Gateway Project, now “Landing at Cannon Branch”

During 2017, the EDA finalized an agreement with the City and Buchanan Manassas, LLC regarding the sale of land. The City conveyed land to the EDA in November 2016 and subsequently the EDA sold this land for \$5,790,000. The EDA received \$2,894,202, net of expenses, from the sale which was then remitted to the City as a part of the agreement. The EDA also entered into a note receivable with Manassas Gateway LLC, a related company of Buchanan Manassas, LLC, for the remaining portion of the sale which amounted to \$2,895,000. The note bears interest at 4% with payment of principal and interest commencing in May 2017 for a period of eight quarterly installments. As of June 30, 2017, the balance of the note recorded with the EDA is \$2,533,125. The EDA has also recorded a corresponding payable to the City.

The City has recorded the proceeds noted above as well as the first payment on the note receivable in the Gateway Capital Projects Fund in the amount of \$3,256,077. The City has also recorded a receivable from the EDA for the remaining \$2,533,125, and a corresponding amount as deferred inflows of resources as these amounts are considered unavailable revenues.

On the governmental statement of activities, the entire amount of the proceeds of \$5,789,202 from the sale is recognized this year.

Buchanan Manassas, LLC has renamed the land site being developed from “Gateway” to “The Landing at Cannon Branch.”

Note 21. Subsequent Events

Subsequent to year end, the City purchased land for \$1.6 million for the location of the new Fire and Rescue Station #21.

Note 22. New Accounting Standards

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 22. New Accounting Standards (Continued)

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

CITY OF MANASSAS, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 22. New Accounting Standards (Continued)

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF MANASSAS, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS**

CITY - OTHER POST-EMPLOYMENT BENEFITS - HEALTH CARE INSURANCE

Exhibit 11

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	\$ -	\$ 3,791,600	3,791,600	0.0%	\$ 26,666,600	14.2%
June 30, 2015	-	6,905,500	6,905,500	0.0%	27,733,600	24.9%
June 30, 2017	-	8,090,400	8,090,400	0.0%	29,645,000	27.3%

MCPS COMPONENT UNIT (NON-PROFESSIONAL) - OTHER POST-EMPLOYMENT BENEFITS - HEALTH CARE INSURANCE

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2014	-	2,578,000	2,578,000	0.0%	57,686,171	4.5%
July 1, 2015	-	2,625,000	2,625,000	0.0%	59,128,325	4.4%
July 1, 2016	-	2,505,000	2,505,000	0.0%	60,606,533	4.1%

CITY - OTHER POST-EMPLOYMENT BENEFITS - HEALTH INSURANCE CREDIT PROGRAM

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2014	495,235	914,962	419,727	54.1%	26,454,349	1.6%
June 30, 2015	504,900	947,158	442,258	53.3%	27,442,938	1.6%
June 30, 2016	491,320	976,279	484,959	50.3%	27,449,467	1.8%

MCPS COMPONENT UNIT (NON-PROFESSIONAL) - OTHER POST-EMPLOYMENT BENEFITS - HEALTH INSURANCE CREDIT PROGRAM

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2014	162,959	241,742	78,783	67.4%	4,317,567	1.8%
June 30, 2015	169,011	254,113	85,102	66.5%	4,233,134	2.0%
June 30, 2016	167,373	231,878	64,505	72.2%	3,427,689	1.9%

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2017

	Primary Government		
	Plan Year		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 3,290,768	\$ 3,146,516	\$ 3,172,984
Interest on total pension liability	8,867,229	8,777,037	8,352,384
Benefit payments, including refunds of employee contributions	(6,366,376)	(5,454,561)	(5,463,217)
Difference between actual and expected experience	(84,432)	(4,724,636)	-
Net change in total pension liability	5,707,189	1,744,356	6,062,151
Total pension liability - beginning	129,857,886	128,113,530	122,051,379
Total pension liability - ending	\$ 135,565,075	\$ 129,857,886	\$ 128,113,530
Plan Fiduciary Net Position			
Contributions - employer	\$ 3,842,806	\$ 3,837,337	\$ 3,549,681
Contributions - employee	1,436,792	1,424,567	1,357,566
Net investment income	1,828,870	4,649,051	13,881,967
Benefit payments, including refunds of employee contributions	(6,366,376)	(5,454,561)	(5,463,217)
Administrative expenses	(65,416)	(62,878)	(74,624)
Other changes	(858)	(1,239)	985
Net change in plan fiduciary net position	675,818	4,392,277	13,252,358
Plan fiduciary net position - beginning	105,836,807	101,444,530	88,192,172
Plan fiduciary net position - ending	\$ 106,512,625	\$ 105,836,807	\$ 101,444,530
Net pension liability - ending	\$ 29,052,450	\$ 24,021,079	\$ 26,669,000
Plan fiduciary net position as a percentage of total pension liability	79%	82%	79%
Covered payroll	\$ 28,400,292	\$ 27,994,452	\$ 28,181,695
Net pension liability as a percentage of covered payroll	102%	86%	95%

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

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

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2017

	MCPS - Nonprofessional Employees		
	Plan Year		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 433,172	\$ 444,147	\$ 448,462
Interest on total pension liability	1,130,232	1,046,485	986,400
Benefit payments, including refunds of employee contributions	(657,835)	(627,286)	(525,710)
Difference between actual and expected experience	(288,681)	348,312	-
Net change in total pension liability	616,888	1,211,658	909,152
Total pension liability - beginning	16,475,089	15,263,431	14,354,279
Total pension liability - ending	\$ 17,091,977	\$ 16,475,089	\$ 15,263,431
Plan Fiduciary Net Position			
Contributions - employer	\$ 293,302	\$ 327,770	\$ 371,110
Contributions - employee	187,296	210,271	213,775
Net investment income	261,358	662,902	1,971,754
Benefit payments, including refunds of employee contributions	(657,835)	(627,286)	(525,710)
Administrative expenses	(9,371)	(9,037)	(10,484)
Other changes	(111)	244	(280)
Net change in plan fiduciary net position	74,639	564,864	2,020,165
Plan fiduciary net position - beginning	15,050,295	14,485,431	12,465,266
Plan fiduciary net position - ending	\$ 15,124,934	\$ 15,050,295	\$ 14,485,431
Net pension liability - ending	\$ 1,967,043	\$ 1,424,794	\$ 778,000
Plan fiduciary net position as a percentage of total pension liability	88%	91%	95%
Covered payroll	\$ 3,782,730	\$ 4,211,076	\$ 4,279,686
Net pension liability as a percentage of covered payroll	52%	34%	18%

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

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

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2017

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

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

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
June 30, 2017

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

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

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

CITY OF MANASSAS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
VRS TEACHER RETIREMENT PLAN
June 30, 2017

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

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

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

CITY OF MANASSAS, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Note 2. 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

Teacher cost-sharing pool

- 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

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

General Capital Projects Fund - to account for and report federal and state grants and bonds which are restricted and local funds which City Council has committed for expenditures to purchase and/or construct capital facilities for general government functions.

Gateway Capital Projects Fund - to account for and report federal and state grants and bonds which are restricted and local funds which City Council has committed for expenditures to develop Manassas Landing.

Transportation Capital Projects Fund - to account for and report federal and state grants and bonds which are restricted and local funds which City Council has committed for expenditures to construct new streets and highways.

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

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

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

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

PERMANENT FUND

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

**CITY OF MANASSAS, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017**

Exhibit 17

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Permanent Cemetery Maintenance Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$ 5,824,141	\$ 15,697,467	\$ 674,932	\$ -	\$ 22,196,540
Cash and investments - restricted	-	10,402,581	-	253,104	10,655,685
Receivables, net:					
Taxes	303,769	-	-	-	303,769
Accounts	-	-	-	-	-
Prepays	3,056	-	-	-	3,056
Due from component unit	-	2,533,125	-	-	2,533,125
Due from other governments	403,419	590,402	-	-	993,821
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 6,534,385</u>	<u>\$ 29,223,575</u>	<u>\$ 674,932</u>	<u>\$ 253,104</u>	<u>\$ 36,685,996</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 450,947	\$ 209,909	\$ -	\$ -	\$ 660,856
Retainage payable	-	-	-	-	-
Deposits	-	-	-	-	-
Due to other funds	85,366	-	-	-	85,366
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>536,313</u>	<u>209,909</u>	<u>-</u>	<u>-</u>	<u>746,222</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	254,728	2,533,125	-	-	2,787,853
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES					
Nonspendable	3,056	-	-	100,000	103,056
Restricted	5,740,288	10,402,581	-	153,104	16,295,973
Committed	-	16,077,960	674,932	-	16,752,892
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>5,743,344</u>	<u>26,480,541</u>	<u>674,932</u>	<u>253,104</u>	<u>33,151,921</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,534,385</u>	<u>\$ 29,223,575</u>	<u>\$ 674,932</u>	<u>\$ 253,104</u>	<u>\$ 36,685,996</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

Exhibit 18

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Permanent Cemetery Maintenance Fund	Total Nonmajor Governmental Funds
REVENUES					
General property taxes	\$ 8,715,104	\$ -	\$ -	\$ -	\$ 8,715,104
Permits, fees and licenses	65,219	-	-	-	65,219
Revenues from use of money and property	12,020	57,643	-	905	70,568
Charges for services	572,875	-	-	4,500	577,375
Payment in lieu of debt service	-	-	7,255,184	-	7,255,184
Miscellaneous	210,495	30,000	-	-	240,495
Contribution from component unit	-	3,256,077	-	-	3,256,077
Intergovernmental	3,608,227	2,603,295	-	-	6,211,522
Total revenues	<u>13,183,940</u>	<u>5,947,015</u>	<u>7,255,184</u>	<u>5,405</u>	<u>26,391,544</u>
EXPENDITURES					
Current:					
General government administration	32,900	353,240	-	-	386,140
Public safety	8,802,950	-	-	-	8,802,950
Public works	3,981	-	-	-	3,981
Health and welfare	5,645,093	-	-	-	5,645,093
Cultural, recreation, and community development	8,932	-	-	-	8,932
Capital outlay	642,101	5,506,233	-	-	6,148,334
Debt service:					
Principal	39,847	-	6,246,855	-	6,286,702
Interest and fiscal charges	769	-	3,016,955	-	3,017,724
Bond issuance costs	-	199,920	-	-	199,920
Total expenditures	<u>15,176,573</u>	<u>6,059,393</u>	<u>9,263,810</u>	<u>-</u>	<u>30,499,776</u>
Excess (deficiency) of revenues over expenditures	<u>(1,992,633)</u>	<u>(112,378)</u>	<u>(2,008,626)</u>	<u>5,405</u>	<u>(4,108,232)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from bond issuance	-	11,685,000	-	-	11,685,000
Proceeds from premium on bond issuance	-	1,014,920	-	-	1,014,920
Transfers in	2,256,103	3,204,313	2,615,507	-	8,075,923
Transfers out	(79,877)	-	-	(23,491)	(103,368)
Proceeds from sale of capital assets	36,961	-	-	-	36,961
Total other financing sources (uses)	<u>2,213,187</u>	<u>15,904,233</u>	<u>2,615,507</u>	<u>(23,491)</u>	<u>20,709,436</u>
Net change in fund balances	220,554	15,791,855	606,881	(18,086)	16,601,204
Fund balance - beginning	<u>5,522,790</u>	<u>10,688,686</u>	<u>68,051</u>	<u>271,190</u>	<u>16,550,717</u>
Fund balance - ending	<u>\$ 5,743,344</u>	<u>\$ 26,480,541</u>	<u>\$ 674,932</u>	<u>\$ 253,104</u>	<u>\$ 33,151,921</u>

**CITY OF MANASSAS, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2017**

Exhibit 19

	Family Services Fund	PEG Fund	Owens Brooke District Fund	Fire Rescue Fund	Merchant Museum Fund	Speiden Carper House Fund	Total
ASSETS							
Cash and investments	\$ -	\$ 608,876	\$ 232,941	\$ 3,579,414	\$ 1,020,202	\$ 382,708	\$ 5,824,141
Receivables, net							
Taxes	-	-	512	303,257	-	-	303,769
Prepays	-	-	-	3,056	-	-	3,056
Due from other governments	<u>332,816</u>	<u>-</u>	<u>-</u>	<u>70,603</u>	<u>-</u>	<u>-</u>	<u>403,419</u>
Total assets	<u>\$ 332,816</u>	<u>\$ 608,876</u>	<u>\$ 233,453</u>	<u>\$ 3,956,330</u>	<u>\$ 1,020,202</u>	<u>\$ 382,708</u>	<u>\$ 6,534,385</u>
LIABILITIES							
Accounts payable and accrued expenses	247,450	\$ -	\$ 263	\$ 203,234	\$ -	\$ -	\$ 450,947
Due to other funds	<u>85,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,366</u>
Total liabilities	<u>332,816</u>	<u>-</u>	<u>263</u>	<u>203,234</u>	<u>-</u>	<u>-</u>	<u>536,313</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	<u>-</u>	<u>-</u>	<u>512</u>	<u>254,216</u>	<u>-</u>	<u>-</u>	<u>254,728</u>
FUND BALANCES							
Nonspendable	-	-	-	3,056	-	-	3,056
Restricted	<u>-</u>	<u>608,876</u>	<u>232,678</u>	<u>3,495,824</u>	<u>1,020,202</u>	<u>382,708</u>	<u>5,740,288</u>
Total fund balances	<u>-</u>	<u>608,876</u>	<u>232,678</u>	<u>3,498,880</u>	<u>1,020,202</u>	<u>382,708</u>	<u>5,743,344</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 332,816</u>	<u>\$ 608,876</u>	<u>\$ 233,453</u>	<u>\$ 3,956,330</u>	<u>\$ 1,020,202</u>	<u>\$ 382,708</u>	<u>\$ 6,534,385</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2017

Exhibit 20

	Family Services Fund	PEG Fund	Owens Brooke District Fund	Fire Rescue Fund	Merchant Museum Fund	Speiden Carper House Fund	Total
REVENUES							
General property taxes	\$ -	\$ -	\$ 41,041	\$ 8,674,063	\$ -	\$ -	\$ 8,715,104
Permits, fees and licenses	-	-	-	65,219	-	-	65,219
Revenues from use of money and property	-	1,432	702	5,261	3,344	1,281	12,020
Charges for services	35,946	-	-	536,929	-	-	572,875
Miscellaneous	-	160,990	-	28,403	21,102	-	210,495
Intergovernmental	3,353,044	-	-	255,183	-	-	3,608,227
Total revenues	<u>3,388,990</u>	<u>162,422</u>	<u>41,743</u>	<u>9,565,058</u>	<u>24,446</u>	<u>1,281</u>	<u>13,183,940</u>
EXPENDITURES							
Current:							
General government administration	-	32,900	-	-	-	-	32,900
Public safety	-	-	-	8,802,950	-	-	8,802,950
Public works	-	-	3,981	-	-	-	3,981
Health and welfare	5,645,093	-	-	-	-	-	5,645,093
Cultural, recreation, and community development	-	-	-	-	-	8,932	8,932
Capital outlay	-	-	-	642,101	-	-	642,101
Debt service:							
Principal	-	-	-	39,847	-	-	39,847
Interest and fiscal charges	-	-	-	769	-	-	769
Total expenditures	<u>5,645,093</u>	<u>32,900</u>	<u>3,981</u>	<u>9,485,667</u>	<u>-</u>	<u>8,932</u>	<u>15,176,573</u>
Excess (deficiency) of revenues over expenditures	<u>(2,256,103)</u>	<u>129,522</u>	<u>37,762</u>	<u>79,391</u>	<u>24,446</u>	<u>(7,651)</u>	<u>(1,992,633)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	2,256,103	-	-	-	-	-	2,256,103
Transfers out	-	-	-	(79,877)	-	-	(79,877)
Proceeds from sale of capital assets	-	-	-	36,961	-	-	36,961
Total other financing sources (uses)	<u>2,256,103</u>	<u>-</u>	<u>-</u>	<u>(42,916)</u>	<u>-</u>	<u>-</u>	<u>2,213,187</u>
Net change in fund balances	-	129,522	37,762	36,475	24,446	(7,651)	220,554
Fund balance - beginning	-	479,354	194,916	3,462,405	995,756	390,359	5,522,790
Fund balance - ending	<u>\$ -</u>	<u>\$ 608,876</u>	<u>\$ 232,678</u>	<u>\$ 3,498,880</u>	<u>\$ 1,020,202</u>	<u>\$ 382,708</u>	<u>\$ 5,743,344</u>

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CITY OF MANASSAS, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2017

Family Services Fund				
	Original Budget	Final Budget	Actual	Variance w/ Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ -	\$ -	\$ -	\$ -
Revenues from use of money and property	-	-	-	-
Charges for services	36,000	36,000	35,946	(54)
Miscellaneous	-	-	-	-
Intergovernmental	3,518,480	3,529,851	3,353,044	(176,807)
Total revenues	<u>3,554,480</u>	<u>3,565,851</u>	<u>3,388,990</u>	<u>(176,861)</u>
EXPENDITURES				
Current:				
General government administration	-	-	-	-
Public works	-	-	-	-
Health and welfare	5,957,920	5,969,291	5,645,093	324,198
Capital outlay	-	-	-	-
Total expenditures	<u>5,957,920</u>	<u>5,969,291</u>	<u>5,645,093</u>	<u>324,198</u>
Excess (deficiency) of revenues over expenditures	<u>(2,403,440)</u>	<u>(2,403,440)</u>	<u>(2,256,103)</u>	<u>147,337</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,403,440	2,403,440	2,256,103	(147,337)
Total other financing sources (uses)	<u>2,403,440</u>	<u>2,403,440</u>	<u>2,256,103</u>	<u>(147,337)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fire Rescue Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 8,672,680	\$ 8,672,680	\$ 8,674,063	\$ 1,383
Permits, fees and licenses	55,000	55,000	65,219	10,219
Revenues from use of money and property	-	-	5,261	5,261
Charges for services	640,000	640,000	536,929	(103,071)
Miscellaneous	10,000	10,000	28,403	18,403
Intergovernmental	387,000	466,707	255,183	(211,524)
Total revenues	<u>9,764,680</u>	<u>9,844,387</u>	<u>9,565,058</u>	<u>(279,329)</u>
EXPENDITURES				
Current:				
Public safety	9,197,960	9,316,707	8,802,950	513,757
Culture, recreation, and community development	-	-	-	-
Capital outlay	55,000	996,832	642,101	354,731
Debt service:				
Principal	40,620	40,620	39,847	773
Interest and fiscal charges	-	-	769	(769)
Total expenditures	<u>9,293,580</u>	<u>10,354,159</u>	<u>9,485,667</u>	<u>868,492</u>
Excess (deficiency) of revenues over expenditures	<u>471,100</u>	<u>(509,772)</u>	<u>79,391</u>	<u>589,163</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(654,000)	(654,000)	(79,877)	574,123
Proceeds from sale of capital assets	-	-	36,961	36,961
Total other financing sources (uses)	<u>(654,000)</u>	<u>(654,000)</u>	<u>(42,916)</u>	<u>611,084</u>
Net change in fund balances	<u>\$ (182,900)</u>	<u>\$ (1,163,772)</u>	<u>\$ 36,475</u>	<u>\$ 1,200,247</u>

PEG Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	1,432	1,432
-	-	-	-
165,000	165,000	160,990	(4,010)
-	-	-	-
165,000	165,000	162,422	(2,578)
-	-	-	-
-	14,368	32,900	(18,532)
-	-	-	-
-	-	-	-
165,000	150,632	-	150,632
165,000	165,000	32,900	132,100
-	-	-	-
-	-	129,522	129,522
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ 129,522	\$ 129,522

Owens Brooke District Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 40,200	\$ 40,200	\$ 41,041	\$ 841
-	-	702	702
-	-	-	-
-	-	-	-
-	-	-	-
40,200	40,200	41,743	1,543
-	-	-	-
-	-	-	-
40,200	40,200	3,981	36,219
-	-	-	-
-	-	-	-
40,200	40,200	3,981	36,219
-	-	-	-
-	-	37,762	37,762
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ 37,762	\$ 37,762

Speiden Carper House Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
500	500	1,281	781
-	-	-	-
-	-	-	-
-	-	-	-
500	500	1,281	781
-	-	-	-
5,670	17,901	8,932	8,969
-	-	-	-
-	-	-	-
-	-	-	-
5,670	17,901	8,932	8,969
(5,170)	(17,401)	(7,651)	9,750
-	-	-	-
-	-	-	-
-	-	-	-
\$ (5,170)	\$ (17,401)	\$ (7,651)	\$ 9,750

**CITY OF MANASSAS, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2017**

Exhibit 21

	General Capital Projects Fund	Gateway Capital Projects Fund	Transportation Capital Projects Fund	Stormwater Capital Projects Fund	NVTA Capital Projects Fund	Total
ASSETS						
Cash and investments	\$ 2,652,111	\$ 3,357,143	\$ 531,373	\$ 64,857	\$ 9,091,983	\$ 15,697,467
Cash and investments - restricted	9,056,124	-	-	-	1,346,457	10,402,581
Due from component unit	-	2,533,125	-	-	-	2,533,125
Due from other governments	-	-	165,061	-	425,341	590,402
Total assets	<u>\$ 11,708,235</u>	<u>\$ 5,890,268</u>	<u>\$ 696,434</u>	<u>\$ 64,857</u>	<u>\$ 10,863,781</u>	<u>\$ 29,223,575</u>
LIABILITIES						
Accounts payable and accrued expenses	\$ 34,772	\$ -	\$ 112,079	\$ -	\$ 63,058	\$ 209,909
Total liabilities	<u>34,772</u>	<u>-</u>	<u>112,079</u>	<u>-</u>	<u>63,058</u>	<u>209,909</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	2,533,125	-	-	-	2,533,125
Total deferred inflows of resources	<u>-</u>	<u>2,533,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,533,125</u>
FUND BALANCES						
Restricted:						
Bond proceeds not yet spent	9,056,124	-	-	-	1,346,457	10,402,581
Committed	<u>2,617,339</u>	<u>3,357,143</u>	<u>584,355</u>	<u>64,857</u>	<u>9,454,266</u>	<u>16,077,960</u>
Total fund balances	<u>11,673,463</u>	<u>3,357,143</u>	<u>584,355</u>	<u>64,857</u>	<u>10,800,723</u>	<u>26,480,541</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,708,235</u>	<u>\$ 5,890,268</u>	<u>\$ 696,434</u>	<u>\$ 64,857</u>	<u>\$ 10,863,781</u>	<u>\$ 29,223,575</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2017

Exhibit 22

	General Capital Projects Fund	Gateway Capital Projects Fund	Transportation Capital Projects Fund	Stormwater Capital Projects Fund	NVTA Capital Projects Fund	Total
REVENUES						
Revenues from use of money and property	\$ -	\$ 57,395	\$ -	\$ -	\$ 248	\$ 57,643
Miscellaneous	30,000	-	-	-	-	30,000
Contribution from component unit	-	3,256,077	-	-	-	3,256,077
Intergovernmental	-	-	163,564	-	2,439,731	2,603,295
Total revenues	<u>30,000</u>	<u>3,313,472</u>	<u>163,564</u>	<u>-</u>	<u>2,439,979</u>	<u>5,947,015</u>
EXPENDITURES						
Current:						
General government administration	-	-	-	-	353,240	353,240
Capital outlay	3,975,710	4,730	179,507	7,763	1,338,523	5,506,233
Debt service:						
Bond issuance costs	<u>199,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,920</u>
Total expenditures	<u>4,175,630</u>	<u>4,730</u>	<u>179,507</u>	<u>7,763</u>	<u>1,691,763</u>	<u>6,059,393</u>
Excess (deficiency) of revenues over expenditures	<u>(4,145,630)</u>	<u>3,308,742</u>	<u>(15,943)</u>	<u>(7,763)</u>	<u>748,216</u>	<u>(112,378)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	11,685,000	-	-	-	-	11,685,000
Premium on bonds	1,014,920	-	-	-	-	1,014,920
Transfers in	<u>915,553</u>	<u>-</u>	<u>292,888</u>	<u>-</u>	<u>1,995,872</u>	<u>3,204,313</u>
Total other financing sources (uses)	<u>13,615,473</u>	<u>-</u>	<u>292,888</u>	<u>-</u>	<u>1,995,872</u>	<u>15,904,233</u>
Net change in fund balances	9,469,843	3,308,742	276,945	(7,763)	2,744,088	15,791,855
Fund balance - beginning	<u>2,203,620</u>	<u>48,401</u>	<u>307,410</u>	<u>72,620</u>	<u>8,056,635</u>	<u>10,688,686</u>
Fund balance - ending	<u>\$ 11,673,463</u>	<u>\$ 3,357,143</u>	<u>\$ 584,355</u>	<u>\$ 64,857</u>	<u>\$ 10,800,723</u>	<u>\$ 26,480,541</u>

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NONMAJOR ENTERPRISE FUNDS

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

**CITY OF MANASSAS, VIRGINIA
STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2017**

Exhibit 23

	Solid Waste Fund
ASSETS	
Current assets:	
Cash and investments - unrestricted	\$ 729,826
Cash and investments - restricted	-
Accounts receivable, net	222,248
Due from other governments	-
Total current assets	<u>952,074</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	-
Depreciable, net	<u>35,694</u>
Total capital assets, net	<u>35,694</u>
Total assets	<u>987,768</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	<u>16,577</u>
Total deferred outflows of resources	<u>16,577</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	176,276
Compensated absences	<u>819</u>
Total current liabilities	<u>177,095</u>
Noncurrent liabilities:	
Compensated absences	4,643
Net OPEB obligation	2,927
Net pension liability	<u>109,217</u>
Total noncurrent liabilities	<u>116,787</u>
Total liabilities	<u>293,882</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	<u>9,971</u>
Total deferred inflows of resources	<u>9,971</u>
NET POSITION	
Net investment in capital assets	35,694
Restricted for capital projects	-
Unrestricted	<u>664,798</u>
Total net position	<u>\$ 700,492</u>

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2017

Exhibit 24

	Solid Waste Fund
<hr/>	
OPERATING REVENUES	
Charges for services	\$ 3,409,022
Total operating revenues	<u>3,409,022</u>
OPERATING EXPENSES	
Personal services	155,328
Contractual services	2,424,058
Supplies	3,938
Internal and other services	183,435
Depreciation and amortization	<u>3,195</u>
Total operating expenses	<u>2,769,954</u>
Operating income	<u>639,068</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental grants	8,094
Investment earnings	1,712
Other	510
Interest expense and other fiscal charges	<u>-</u>
Total nonoperating revenues (expenses)	<u>10,316</u>
Income before transfers	<u>649,384</u>
Change in net position	649,384
Total net position - beginning	<u>51,108</u>
Total net position - ending	<u><u>\$ 700,492</u></u>

**CITY OF MANASSAS, VIRGINIA
STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2017**

Exhibit 25

	Solid Waste Fund
OPERATING ACTIVITIES	
Cash received from customers and users	\$ 3,374,783
Cash paid to suppliers	(2,504,404)
Cash paid to employees	(161,009)
Payments for interfund services used	(183,435)
Net cash provided by (used in) operating activities	<u>525,935</u>
NONCAPITAL FINANCING ACTIVITIES	
Non-operating grants received	<u>8,094</u>
Net cash provided by (used in) noncapital financing activities	<u>8,094</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Insurance recoveries	<u>510</u>
Net cash provided by capital and related financing activities	<u>510</u>
INVESTING ACTIVITIES	
Investment income	<u>1,712</u>
Net cash provided by investing activities	<u>1,712</u>
Net increase in cash and investments	536,251
Cash and investments - beginning of year	<u>193,575</u>
Cash and investments - end of year	<u>\$ 729,826</u>
CASH AND INVESTMENTS IS COMPRISED OF THE FOLLOWING:	
Cash and investments - unrestricted	<u>\$ 729,826</u>
Total	<u>\$ 729,826</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	<u>\$ 639,068</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	3,195
Pension expense net of employer contributions	(1,497)
(Increase) decrease in:	
Accounts receivable	(34,239)
Increase (decrease) in:	
Accounts payable and accrued expenses	(80,202)
Compensated absences	(1,786)
Net OPEB obligation	1,396
Total adjustments	<u>(113,133)</u>
Net cash provided by operating activities	<u>\$ 525,935</u>

INTERNAL SERVICE FUNDS

Building Maintenance Fund - to account for and report costs related to the operation and maintenance of city owned buildings used by city departments and agencies. Revenue is derived primarily from user charges to recover actual costs.

Vehicle Maintenance Fund - to account for and report the costs related to the operation and maintenance of equipment used by city departments and agencies. The acquisition and replacement of equipment is accounted for in this fund. Revenue is derived primarily from user charges to recover actual costs which include depreciation of equipment.

Information Technology Fund - to account for and report costs of providing information technology services to city departments and agencies. Revenue is derived primarily from user charges which are based on the use of the City's computers and the actual costs of operating this facility.

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2017

Exhibit 26

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 512,469	\$ 910,387	\$ 2,097,871	\$ 3,520,727
Prepaid expenses	<u>-</u>	<u>-</u>	<u>205,386</u>	<u>205,386</u>
Total current assets	<u>512,469</u>	<u>910,387</u>	<u>2,303,257</u>	<u>3,726,113</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	-	-	77,285	77,285
Depreciable, net	<u>39,600</u>	<u>3,093,213</u>	<u>1,465,701</u>	<u>4,598,514</u>
Total capital assets, net	<u>39,600</u>	<u>3,093,213</u>	<u>1,542,986</u>	<u>4,675,799</u>
Total assets	<u>552,069</u>	<u>4,003,600</u>	<u>3,846,243</u>	<u>8,401,912</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	<u>62,956</u>	<u>117,568</u>	<u>201,640</u>	<u>382,164</u>
Total deferred outflows of resources	<u>62,956</u>	<u>117,568</u>	<u>201,640</u>	<u>382,164</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	48,576	26,683	101,967	177,226
Compensated absences	4,531	13,276	20,878	38,685
Capital lease obligation	<u>-</u>	<u>49,662</u>	<u>-</u>	<u>49,662</u>
Total current liabilities	<u>53,107</u>	<u>89,621</u>	<u>122,845</u>	<u>265,573</u>
Noncurrent liabilities:				
Compensated absences	25,673	75,229	118,310	219,212
Net pension liability	323,454	549,867	864,683	1,738,004
Capital lease obligations	<u>-</u>	<u>100,024</u>	<u>-</u>	<u>100,024</u>
Total noncurrent liabilities	<u>349,127</u>	<u>725,120</u>	<u>982,993</u>	<u>2,057,240</u>
Total liabilities	<u>402,234</u>	<u>814,741</u>	<u>1,105,838</u>	<u>2,322,813</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related deferred inflows	<u>31,930</u>	<u>52,426</u>	<u>83,808</u>	<u>168,164</u>
Total deferred inflows of resources	<u>31,930</u>	<u>52,426</u>	<u>83,808</u>	<u>168,164</u>
NET POSITION				
Net investment in capital assets	39,600	2,943,527	1,542,986	4,526,113
Unrestricted	<u>141,261</u>	<u>310,474</u>	<u>1,315,251</u>	<u>1,766,986</u>
Total net position	<u>\$ 180,861</u>	<u>\$ 3,254,001</u>	<u>\$ 2,858,237</u>	<u>\$ 6,293,099</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2017

Exhibit 27

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
OPERATING REVENUES				
Charges for services	\$ 1,538,800	\$ 2,835,407	\$ 3,264,399	\$ 7,638,606
Total operating revenues	<u>1,538,800</u>	<u>2,835,407</u>	<u>3,264,399</u>	<u>7,638,606</u>
OPERATING EXPENSES				
Personal services	438,324	748,622	1,371,066	2,558,012
Contractual services	327,732	129,807	864,762	1,322,301
Supplies	86,131	721,732	258,621	1,066,484
Internal and other services	538,457	596,684	380,457	1,515,598
Depreciation and amortization	4,030	763,538	181,061	948,629
Total operating expenses	<u>1,394,674</u>	<u>2,960,383</u>	<u>3,055,967</u>	<u>7,411,024</u>
Operating income (loss)	<u>144,126</u>	<u>(124,976)</u>	<u>208,432</u>	<u>227,582</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	1,706	1,578	7,396	10,680
Gain on sale of capital assets	-	72,996	-	72,996
Other/insurance recoveries	-	29,000	8,998	37,998
Interest expense	-	(739)	-	(739)
Total nonoperating revenues (expenses)	<u>1,706</u>	<u>102,835</u>	<u>16,394</u>	<u>120,935</u>
Income (loss) before transfers	<u>145,832</u>	<u>(22,141)</u>	<u>224,826</u>	<u>348,517</u>
TRANSFERS IN	<u>-</u>	<u>846,424</u>	<u>-</u>	<u>846,424</u>
Change in net position	145,832	824,283	224,826	1,194,941
Total net position - beginning, as restated	<u>35,029</u>	<u>2,429,718</u>	<u>2,633,411</u>	<u>5,098,158</u>
Total net position - ending	<u>\$ 180,861</u>	<u>\$ 3,254,001</u>	<u>\$ 2,858,237</u>	<u>\$ 6,293,099</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2017

Exhibit 28

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
OPERATING ACTIVITIES				
Cash received from customers and users	\$ 1,538,800	\$ 2,835,407	\$ 3,264,399	\$ 7,638,606
Cash paid to suppliers	(430,211)	(895,593)	(1,211,107)	(2,536,911)
Cash paid to employees	(473,468)	(789,927)	(1,433,649)	(2,697,044)
Payments for interfund services used	(538,457)	(596,684)	(380,457)	(1,515,598)
Net cash provided by (used in) operating activities	<u>96,664</u>	<u>553,203</u>	<u>239,186</u>	<u>889,053</u>
NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	846,424	-	846,424
Net cash provided by noncapital financing activities	<u>-</u>	<u>846,424</u>	<u>-</u>	<u>846,424</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	-	(1,546,534)	(549,135)	(2,095,669)
Proceeds from sale of capital assets	-	72,996	-	72,996
Proceeds from capital leases	-	201,370	-	201,370
Principal paid on capital leases	-	(90,790)	-	(90,790)
Interest paid on capital leases	-	(739)	-	(739)
Insurance recoveries	-	29,000	8,998	37,998
Net cash used in capital and related financing activities	<u>-</u>	<u>(1,334,697)</u>	<u>(540,137)</u>	<u>(1,874,834)</u>
INVESTING ACTIVITIES				
Investment income	1,706	1,578	7,396	10,680
Net cash provided by investing activities	<u>1,706</u>	<u>1,578</u>	<u>7,396</u>	<u>10,680</u>
Net increase (decrease) in cash and investments	98,370	66,508	(293,555)	(128,677)
Cash and investments - beginning of year	<u>414,099</u>	<u>843,879</u>	<u>2,391,426</u>	<u>3,649,404</u>
Cash and investments - end of year	<u>\$ 512,469</u>	<u>\$ 910,387</u>	<u>\$ 2,097,871</u>	<u>\$ 3,520,727</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 144,126	\$ (124,976)	\$ 208,432	\$ 227,582
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	4,030	763,538	181,061	948,629
Pension expense net of employer contributions	(6,100)	(16,460)	(29,914)	(52,474)
(Increase) decrease in:				
Prepaid expenses	-	-	(105,902)	(105,902)
Increase (decrease) in:				
Accounts payable and accrued expenses	(35,959)	(69,546)	(29,970)	(135,475)
Compensated absences	(9,433)	647	15,479	6,693
Total adjustments	<u>(47,462)</u>	<u>678,179</u>	<u>30,754</u>	<u>661,471</u>
Net cash provided by operating activities	<u>\$ 96,664</u>	<u>\$ 553,203</u>	<u>\$ 239,186</u>	<u>\$ 889,053</u>

DISCRETELY PRESENTED COMPONENT UNIT – MANASSAS CITY PUBLIC SCHOOLS

MAJOR GOVERNMENTAL FUNDS

Operating Fund - to account for and report revenues from the Federal government and the Commonwealth that are restricted and local funds which are committed by City Council for expenditures for the City's public school system.

Capital Projects Fund - to account for and report for bond proceeds contributed by the City which are restricted for the purchase and/or construction of major school facilities and other capital improvements.

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

FIDUCIARY FUNDS

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

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

CITY OF MANASSAS, VIRGINIA
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
GOVERNMENTAL FUNDS
June 30, 2017

Exhibit 29

	School Operating Fund	School Capital Projects Fund	School Food Service Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 11,796,968	\$ 1,717,393	\$ 2,088,435	\$ 15,602,796
Cash and investments - restricted	-	6,480,585	-	6,480,585
Accounts receivable	1,424,234	-	1,425	1,425,659
Due from other governments	<u>4,094,458</u>	<u>-</u>	<u>120,317</u>	<u>4,214,775</u>
Total assets	<u>17,315,660</u>	<u>8,197,978</u>	<u>2,210,177</u>	<u>27,723,815</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued expenses	13,796,852	924,454	354,053	15,075,359
Retainage payable	<u>-</u>	<u>571,126</u>	<u>-</u>	<u>571,126</u>
Total liabilities	<u>13,796,852</u>	<u>1,495,580</u>	<u>354,053</u>	<u>15,646,485</u>
FUND BALANCES				
Restricted for capital projects	-	4,985,005	-	4,985,005
Assigned	<u>3,518,808</u>	<u>1,717,393</u>	<u>1,856,124</u>	<u>7,092,325</u>
Total fund balances	<u>3,518,808</u>	<u>6,702,398</u>	<u>1,856,124</u>	<u>12,077,330</u>
Total liabilities and fund balances	<u>\$ 17,315,660</u>	<u>\$ 8,197,978</u>	<u>\$ 2,210,177</u>	<u>\$ 27,723,815</u>

CITY OF MANASSAS, VIRGINIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
For the Year Ended June 30, 2017

Exhibit 30

Total fund balances for governmental funds (Exhibit 29)	\$ 12,077,330
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	79,422,004
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.	
Capital leases	(215,255)
Net OPEB obligation	(1,474,000)
Compensated absences	(2,109,035)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Pension related deferred outflows	17,318,065
Pension related deferred inflows	(4,276,912)
Net pension liability	<u>(102,753,043)</u>
Net position of governmental activities	<u>\$ (2,010,846)</u>

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

Exhibit 31

	School Operating Fund	School Capital Projects Fund	School Food Service Fund	Total Governmental Funds
REVENUES				
Revenues from use of money and property	\$ 26,772	\$ 35,398	\$ -	\$ 62,170
Fines and forfeitures	83,763	-	-	83,763
Charges for services	452,525	-	873,827	1,326,352
Intergovernmental revenues:				
Local	51,035,116	6,835,571	-	57,870,687
Commonwealth	48,567,258	-	124,137	48,691,395
Federal	3,473,757	-	2,994,383	6,468,140
Total revenues	<u>103,639,191</u>	<u>6,870,969</u>	<u>3,992,347</u>	<u>114,502,507</u>
EXPENDITURES				
Current:				
Education	97,244,936	-	3,891,694	101,136,630
Capital outlay	-	11,506,595	-	11,506,595
Payment in lieu of debt service	7,255,184	-	-	7,255,184
Debt service:				
Principal retirement	116,657	-	-	116,657
Interest and other fiscal charges	10,734	-	-	10,734
Total expenditures	<u>104,627,511</u>	<u>11,506,595</u>	<u>3,891,694</u>	<u>120,025,800</u>
Excess (deficiency) of revenues over expenditures	<u>(988,320)</u>	<u>(4,635,626)</u>	<u>100,653</u>	<u>(5,523,293)</u>
Net change in fund balances	(988,320)	(4,635,626)	100,653	(5,523,293)
Fund balances - beginning	<u>4,507,128</u>	<u>11,338,024</u>	<u>1,755,471</u>	<u>17,600,623</u>
Fund balances - ending	<u>\$ 3,518,808</u>	<u>\$ 6,702,398</u>	<u>\$ 1,856,124</u>	<u>\$ 12,077,330</u>

CITY OF MANASSAS, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
For the Year Ended June 30, 2017

Exhibit 32

Net change in fund balances - total governmental funds (Exhibit 31)	\$	(5,523,293)
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Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Governmental funds reported capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$12,080,175) exceeded depreciation (\$7,029,471) in the current period.		5,050,704
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In the statement of activities, only the <i>gain or loss</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the <i>cost</i> of the property sold.		(341,629)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Capital lease payments		116,657

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Compensated absences		(62,440)
Net OPEB obligation		117,000

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions		8,188,239
Pension expense		(9,788,660)

Change in net position of governmental activities	\$	(2,243,422)
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CITY OF MANASSAS, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
For the Year Ended June 30, 2017

Exhibit 33

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 26,772	\$ 26,772
Fines and forfeitures	-	-	83,763	83,763
Charges for services	531,850	531,850	452,525	(79,325)
Intergovernmental:				
Local	51,294,600	51,294,600	51,035,116	(259,484)
Commonwealth	49,986,808	49,986,808	48,567,258	(1,419,550)
Federal	3,527,292	3,527,292	3,473,757	(53,535)
Total revenues	105,340,550	105,340,550	103,639,191	(1,701,359)
EXPENDITURES				
Current:				
Instruction	74,128,040	75,007,282	73,103,422	1,903,860
Administration, attendance, and health	6,365,108	5,725,906	5,441,967	283,939
Pupil transportation	3,861,163	3,966,423	3,635,600	330,823
Operation and maintenance	8,788,285	8,752,565	7,924,055	828,510
Technology	6,507,003	7,053,630	6,669,202	384,428
Facilities	379,475	529,475	470,690	58,785
Capital lease payment	-	-	127,391	(127,391)
Payment in lieu of debt service	7,373,400	7,382,575	7,255,184	127,391
Contingency	710,344	89,326	-	89,326
Total expenditures	108,112,818	108,507,182	104,627,511	3,879,671
Excess (deficiency) of revenues over expenditures	(2,772,268)	(3,166,632)	(988,320)	2,178,312
Net change in fund balances	\$ (2,772,268)	\$ (3,166,632)	(988,320)	\$ 2,178,312
Fund Balance, Beginning			4,507,128	
Fund Balance, Ending			\$ 3,518,808	

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
For the Year Ended June 30, 2017

Exhibit 34

	School Food Service Fund			
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 956,000	\$ 956,000	\$ 873,827	\$ (82,173)
Intergovernmental:				
Commonwealth	102,640	102,640	124,137	21,497
Federal	2,835,000	2,835,000	2,994,383	159,383
Total revenues	<u>3,893,640</u>	<u>3,893,640</u>	<u>3,992,347</u>	<u>98,707</u>
EXPENDITURES				
Current:				
Food services	<u>4,240,098</u>	<u>5,995,185</u>	<u>3,891,694</u>	<u>2,103,491</u>
Total expenditures	<u>4,240,098</u>	<u>5,995,185</u>	<u>3,891,694</u>	<u>2,103,491</u>
Excess (deficiency) of revenues over expenditures	<u>(346,458)</u>	<u>(2,101,545)</u>	<u>100,653</u>	<u>2,202,198</u>
Net change in fund balances	<u>\$ (346,458)</u>	<u>\$ (2,101,545)</u>	<u>100,653</u>	<u>\$ 2,202,198</u>
Fund Balance, Beginning			<u>1,755,471</u>	
Fund Balance, Ending			<u>\$ 1,856,124</u>	

CITY OF MANASSAS, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
SCHOOL ACTIVITY FUNDS
June 30, 2017

Exhibit 35

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS				
Cash:				
Osbourn High School	\$ 356,664	\$ 581,215	\$ 625,439	\$ 312,440
Grace E. Metz Middle School	46,989	105,342	97,030	55,301
Mayfield Intermediate School	55,023	87,098	103,056	39,065
Baldwin Elementary School	14,338	44,915	45,320	13,933
Jennie Dean Elementary School	27,704	67,407	51,237	43,874
R.C. Haydon Elementary School	28,219	49,609	54,425	23,403
George C. Round Elementary School	40,968	27,466	25,861	42,573
Weems Elementary School	19,657	38,838	36,655	21,840
	<u>\$ 589,562</u>	<u>\$ 1,001,890</u>	<u>\$ 1,039,023</u>	<u>\$ 552,429</u>
Total assets	<u>\$ 589,562</u>	<u>\$ 1,001,890</u>	<u>\$ 1,039,023</u>	<u>\$ 552,429</u>
LIABILITIES				
Amounts held for student activity funds	<u>\$ 589,562</u>	<u>\$ 1,001,890</u>	<u>\$ 1,039,023</u>	<u>\$ 552,429</u>

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2017

Exhibit 36

	Nancy Lyons Scholarship Fund	E. Shreve Brent Scholarship Fund	Total
ASSETS			
Cash and investments	\$ 75,217	\$ 1,055,838	\$ 1,131,055
NET POSITION			
Held in trust	\$ 75,217	\$ 1,055,838	\$ 1,131,055

CITY OF MANASSAS, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - MCPS
PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended June 30, 2017

Exhibit 37

	Nancy Lyons Scholarship Fund	E. Shreve Brent Scholarship Fund	Total
ADDITIONS			
Investment earnings	\$ 11,483	\$ 123,339	\$ 134,822
Total additions	<u>11,483</u>	<u>123,339</u>	<u>134,822</u>
DEDUCTIONS			
Scholarships distributions	<u>16,000</u>	<u>20,000</u>	<u>36,000</u>
Total deductions	<u>16,000</u>	<u>20,000</u>	<u>36,000</u>
Change in net position	(4,517)	103,339	98,822
Net position - beginning	<u>79,734</u>	<u>952,499</u>	<u>1,032,233</u>
Net position - ending	<u>\$ 75,217</u>	<u>\$ 1,055,838</u>	<u>\$ 1,131,055</u>

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

ENTERPRISE FUND

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

CITY OF MANASSAS, VIRGINIA
STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2017

Exhibit 38

ASSETS

Current assets:

Cash and investments	\$ 586,781
Accounts receivable	6,772
Note receivable - current portion	<u>1,447,500</u>
Total current assets	<u>2,041,053</u>

Noncurrent assets:

Note receivable - long-term portion	<u>1,085,625</u>
Total assets	<u>3,126,678</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	1,839
Due to primary government, current portion	<u>1,447,500</u>
Total current liabilities	<u>1,449,339</u>

Noncurrent liabilities:

Due to primary government	<u>1,085,625</u>
Total noncurrent liabilities	<u>1,085,625</u>
Total liabilities	<u>2,534,964</u>

NET POSITION

Unrestricted	<u>591,714</u>
Total net position	<u><u>\$ 591,714</u></u>

CITY OF MANASSAS, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2017

Exhibit 39

OPERATING REVENUES

Charges for services	\$ 6,772
Contribution from primary government	<u>241,000</u>
Total operating revenues	<u>247,772</u>

OPERATING EXPENSES

Contractual services	21,243
Grants	276,000
Internal and other services	<u>2,616</u>
Total operating expenses	<u>299,859</u>

Operating income (loss)	<u>(52,087)</u>
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NONOPERATING REVENUES (EXPENSES)

Investment earnings	2,131
Gain on sale of capital assets	5,612,460
Other	5,000
Contribution to primary government	<u>(5,789,202)</u>
Total nonoperating revenues (expenses)	<u>(169,611)</u>

Loss before transfers and contributions	<u>(221,698)</u>
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CAPITAL CONTRIBUTIONS

	<u>177,540</u>
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Change in net position	(44,158)
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Total net position - beginning	<u>635,872</u>
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Total net position - ending	<u><u>\$ 591,714</u></u>
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**CITY OF MANASSAS, VIRGINIA
STATEMENT OF CASH FLOWS
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2017**

Exhibit 40

OPERATING ACTIVITIES

Cash received from customers and users	\$ 7,532
Cash received from primary government	241,000
Cash paid to suppliers	(19,404)
Cash paid to grantees	(276,000)
Payments for interfund services used	(2,616)
Net cash used in operating activities	(49,488)

NONCAPITAL FINANCING ACTIVITIES

Contribution to primary government	(3,256,077)
Other non-operating receipts	5,000
Net cash used in noncapital financing activities	(3,251,077)

CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from sale of capital assets	2,901,916
Payment received on notes receivable	361,875
Net cash provided by capital and related financing activities	3,263,791

INVESTING ACTIVITIES

Interest earnings	2,131
Net cash provided by investing activities	2,131
Net decrease in cash and investments	(34,643)

Cash and investments - beginning of year	621,424
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Cash and investments - end of year	\$ 586,781
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RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:

Operating loss	\$ (52,087)
Adjustments to reconcile operating loss to net cash used in operating activities:	
(Increase) decrease in:	
Accounts receivable	760
Increase (decrease) in:	
Accounts payable and accrued expenses	1,839
Total adjustments	2,599
Net cash used in operating activities	\$ (49,488)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Capital contributions	\$ 177,540
Sale of capital assets financed with note receivable	\$ 2,895,000

STATISTICAL SECTION

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

Contents	Pages
<i>Financial Trends – Tables 1 – 5</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	120-129
<i>Revenue Capacity – Tables 6 – 10</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	130-135
<i>Debt Capacity – Tables 11 – 13</i> These schedules contain trend information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	136-139
<i>Demographic and Economic Information – Tables 14 – 15</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place	140-141
<i>Operating Information – Tables 16 – 18</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs.	142-144

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

CITY OF MANASSAS, VIRGINIA

Table 1

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

	Fiscal Year					
	2008	2009	2010	2011	2012	2013
Governmental activities						
Net investment in capital assets	\$ 184,501,768	\$ 188,286,143	\$ 187,167,835	\$ 187,046,616	\$ 190,610,490	\$ 192,612,544
Restricted	3,171,524	2,837,832	1,905,999	4,863,154	681,134	100,000
Unrestricted	(19,420,422)	(19,205,279)	(16,284,557)	(13,758,457)	(5,238,442)	(2,884,806)
Total governmental activities net position	<u>\$ 168,252,870</u>	<u>\$ 171,918,696</u>	<u>\$ 172,789,277</u>	<u>\$ 178,151,313</u>	<u>\$ 186,053,182</u>	<u>\$ 189,827,738</u>
Business-type activities						
Invested in capital assets,						
Net investment in capital assets	\$ 72,380,276	\$ 70,188,507	\$ 76,572,357	\$ 74,485,176	\$ 82,091,882	\$ 88,046,880
Restricted	343,478	354,727	54,724	3,060,310	-	-
Unrestricted	24,896,047	28,630,117	34,206,399	45,688,265	51,375,758	51,403,397
Total business-type activities net position	<u>\$ 97,619,801</u>	<u>\$ 99,173,351</u>	<u>\$ 110,833,480</u>	<u>\$ 123,233,751</u>	<u>\$ 133,467,640</u>	<u>\$ 139,450,277</u>
Total primary government						
Net investment in capital assets	\$ 256,882,044	\$ 258,474,650	\$ 263,740,192	\$ 261,531,792	\$ 272,702,372	\$ 280,659,424
Restricted	3,515,002	3,192,559	1,960,723	7,923,464	681,134	100,000
Unrestricted	5,475,625	9,424,838	17,921,842	31,929,808	46,137,316	48,518,591
Total primary government net position	<u>\$ 265,872,671</u>	<u>\$ 271,092,047</u>	<u>\$ 283,622,757</u>	<u>\$ 301,385,064</u>	<u>\$ 319,520,822</u>	<u>\$ 329,278,015</u>
Component unit - Manassas City Public Schools						
Net investment in capital assets	\$ 61,416,111	\$ 57,277,879	\$ 53,900,305	\$ 51,214,420	\$ 49,095,596	\$ 46,206,590
Restricted	-	-	-	-	-	-
Unrestricted	4,637,838	3,007,722	3,785,225	4,788,337	4,598,515	4,343,729
Total component unit net position	<u>\$ 66,053,949</u>	<u>\$ 60,285,601</u>	<u>\$ 57,685,530</u>	<u>\$ 56,002,757</u>	<u>\$ 53,694,111</u>	<u>\$ 50,550,319</u>
Component unit - Manassas Economic Development Authority						
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total component unit net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total reporting unit						
Net investment in capital assets	\$ 268,562,880	\$ 270,383,099	\$ 274,972,222	\$ 273,768,712	\$ 286,415,968	\$ 294,871,514
Restricted	3,515,002	3,192,559	1,960,723	8,023,464	681,134	100,000
Unrestricted	59,848,738	57,801,890	64,375,342	75,595,645	86,117,831	84,856,820
Total reporting unit net position	<u>\$ 331,926,620</u>	<u>\$ 331,377,648</u>	<u>\$ 341,308,287</u>	<u>\$ 357,387,821</u>	<u>\$ 373,214,933</u>	<u>\$ 379,828,334</u>

Source: City of Manassas Comprehensive Annual Financial Report

Notes: Fiscal years 2008 through 2015 are presented as restated.

The sum of Net investment in capital assets of the primary government and the component unit does not equal Net investment in capital assets of the total reporting unit, because the debt related to the component unit is reflected in the primary government's general governmental activities reducing Unrestricted net position. The assets are reflected in the component unit as Net investment in capital assets. The total reporting unit matches the assets with the debt and reports the net amount of the Net investment in capital assets. The total adjustment was \$56,896,406 in FY 2017, \$49,788,683 in FY 2016, \$32,206,777 in FY 2015, \$31,994,500 in FY 2014, \$31,994,500 in FY 2013, \$35,382,000 in FY 2012, \$38,977,500 in FY 2011, \$42,668,275 in FY 2010, \$45,369,430 in FY 2009, and \$49,735,275 in FY 2008.

CITY OF MANASSAS, VIRGINIA

Table 1

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

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

CITY OF MANASSAS, VIRGINIA

Table 2, Page 1 of 4

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Expenses					
Governmental activities:					
General government	\$ 8,485,619	\$ 8,600,672	\$ 8,473,478	\$ 8,411,567	\$ 8,339,202
Public safety	22,315,459	24,236,806	24,539,618	24,460,979	25,608,165
Public works	10,338,179	9,796,492	9,405,335	8,435,069	8,496,181
Health and welfare	8,657,439	8,435,426	7,973,696	7,490,361	7,046,876
Culture, recreation, development	5,842,629	6,499,227	6,138,833	6,731,424	5,966,162
Education	48,443,875	48,924,698	47,592,844	47,123,718	48,125,649
Interest on long term debt	3,009,189	2,785,179	2,605,659	2,758,789	2,421,533
Bond issuance costs	-	-	-	-	-
Total governmental activities	107,092,389	109,278,500	106,729,463	105,411,907	106,003,768
Business-type activities:					
Electric	59,507,858	61,712,947	51,914,838	59,998,016	65,718,110
Water	7,417,192	7,397,777	6,989,962	6,849,916	7,330,693
Sewer	11,477,209	12,009,823	12,138,037	11,976,128	12,091,241
Airport	2,790,729	3,390,014	3,392,717	3,369,665	3,505,497
Solid Waste	2,656,126	2,815,686	2,868,737	2,957,779	3,058,172
City Square Pavilion	425,006	298,683	317,848	370,416	345,831
Candy Factory	177,279	198,440	191,763	199,396	212,488
Parking Garage	-	-	-	-	38,409
Stormwater	-	-	-	-	-
Telecommunications	327,516	675,703	521,024	-	-
Total business-type activities	84,778,915	88,489,073	78,334,926	85,721,316	92,300,441
Total primary government	\$ 191,871,304	\$ 197,777,573	\$ 185,064,389	\$ 191,133,223	\$ 198,304,209
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 91,197	\$ 124,380	\$ 463,437	\$ 769,067	\$ 1,458,699
Public safety	2,181,634	1,776,805	1,909,779	1,755,053	1,853,608
Public works	1,061,618	1,294,376	643,891	865,261	1,319,174
Health and welfare	64,651	65,900	33,348	38,807	41,545
Culture, recreation, development	509,641	392,047	406,412	405,456	403,140
Operating grants/contributions	11,438,714	9,192,809	8,804,363	11,968,013	11,780,598
Capital grants/contributions	-	-	-	-	-
Total governmental activities	15,347,455	12,846,317	12,261,230	15,801,657	16,856,764
Business-type activities:					
Charges for services:					
Electric	61,160,340	63,332,951	54,968,258	63,213,305	65,345,470
Water	8,893,622	9,232,312	10,301,071	10,760,754	11,839,939
Sewer	10,727,954	11,905,882	12,091,738	14,260,452	14,508,871
Airport	1,862,187	1,929,298	2,080,115	2,134,108	2,292,410
Solid Waste	2,597,354	2,772,014	2,896,323	2,916,356	3,002,388
City Square Pavilion	11,657	13,354	13,526	16,787	22,920
Candy Factory	32,060	30,609	27,984	30,397	27,464
Parking Garage	-	-	-	-	2,331
Stormwater	-	-	-	-	-
Telecommunications	197,777	386,666	325,228	-	-
Operating grants/contributions	80,563	111,479	1,652,441	289,574	151,253
Capital grants/contributions	5,474,062	1,277,198	6,612,727	6,019,525	7,008,212
Total business-type activities	91,037,576	90,991,763	90,969,411	99,641,258	104,201,258
Total primary government	\$ 106,385,031	\$ 103,838,080	\$ 103,230,641	\$ 115,442,915	\$ 121,058,022

CITY OF MANASSAS, VIRGINIA

Table 2, Page 2 of 4

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

Fiscal Year				
2013	2014	2015	2016	2017
\$ 8,864,313	\$ 8,889,060	\$ 9,713,211	\$ 9,416,657	\$ 9,317,421
28,575,011	28,751,948	29,046,682	29,590,090	29,347,211
8,905,254	10,001,107	10,021,004	10,271,259	11,242,030
7,046,417	7,873,882	8,226,526	7,803,369	8,094,092
5,806,374	5,366,949	5,922,737	6,674,897	7,909,986
48,014,667	57,448,414	90,297,919	53,559,758	57,870,687
2,170,239	2,144,525	2,652,212	2,895,236	2,899,640
-	-	456,903	-	393,281
109,382,275	120,475,885	156,337,194	120,211,266	127,074,348
61,360,909	66,181,787	49,418,170	39,930,487	37,573,386
8,276,499	7,745,000	6,530,807	7,963,709	7,870,578
12,392,026	12,618,910	12,833,037	13,041,741	15,974,768
3,563,277	3,548,396	4,172,683	4,014,417	4,277,596
3,117,943	3,191,138	3,400,730	3,346,175	2,769,954
316,921	328,600	302,350	-	-
198,263	198,763	198,763	-	-
43,863	40,189	42,383	-	-
-	-	348,923	616,603	1,178,358
-	-	-	-	-
89,269,701	93,852,783	77,247,846	68,913,132	69,644,640
\$ 198,651,976	\$ 214,328,668	\$ 233,585,040	\$ 189,124,398	\$ 196,718,988
\$ 793,268	\$ 965,601	\$ 794,125	\$ 793,509	\$ 211,599
1,912,366	1,835,901	2,038,460	1,850,687	1,682,680
1,453,769	965,091	632,645	502,017	427,517
36,150	37,549	35,950	35,946	35,946
436,111	602,636	621,092	312,517	1,313,428
7,851,624	7,568,603	7,659,004	7,619,603	8,003,903
211,730	46,562,063	2,338,510	3,516,026	2,636,725
12,695,018	58,537,444	14,119,786	14,630,305	14,311,798
61,766,073	63,967,176	49,504,961	41,435,005	40,796,452
10,721,365	9,680,679	9,145,951	9,763,189	10,139,090
14,588,115	14,174,279	14,000,269	13,849,101	15,161,560
2,330,193	2,388,024	2,411,487	2,343,785	2,779,185
3,125,895	3,164,902	3,297,110	3,399,806	3,409,022
19,764	23,816	26,482	-	-
29,484	27,984	27,984	-	-
23,064	30,136	28,292	-	-
-	-	582,275	1,170,288	1,177,660
-	-	-	-	-
90,738	121,607	61,649	126,842	65,507
4,764,229	2,254,331	6,730,158	2,591,237	3,591,414
97,458,920	95,832,934	85,816,618	74,679,253	77,119,890
\$ 110,153,938	\$ 154,370,378	\$ 99,936,404	\$ 89,309,558	\$ 91,431,688

CITY OF MANASSAS, VIRGINIA

Table 2, Page 3 of 4

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

	2008	2009	2010	2011	2012
Net revenue (expenses)					
Governmental activities	\$ (91,744,934)	\$ (96,432,183)	\$ (94,468,233)	\$ (89,610,250)	\$ (89,147,004)
Business-type activities	6,258,661	2,492,690	12,634,485	13,919,942	11,900,817
Total primary government	<u>\$ (85,486,273)</u>	<u>\$ (93,939,493)</u>	<u>\$ (81,833,748)</u>	<u>\$ (75,690,308)</u>	<u>\$ (77,246,187)</u>
General revenues and other					
Governmental activities:					
Taxes	\$ 85,077,974	\$ 85,999,880	\$ 77,135,239	\$ 77,640,223	\$ 79,587,120
Unrestricted grants	3,993,249	3,933,837	8,117,505	8,204,284	7,926,918
Other	3,149,103	2,991,923	3,252,349	2,594,066	2,362,609
Payment from MCPS	6,287,164	5,774,890	5,637,807	5,410,273	5,263,956
Special item	-	-	-	-	-
Transfers	626,190	1,397,379	1,195,914	1,123,440	1,908,270
Total governmental activities	<u>99,133,680</u>	<u>100,098,009</u>	<u>95,338,814</u>	<u>94,972,286</u>	<u>97,048,873</u>
Business-type activities:					
Unrestricted investment earnings	1,409,308	481,835	115,836	90,745	60,707
Other	851,894	(23,596)	105,722	(486,976)	180,635
Transfers	(626,190)	(1,397,379)	(1,195,914)	(1,123,440)	(1,908,270)
Total business-type activities	<u>1,635,012</u>	<u>(939,140)</u>	<u>(974,356)</u>	<u>(1,519,671)</u>	<u>(1,666,928)</u>
Total primary government	<u>\$ 100,768,692</u>	<u>\$ 99,158,869</u>	<u>\$ 94,364,458</u>	<u>\$ 93,452,615</u>	<u>\$ 95,381,945</u>
Changes in Net Position					
Governmental activities	\$ 7,388,746	\$ 3,665,826	\$ 870,581	\$ 5,362,036	\$ 7,901,869
Business-type activities	7,893,673	1,553,550	11,660,129	12,400,271	10,233,889
Total primary government	<u>\$ 15,282,419</u>	<u>\$ 5,219,376</u>	<u>\$ 12,530,710</u>	<u>\$ 17,762,307</u>	<u>\$ 18,135,758</u>

Source: City of Manassas Comprehensive Annual Financial Report

Note: Fiscal years 2008 through 2014 are presented as restated.

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

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

Stormwater utility enterprise fund commenced January 1, 2015.

CITY OF MANASSAS, VIRGINIA

Table 2, Page 4 of 4

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

Fiscal Year				
2013	2014	2015	2016	2017
\$ (96,687,257)	\$ (61,938,441)	\$ (142,217,408)	\$ (105,580,961)	\$ (112,762,550)
8,189,219	1,980,151	8,568,772	5,766,121	7,475,250
\$ (88,498,038)	\$ (59,958,290)	\$ (133,648,636)	\$ (99,814,840)	\$ (105,287,300)
\$ 82,026,887	\$ 86,865,855	\$ 91,654,559	\$ 96,104,367	\$ 100,087,789
8,052,773	8,159,679	8,090,939	8,104,957	8,032,305
3,080,490	2,911,774	2,737,775	3,699,314	3,623,874
4,913,003	4,792,911	5,000,876	7,341,400	7,255,184
-	-	-	-	5,789,202
2,388,660	4,679,697	493,575	5,469,380	(9,884,832)
100,461,813	107,409,916	107,977,724	120,719,418	114,903,522
73,908	60,294	51,716	96,549	237,030
108,169	194,033	1,955,666	18,766	92,461
(2,388,660)	(4,679,697)	(493,575)	(5,469,380)	9,884,832
(2,206,583)	(4,425,370)	1,513,807	(5,354,065)	10,214,323
\$ 98,255,230	\$ 102,984,546	\$ 109,491,531	\$ 115,365,353	\$ 125,117,845
\$ 3,774,556	\$ 45,471,475	\$ (34,239,684)	\$ 15,138,457	\$ 2,140,972
5,982,636	(2,445,219)	10,082,579	412,056	17,689,573
\$ 9,757,192	\$ 43,026,256	\$ (24,157,105)	\$ 15,550,513	\$ 19,830,545

CITY OF MANASSAS, VIRGINIA

Table 3

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Primary Government:					
Governmental activities:					
General government	\$ 422,049	\$ 465,871	\$ 778,728	\$ 1,025,292	\$ 1,718,270
Public safety	4,067,101	3,369,305	2,876,241	3,027,236	6,681,747
Public works	6,587,453	5,052,596	4,771,216	7,521,426	4,717,284
Health and welfare	3,761,211	3,566,498	3,428,633	3,317,247	3,320,815
Culture, recreation, development	509,641	392,047	406,412	910,456	418,648
Total governmental activities	15,347,455	12,846,317	12,261,230	15,801,657	16,856,764
Business-type activities:					
Electric	61,977,984	63,332,951	54,974,184	64,622,214	65,993,354
Water	8,893,622	9,251,337	10,301,972	13,859,866	16,065,286
Sewer	10,727,954	11,905,882	12,091,738	14,260,452	14,572,682
Airport	5,213,933	2,736,432	9,073,997	3,439,671	4,240,026
Solid waste	2,605,861	2,780,120	2,902,852	2,922,060	3,008,923
Stormwater	-	-	-	-	-
Other business-type activities	241,494	430,629	366,738	47,184	52,715
Total business-type activities	89,660,848	90,437,351	89,711,481	99,151,447	103,932,986
Total primary government	\$ 105,008,303	\$ 103,283,668	\$ 101,972,711	\$ 114,953,104	\$ 120,789,750
Component unit:					
Manassas city public schools	\$ 39,178,665	\$ 41,451,188	\$ 41,209,426	\$ 41,674,204	\$ 45,070,026
Total component unit	\$ 39,178,665	\$ 41,451,188	\$ 41,209,426	\$ 41,674,204	\$ 45,070,026

	Fiscal Year				
	2013	2014	2015	2016	2017
Primary Government:					
Governmental activities:					
General government	\$ 1,078,275	\$ 1,249,770	\$ 1,109,629	\$ 1,094,316	\$ 480,971
Public safety	3,450,067	2,415,567	2,519,179	2,272,860	2,131,198
Public works	5,046,339	51,042,204	6,512,926	7,694,846	6,810,694
Health and welfare	2,671,226	3,222,267	3,321,128	3,207,416	3,389,161
Culture, recreation, development	449,111	607,636	656,924	360,867	1,499,774
Total governmental activities	12,695,018	58,537,444	14,119,786	14,630,305	14,311,798
Business-type activities:					
Electric	61,801,837	63,967,176	49,191,776	41,435,005	40,797,765
Water	10,755,883	9,777,191	9,178,718	10,248,905	10,752,433
Sewer	14,588,115	14,194,383	14,050,269	14,191,079	15,406,686
Airport	7,030,452	4,639,027	8,694,904	4,205,969	3,689,615
Solid waste	3,135,325	3,173,221	3,305,418	3,408,207	3,417,116
Stormwater	-	-	582,275	1,189,088	3,056,275
Other business-type activities	72,312	81,936	82,758	-	-
Total business-type activities	97,383,924	95,832,934	85,086,118	74,679,253	77,119,890
Total primary government	\$ 110,078,942	\$ 154,370,378	\$ 99,205,904	\$ 89,309,558	\$ 91,431,688
Component unit:					
Manassas city public schools	\$ 49,018,321	\$ 49,444,533	\$ 52,919,173	\$ 54,042,434	\$ 56,485,887
Manassas economic development authority	-	-	-	-	184,312
Total component unit	\$ 49,018,321	\$ 49,444,533	\$ 52,919,173	\$ 54,042,434	\$ 56,670,199

Source: City of Manassas Comprehensive Annual Financial Report

CITY OF MANASSAS, VIRGINIA

Table 4

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

	Fiscal Year						
	2008	2009	2010				
Pre-GASB 54 implementation:							
General fund							
Reserved	\$ 4,498,123	\$ 4,135,238	\$ 4,867,143				
Unreserved, designated	3,231,404	2,645,900	2,245,748				
Unreserved, undesignated	11,407,179	12,194,000	13,891,163				
Total general fund	<u>\$ 19,136,706</u>	<u>\$ 18,975,138</u>	<u>\$ 21,004,054</u>				
All other governmental funds							
Reserved	\$ 4,920,000	\$ 3,209,641	\$ 2,882,100				
Unreserved, reported in:							
Special revenue funds	1,400,013	1,474,944	1,567,040				
Capital projects funds	6,641,066	4,139,318	2,144,276				
Total all other governmental funds	<u>\$ 12,961,079</u>	<u>\$ 8,823,903</u>	<u>\$ 6,593,416</u>				
	2011	2012	2013	Fiscal Year 2014	2015	2016	2017
Post-GASB 54 implementation:							
General fund							
Nonspendable	\$ 950,239	\$ 1,450,187	\$ 410,693	\$ 395,877	\$ 574,599	\$ 1,421,998	\$ 89,610
Restricted	2,999,143	2,575,633	2,982,051	2,448,897	2,142,060	1,618,882	840,093
Committed	7,505,941	7,033,509	5,234,941	4,978,410	5,535,887	6,107,607	10,743,996
Assigned	-	-	-	-	109,024	1,582,285	2,644,758
Unassigned	11,878,166	12,193,722	12,136,198	12,665,075	13,145,824	15,842,498	16,768,856
Total general fund	<u>\$ 23,333,489</u>	<u>\$ 23,253,051</u>	<u>\$ 20,763,883</u>	<u>\$ 20,488,259</u>	<u>\$ 21,507,394</u>	<u>\$ 26,573,270</u>	<u>\$ 31,087,313</u>
All other governmental funds							
Nonspendable:							
Permanent fund principal	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Other	-	-	-	-	-	-	3,056
Restricted, reported in:							
Special revenue funds	2,608,460	3,537,436	3,286,743	4,042,312	4,777,208	5,522,790	5,740,288
Capital projects funds	4,863,154	581,134	-	2,769,038	2,231,656	360,254	10,402,581
Permanent fund	83,279	70,543	70,813	156,607	161,775	171,190	153,104
Committed, reported in:							
Special revenue funds	205,046	249,146	284,054	320,101	281,008	-	-
Capital projects funds	225,600	4,114,451	5,380,519	6,692,577	6,097,446	10,328,432	16,077,960
Debt service fund	-	-	-	-	-	68,051	674,932
Unassigned	(2,705,080)	(7,589)	(6,064)	(4,482)	(3,632)	-	-
Total all other governmental funds	<u>\$ 5,380,459</u>	<u>\$ 8,645,121</u>	<u>\$ 9,116,065</u>	<u>\$ 14,076,153</u>	<u>\$ 13,645,461</u>	<u>\$ 16,550,717</u>	<u>\$ 33,151,921</u>

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

CITY OF MANASSAS, VIRGINIA

Table 5

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Revenues					
General property taxes	\$ 62,918,748	\$ 66,747,985	\$ 63,697,942	\$ 62,613,605	\$ 63,518,398
Other local taxes	19,687,511	18,355,300	14,897,257	16,045,899	16,593,452
Permits, fees, licenses	913,331	533,860	923,525	784,597	779,823
Fines and forfeitures	544,266	509,871	521,655	633,285	793,663
Use of money and property	1,349,399	544,697	276,216	324,979	287,212
Charges for services	1,244,643	1,208,576	1,144,351	1,072,428	1,097,365
Payment in lieu of debt service	6,287,164	5,774,890	5,637,807	5,410,273	5,263,956
Recovered costs	1,593,210	1,656,460	1,973,170	1,973,170	1,887,460
Miscellaneous	1,555,185	1,944,405	1,401,785	1,350,794	2,405,303
Contribution from component unit	-	-	-	-	-
Intergovernmental	15,431,962	13,126,646	16,921,868	20,101,400	19,707,516
Total Revenues	111,525,419	110,402,790	107,395,576	110,310,430	112,334,148
Expenditures					
General government administration	8,251,309	8,282,142	8,087,758	8,126,487	8,175,771
Public safety	21,432,111	23,181,421	23,619,295	23,838,881	25,150,135
Public works	5,989,842	5,194,725	5,312,789	4,158,164	3,954,503
Health and welfare	8,594,700	8,416,209	7,976,335	7,458,336	7,032,635
Culture, recreation	5,301,265	6,010,353	5,735,016	6,369,224	5,661,189
Education	48,443,875	48,924,698	47,592,844	47,123,718	48,125,649
Non Departmental					
Capital outlay	4,499,479	7,372,921	4,308,676	8,964,479	5,460,088
Debt service					
Principal retirement	5,448,966	5,256,466	5,285,032	4,827,350	5,058,445
Interest and fiscal charges	3,109,315	2,906,134	2,721,773	2,811,252	2,403,570
Bond Issuance costs	-	-	-	-	-
Total expenditures	111,070,862	115,545,069	110,639,518	113,677,891	111,021,985
Excess (deficiency) of revenues over (under) expenditures	\$ 454,557	\$ (5,142,279)	\$ (3,243,942)	\$ (3,367,461)	\$ 1,312,163
Other financing sources (uses)					
Transfers in	4,282,488	5,008,434	10,305,313	4,315,802	8,058,273
Transfers out	(4,176,483)	(4,164,899)	(9,530,605)	(3,270,466)	(6,186,212)
Issuance of debt	-	-	2,200,000	21,539,489	-
Premium on bonds	-	-	67,663	2,553,885	-
Payment to refunded bond escrow agt	-	-	-	(20,654,771)	-
Capital lease	-	-	-	-	-
Other	-	-	-	-	-
Total other financing sources (uses)	106,005	843,535	3,042,371	4,483,939	1,872,061
Net change in fund balance	\$ 560,562	\$ (4,298,744)	\$ (201,571)	\$ 1,116,478	\$ 3,184,224
Debt service as a percentage of noncapital expenditures	8.0%	7.5%	7.5%	7.3%	7.1%

Source: City of Manassas Comprehensive Annual Financial Report

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

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

Table 5

2013	2014	2015	2016	2017
\$ 64,499,818	\$ 69,152,354	\$ 73,313,910	\$ 76,770,693	\$ 78,422,645
17,516,677	17,703,001	17,944,186	19,123,123	20,162,055
929,999	796,896	944,973	654,822	1,154,234
803,283	637,403	668,975	751,006	713,756
284,224	286,872	307,417	405,509	662,021
1,140,610	1,221,953	1,194,458	1,267,011	1,193,427
4,913,003	4,792,911	5,000,876	7,341,400	7,255,184
1,922,080	1,951,150	2,101,870	2,230,720	2,451,271
2,563,751	2,304,867	1,601,879	1,534,506	1,212,603
-	-	-	-	3,256,077
16,116,127	18,019,681	18,052,021	19,162,831	18,460,027
110,689,572	116,867,088	121,130,565	129,241,621	134,943,300
8,711,499	8,668,542	9,041,926	9,039,441	8,924,147
28,109,517	28,617,782	28,398,747	29,109,653	28,891,462
4,381,295	4,787,857	4,328,697	4,423,503	6,241,717
7,034,040	7,834,030	8,277,227	7,937,132	8,108,642
5,521,613	5,109,182	5,558,630	6,098,669	7,222,524
48,014,667	51,334,432	90,297,919	53,559,758	57,870,687
5,796,525	7,355,398	5,042,455	7,014,122	6,869,322
4,911,579	4,946,984	5,123,293	6,073,653	6,286,702
2,234,419	2,131,062	2,049,473	3,287,943	3,017,724
-	-	472,373	-	393,281
114,715,154	120,785,269	158,590,740	126,543,874	133,826,208
\$ (4,025,582)	\$ (3,918,181)	\$ (37,460,175)	\$ 2,697,747	\$ 1,117,092
7,439,151	8,370,750	6,776,635	11,361,929	9,936,264
(5,628,361)	(3,812,053)	(6,469,955)	(6,416,211)	(6,833,878)
-	3,814,050	46,101,800	-	23,400,000
-	178,380	4,401,863	-	2,977,002
-	-	(12,794,921)	-	(9,518,194)
196,568	-	-	-	-
-	51,518	33,196	327,608	36,961
2,007,358	8,602,645	38,048,618	5,273,326	19,998,155
\$ (2,018,224)	\$ 4,684,464	\$ 588,443	\$ 7,971,073	\$ 21,115,247
6.6%	6.2%	4.7%	7.8%	7.3%

CITY OF MANASSAS, VIRGINIA

Table 6

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Real property	\$ 51,019,031	\$ 54,249,494	\$ 52,749,987	\$ 51,703,328	\$ 52,321,058
Personal property	10,677,820	10,934,245	9,322,059	9,133,899	9,475,950
Other	1,221,897	1,564,246	1,625,896	1,776,378	1,721,390
Total property taxes	62,918,748	66,747,985	63,697,942	62,613,605	63,518,398
Sales	7,082,425	6,440,055	6,881,710	7,305,186	7,210,697
Business licenses	3,017,478	2,869,132	2,450,090	2,759,079	2,931,782
Meals	2,640,665	2,547,151	2,423,969	2,584,054	2,894,531
Communications	3,312,500	3,009,702	-	-	-
Other	3,634,443	3,489,260	3,141,488	3,397,580	3,556,442
Total other local taxes	19,687,511	18,355,300	14,897,257	16,045,899	16,593,452
Total tax revenues	<u>\$ 82,606,259</u>	<u>\$ 85,103,285</u>	<u>\$ 78,595,199</u>	<u>\$ 78,659,504</u>	<u>\$ 80,111,850</u>
	Fiscal Year				
	2013	2014	2015	2016	2017
Real property	\$ 52,523,333	\$ 56,668,858	\$ 59,628,262	\$ 62,822,691	\$64,772,066
Personal property	10,375,908	10,749,146	11,818,907	11,931,371	11,555,379
Other	1,600,577	1,734,350	1,865,741	2,016,630	2,095,200
Total property taxes	64,499,818	69,152,354	73,313,910	76,770,692	78,422,645
Sales	7,811,499	7,581,829	7,555,344	8,055,065	8,489,013
Business licenses	2,957,117	3,110,196	3,075,033	3,290,009	3,549,629
Meals	3,094,965	3,315,080	3,406,893	3,728,988	3,944,186
Communications	-	-	-	-	-
Other	3,653,096	3,695,896	3,906,916	4,049,060	4,179,227
Total other local taxes	17,516,677	17,703,001	17,944,186	19,123,122	20,162,055
Total tax revenues	<u>\$ 82,016,495</u>	<u>\$ 86,855,355</u>	<u>\$ 91,258,096</u>	<u>\$ 95,893,814</u>	<u>\$ 98,584,700</u>

Source: City of Manassas Comprehensive Annual Financial Report

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

CITY OF MANASSAS, VIRGINIA

Table 7

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

Tax Year	Real Property			Total Direct Tax Rate	Real & Personal Property		Personal Property		Total Assessed & Actual Value	Total Taxable Assessed & Actual Value
	Residential	Commercial	Tax Exempt		Public Service	Tangible	Machinery			
						Personal Property	& Tools			
2008	\$ 3,186,424,400	\$ 1,796,000,400	\$854,629,500	1.115	\$ 75,911,682	\$ 331,905,885	\$ 645,106,134	\$6,889,978,001	\$6,035,348,501	
2009	2,046,404,000	1,712,622,700	852,224,300	1.493	76,628,275	324,807,030	736,201,970	5,748,888,275	4,896,663,975	
2010	2,083,619,700	1,508,162,900	771,507,200	1.472	74,741,392	279,309,190	787,112,580	5,504,452,962	4,732,945,762	
2011	2,249,477,700	1,547,273,200	795,895,200	0.736	77,741,857	278,268,715	842,460,300	5,791,116,972	4,995,221,772	
2012	2,328,941,100	1,583,564,200	764,169,200	1.395	76,551,752	287,608,935	705,817,165	5,746,652,352	4,982,483,152	
2013	2,491,207,000	1,613,906,800	678,874,300	1.366	72,399,245	314,472,263	752,309,575	5,923,169,183	5,244,294,883	
2014	2,653,025,300	1,533,191,100	680,361,100	1.393	73,142,019	320,210,094	759,133,720	6,019,063,333	5,338,702,233	
2015	2,774,454,700	1,653,210,000	707,811,100	1.368	90,146,639	329,700,680	770,440,390	6,325,763,509	5,617,952,409	
2016	2,915,314,100	1,698,553,200	750,641,100	1.388	104,485,326	343,870,765	709,057,065	6,521,921,556	5,771,280,456	
2017	3,000,312,000	1,714,687,700	752,803,800	1.403	122,124,893	352,664,077	711,304,770	6,653,897,240	5,901,093,440	

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

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

Property in the City is reassessed each year.

Tax rates are per \$100 of assessed value.

In 2008 the City enacted a Fire Rescue Levy. The tax rates for 2008 through 2014 include this levy.

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

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

Real Property is assessed on January 1 preceeding the fiscal year which begins July 1, except for

Tax Year 2011 as noted above.

CITY OF MANASSAS, VIRGINIA

Table 8

Property Tax Rates
Last Ten Years

Tax Year	General	Fire Rescue Levy	Total Direct Real Property	Personal Property	Machinery and Tools
2008	1.015	0.100	1.115	3.250	2.100
2009	1.350	0.143	1.493	3.250	2.100
2010	1.318	0.154	1.472	3.250	2.100
2011	0.659	0.077	0.736	3.250	2.100
2012	1.226	0.169	1.395	3.250	2.100
2013	1.192	0.174	1.366	3.250	2.100
2014	1.211	0.182	1.393	3.250	2.100
2015	1.190	0.178	1.368	3.250	2.100
2016	1.210	0.178	1.388	3.250	2.100
2017	1.220	0.183	1.403	3.250	2.100

Source: City of Manassas Commissioner of the Revenue

Notes: Tax rates are per \$100 of assessed value.

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

For the transition, tax year 2011 is a six month tax year and the tax rate is half of the 2010 rate.

Owens Brooke is a special taxing district in addition to the real property tax noted above.

Business personal property and computer equipment is taxed at different rates than the personal property rate noted above.

Semiconductor manufacturing machinery & tools is taxed at a different rate than that not

Go to www.manassascity.org for more detailed tax rate information

CITY OF MANASSAS, VIRGINIA

Table 9

Principal Real Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2017			2008		
	Taxable Real Property Assessed Value	Rank	Percentage of Total Taxable Real Property Assessed Value	Taxable Real Property Assessed Value	Rank	Percentage of Total Taxable Real Property Assessed Value
Lockheed Martin	\$ 100,543,400	1	2.1%	\$ 107,246,900	1	2.2%
Micron Technology	98,066,200	2	2.1%	104,188,300	2	2.1%
UDR Wellington Place	60,013,300	3	1.3%			
Battery Heights Associates	52,990,000	4	1.1%	60,419,200	3	1.2%
Davis Ford Crossing, LLC	37,261,300	5	0.8%	33,959,500	7	0.7%
Wellington Station Owner LLC	32,508,600	6	0.7%			
Hastings Marketplace Owner LLC	31,865,200	7	0.7%			
Prince William Hospital Corp	31,744,600	8	0.7%	35,729,000	6	0.7%
WT/CAP Manassas Courts Apt.	26,634,400	9	0.6%			
Fairfield Village Square	25,350,600	10	0.5%	26,034,100	9	0.5%
AFV Wellington, LLC				51,132,200	4	1.0%
Verizon				37,424,300	5	0.8%
Liberia Development Corp.				27,439,800	8	0.6%
Wellington/Hastings				21,482,800	10	0.4%
Totals	\$ 496,977,600		10.6%	\$ 505,056,100		10.2%

Source: City of Manassas Commissioner of the Revenue

Notes: Fairfield Village Square is formerly known as Village Square Associates

Total Taxable Real Property Assessed values were obtained from Table 7 (excludes tax exempt and public service):

\$4,982,424,800 - 2008

\$4,714,999,700 - 2017

CITY OF MANASSAS, VIRGINIA

Table 10

Real Property Tax Levies
Last Ten Years

Tax Year	Total Tax Levy for Tax Year	Fiscal Year for which Tax Levy Applies					
		2008	2009	2010	2011	2012	2013
2008	55,042,222	\$ 27,521,111	\$ 27,521,111	\$ -	\$ -	\$ -	\$ -
2009	55,553,210	-	27,776,605	27,776,605	-	-	-
2010	52,260,980	-	-	26,130,490	26,130,490	-	-
2011	26,008,807	-	-	-	26,008,807	-	-
2012	52,254,647	-	-	-	-	52,254,647	-
2013	52,668,751	-	-	-	-	-	52,668,751
2014	56,428,143	-	-	-	-	-	-
2015	59,630,272	-	-	-	-	-	-
2016	62,924,270	-	-	-	-	-	-
2017	64,894,082	-	-	-	-	-	-
Total Levy for Fiscal Year		\$ 27,521,111	\$ 55,297,716	\$ 53,907,095	\$ 52,139,297	\$ 52,254,647	\$ 52,668,751

Table 10-a

Real Property Tax Levies and Collections
Last Ten Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Delinquent Taxes	
		Amount	Percentage of Levy		Amount	Percentage of Levy	Amount	Percentage of Levy
2008	51,439,713	50,006,543	97.21%	1,433,097	51,439,640	100.00%	1,837,645	3.57%
2009	55,297,716	53,399,535	96.57%	1,890,429	55,289,964	99.99%	2,525,401	4.57%
2010	53,907,095	51,987,471	96.44%	1,917,515	53,904,986	100.00%	2,472,448	4.59%
2011	52,139,297	50,353,653	96.58%	1,783,990	52,137,643	100.00%	1,785,797	3.43%
2012	52,254,647	50,861,085	97.33%	1,389,843	52,250,928	99.99%	2,321,143	4.44%
2013	52,668,751	51,440,592	97.67%	1,223,894	52,664,486	99.99%	1,919,644	3.64%
2014	56,428,143	55,060,273	97.58%	976,754	56,037,027	99.31%	1,460,048	2.59%
2015	59,630,272	58,540,515	98.17%	926,181	59,466,696	99.73%	1,405,624	2.36%
2016	62,924,270	61,837,236	98.27%	774,624	62,611,860	99.50%	1,571,417	2.50%
2017	64,894,082	63,227,350	97.43%	-	63,227,350	97.43%	2,250,213	3.47%

Source: City of Manassas Finance Department, Commissioner of the Revenue, and City Treasurer

Note: Tax Levy reported is based on the assessed value attained on fiscal year end of each year.

Delinquent taxes reflect the amount delinquent as of fiscal year end for the initial year levied.

CITY OF MANASSAS, VIRGINIA

Table 10

Real Property Tax Levies
Last Ten Years

Fiscal Year for which Tax Levy Applies				Tax Year
2014	2015	2016	2017	
\$ -	\$ -	\$ -	\$ -	2008
-	-	-	-	2009
-	-	-	-	2010
-	-	-	-	2011
-	-	-	-	2012
-	-	-	-	2013
56,428,143	-	-	-	2014
-	59,630,272	-	-	2015
-	-	62,924,270	-	2016
-	-	-	64,894,082	2017
<u>\$ 56,428,143</u>	<u>\$ 59,630,272</u>	<u>\$ 62,924,270</u>	<u>\$ 64,894,082</u>	

Source: City of Manassas Commission of the Revenue

Notes: The taxes are due June 5 and December 5.

For tax years 2006 - 2010, the tax year is the calendar year.

For tax years 2006 - 2010, the first payment of the tax year is for one fiscal year and the second payment of the tax year is for the subsequent fiscal year.

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

For the transition, tax year 2011 is a six-month tax year and therefore the levy for tax year 2011 is about one half the amount of the previous and subsequent levies.

The taxes for tax year 2011 were due May 2011.

Beginning with tax year 2012, the tax year begins July 1 and ends June 30.

Beginning with the Tax Year 2012, the two payments for the tax year

(December 5 and June 5) are both due in the fiscal year.

Beginning in Tax Year 2008, the schedule includes the Fire and Rescue Tax Levy.

Tax year 2010 began January 1, 2010 and ended December 31, 2010

Tax year 2011 began January 1, 2011 and ended June 30, 2011

Tax year 2012 began July 1, 2011 and ended June 30, 2012

Tax year 2013 began July 1, 2012 and ended June 30, 2013

Tax year 2014 began July 1, 2013 and ended June 30, 2014

Tax year 2015 began July 1, 2014 and ended June 30, 2015

Tax year 2016 began July 1, 2015 and ended June 30, 2016

Tax year 2017 began July 1, 2016 and ended June 30, 2017

CITY OF MANASSAS, VIRGINIA

Table 11

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	State Literary Loans	Capital Leases	Notes	General Obligation Bonds	Other Obligations			
2008	\$ 64,252,430	\$ 1,116,239	\$ 2,227,607	\$ 752,925	\$ 30,481,425	\$ -	\$ 98,830,626	6.01%	\$ 2,852
2009	59,837,150	814,275	1,841,720	501,949	28,659,250	-	91,654,344	5.46%	2,510
2010	57,601,950	512,275	1,483,960	250,973	29,714,312	-	89,563,470	5.09%	2,368
2011	56,399,910	225,000	1,150,534	-	30,603,393	-	88,378,837	4.68%	2,246
2012	51,881,400	-	828,023	-	28,260,978	-	80,970,401	4.12%	1,987
2013	49,370,944	-	659,593	-	26,628,741	-	76,659,278	3.88%	1,837
2014	52,403,935	-	401,974	-	27,922,083	-	80,727,992	3.95%	1,918
2015	88,280,016	-	156,427	-	27,963,701	1,568,000	117,968,144	5.61%	2,825
2016	81,871,780	-	78,953	-	25,776,513	1,568,000	109,295,246	n/a	2,635
2017	91,902,652	-	149,686	-	32,005,136	-	124,057,474	n/a	n/a

Source: City of Manassas Comprehensive Annual Financial Report

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

Personal income and population data is found in Table 14.

n/a = not available

CITY OF MANASSAS, VIRGINIA

Table 12

**Ratios of General Bonded Debt Outstanding Supported by Taxpayers
Last Ten Fiscal Years**

Fiscal Year	Outstanding General Obligation Bonds	Outstanding State Literary Loans	Total Outstanding Bonds Supported by Taxpayers	Percentage of Outstanding Bonds to Total Taxable Assessed and Actual Value of Real Property	Outstanding Bonds Per Capita
2008	\$ 94,733,855	\$ 1,116,239	\$ 95,850,094	1.92%	\$ 2,766
2009	88,496,400	814,275	89,310,675	2.38%	2,446
2010	87,316,262	512,275	87,828,537	2.45%	2,322
2011	87,003,303	225,000	87,228,303	2.30%	2,216
2012	80,142,378	-	80,142,378	2.05%	1,967
2013	75,999,685	-	75,999,685	1.85%	1,821
2014	80,326,018	-	80,326,018	1.92%	1,909
2015	116,243,717	-	116,243,717	2.63%	2,783
2016	107,648,293	-	107,648,293	2.33%	2,595
2017	123,907,788	-	123,907,788	2.63%	n/a

Source: City of Manassas Comprehensive Annual Financial Report

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

Taxable Assessed and Actual Value of Real Property is found in Table 7.

Calculation excludes tax exempt, public service and personal property.

Population data is found in Table 14.

n/a = not available

CITY OF MANASSAS, VIRGINIA

Table 13

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt limit	\$ 498,242,480	\$ 375,902,670	\$ 359,178,260	\$ 379,675,090	\$ 391,250,530
Total net debt applicable to limit	95,850,094	89,310,675	87,828,537	87,228,303	80,142,378
Legal debt margin	\$ 402,392,386	\$ 286,591,995	\$ 271,349,723	\$ 292,446,787	\$ 311,108,152
Total net debt applicable to limit as a percent of debt limit	19.24%	23.76%	24.45%	22.97%	20.48%

Source: City of Manassas Comprehensive Annual Financial Report

Notes: The debt limit is ten percent of the total assessed real property value subject to taxation found in Table 7.

The calculation excludes public service and tax exempt property.

Under Virginia statute, the City's outstanding obligation debt may not exceed ten percent of the assessed valuation of the real estate in the city subject to taxation.

The debt applicable to the debt margin is the primary government's general obligation bonds and library literacy loans found in Table 11.

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

For the transition, tax year 2011 is a six month tax year and the 2010 real property assessments, as adjusted, were used for tax billings at one-half of the 2010 tax rate.

CITY OF MANASSAS, VIRGINIA

Table 13

**Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal Year				
	2013	2014	2015	2016	2017
Debt limit	\$ 410,511,380	\$ 418,621,640	\$ 442,766,470	\$ 461,386,730	\$ 471,499,970
Total net debt applicable to limit	75,999,685	80,326,018	107,395,256	99,374,520	113,000,577
Legal debt margin	<u>\$ 334,511,695</u>	<u>\$ 338,295,622</u>	<u>\$ 335,371,214</u>	<u>\$ 362,012,210</u>	<u>\$ 358,499,393</u>
Total net debt applicable to limit as a percent of debt limit	18.51%	19.19%	24.26%	21.54%	23.97%

Legal Debt Margin Calculation for Fiscal Year 2017

Real property assessed value January 1, 2016, used for FY2017 (7/1/2016 - 6/30/2017)	\$ 5,467,803,500
Less exempt real property assessed value	<u>(752,803,800)</u>
Total taxable real property assessed value	4,714,999,700
Debt limit (10% of taxable real property assessed value)	471,499,970
Total net debt applicable to limit June 30, 2017	<u>113,000,577</u>
Legal debt margin	<u><u>\$ 358,499,393</u></u>

CITY OF MANASSAS, VIRGINIA

Table 14

Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (1)	Personal Income (2)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2008	34,656	\$ 1,643,076,000	\$ 47,411	6,474	4.2%
2009	36,514	1,679,863,000	46,006	6,566	7.3%
2010	37,821	1,761,021,000	46,562	6,684	7.0%
2011	39,358	1,888,948,000	47,994	6,936	6.1%
2012	40,742	1,965,150,000	48,234	7,104	5.6%
2013	41,725	1,973,426,000	47,296	7,220	5.4%
2014	42,081	2,042,822,000	48,545	7,218	5.0%
2015	41,764	2,101,356,000	50,315	7,442	4.1%
2016	41,483	n/a	n/a	7,678	3.4%
2017	n/a	n/a	n/a	7,771	3.4%

Source: (1) U.S. Census Bureau
 (2) U.S. Department of Commerce, Bureau of Economic Analysis for Prince William, Manassas, and Manassas Park, VA
 (3) Manassas City Public Schools
 (4) U.S. Department of Labor, Bureau of Labor Statistics
 (5) Based on population and per capita income estimates

Note: n/a = not available

CITY OF MANASSAS, VIRGINIA

Table 15

Principal Employers
Current Year and Nine Years Ago

Employer	2016			2007		
	Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
Micron Technology	1,500	1	6.9%	1,186	3	6.0%
Novant Health UVA Health System	1,182	2	5.4%	1,400	2	7.0%
Lockheed Martin	1,100	3	5.0%	1,500	1	7.5%
Manassas City Public Schools (FTE)	1,081	4	5.0%	919	4	4.6%
City of Manassas (FTE)	472	5	2.2%	468	5	2.4%
American Disposal Service	460	6	2.1%			
BAE Systems	280	7	1.3%	350	6	1.8%
S.W.I.F.T.	254	8	1.2%	275	8	1.4%
Aurora Flight Sciences	210	9	1.0%	200	10	1.0%
ARS (American Residential Svcs)	193	10	0.9%			
CGI (Oberon Assoc)				275	7	1.4%
Colgan Air				250	9	1.3%
Totals	<u>6,732</u>		<u>30.83%</u>	<u>6,823</u>		<u>34.4%</u>
Total City Employment	21,834					

Source: City of Manassas Economic Development Department

Notes: Calendar year 2016 is the most current year available

FTE - full time equivalents

CITY OF MANASSAS, VIRGINIA

Table 16

Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
City Clerk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
City Manager	2.00	2.00	2.00	2.00	2.00	8.00	8.00	10.00	10.00	11.00
Voter Registration	2.55	2.55	2.55	2.05	2.05	2.05	2.05	2.05	2.05	2.15
Treasurer	8.00	7.00	7.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00
Commissioner of the Revenue	13.00	12.00	12.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Finance and Administration	15.00	30.00	30.00	30.05	30.55	27.05	27.30	25.30	25.30	26.30
Human Resources	8.00	-	-	-	-	-	-	-	-	-
Public Safety										
Police	124.75	122.75	122.75	120.75	127.00	127.00	127.25	127.25	126.50	127.00
Fire	-	-	-	-	-	-	-	-	-	-
Rescue	-	-	-	-	-	-	-	-	-	-
Fire and Rescue	34.00	46.00	46.00	46.00	59.00	60.00	60.00	60.00	60.00	62.00
Public Works	74.00	61.00	52.00	48.50	49.50	49.50	50.50	50.50	51.50	53.00
Culture, Recreation, Development										
Recreation and parks	22.40	-	-	-	-	-	-	-	-	-
Museum System	9.50	8.50	8.50	4.50	5.50	6.50	6.50	6.50	6.50	6.50
Community Development	10.00	28.25	28.25	26.25	28.25	27.25	27.25	27.25	27.25	27.25
Economic Development	-	-	-	-	-	-	2.50	2.50	2.50	2.50
Health and Human Services										
Family Services	35.99	36.49	36.49	37.11	36.11	37.48	37.48	37.48	37.48	37.48
Utilities										
Sewer	14.00	13.00	13.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Water	29.00	28.00	28.00	27.50	27.50	27.50	27.50	27.50	27.50	27.50
Electric	56.00	56.00	56.00	54.00	54.00	54.00	54.00	54.00	54.00	53.00
Airport	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Solid Waste	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Stormwater	-	-	-	-	-	-	-	-	-	-
Vehicle Maintenance	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Information Technology	10.00	-	-	-	-	-	-	-	-	-
Total primary government	486.19	472.54	463.54	445.71	468.46	473.33	478.33	478.33	478.58	483.68

Source: City of Manassas Annual Operating Budget

CITY OF MANASSAS, VIRGINIA

Table 17

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Business licenses issued	3,500	3,600	3,150	2,700	2,600	2,600	2,600	2,600	2,775	2,750
Property returns processed	34,500	33,500	32,000	31,500	31,500	32,500	35,000	34,000	37,081	37,343
Public Safety										
Traffic citations	8,000	8,000	6,000	5,500	5,500	6,750	8,500	8,400	6,000	7,000
Criminal arrests	3,063	3,200	3,200	3,000	2,500	2,500	2,775	3,000	2,000	2,100
Police calls for service	66,000	67,000	67,000	65,000	60,000	60,000	61,000	63,000	55,000	58,000
Public Works										
Site plans reviewed	45	35	45	20	20	30	40	55	64	67
Building permits issued	665	650	465	400	400	450	500	570	476	537
Fire inspections	800	800	800	1,200	1,400	1,200	1,000	1,200	1,800	1,000
Acres mowed	361	361	361	361	365	365	365	365	365	365
Culture, Recreation, Development										
Existing businesses assisted	100	100	50	30	15	15	8	n/a	n/a	n/a
Health and Human Services										
Family services										
Customers served	36,500	43,500	60,000	78,000	75,000	90,300	96,100	121,837	111,941	97,115
Section 8 vouchers used	280	275	306	302	327	306	306	288	295	290
Sewer Utility										
Wastewater processed (1)	2.1	2.2	2.2	2.2	2.2	2.31	2.48	2.39	2.36	2.20
Water Utility										
Drinking water produced (1)	3.5	4.4	4.6	4.5	4.5	4.61	4.70	4.74	4.70	4.68
Electric Utility										
Load management savings	\$8.1M	\$7.6M	\$7.3M	\$1.5M	\$648K	\$702K	\$731K	\$871K	\$1.2M	\$1.8M
Airport										
Total operations (2)	130,000	115,000	115,073	92,394	86,337	83,180	79,616	79,550	80,000	85,000
Based aircraft	435	402	405	402	406	423	418	418	418	400
Information Technology										
Devices supported	610	1,324	1,289	1,320	1,325	1,325	1,340	1,340	1,330	1,461
Visitors to city website	300,000	450,000	475,000	890,000	500,000	1,000,000	1,000,000	1,200,000	1,200,000	1,121,558

Source: City of Manassas Annual Operating Budget

Notes: n/a = not available

(1) Billions of gallons per year

(2) Take-offs and landings

CITY OF MANASSAS, VIRGINIA

Table 18

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
City Hall	1	1	1	1	1	1	1	1	1	1
Town Hall	1	1	1	1	1	1	1	1	1	1
Parking lots (in spaces)	652	652	827	827	827	827	827	827	827	827
Vehicles in fleet	427	436	440	441	452	447	446	448	449	457
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Rescue stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	253	253	243	243	244	244	244	245	249	249
Street lights	2,790	2,918	2,918	2,952	2,979	2,979	3,062	2,719	3,045	3,045
Traffic signals	55	53	55	60	58	61	61	62	62	62
Culture, Recreation, Development										
Museums	1	1	1	1	1	1	1	1	1	1
Restored historic buildings:										
Railroad Depot	1	1	1	1	1	1	1	1	1	1
Candy Factory	1	1	1	1	1	1	1	1	1	1
Parks	12	12	12	12	12	12	12	12	12	17
Park acreage	194	194	194	194	194	194	194	194	194	234
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	22	22	22	22	22	22	22	22	22	22
Skate parks	1	1	1	1	1	1	1	1	1	1
Outdoor pavilion	1	1	1	1	1	1	1	1	1	1
Sewer Utility										
Sewer main (miles)	125	125	125	125	125	115	115	115	142	142
Storm sewers (miles)	94	72	72	72	72	72	72	72	72	72
Treatment capacity (1)	9	9	9	9	9	9	9	9	8.69	8.69
Water Utility										
Water connections	10,506	10,647	10,763	10,911	10,918	10,997	11,104	11,178	11,200	11,242
Water mains (miles)	152	152	152	152	152	152	152	152	170	170
Water plant capacity (1)	14	14	14	14	14	14	14	14	14	14
Electric Utility										
Distribution stations	6	6	6	6	6	6	6	6	6	6
Peaking generators	19	19	19	19	19	19	20	20	20	20
Electric capacity (2)	41	41	41	41	41	41	40	40	40	40
Airport										
Airport acreage	899	899	899	899	899	899	899	892	892	886
Number of runways	2	2	2	2	2	2	2	2	2	2

Source: City of Manassas Finance Department and Public Works Department

Notes: (1) Millions of gallons per day

(2) Megawatts

(3) FY17 parks assessment added historic sites to parks definition as passive recreation sites. Tennis courts include school sites.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, 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 units, each major fund, and the aggregate remaining fund information of the City of Manassas, Virginia (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 28, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 and significant deficiencies.

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. **We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Item 2017-001, which we consider to be a material weakness.**

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. **We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Item 2017-002, which we consider to be a significant deficiency.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Items 2017-003 through 2017-007.**

City of Manassas, Virginia's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questions costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 28, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Manassas, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 28, 2017

CITY OF MANASSAS, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2017

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Comprehensive Services Act
Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Education
Social Services
Urban Highway Maintenance
Stormwater Management Program

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

CITY OF MANASSAS, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One material weakness and one significant deficiency** relating to the audit of the financial statements was reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to a major program**.
7. The major programs of the City are:

<u>Name of Program</u>	<u>CFDA #</u>
Child Nutrition Cluster - School Breakfast Program	10.553
Child Nutrition Cluster - National School Lunch Program	10.555
Child Nutrition Cluster - Summer Food Service Program	10.559
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173

8. The **threshold for** distinguishing Type A programs was **\$750,000**.
9. The City of Manassas was **not** determined to be a low-risk auditee.

CITY OF MANASSAS, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2017-001: Capital Assets (Material Weakness)

Condition:

In the previous two years and continuing in the current year, the City began a rigorous process to identify and properly capture capital asset activity in both government activities and business-type activities. As a result of this process, and the current year audit, one material adjustment was required to restate beginning net position.

Recommendation:

We recommend the City continue the procedures they have begun to help identify such issues and proceed with their plan to utilize capital asset tracking functions as part of their forthcoming enterprise resource planning software implementation.

Management's Response:

The auditee concurs with this recommendation.

2017-002: Property Taxes-Rate Setting (Significant Deficiency)

Condition:

During 2017, the City identified an issue where the business personal property tax rate for years 2014 through 2016 was higher than the general personal property tax rate, which was in violation of applicable state code. This indicates a control review procedure was not present during this time frame. The City properly took steps to recalculate amounts for the identified issue and amounts were refunded to taxpayers in the current year.

Recommendation:

We recommend continuing to involve knowledgeable parties in sensitive processes, such as tax rate setting, and ensuring that thorough reviews for compliance have occurred prior to approval.

Management's Response:

The auditee concurs with this recommendation.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

CITY OF MANASSAS, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

2017-003: Investment Ratings

Condition:

Several corporate bonds fell below Virginia required minimum ratings during the year. These bonds amounted to \$167,597.

Recommendation:

We recommend moving funds away from corporate bonds that fall below the Virginia code and to investments that meet the requirements.

Management's Response:

The auditee concurs with this recommendation.

2017-004: Commonwealth of Virginia Disclosure Statements

Condition:

We noted one member of the City's various Boards and Commissions did not file a statement of economic interest by the January deadline as set forth by the *Code of Virginia*.

Recommendation:

Steps should be taken to ensure that these statements are filed by all required individuals in a timely manner.

Management's Response:

The auditee concurs with this recommendation.

CITY OF MANASSAS, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA (CONTINUED)

2017-005: Social Services – Access Rights

Condition:

There is not a formalized yearly review of individual's access rights for VsCMS, ADAPT, OASIS and EAS.

Recommendation:

We recommend that Social Services review all access right of individuals for VaCMS, ADAPT, OASIS and EAS yearly.

Management's Response:

The auditee concurs with this recommendation.

2017-006: Social Services – Timely Removal of Terminated Employees

Condition:

A terminated employee was not removed from VDSS systems within three working days of termination.

Recommendation:

We recommend that Social Services follow up termination with proper removal from all VDSS system within three working days.

Management's Response:

The auditee concurs with this recommendation.

CITY OF MANASSAS, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA (CONTINUED)

2017-007: Social Services – Segregation of Duties

Condition:

Staff issuing EBT cards work directly under the benefits program manager who processes benefits.

Recommendation:

We recommend that the BPS supervisor not supervise the Issuance Unit.

Management's Response:

The auditee concurs with this recommendation.

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2015-002: Capital Assets (Material Weakness)

Condition:

In the previous year and continuing in the current year, the City began a rigorous process to identify and properly capture capital asset activity in both government activities and business-type activities. As a result of this process, and the current year audit, a number of material adjustments were required to restate beginning net position as well as to reclassify balances between capital asset categories.

Current Year Status: Still applicable in the current year.

2016-001: Unbilled Accounts Receivable (Material Weakness)

Condition:

A material adjustment was required to properly state unbilled accounts receivable in the Electric Fund.

Current Year Status: No such issues were noted in the current year.

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2016-002: Highway Planning and Construction – CFDA No. 20.205

Condition:

Equipment purchased with federal funds is not separately tracked and noted as federally funded in the City's capital asset software. Equipment acquired under federal awards must be tracked and contain information including a description, source, who holds title, acquisition date and cost, percentage of federal participation in the cost, location, condition, and any ultimate disposition data including, the date of disposal and sales price or method used to determine current fair market value. As a result, the City is not in compliance with the stated rules. There is a risk if such assets were sold, additional procedures required may not be followed.

Current Year Status: This program was not tested during the current year.

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

C. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

2015-005: Investment Ratings

Condition:

Several corporate bonds fell below Virginia required minimum ratings during the year. These bonds amounted to \$169,322.

Current Year Status: Still applicable in the current year.

2015-006: Commonwealth of Virginia Disclosure Statements

Condition:

We noted six members of the City's various Boards and Commissions did not file a statement of economic interest by the December deadline as set forth by the *Code of Virginia*.

Current Year Status: We noted one instance where a member did not file a statement of economic interest by the January deadline as set forth by the Code of Virginia.

2015-007: Public Accounts

Condition:

Funds were placed in an account that was not marked as a public account by the financial institute as required by the Virginia Security for Public Deposits Act.

Current Year Status: No such issues were noted in the current year.

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Pass-Through Identifying Number	Cluster Expenditures	Federal Expenditures
U.S. Department of Agriculture				
Pass-through payments:				
Department of Education:				
National School Breakfast Program	10.553	10553-301-10	\$ 693,359	
National School Lunch Program - Food Donations	10.555	00-571	243,916	
National School Lunch Program	10.555	10555-301-10	2,000,084	
Summer Food Service Program for Children	10.559	10559-301-10	57,158	
Total Child Nutrition Cluster				\$ 2,994,517
Department of Social Services:				
State Administration:				
SNAP Cluster				
Matching Grants for Supplemental Nutrition Assistance Program	10.561	N/A		436,903
Total U.S. Department of Agriculture				3,431,420
U.S. Department of Housing and Urban Development				
Pass through payments:				
VHDA and Prince William County				
Section 8 Housing Assistance Payments Program	14.195	14195-165-10		194,365
Total U.S. Department of Housing and Urban Development				194,365
U.S. Department of Justice				
Direct payments:				
State Criminal Alien Assistance Program	16.606	N/A		37,624
Bulletproof Vest Partnership Program	16.607	N/A		6,248
Edward Byrne Memorial Justice Assistance Program	16.738	N/A		19,116
Total U.S. Department of Justice				62,988
U.S. Department of Transportation				
Direct payments:				
Airport Improvement Program	20.106	N/A		332,554
Pass-through payments:				
Virginia Department of Transportation				
Highway Planning and Construction	20.205	61448		230,391
Virginia Department of Motor Vehicles				
State and Community Highway Safety Program	20.600	4369		15,641
Total U.S. Department of Transportation				578,586
U.S. Department of Education				
Pass-through payments:				
Commonwealth of Virginia Department of Education:				
Title I - Grants to Local Educational Agencies (Title I Part A Cluster)	84.010	84010-197-10		1,457,496
Special Education - Grants to States (Special Education Cluster)	84.027	84027-197-10	1,462,504	
Special Education - Preschool Grants (Special Education Cluster)	84.173	84173-197-10	31,518	
Total Special Education Cluster:				1,494,022
Career and Technical Education: Basic grants to states	84.048	84048-197-10		107,407
English Language Acquisition Grants	84.365	84365-197-10		284,370
Improving Teacher Quality State Grants	84.367	84367-197-10		130,463
Total U.S. Department of Education				3,473,758
Department of Homeland Security:				
Pass-through Payments:				
Department of Emergency Management:				
Non-Profit Security Program	97.008	97008-127-10		15,520
Emergency Management Performance Grants	97.042	97042-127-10		4,884
Homeland Security Grant Program	97.067	14UASI596		112,045
Total U.S. Department of Homeland Security				132,449

CITY OF MANASSAS, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2017

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Pass-Through Identifying Number	Cluster Expenditures	Federal Expenditures
Department of Health and Human Services:				
Pass-through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556			\$ 16,239
Temporary Assistance to Needy Families (TANF)	93.558			252,940
Refugee and Entrant Assistance - Discretionary Grants	93.566			652
Low Income Home Energy Assistance	93.568			24,688
Child Care Mandatory and Matching funds of the Child Care and Development Fund	93.596			41,128
Chafee Education and Training Vouchers Program	93.599			17
Child Welfare Services - State Grants	93.645			392
Foster Care - Title IV-E	93.658			263,690
Adoption Assistance	93.659			111,120
Social Services Block Grant	93.667			160,842
Chafee Foster Care Independence Program	93.674			1,773
Children's Health Insurance Program	93.767			18,279
Medical Assistance Program	93.778			562,139
				<u>1,453,899</u>
Total U.S. Department of Health and Human Services				<u>1,453,899</u>
Total Expenditures of Federal Awards				<u>\$ 9,327,465</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of federal expenditures includes the activity of all federally assisted programs of the City of Manassas, Virginia and is presented on the modified accrual basis of accounting, as described in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

Note 2: Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 2: De Minimis Cost Rate

The entity did not elect to use the 10% de minimis indirect cost rate.