

# City of Manassas, Virginia Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015



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**CITY OF MANASSAS, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



**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, 2015**

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**CITY OF MANASSAS, VIRGINIA**

**CITY COUNCIL**

Harry J. Parrish II, Mayor  
Jonathan L. Way, Vice Mayor

Marc T. Aveni  
Ken D. Elston  
Mark D. Wolfe

Sheryl L. Bass  
Ian T. Lovejoy

**CITY MANAGER**

William Patrick Pate

**MANASSAS CITY PUBLIC SCHOOLS  
SCHOOL BOARD**

Tim Demeria, Chair  
Scott M. Albrecht, Vice Chair  
Arthur P. Bushnell  
Kristen Kiefer  
Ellen M. Purdy  
Pamela J. Sebesky  
Sanford S. Williams

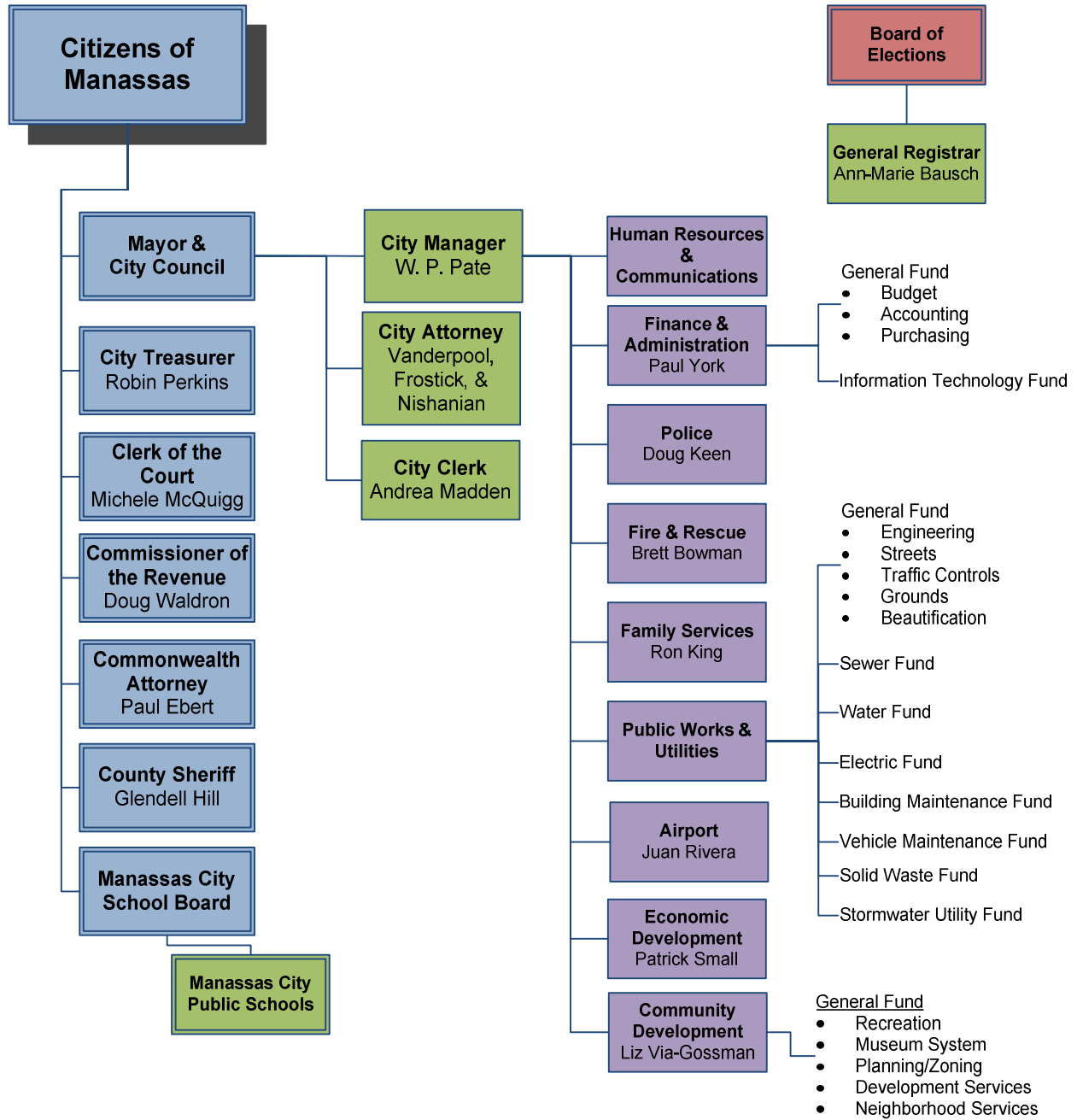
**SUPERINTENDENT OF SCHOOLS**

Dr. Catherine B. Magouyrk



# CITY OF MANASSAS, VIRGINIA

## ORGANIZATIONAL CHART



Key:

- Elected
- Appointed
- Departments
- State Agency



# CITY OF MANASSAS, VIRGINIA

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

MAYOR  
Harry J. Parrish II

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

December 30, 2015

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, 2015 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, 2015. 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 42,081 people 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.

The legislative and policy making body of the City is the elected Mayor and a six member City Council, elected at large for staggered four-year terms. The City Council appoints the City Manager who serves as the Chief Administrative Officer. The School Board members are also elected at large for staggered four-year terms. The School Board appoints the Superintendent as the Chief Administrative Officer for the school system. Other elected City officials are the Commissioner of the Revenue and the City Treasurer. Also, elected officials shared with Prince William County are the Commonwealth's Attorney, Clerk of the Court and Sheriff. The judges of the Circuit Court, General District Court, and the Juvenile and Domestic Relations Courts are appointed by the state legislature.

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 nine proprietary functions: the electric, water, sewer and stormwater utilities, solid waste collection, a regional airport, a pavilion, a performing arts center, and rental property in Manassas Landing.

The City of Manassas Public Schools (MCPS) is included in this report as a discretely presented component unit. MCPS does not issue its own financial statements; therefore, you will find fund statements for MCPS beginning on page 103. There are no other entities in the report.

The City Council and the School Board adopted a joint resolution in February of 2009 committing to budget planning and revenue sharing. Through fiscal year 2015, the City transferred 58.5% of its general tax revenues to the Schools annually. Each year both bodies adopted a five-year forecast and a Five-Year Capital Improvement Plan consistent with the projected revenues, as required by the joint resolution. In October 2015, a new joint budget agreement was adopted to provide a predictable local revenue base 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 2019 budget preparation, a joint committee will be appointed to consider future funding options.

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 January. 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 by the end of February. 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. 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 2015, the City continued to show positive signs of recovery from the recent recession. Commissioner of the Revenue, Doug Waldron, released the real estate assessments for the 2015 tax year (values as of January 1, 2014) in late January. The average residential assessment increased 4.6% and the average commercial assessment increased 7.8% for a combined increase of 5.8%. The 2015 residential/ commercial assessment ratio is 62.7 / 37.3, a small change from the 2014 ratio of 63.4 / 36.6. Combined general property tax revenues increased 6.0% in fiscal year 2015. Other tax revenues continue the growth that began in fiscal year 2011. For fiscal year end (FYE) 2015, meals tax revenues grew 2.8%, and other local taxes increased 5.7%, offset by a 1.1% decrease in revenue from business licenses and a 0.3% decrease in sales tax revenue. Overall, local taxes were up by 1.4% for the fiscal year. The City's unemployment rate decreased to 4.5% in 2015, well below the national rate of 5.3% and from a high of 7.7% in 2010 during the recession.

## **Local economy and long-term financial planning (Continued)**

On October 21, 2014, Standard & Poor's upheld the City's AA+ bond rating and assigned a stable outlook. On October 20, 2014, Moody's affirmed the City's Aa1 bond.

In 2009 City Council established a policy requiring a 13 percent unassigned fund balance is maintained. In FYE 2015 as well as in the previous four fiscal years, the City has been in compliance with this policy.

## **Awards and acknowledgements**

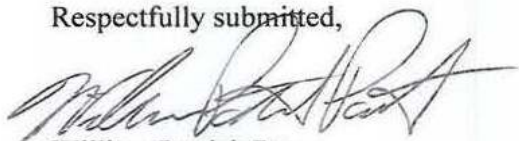
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Manassas for its CAFR for the fiscal year ended June 30, 2014. This was the thirtieth consecutive year that the City has achieved 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, 2014. 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,



William Patrick Pate  
City Manager



Paul E. York  
Finance & Administration Director



Government Finance Officers Association

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

Presented to

**City of Manassas  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director/CEO

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## **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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manassas, Virginia, as of and for the year ended June 30, 2015, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, 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.

## **Change in Accounting Principle**

As described in Note 18 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 financial statements as a whole. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the 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 December 30, 2015, 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  
December 30, 2015

## CITY OF MANASSAS, VIRGINIA

### Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2015

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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, 2015. 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 - v 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 only component unit, the Manassas City Public Schools (MCPS). Due to the material relationship between the City and MCPS, we believe that Total Reporting Unit information more accurately reflects the financial condition of the City of Manassas.

#### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Total Reporting Unit exceeded its liabilities and deferred inflows of resources at June 30, 2015 by \$312,703,017 (net position). The Total Reporting Unit's net position invested in capital assets is \$346,019,702 and \$37,918,981 is restricted in its use. The remaining net position, (\$71,235,666) is unrestricted. The deficit in unrestricted balance is primarily due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which resulted in a \$120,058,430 reduction to net position for the Total Reporting Unit.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at June 30, 2015 by \$311,131,800 (net position). \$327,512,385 of the City's net position is invested in capital assets, \$2,078,607 is restricted in its use, and the remaining balance of (\$18,459,192) is unrestricted net position. The deficit in unrestricted net position of the Governmental Activities (\$59,515,691) is the result of the implementation of GASB 68 and 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 \$64,759,290 of debt outstanding relating to MCPS.
- The unassigned fund balance for the City's general fund at June 30, 2015 was \$13,145,824. This amount is 12.4 percent of total general fund revenues of \$106,122,599 for fiscal year 2015. City Council's policy is to maintain the general fund unassigned fund balance at 13% of general fund revenues excluding payment of lieu of debt services from MCPS of \$5,000,876. General fund unassigned fund balance as a percent of general fund revenues as calculated in accordance with the City's Unassigned Fund Balance Policy P-2011-01 is 13 percent.

#### 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, 2015

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#### 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 government'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 utilities, solid waste collection, stormwater maintenance, a regional airport, a city pavilion, and a performing arts center.

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. Financial information for the component unit (MCPS) is 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, 2015**

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**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 seventeen 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 sixteen 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 six non-major governmental funds – family services, PEG, Owens Brooke district, fire rescue, Speiden Carper house, and Manassas Landing funds.

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 maintenance, regional airport, city pavilion, and performing arts center.

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 its fleet of vehicles, building 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 five 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 four 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, 2015

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#### 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 22-84 of this report.

**Other Information** - In addition to the basic financial statements, this report also presents certain required supplementary information. A schedule of funding progress for the City's defined benefit plan is provided. The combining statements referred to earlier in connection with non-major governmental and enterprise funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 93-108 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 110-118 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.

Net position of the City's governmental activities decreased \$34,198,023 in fiscal year 2015 (from the restated beginning net position of \$213,344,904) to \$179,146,881. The decrease is primarily due to a \$33,725,410 increase in long-term liabilities, exclusive of pension liability. In November 2014, the City issued \$33,650,000 of General Obligation Public Improvement Bonds to fund the construction of a new school, which is responsible for the increase in long-term liabilities. The governmental activities fiscal year 2015 beginning net position was decreased \$23,363,331 to incorporate the implementation of GASB 68; on the 2015 statement of net position increases can be seen in long-term liabilities to record the net pension liability of \$20,557,482 and in deferred inflows to record the initial employer contributions after measurement date of \$4,766,862. The increases in total liabilities and deferred inflows were the primary contributors to the decrease in total net position that ended the fiscal year at \$179,146,881.

The net position of the business-type activities increased \$8,146,236 in fiscal year 2015 (from the restated beginning net position of \$123,838,683) to \$131,984,919. Program revenues for the electric, water, sewer and stormwater utilities, and airport exceeded expenses by \$7,188,479 and the business activities transferred \$493,575 to the governmental activities. The business activities fiscal year 2015 beginning net position was decreased \$6,825,099 to incorporate the implementation of GASB 68; on the 2015 statement of net position increases can be seen in long-term liabilities to record the net pension liability of \$6,005,428 and in deferred inflows to record the initial employer contributions after measurement date of \$1,392,538.

The net position of MCPS has increased \$35,881,619 in fiscal year 2015 (from the restated beginning net position deficit of -\$34,310,402) to \$1,571,217. This change was primarily due to an increase in restricted cash and investments of \$33,387,704, as a result of the transfer of bond proceeds from the City for the construction of the new school, and due to an increase in net capital assets totaling \$4,480,007, offset by increases in current liabilities of \$2,828,831.

**CITY OF MANASSAS, VIRGINIA**

**Management's Discussion and Analysis  
(UNAUDITED)  
For The Year Ended June 30, 2015**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)**

The following tables summarize the Statement of Net Position for the reporting unit as of June 30, 2015.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>FY 2015</b>	<b>FY 2014 (Restated)</b>	<b>FY 2015</b>	<b>FY 2014 (Restated)</b>	<b>FY 2015</b>	<b>FY 2014 (Restated)</b>
Current assets	\$ 49,600,572	\$ 50,172,253	\$ 63,165,695	\$ 63,683,512	\$ 112,766,267	\$ 113,855,765
Capital assets	253,471,289	255,953,462	114,633,386	111,380,034	368,104,675	367,333,496
Total assets	<u>\$ 303,071,861</u>	<u>\$ 306,125,715</u>	<u>\$ 177,799,081</u>	<u>\$ 175,063,546</u>	<u>\$ 480,870,942</u>	<u>\$ 481,189,261</u>
Deferred outflows of resources	\$ 4,851,811	\$ 1,255,846	\$ 2,011,043	\$ -	\$ 6,862,854	\$ 1,255,846
Current liabilities	\$ 9,390,393	\$ 10,336,682	\$ 9,343,170	\$ 12,657,330	\$ 18,733,563	\$ 22,994,012
Long-term liabilities	114,619,536	60,336,644	37,064,897	31,742,434	151,684,433	92,079,078
Total liabilities	<u>\$ 124,009,929</u>	<u>\$ 70,673,326</u>	<u>\$ 46,408,067</u>	<u>\$ 44,399,764</u>	<u>\$ 170,417,996</u>	<u>\$ 115,073,090</u>
Deferred inflows of resources	\$ 4,766,862	\$ -	\$ 1,417,138	\$ -	\$ 6,184,000	\$ -
Net position:						
Net Investment						
in capital assets	\$ 237,700,797	\$ 239,215,472	\$ 89,811,588	\$ 86,301,566	\$ 327,512,385	\$ 325,517,038
Restricted	961,775	100,000	1,116,832	-	2,078,607	100,000
Unrestricted (deficit)	(59,515,691)	(2,607,237)	41,056,499	44,362,216	(18,459,192)	41,754,979
Total net position	<u>\$ 179,146,881</u>	<u>\$ 236,708,235</u>	<u>\$ 131,984,919</u>	<u>\$ 130,663,782</u>	<u>\$ 311,131,800</u>	<u>\$ 367,372,017</u>

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

**CITY OF MANASSAS, VIRGINIA**

**Management's Discussion and Analysis  
(UNAUDITED)  
For The Year Ended June 30, 2015**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)**

	MCPS		Total Reporting Unit	
	FY 2015	FY 2014	FY 2015	FY 2014
		(Restated)		(Restated)
Current assets	\$ 61,666,445	\$ 27,363,362	\$ 174,432,712	\$ 141,219,127
Capital assets	51,198,837	46,718,830	419,303,512	414,052,326
Total assets	\$ 112,865,282	\$ 74,082,192	\$ 593,736,224	\$ 555,271,453
Deferred outflows of resources	\$ 11,405,000	\$ -	\$ 18,267,854	\$ 1,255,846
Current liabilities	\$ 17,287,026	\$ 14,458,195	\$ 36,020,589	\$ 37,452,207
Long-term liabilities	91,678,039	4,064,399	243,362,472	96,143,477
Total liabilities	\$ 108,965,065	\$ 18,522,594	\$ 279,383,061	\$ 133,595,684
Deferred inflows of resources	\$ 13,734,000	\$ -	\$ 19,918,000	\$ -
Net position:				
Net Investment				
in capital assets	\$ 50,714,094	\$ 46,519,834	\$ 346,019,702	\$ 340,042,372
Restricted	35,840,374	3,535,677	37,918,981	3,635,677
Unrestricted (deficit)	(84,983,251)	5,504,087	(71,235,666)	79,253,566
Total net position	\$ 1,571,217	\$ 55,559,598	\$ 312,703,017	\$ 422,931,615

*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; however, other restatement items are included.*

**CITY OF MANASSAS, VIRGINIA**

**Management's Discussion and Analysis  
(UNAUDITED)  
For The Year Ended June 30, 2015**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)**

The following tables summarize the changes in net position for the reporting unit for the year ended June 30, 2015.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>FY 2015</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2014</b>
Revenues:						
Program revenues:						
Charges for services	\$ 4,122,272	\$ 4,406,778	\$ 78,294,311	\$ 93,456,996	\$ 82,416,583	\$ 97,863,774
Operating grants, contributions	7,659,004	7,568,603	61,649	121,607	7,720,653	7,690,210
Capital grants, contributions	2,338,510	46,562,063	6,730,158	2,254,331	9,068,668	48,816,394
General Revenues:						
Property Taxes	73,404,921	69,162,854	-	-	73,404,921	69,162,854
Other Taxes	18,249,638	17,703,001	-	-	18,249,638	17,703,001
Unrestricted grants	8,090,939	8,159,679	-	-	8,090,939	8,159,679
City appropriation to MCPS	-	-	-	-	-	-
Other	7,738,651	7,704,685	2,007,382	254,327	9,746,033	7,959,012
Total revenues	\$ 121,603,935	\$ 161,267,663	\$ 87,093,500	\$ 96,087,261	\$ 208,697,435	\$ 257,354,924
Expenses:						
General government	\$ 9,656,080	\$ 8,889,060	\$ -	\$ -	\$ 9,656,080	\$ 8,889,060
Public safety	29,046,682	28,751,948	-	-	29,046,682	28,751,948
Public works	10,021,004	10,001,107	-	-	10,021,004	10,001,107
Health and welfare	8,226,526	7,873,882	-	-	8,226,526	7,873,882
Culture, rec, development	5,922,737	5,366,949	-	-	5,922,737	5,366,949
Interest on long-term debt	2,652,212	2,026,729	-	-	2,652,212	2,026,729
Bond issuance costs	472,373	117,796	-	-	472,373	117,796
Electric	-	-	48,812,825	66,181,787	48,812,825	66,181,787
Water	-	-	8,062,024	7,745,000	8,062,024	7,745,000
Sewer	-	-	13,113,008	12,618,910	13,113,008	12,618,910
Airport	-	-	4,172,683	3,548,396	4,172,683	3,548,396
Solid Waste	-	-	3,400,730	3,191,138	3,400,730	3,191,138
City Square Pavilion	-	-	302,350	328,600	302,350	328,600
Candy Factory	-	-	198,763	198,763	198,763	198,763
Parking Garage	-	-	42,383	40,189	42,383	40,189
Stormwater	-	-	348,923	-	348,923	-
Education	90,297,919	57,448,414	-	-	90,297,919	57,448,414
Total expenses	\$ 156,295,533	\$ 120,475,885	\$ 78,453,689	\$ 93,852,783	\$ 234,749,222	\$ 214,328,668
Increase (decrease) in net position before transfers	\$ (34,691,598)	\$ 40,791,778	\$ 8,639,811	\$ 2,234,478	\$ (26,051,787)	\$ 43,026,256
Transfers	493,575	4,679,697	(493,575)	(4,679,697)	-	-
Change in net position	\$ (34,198,023)	\$ 45,471,475	\$ 8,146,236	\$ (2,445,219)	\$ (26,051,787)	\$ 43,026,256
Net position beginning, as restated	213,344,904	191,236,760	123,838,683	133,109,001	337,183,587	324,345,761
Net position ending	\$ 179,146,881	\$ 236,708,235	\$ 131,984,919	\$ 130,663,782	\$ 311,131,800	\$ 367,372,017

*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, 2015**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)**

	MCPS		Total Reporting Unit	
	FY 2015	FY 2014	FY 2015	FY 2014
Program revenues:				
Charges for services	\$ 1,422,051	\$ 1,444,671	\$ 83,838,634	\$ 99,308,445
Operating grants, contributions	51,497,122	47,999,862	59,217,775	55,690,072
Capital grants, contributions	-	-	9,068,668	48,816,394
General Revenues:				
Property Taxes	-	-	73,404,921	69,162,854
Other Taxes	-	-	18,249,638	17,703,001
Unrestricted grants	-	-	8,090,939	8,159,679
City appropriation to MCPS	90,297,919	57,448,414	90,297,919	57,448,414
Other	41,719	4,787	9,787,752	7,963,799
Total revenues	\$ 143,258,811	\$ 106,897,734	\$ 351,956,246	\$ 364,252,658
Expenses:				
General government	\$ -	\$ -	\$ 9,656,080	\$ 8,889,060
Public safety	-	-	29,046,682	28,751,948
Public works	-	-	10,021,004	10,001,107
Health and welfare	-	-	8,226,526	7,873,882
Culture, rec, development	-	-	5,922,737	5,366,949
Interest on long-term debt	-	-	2,652,212	2,026,729
Bond issuance costs	-	-	472,373	117,796
Electric	-	-	48,812,825	66,181,787
Water	-	-	8,062,024	7,745,000
Sewer	-	-	13,113,008	12,618,910
Airport	-	-	4,172,683	3,548,396
Solid Waste	-	-	3,400,730	3,191,138
City Square Pavilion	-	-	302,350	328,600
Candy Factory	-	-	198,763	198,763
Parking Garage	-	-	42,383	40,189
Stormwater	-	-	348,923	-
Education	107,377,192	101,888,455	197,675,111	159,336,869
Total expenses	\$ 107,377,192	\$ 101,888,455	\$ 342,126,414	\$ 316,217,123
Increase (decrease) in net position before transfers	\$ 35,881,619	\$ 5,009,279	\$ 9,829,832	\$ 48,035,535
Transfers	-	-	-	-
Change in net position	\$ 35,881,619	\$ 5,009,279	\$ 9,829,832	\$ 48,035,535
Net position beginning, as restated	(34,310,402)	50,550,319	302,873,185	374,896,080
Net position ending	\$ 1,571,217	\$ 55,559,598	\$ 312,703,017	\$ 422,931,615

*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, 2015

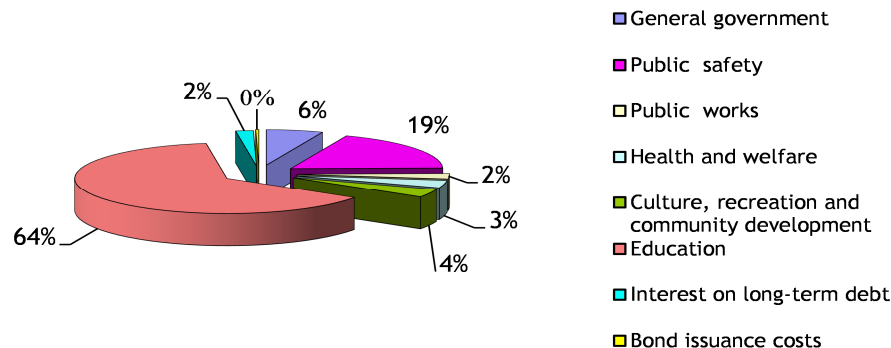
### GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

The table below details the governmental activities expenses and program revenues showing the net cost by program/function. The total governmental activities net program/function costs were \$142,175,747, an increase of \$80,237,306 over last fiscal year. The increase is primarily due to fiscal year 2014 revenues of \$44,270,664 in donated infrastructure and land assets received in public works which did not recur in 2015, and an increase in education due to the transfer of bond proceeds totaling \$33,650,000 to cover the construction costs for a new school, with a corresponding increase in interest on long-term debt and bond issuance costs totaling \$980,060. As the table and chart below indicate, education continues to be the City's largest program with expenses totaling \$90,297,919, which includes \$33,650,000 of bonds issued in 2014. 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

	<b>Program Expenses FY 2015</b>	<b>Program Revenues FY 2015</b>	<b>Net Program Cost FY 2015</b>	<b>Net Program Cost FY 2014</b>
General government	\$ 9,656,080	\$ 1,109,629	\$ 8,546,451	7,639,290
Public safety	29,046,682	2,519,179	26,527,503	26,336,381
Public works	10,021,004	6,512,926	3,508,078	(41,041,097)
Health and welfare	8,226,526	3,321,128	4,905,398	4,651,615
Culture, recreation and community development	5,922,737	656,924	5,265,813	4,759,313
Education	90,297,919	-	90,297,919	57,448,414
Interest on long-term debt	2,652,212	-	2,652,212	2,026,729
Bond issuance costs	472,373	-	472,373	117,796
Total	<u>\$ 156,295,533</u>	<u>\$ 14,119,786</u>	<u>\$ 142,175,747</u>	<u>\$ 61,938,441</u>

#### Governmental Activities Net Program Costs



## CITY OF MANASSAS, VIRGINIA

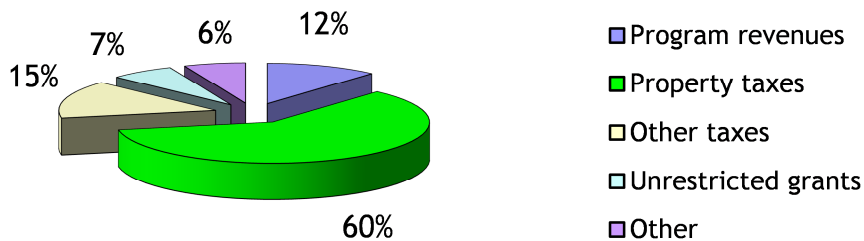
### Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2015

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#### GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

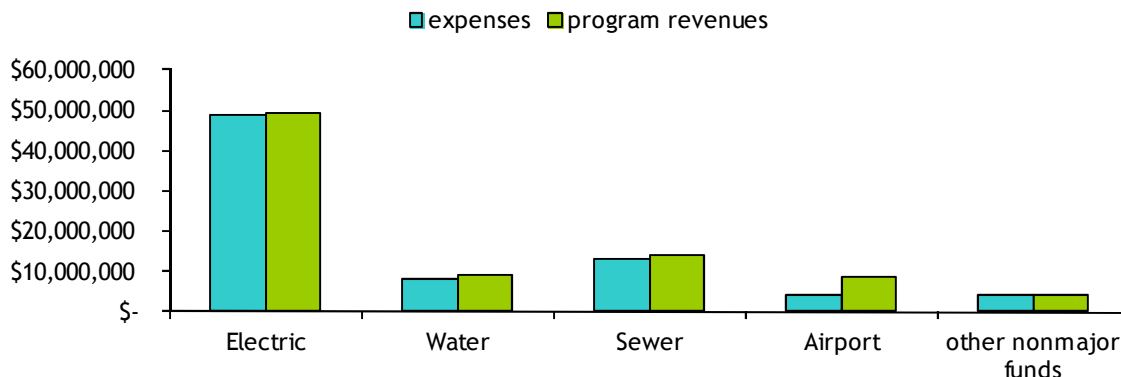
In addition to program revenues of \$14,119,786, there are also general revenues in the governmental activities, which are revenues that are not attributed to any specific program/function. The total general revenues in fiscal year 2015 are \$107,977,724 for total governmental activities revenues of \$122,097,510. General revenues in fiscal year 2015 are \$567,808 more than fiscal year 2014, due mostly to an increase in property taxes offset by a decrease in sales taxes, investment earnings and transfers. The chart below indicates that the property taxes continue to be the largest source of revenue for the governmental activities.

#### Governmental Activities Revenues



The cost of all business-type activities in fiscal year 2015 was \$78,453,689. As depicted in the chart below, program revenues of \$85,056,118 offset the cost of doing business. The Airport Fund received capital grants of \$6,230,076 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, 2015**

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#### **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 2015, the City's governmental funds reported combined ending fund balances of \$35,152,855, an increase of \$588,443 from fiscal year 2014. The increase is a net of the \$430,692 decrease in non-major funds and a \$1,019,135 increase in the general fund.

The general fund is the main operating fund of the City. At the end of fiscal year 2015, the unassigned fund balance of the general fund was \$13,145,824 while total fund balance was \$21,507,394. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total revenues and expenditures. The unassigned fund balance represents 9.4 percent of total general fund expenditures of \$140,394,191, while total fund balance represents 15.3 percent of those expenditures. The unassigned fund balance represents 12.4 percent of total general fund revenues of \$106,122,599 for fiscal year 2015. City Council's policy is to maintain the general fund unassigned fund balance at 13 percent of general fund revenues excluding payment in lieu of debt services from MCPS of \$5,000,876. The unassigned fund balance meets the City Council's policy of 13 percent.

##### ***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 positions at the end of fiscal year 2015 in the Electric, Water, Sewer, Airport, and the non-major funds are \$32,854,866; \$35,081,886; \$21,813,063; \$40,055,415; and \$2,179,689, respectively. The increase or (decrease) in total net position for the Electric, Water, Sewer, Airport, and the non-major funds are \$783,152; \$929,433; \$905,180; \$5,612,985, and (\$84,514), respectively. Only 31.1% of the total net positions of these funds are unrestricted in its use. The remaining 68.0% is invested of capital assets net of related debt, and 0.9% is restricted for airport capital projects. The unrestricted net positions at the end of fiscal year 2015 in the Electric, Water, Sewer, Airport, and the non-major funds are \$12,039,954; \$10,962,605; \$14,604,283; \$2,877,858; and \$571,799, respectively. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

In fiscal year 2015, the City's general fund revenues exceeded the revised revenue budget by \$1,307,829. Expenditures ended the year under the revised budget by \$1,028,332. The City has a revenue sharing agreement with MCPS which states that if the City does not receive local tax revenue as budgeted, the City support of education will be reduced. Conversely, if local tax revenues exceed the budget, Schools are to receive 58.5 percent of the excess. As required by the City's Unassigned Fund Balance Policy P-2011-01, the School's share of the excess is subject to be used in maintaining an unassigned fund balance of 13 percent as noted in the previous section.

**CITY OF MANASSAS, VIRGINIA**

**Management's Discussion and Analysis  
(UNAUDITED)  
For The Year Ended June 30, 2015**

**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, 2015 is \$327,512,385, an increase of \$1,995,347 from June 30, 2014. The net decrease in the governmental activities capital assets of \$2,482,173 is primarily due to a decrease in construction in progress (CIP) and net infrastructure, offset by increases in net machinery & equipment and buildings & improvements. The decrease in net capital assets was largely a result of capitalizing and depreciating assets that had been in CIP. The net increase of \$3,253,352 in the business-type capital assets is due primarily to increased investment in plant and land values offset by a decrease in CIP and annual depreciation of purchased capacity.

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 35-38 of this report.

	<b>Capital Assets FY 2015</b>	<b>Accumulated Depreciation FY 2015</b>	<b>Capital Assets net of Accumulated Depreciation</b>		<b>Net Increase (Decrease) Capital Assets</b>
			<b>FY 2015</b>	<b>FY 2014</b>	
			<b>(Restated)</b>		
<b>Governmental Activities</b>					
Land	\$ 111,361,675	\$ -	\$ 111,361,675	\$ 111,361,675	\$ -
Construction in progress	3,643,780	-	3,643,780	8,149,292	(4,505,512)
Buildings and improvements	34,692,324	(23,814,985)	10,877,339	10,203,254	674,085
Machinery and equipment	19,902,774	(12,095,600)	7,807,174	3,995,095	3,812,079
Infrastructure	204,219,640	(84,438,319)	119,781,321	122,244,147	(2,462,826)
Total	<u>\$ 373,820,193</u>	<u>\$ (120,348,904)</u>	<u>\$ 253,471,289</u>	<u>\$ 255,953,463</u>	<u>\$ (2,482,174)</u>
<b>Business-type Activities</b>					
Land	\$ 11,369,063	\$ -	\$ 11,369,063	\$ 9,787,360	\$ 1,581,703
Construction in progress	10,124,916	-	10,124,916	21,337,629	(11,212,713)
Buildings and improvements	4,652,248	(3,124,076)	1,528,172	1,760,785	(232,613)
Investment in Plant	219,567,659	(140,921,995)	78,645,664	64,403,236	14,242,428
Machinery and equipment	4,808,330	(3,653,472)	1,154,858	893,807	261,051
Purchased capacity	27,153,049	(15,342,336)	11,810,713	13,197,219	(1,386,506)
Total	<u>\$ 277,675,265</u>	<u>\$ (163,041,879)</u>	<u>\$ 114,633,386</u>	<u>\$ 111,380,036</u>	<u>\$ 3,253,350</u>
<b>Total Primary Government</b>					
Land	\$ 122,730,738	\$ -	\$ 122,730,738	\$ 121,149,035	\$ 1,581,703
Construction in progress	13,768,696	-	13,768,696	29,486,921	(15,718,225)
Buildings and improvements	39,344,572	(26,939,061)	12,405,511	11,964,039	441,472
Investment in Plant	219,567,659	(140,921,995)	78,645,664	64,403,236	14,242,428
Machinery and equipment	24,711,104	(15,749,072)	8,962,032	4,888,902	4,073,130
Infrastructure	204,219,640	(84,438,319)	119,781,321	122,244,147	(2,462,826)
Purchased capacity	27,153,049	(15,342,336)	11,810,713	13,197,219	(1,386,506)
Total	<u>\$ 651,495,458</u>	<u>\$ (283,390,783)</u>	<u>\$ 368,104,675</u>	<u>\$ 367,333,499</u>	<u>\$ 771,176</u>
<b>MCPS</b>					
Land	\$ 2,336,649	\$ -	\$ 2,336,649	\$ 2,336,649	\$ -
Construction in progress	9,822,551	-	9,822,551	3,623,117	6,199,434
Buildings and improvements	128,388,897	(92,197,655)	36,191,242	38,719,361	(2,528,119)
Machinery and equipment	9,755,991	(6,907,596)	2,848,395	2,039,703	808,692
Total	<u>\$ 150,304,088</u>	<u>\$ (99,105,251)</u>	<u>\$ 51,198,837</u>	<u>\$ 46,718,830</u>	<u>\$ 4,480,007</u>

**CITY OF MANASSAS, VIRGINIA**

**Management's Discussion and Analysis  
(UNAUDITED)  
For The Year Ended June 30, 2015**

**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 40-44 of this report.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>FY 2015</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2014</b>
		<b>(Restated)</b>		<b>(Restated)</b>		<b>(Restated)</b>
General obligation bonds	\$ 81,863,520	\$ 52,403,935	\$ 25,531,736	\$ 27,922,083	\$ 107,395,256	\$ 80,326,018
Premium on bonds	6,427,487	2,379,240	2,422,165	898,878	8,849,652	3,278,118
Capital leases	156,427	401,974	-	-	156,427	401,974
VDOA obligation	-	-	1,568,000	1,568,000	1,568,000	1,568,000
Compensated absences	2,580,451	2,472,354	882,332	901,877	3,462,783	3,374,231
OPEB Obligation payable	3,034,170	2,679,141	549,146	451,596	3,583,316	3,130,737
Net Pension liability	20,557,482	20,557,482	6,111,518	6,111,518	26,669,000	26,669,000
Total	<u>\$ 114,619,537</u>	<u>\$ 80,894,126</u>	<u>\$ 37,064,897</u>	<u>\$ 37,853,952</u>	<u>\$ 151,684,434</u>	<u>\$ 118,748,078</u>

	<b>MCPS</b>		<b>Total Reporting Unit</b>	
	<b>FY 2015</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2014</b>
		<b>(Restated)</b>		<b>(Restated)</b>
General obligation bonds	\$ -	\$ -	\$ 107,395,256	\$ 80,326,018
Premium on bonds	-	-	8,849,652	3,278,118
Capital leases	484,743	198,996	641,170	600,970
VDOA obligation	-	-	1,568,000	1,568,000
Compensated absences	2,102,296	2,030,403	5,565,079	5,404,634
OPEB Obligation payable	1,685,000	1,835,000	5,268,316	4,965,737
Net Pension liability	87,406,000	87,406,000	114,075,000	114,075,000
Total	<u>\$ 91,678,039</u>	<u>\$ 91,470,399</u>	<u>\$ 243,362,473</u>	<u>\$ 210,218,477</u>

The City's total debt of \$151,684,434 is a net increase of \$32,936,356. This was due primarily to the issuance of General Obligation Public Improvement Bonds in November 2014 totaling \$33,650,000 with bond premiums of \$6,445,811 (which includes premiums on August 2014 and November 2014 refunding bond issues), offset by general obligation bond principal payments of \$6,790,762, and premium amortization of \$874,277. Capital leases were reduced by principal payments while the OPEB obligation payable increased by \$452,579. The net increase to the MCPS total debt is \$207,640, which is primarily the result of a new capital lease for \$473,079, less payments of \$187,332 and a decrease to the OPEB obligation.

**CITY OF MANASSAS, VIRGINIA**  
**Management's Discussion and Analysis**  
**(UNAUDITED)**  
**For The Year Ended June 30, 2015**

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**CAPITAL ASSET AND DEBT ADMINISTRATION: (CONTINUED)**

***Long-Term Obligations (Continued)***

In October 2014, Standard & Poor's affirmed the City's AA+ bond rating 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.

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, 2014 was \$4,427,664,700, making the 2015 legal debt limitation of the City \$442,766,470. The City's general obligation debt applicable to the limit is \$107,395,255, leaving a legal debt margin of \$335,371,215. 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 2015 was 4.5 percent, which is below the state rate (4.9 percent) and the national rate (5.3 percent).
- Real property taxable assessed values increased 5.8 percent in January 2014 (used for fiscal year 2015 tax levies) to \$4,427,664,700, up by \$241,448,300 over the previous calendar year. Real property taxable assessed values increased 4.2 percent in January 2015 (to be used for fiscal year 2016 tax levies) to \$4,613,867,300, up by \$186,202,600 over the previous calendar year.
- The City is projecting assessed values to continue increasing marginally in 2016 and has taken this factor into consideration in the projection of the FY2015-2016 Budget and the development of the FY2016-2017 Budget which is currently underway.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance 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, 2015**

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Manassas City Public Schools
<b>ASSETS</b>				
Cash and investments (Note 3)	\$ 40,817,634	\$ 47,670,094	\$ 88,487,728	\$ 18,547,911
Cash and investments - restricted (Note 3)	2,331,656	4,649,208	6,980,864	36,923,381
Receivables, net:				
Taxes, including penalties	2,359,311	-	2,359,311	-
Accounts	169,904	8,286,712	8,456,616	1,872,795
Internal balances	404,840	(404,840)	-	-
Due from other governments (Note 4)	3,428,695	816,464	4,245,159	4,322,358
Prepays	88,532	-	88,532	-
Inventories	-	2,148,057	2,148,057	-
Capital assets: (Note 6)				
Nondepreciable	115,005,455	21,493,979	136,499,434	12,159,200
Depreciable, net	138,465,834	93,139,407	231,605,241	39,039,637
Total assets	303,071,861	177,799,081	480,870,942	112,865,282
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	2,015,127	1,167,727	3,182,854	-
Pension contributions subsequent to the measurement date (Notes 12 and 13)	2,836,684	843,316	3,680,000	7,899,000
Changes in proportion - teacher cost sharing pool (Note 13)	-	-	-	3,506,000
Total deferred outflows of resources	4,851,811	2,011,043	6,862,854	11,405,000
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	3,904,415	5,492,993	9,397,408	17,287,026
Deposits	1,844,030	1,394,064	3,238,094	-
Due to other governments (Note 9)	1,880,241	-	1,880,241	-
Accrued interest	1,661,707	504,304	2,166,011	-
Unearned revenue (Note 7)	100,000	1,951,809	2,051,809	-
Noncurrent liabilities:				
Net pension liability (Notes 12 and 13)	20,557,482	6,111,518	26,669,000	87,406,000
Due within one year (Note 8)	6,872,566	2,315,589	9,188,155	468,174
Due in more than one year (Note 8)	87,189,488	28,637,790	115,827,278	3,803,865
Total liabilities	124,009,929	46,408,067	170,417,996	108,965,065
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Net difference between projected and actual investment earnings on pension plan investments (Notes 12 and 13)	4,766,862	1,417,138	6,184,000	13,734,000
Total deferred inflows of resources	4,766,862	1,417,138	6,184,000	13,734,000
<b>NET POSITION</b>				
Net investment in capital assets	237,700,797	89,811,588	327,512,385	50,714,094
Restricted for:				
Nonexpendable Cemetery principal	100,000	-	100,000	-
Expendable Cemetery funds	161,775	-	161,775	-
Capital projects	-	1,116,832	1,116,832	35,840,374
Escrow account for capital projects	700,000	-	700,000	-
Unrestricted	(59,515,691)	41,056,499	(18,459,192)	(84,983,251)
Total net position	\$ 179,146,881	\$ 131,984,919	\$ 311,131,800	\$ 1,571,217

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 9,656,080	\$ 794,125	\$ 309,904	\$ 5,600
Public safety	29,046,682	2,038,460	480,719	-
Public works	10,021,004	632,645	3,577,371	2,302,910
Health and welfare	8,226,526	35,950	3,285,178	-
Culture, recreation and community development	5,922,737	621,092	5,832	30,000
Education	90,297,919	-	-	-
Interest on long-term debt	2,652,212	-	-	-
Bond issuance costs	472,373	-	-	-
Total governmental activities	156,295,533	4,122,272	7,659,004	2,338,510
Business-type activities:				
Electric	48,812,825	48,774,461	-	417,315
Water	8,062,024	9,145,951	-	32,767
Sewer	13,113,008	14,000,269	-	50,000
Airport	4,172,683	2,411,487	53,341	6,230,076
Solid Waste	3,400,730	3,297,110	8,308	-
City Square Pavilion	302,350	26,482	-	-
Candy Factory	198,763	27,984	-	-
Parking Garage	42,383	28,292	-	-
Stormwater	348,923	582,275	-	-
Total business-type activities	78,453,689	78,294,311	61,649	6,730,158
Total primary government	\$ 234,749,222	\$ 82,416,583	\$ 7,720,653	\$ 9,068,668
<b>Component unit:</b>				
Manassas City Public Schools	\$ 107,377,192	\$ 1,422,051	\$ 51,497,122	\$ -

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

Transfers

Total revenues and transfers

Change in net position

Net position - beginning, as restated (Note 18)

Net position - ending

## Exhibit 2

Net (Expenses) Revenues and Changes in Net Position			
Primary Government		Component Unit	
Governmental Activities	Business-type Activities	Total	MCPS
\$ (8,546,451)		\$ (8,546,451)	
(26,527,503)		(26,527,503)	
(3,508,078)		(3,508,078)	
(4,905,398)		(4,905,398)	
(5,265,813)		(5,265,813)	
(90,297,919)		(90,297,919)	
(2,652,212)		(2,652,212)	
(472,373)		(472,373)	
<u>(142,175,747)</u>		<u>(142,175,747)</u>	
	\$ 378,951	378,951	
	1,116,694	1,116,694	
	937,261	937,261	
	4,522,221	4,522,221	
	(95,312)	(95,312)	
	(275,868)	(275,868)	
	(170,779)	(170,779)	
	(14,091)	(14,091)	
	<u>233,352</u>	<u>233,352</u>	
-	6,632,429	6,632,429	
<u>(142,175,747)</u>	<u>6,632,429</u>	<u>(135,543,318)</u>	
			\$ <u>(54,458,019)</u>
73,404,921	-	73,404,921	-
7,555,344	-	7,555,344	-
3,284,112	-	3,284,112	-
3,406,893	-	3,406,893	-
4,003,289	-	4,003,289	-
8,090,939	-	8,090,939	-
312,785	51,716	364,501	41,719
2,359,056	947,682	3,306,738	-
65,934	1,007,984	1,073,918	-
5,000,876	-	5,000,876	-
-	-	-	90,297,919
<u>493,575</u>	<u>(493,575)</u>	<u>-</u>	<u>-</u>
<u>107,977,724</u>	<u>1,513,807</u>	<u>109,491,531</u>	<u>90,339,638</u>
(34,198,023)	8,146,236	(26,051,787)	35,881,619
<u>213,344,904</u>	<u>123,838,683</u>	<u>337,183,587</u>	<u>(34,310,402)</u>
<u>\$ 179,146,881</u>	<u>\$ 131,984,919</u>	<u>\$ 311,131,800</u>	<u>\$ 1,571,217</u>

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## **FUND FINANCIAL STATEMENTS**

**CITY OF MANASSAS, VIRGINIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2015**

Exhibit 3

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 23,441,339	\$ 12,521,936	\$ 35,963,275
Cash and investments - restricted	-	2,331,656	2,331,656
Receivables, net:		-	
Taxes, including penalties	2,193,894	165,417	2,359,311
Accounts	139,904	30,000	169,904
Due from other governments	2,020,652	1,408,043	3,428,695
Due from other funds (Note 5)	<u>1,770,708</u>	<u>-</u>	<u>1,770,708</u>
Total assets	<u>\$ 29,566,497</u>	<u>\$ 16,457,052</u>	<u>\$ 46,023,549</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	2,369,521	1,289,536	3,659,057
Retainage payable	-	23,838	23,838
Deposits	1,839,160	4,870	1,844,030
Unearned revenue	100,000	-	100,000
Due to other governments	1,880,241	-	1,880,241
Due to other funds	<u>-</u>	<u>1,365,868</u>	<u>1,365,868</u>
Total liabilities	<u>6,188,922</u>	<u>2,684,112</u>	<u>8,873,034</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue (Note 7)	<u>1,870,181</u>	<u>127,479</u>	<u>1,997,660</u>
Total deferred inflows of resources	<u>1,870,181</u>	<u>127,479</u>	<u>1,997,660</u>
<b>FUND BALANCES (Note 17)</b>			
Nonspendable	574,599	100,000	674,599
Restricted	2,142,060	7,170,639	9,312,699
Committed	5,535,887	6,378,454	11,914,341
Assigned	109,024	-	109,024
Unassigned	<u>13,145,824</u>	<u>(3,632)</u>	<u>13,142,192</u>
Total fund balances	<u>21,507,394</u>	<u>13,645,461</u>	<u>35,152,855</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 29,566,497</u>	<u>\$ 16,457,052</u>	<u>\$ 46,023,549</u>

**CITY OF MANASSAS, VIRGINIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**For the Year Ended June 30, 2015**

Exhibit 4

Total fund balances for governmental funds (Exhibit 3)	\$ 35,152,855
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.	251,362,201
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,997,660
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.	4,777,530
Deferred refunding costs are not financial resources and, therefore, are not reported in the funds.	2,015,127
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2015 employer contributions	2,616,959
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(4,397,630)
Net pension liability	(18,965,135)
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	(81,863,520)
Premium on bonds payable	(6,427,487)
Accrued interest payable	(1,661,707)
Capital leases	(78,940)
Net OPEB obligation	(3,034,170)
Compensated absences	(2,346,862)
Net position of governmental activities	<u>\$ 179,146,881</u>

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

Exhibit 5

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
General property taxes	\$ 65,327,962	\$ 7,985,948	\$ 73,313,910
Other local taxes	17,944,186	-	17,944,186
Permits, fees and licenses	944,973	-	944,973
Fines and forfeitures	668,975	-	668,975
Revenues from use of money and property	91,590	215,827	307,417
Charges for services	537,024	657,434	1,194,458
Payment in lieu of debt service	5,000,876	-	5,000,876
Recovered costs	2,101,870	-	2,101,870
Miscellaneous	1,395,678	206,201	1,601,879
Intergovernmental	12,109,465	5,942,556	18,052,021
Total revenues	<u>106,122,599</u>	<u>15,007,966</u>	<u>121,130,565</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	9,014,540	27,386	9,041,926
Public safety	20,333,343	8,065,404	28,398,747
Public works	4,324,923	3,774	4,328,697
Health and welfare	2,590,524	5,686,703	8,277,227
Culture, recreation, and community development	5,558,630	-	5,558,630
Education	90,297,919	-	90,297,919
Capital outlay	669,789	4,372,666	5,042,455
Debt service:			
Principal retirement	5,084,941	38,352	5,123,293
Interest and fiscal charges	2,047,209	2,264	2,049,473
Bond issuance costs	472,373	-	472,373
Total expenditures	<u>140,394,191</u>	<u>18,196,549</u>	<u>158,590,740</u>
Excess (deficiency) of revenues over expenditures	<u>(34,271,592)</u>	<u>(3,188,583)</u>	<u>(37,460,175)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from issuance of bonds	46,101,800	-	46,101,800
Proceeds from issuance of premium on bonds	4,401,863	-	4,401,863
Payment to refunded bond escrow agent	(12,794,921)	-	(12,794,921)
Transfers in	1,908,360	4,868,275	6,776,635
Transfers out	(4,326,375)	(2,143,580)	(6,469,955)
Proceeds from sale of capital assets	-	33,196	33,196
Total other financing sources (uses)	<u>35,290,727</u>	<u>2,757,891</u>	<u>38,048,618</u>
Net change in fund balances	1,019,135	(430,692)	588,443
Fund balance - beginning	<u>20,488,259</u>	<u>14,076,153</u>	<u>34,564,412</u>
Fund balance - ending	<u>\$ 21,507,394</u>	<u>\$ 13,645,461</u>	<u>\$ 35,152,855</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, 2015**

Exhibit 6

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Net change in fund balances - total governmental funds (Exhibit 5)	\$	588,443
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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 \$6,735,008 exceeded capital outlays \$4,771,183 in the current period.		(1,963,825)
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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.		(564,526)
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Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		5,600
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		396,464
--	--	---------

The transfer of capital assets from governmental activities to an enterprise fund are reported as transfers in the government-wide statement of activities.		(101,105)
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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		2,616,959
Pension expense		(1,809,116)

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 assets. 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		5,123,293
Proceeds from bond issuance		(46,101,800)
Payments to escrow agent on bond refunding		12,794,921
Proceeds from premium on bond issuance		(4,401,863)
Amortization of bond premium		289,401
Amortization of deferred charge on refunding		(244,625)

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		(113,999)
Net OPEB obligation		(355,029)
Accrued interest		(647,515)

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.		290,299
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Change in net position of governmental activities	\$	<u>(34,198,023)</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, 2015**

Exhibit 7

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 63,918,760	\$ 63,918,760	\$ 65,327,962	\$ 1,409,202
Other local taxes	18,298,000	18,298,000	17,944,186	(353,814)
Permits, fees and licenses	839,450	839,450	944,973	105,523
Fines and forfeitures	667,050	667,050	668,975	1,925
Revenues from use of money and property	45,000	45,000	91,590	46,590
Charges for services	546,150	546,150	537,024	(9,126)
Payment in lieu of debt service	5,060,070	5,060,070	5,000,876	(59,194)
Recovered costs	2,101,870	2,101,870	2,101,870	-
Proffers	-	642,000	597,301	(44,699)
Miscellaneous	423,150	752,650	798,377	45,727
Intergovernmental:				
Commonwealth:				
PPTRA	3,786,630	3,786,630	3,786,634	4
Communications tax	2,950,000	2,950,000	2,878,359	(71,641)
Highway maintenance	3,584,620	3,584,620	3,577,371	(7,249)
Other	1,466,800	1,469,706	1,707,401	237,695
Federal	30,000	152,814	159,700	6,886
Total revenues	<u>103,717,550</u>	<u>104,814,770</u>	<u>106,122,599</u>	<u>1,307,829</u>
<b>EXPENDITURES</b>				
Departmental:				
City council	695,610	678,610	627,826	50,784
Clerk's office	315,290	319,412	312,353	7,059
City manager	584,350	605,715	549,415	56,300
Electoral board	252,630	252,630	230,978	21,652
Treasurer	728,850	740,937	713,745	27,192
Commissioner of the revenue	1,231,610	1,231,610	1,152,688	78,922
Finance and administration	3,557,670	3,648,978	3,343,170	305,808
Police	14,402,100	14,641,930	14,224,524	417,406
Correction and detention	4,695,350	4,730,705	4,245,415	485,290
Public works	7,135,070	7,444,524	6,891,496	553,028
Community development	4,022,030	4,260,149	3,990,907	269,242
Contingency	(273,660)	(426,460)	-	(426,460)
Total departmental expenditures	<u>37,346,900</u>	<u>38,128,740</u>	<u>36,282,517</u>	<u>1,846,223</u>
Debt service:				
Principal retirement - general	1,532,570	1,532,570	1,481,956	50,614
Principal retirement - schools	3,603,000	3,603,000	3,602,985	15
Interest and fees on long-term debt - general	735,000	735,000	789,769	(54,769)
Interest and fees on long-term debt - schools	1,457,070	1,457,070	1,729,812	(272,742)
Total debt service	<u>7,327,640</u>	<u>7,327,640</u>	<u>7,604,522</u>	<u>(276,882)</u>
Shared services	5,030,970	5,030,970	5,030,964	6
Joint services	1,053,490	1,053,490	1,030,769	22,721
Contributions	142,500	152,500	147,500	5,000
Education	51,407,350	89,729,183	90,297,919	(568,736)
Total expenditures	<u>102,308,850</u>	<u>141,422,523</u>	<u>140,394,191</u>	<u>1,028,332</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,408,700</u>	<u>\$ (36,607,753)</u>	<u>\$ (34,271,592)</u>	<u>\$ 2,336,161</u>

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, 2015**

Exhibit 7 (Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of bonds	\$ -	\$ 46,072,890	46,101,800	28,910
Proceeds from issuance of premium on bonds	-	4,401,864	4,401,863	(1)
Payment to escrow agent on bond refunding	-	(12,794,921)	(12,794,921)	-
Transfers in (Note 5)	1,908,360	1,908,360	1,908,360	-
Transfers out (Note 5)	(3,479,040)	(4,506,840)	(4,326,375)	180,465
Total other financing sources (uses)	(1,570,680)	35,081,353	35,290,727	209,374
Net change in fund balances	<u>\$ (161,980)</u>	<u>\$ (1,526,400)</u>	1,019,135	<u>\$ 2,545,535</u>
Fund Balance, Beginning			20,488,259	
Fund Balance, Ending			<u>\$ 21,507,394</u>	

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2015**

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
<b>ASSETS</b>			
Current assets:			
Cash and investments - unrestricted	\$ 14,582,539	\$ 14,700,444	\$ 14,000,419
Cash and investments - restricted	3,532,376	-	-
Accounts receivable, net	4,921,383	1,031,018	1,874,828
Prepays	-	-	-
Due from other governments	-	-	-
Inventories	1,689,834	415,711	42,512
Total current assets	24,726,132	16,147,173	15,917,759
Noncurrent assets:			
Capital assets:			
Nondepreciable	5,306,146	1,854,874	2,055,896
Depreciable, net	16,160,787	29,585,386	17,822,508
Total capital assets, net	21,466,933	31,440,260	19,878,404
Total noncurrent assets	21,466,933	31,440,260	19,878,404
Total assets	46,193,065	47,587,433	35,796,163
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	45,693	972,953
Pension contributions subsequent to the measurement date	444,356	220,981	85,919
Total deferred outflows of resources	444,356	266,674	1,058,872
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	3,806,088	748,431	144,397
Retainage payable	1,270	-	15,159
Deposits	1,025,621	218,439	-
Accrued interest	25,510	130,315	311,849
Compensated absences	70,562	37,044	13,433
Bonds payable and other obligations - current	228,046	862,838	867,972
Total current liabilities	5,157,097	1,997,067	1,352,810
Noncurrent liabilities:			
Unearned revenue	-	1,943,759	8,050
Due to other funds	-	-	-
Compensated absences	399,850	209,918	76,121
Net OPEB obligation	302,294	144,849	63,350
Net pension liability	3,220,252	1,601,450	622,655
Bonds payable and other obligations	3,956,351	6,503,834	12,774,605
Total noncurrent liabilities	7,878,747	10,403,810	13,544,781
Total liabilities	13,035,844	12,400,877	14,897,591
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Net difference between projected and actual investment earnings on pension plan investmen	746,711	371,344	144,381
Total deferred inflows of resources	746,711	371,344	144,381
<b>NET POSITION</b>			
Net investment in capital assets	20,814,912	24,119,281	7,208,780
Restricted for capital projects	-	-	-
Unrestricted	12,039,954	10,962,605	14,604,283
Total net position	\$ 32,854,866	\$ 35,081,886	\$ 21,813,063



## Exhibit 8

Business-type Activities- Enterprise Funds			Governmental Activities
Airport Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 3,504,838	\$ 881,854	\$ 47,670,094	\$ 4,854,359
1,116,832	-	4,649,208	-
201,113	258,370	8,286,712	-
-	-	-	88,532
816,464	-	816,464	-
-	-	2,148,057	-
<u>5,639,247</u>	<u>1,140,224</u>	<u>63,570,535</u>	<u>4,942,891</u>
12,277,063	-	21,493,979	-
<u>27,962,836</u>	<u>1,607,890</u>	<u>93,139,407</u>	<u>2,109,088</u>
<u>40,239,899</u>	<u>1,607,890</u>	<u>114,633,386</u>	<u>2,109,088</u>
<u>40,239,899</u>	<u>1,607,890</u>	<u>114,633,386</u>	<u>2,109,088</u>
<u>45,879,146</u>	<u>2,748,114</u>	<u>178,203,921</u>	<u>7,051,979</u>
149,081	-	1,167,727	-
<u>63,281</u>	<u>28,779</u>	<u>843,316</u>	<u>219,725</u>
<u>212,362</u>	<u>28,779</u>	<u>2,011,043</u>	<u>219,725</u>
353,254	321,212	5,373,382	221,520
103,182	-	119,611	-
149,554	450	1,394,064	-
36,630	-	504,304	-
10,444	867	132,350	35,038
<u>224,383</u>	<u>-</u>	<u>2,183,239</u>	<u>38,381</u>
<u>877,447</u>	<u>322,529</u>	<u>9,706,950</u>	<u>294,939</u>
-	-	1,951,809	-
392,000	12,840	404,840	-
59,183	4,910	749,982	198,551
38,653	-	549,146	-
458,598	208,563	6,111,518	1,592,347
<u>4,103,872</u>	<u>-</u>	<u>27,338,662</u>	<u>39,105</u>
<u>5,052,306</u>	<u>226,313</u>	<u>37,105,957</u>	<u>1,830,003</u>
<u>5,929,753</u>	<u>548,842</u>	<u>46,812,907</u>	<u>2,124,942</u>
106,340	48,362	1,417,138	369,232
<u>106,340</u>	<u>48,362</u>	<u>1,417,138</u>	<u>369,232</u>
36,060,725	1,607,890	89,811,588	2,031,602
1,116,832	-	1,116,832	-
<u>2,877,858</u>	<u>571,799</u>	<u>41,056,499</u>	<u>2,745,928</u>
<u>\$ 40,055,415</u>	<u>\$ 2,179,689</u>	<u>\$ 131,984,919</u>	<u>\$ 4,777,530</u>

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
<b>OPERATING REVENUES</b>			
Charges for services	\$ 46,203,660	\$ 8,596,447	\$ 12,651,874
Connection charges	202,460	549,504	1,348,395
Total operating revenues	<u>46,406,120</u>	<u>9,145,951</u>	<u>14,000,269</u>
<b>OPERATING EXPENSES</b>			
Personal services	4,843,904	2,435,669	944,552
Contractual services	1,331,648	414,050	352,632
Supplies	972,645	1,116,030	86,099
Internal and other services	1,617,033	1,632,510	705,275
Purchased power	37,306,892	-	-
Contract treatment charges	-	-	8,856,631
Depreciation and amortization	<u>2,598,221</u>	<u>2,168,175</u>	<u>1,600,528</u>
Total operating expenses	<u>48,670,343</u>	<u>7,766,434</u>	<u>12,545,717</u>
Operating income (loss)	<u>(2,264,223)</u>	<u>1,379,517</u>	<u>1,454,552</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental grants	-	-	-
Investment earnings	15,977	17,760	14,009
Service reimbursements	2,368,341	-	-
Gain (loss) on sale of capital assets	(66,713)	-	-
Other/insurance recoveries	788,752	22,279	124,370
Interest expense	<u>(142,482)</u>	<u>(295,590)</u>	<u>(567,291)</u>
Total nonoperating revenues (expenses)	<u>2,963,875</u>	<u>(255,551)</u>	<u>(428,912)</u>
Income (loss) before contributions and transfers	699,652	1,123,966	1,025,640
<b>CAPITAL CONTRIBUTIONS</b>	518,420	32,767	50,000
<b>TRANSFERS IN (Note 5)</b>	1,050,000	620,000	650,000
<b>TRANSFERS OUT (Note 5)</b>	<u>(1,484,920)</u>	<u>(847,300)</u>	<u>(820,460)</u>
Change in net position	783,152	929,433	905,180
Total net position - beginning, as restated (Note 18)	<u>32,071,714</u>	<u>34,152,453</u>	<u>20,907,883</u>
Total net position - ending	<u>\$ 32,854,866</u>	<u>\$ 35,081,886</u>	<u>\$ 21,813,063</u>

			Exhibit 9
Business-type Activities- Enterprise Funds			Governmental Activities
Airport Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 2,411,487	\$ 3,962,143	\$ 73,825,611	\$ 6,816,853
-	-	2,100,359	-
<u>2,411,487</u>	<u>3,962,143</u>	<u>75,925,970</u>	<u>6,816,853</u>
717,268	456,159	9,397,552	2,421,854
417,099	3,223,764	5,739,193	987,065
79,757	5,086	2,259,617	1,404,248
387,217	370,227	4,712,262	1,351,779
-	-	37,306,892	-
-	-	8,856,631	-
<u>2,430,790</u>	<u>237,913</u>	<u>9,035,627</u>	<u>783,352</u>
<u>4,032,131</u>	<u>4,293,149</u>	<u>77,307,774</u>	<u>6,948,298</u>
<u>(1,620,644)</u>	<u>(331,006)</u>	<u>(1,381,804)</u>	<u>(131,445)</u>
53,341	8,308	61,649	-
3,786	184	51,716	5,372
-	-	2,368,341	-
1,074,697	-	1,007,984	32,738
12,281	-	947,682	97,810
<u>(140,552)</u>	<u>-</u>	<u>(1,145,915)</u>	<u>(2,176)</u>
<u>1,003,553</u>	<u>8,492</u>	<u>3,291,457</u>	<u>133,744</u>
(617,091)	(322,514)	1,909,653	2,299
6,230,076	-	6,831,263	-
-	238,000	2,558,000	288,000
<u>-</u>	<u>-</u>	<u>(3,152,680)</u>	<u>-</u>
5,612,985	(84,514)	8,146,236	290,299
<u>34,442,430</u>	<u>2,264,203</u>	<u>123,838,683</u>	<u>4,487,231</u>
<u>\$ 40,055,415</u>	<u>\$ 2,179,689</u>	<u>\$ 131,984,919</u>	<u>\$ 4,777,530</u>

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
<b>OPERATING ACTIVITIES</b>			
Cash received from customers and users	\$ 48,801,987	\$ 8,728,036	\$ 13,982,320
Cash paid to suppliers	(41,447,805)	(1,221,325)	(9,177,470)
Cash paid to employees	(4,974,329)	(2,423,056)	(972,584)
Payments for interfund services used	<u>(1,617,033)</u>	<u>(1,632,510)</u>	<u>(705,275)</u>
Net cash provided by (used in) operating activities	<u>762,820</u>	<u>3,451,145</u>	<u>3,126,991</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Other miscellaneous receipts (payments)	788,752	22,279	124,370
Transfers from other funds	1,050,000	620,000	650,000
Transfers to other funds	(1,484,920)	(847,300)	(820,460)
Receipts from service reimbursements	2,368,341	-	-
Operating grants received	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>2,722,173</u>	<u>(205,021)</u>	<u>(46,090)</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital grants and contributions received	417,287	32,767	50,000
Purchases of capital assets	(4,370,087)	(3,488,927)	(369,126)
Sales of capital assets	-	-	-
Payment to escrow agent	-	(932,516)	(11,488,444)
Proceeds from debt issued	-	927,482	11,424,666
Principal paid on capital debt	(204,535)	(820,050)	(665,000)
Interest paid on capital debt	(166,132)	(326,451)	(503,311)
Bond issue costs	<u>-</u>	<u>-</u>	<u>(95,067)</u>
Net cash provided by (used in) capital and related financing activities	<u>(4,323,467)</u>	<u>(4,607,695)</u>	<u>(1,646,282)</u>
<b>INVESTING ACTIVITIES</b>			
Investment income	<u>15,977</u>	<u>17,760</u>	<u>14,009</u>
Net cash provided by investing activities	<u>15,977</u>	<u>17,760</u>	<u>14,009</u>
Net increase (decrease) in cash and cash equivalents	(822,497)	(1,343,811)	1,448,628
Cash and cash equivalents - beginning of year	<u>18,937,412</u>	<u>16,044,255</u>	<u>12,551,791</u>
Cash and cash equivalents - end of year	<u>\$ 18,114,915</u>	<u>\$ 14,700,444</u>	<u>\$ 14,000,419</u>
<b>CASH AND CASH EQUIVALENTS IS COMPRISED OF THE FOLLOWING:</b>			
Cash and investments - unrestricted	\$ 14,582,539	\$ 14,700,444	\$ 14,000,419
Cash and investments - restricted	<u>3,532,376</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 18,114,915</u>	<u>\$ 14,700,444</u>	<u>\$ 14,000,419</u>

			Exhibit 10
Business-type Activities- Enterprise Funds			Governmental Activities
Airport Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 2,362,208	\$ 3,905,103	\$ 77,779,654	\$ 6,816,853
(2,059,242)	(3,191,579)	(57,097,421)	(2,565,068)
(712,382)	(325,967)	(9,408,318)	(2,487,685)
<u>(387,217)</u>	<u>(370,227)</u>	<u>(4,712,262)</u>	<u>(1,351,779)</u>
<u>(796,633)</u>	<u>17,330</u>	<u>6,561,653</u>	<u>412,321</u>
12,281	12,394	960,076	97,810
-	238,000	2,558,000	288,000
-	-	(3,152,680)	-
-	-	2,368,341	-
<u>43,830</u>	<u>8,308</u>	<u>52,138</u>	<u>-</u>
<u>56,111</u>	<u>258,702</u>	<u>2,785,875</u>	<u>385,810</u>
6,343,954	-	6,844,008	-
(4,174,350)	(38,004)	(12,440,494)	(948,218)
1,260,631	-	1,260,631	55,918
(1,698,518)	-	(14,119,478)	-
1,700,000	-	14,052,148	-
(185,762)	-	(1,875,347)	(37,669)
(149,568)	-	(1,145,462)	(2,176)
<u>-</u>	<u>-</u>	<u>(95,067)</u>	<u>-</u>
<u>3,096,387</u>	<u>(38,004)</u>	<u>(7,519,061)</u>	<u>(932,145)</u>
<u>3,786</u>	<u>184</u>	<u>51,716</u>	<u>5,372</u>
<u>3,786</u>	<u>184</u>	<u>51,716</u>	<u>5,372</u>
2,359,651	238,212	1,880,183	(128,642)
<u>2,262,019</u>	<u>643,642</u>	<u>50,439,119</u>	<u>4,983,001</u>
<u>\$ 4,621,670</u>	<u>\$ 881,854</u>	<u>\$ 52,319,302</u>	<u>\$ 4,854,359</u>
\$ 3,504,838	\$ 881,854	\$ 47,670,094	\$ 4,854,359
<u>1,116,832</u>	<u>-</u>	<u>4,649,208</u>	<u>-</u>
<u>\$ 4,621,670</u>	<u>\$ 881,854</u>	<u>\$ 52,319,302</u>	<u>\$ 4,854,359</u>

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2015**

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>			
<b>TO NET CASH PROVIDED BY (USED IN)</b>			
<b>OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (2,264,223)	\$ 1,379,517	\$ 1,454,552
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,598,221	2,168,175	1,600,528
Pension expense net of employer contributions	(137,171)	(68,216)	(26,523)
(Increase) decrease in:			
Accounts receivable	2,338,913	113,933	(17,949)
Due from other governments	-	-	-
Inventories	(83,032)	6,407	5,126
Prepaid expenses	-	-	-
Increase (decrease) in:			
Unearned revenue	-	(539,890)	-
Accounts payable and accrued expenses	(1,742,387)	339,398	96,373
Customer deposits	56,954	8,042	-
Compensated absences	(56,949)	16,899	4,479
Net OPEB obligation	52,494	26,880	10,405
Total adjustments	<u>3,027,043</u>	<u>2,071,628</u>	<u>1,672,439</u>
Net cash provided by (used in) operating activities	<u>\$ 762,820</u>	<u>\$ 3,451,145</u>	<u>\$ 3,126,991</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>			
Capital assets transferred from general government	<u>\$ 101,133</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 10 (Continued)

Business-type Activities- Enterprise Funds			Governmental Activities
Airport Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<u>\$ (1,620,644)</u>	<u>\$ (331,006)</u>	<u>\$ (1,381,804)</u>	<u>\$ (131,445)</u>
2,430,790	237,913	9,035,627	783,352
(19,535)	111,686	(139,759)	(67,828)
(25,118)	(57,040)	2,352,739	-
-	-	-	-
-	-	(71,499)	-
-	-	-	(88,532)
-	-	(539,890)	-
(1,558,783)	52,798	(2,812,601)	(77,325)
(24,161)	-	40,835	-
13,047	2,979	(19,545)	(5,901)
7,771	-	97,550	-
<u>824,011</u>	<u>348,336</u>	<u>7,943,457</u>	<u>543,766</u>
<u>\$ (796,633)</u>	<u>\$ 17,330</u>	<u>\$ 6,561,653</u>	<u>\$ 412,321</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## CITY OF MANASSAS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

#### 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 unit, the entity for which the City is considered to be financially accountable.

The City’s only discretely presented component unit, the Manassas City Public Schools (“MCPS”), is reported in a separate column in the government-wide financial statements to emphasize that it 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.

##### **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 unit. *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 unit* 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.

##### **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.



CITY OF MANASSAS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

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, Family Services Publishing Fund, PEG Fund, Owens Brooke District Fund, Fire Rescue Fund, Merchant Museum Fund, Museum Collections Fund, Museum Publishing Fund, Speiden Carper House Fund, and the Manassas Landing 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 NVT Capital Projects Fund.

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.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

*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. These are all considered major funds for financial reporting purposes. The City also has several nonmajor enterprise funds which include Solid Waste, City Square Pavilion, Candy Factory, Parking Garage and Stormwater.

*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, 2015**

**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 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.

Investments for the government, as well as for its component unit, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

*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."

*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.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

*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 \$411,931 the general fund, \$30,680 in the electric fund, \$5,497 in the water fund, \$11,603 in the sewer fund and \$1,998 in the nonmajor enterprise funds.

*Use of Estimates*

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

*Capital Assets*

Capital assets, 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 fair market 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.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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
Water systems	20-50
Sewer systems	20-50
Buildings and improvements	20
Machinery and equipment	3-10
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.

*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.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

*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.

*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 approximately 13% of the actual GAAP basis operating revenues less payment in lieu of debt service from MCPS.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

*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, 2015 include \$252,269 in the general capital projects fund, \$665,284 in the NVTa capital projects fund, \$627,276 in the stormwater capital projects fund, \$567,094 in the transportation capital projects fund and \$32,075,032 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. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. The first is the deferred charge on refunding reported on both the government-wide statement of net position and the proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second consists of pension contributions subsequent to the measurement date. These will be applied to the net pension liability in the next fiscal year. The third results from 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 are reported as a deferred outflow.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. One item occurs only under the modified accrual basis of accounting; this item, unavailable revenue, is reported only in the governmental funds balance sheet. 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. The second is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

*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.

**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, Speiden Carper House Fund and Manassas Landing 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.



# CITY OF MANASSAS, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### 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). The City has no investment policy that would further limit its investment choices.

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

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	\$ 68,395,602	AAAm	0.13
SNAP	42,003,448	AAAm	0.10
Wells Fargo	12	N/A	N/A
Total investments	<u>\$ 110,399,062</u>		

\* - Average Maturity in Years

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 3. Deposits and Investments (Continued)**

Concentration of Credit Risk:

The City 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.

<u>Issuer</u>	<u>Percent of Total Portfolio</u>
SNAP	38.04%
LGIP	61.95%

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

	<u>Primary Government</u>	<u>MCPS</u>
Deposits and investments:		
Deposits	\$ 21,992,911	\$ 18,547,911
Investments	73,475,681	36,923,381
	<u>\$ 95,468,592</u>	<u>\$ 55,471,292</u>
Statement of Net Position:		
Cash and investments	\$ 88,487,728	\$ 18,547,911
Cash and investments - restricted	6,980,864	36,923,381
	<u>\$ 95,468,592</u>	<u>\$ 55,471,292</u>

Cash and Investments - Restricted:

Restricted investments consist of unspent bond proceeds related to bond issuances and amounts set aside in the Airport fund as required by FAA regulations.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**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>
Federal and Commonwealth of Virginia:		
State sales tax	\$ -	\$ 1,313,758
Title VI-B	-	449,358
Title I	-	665,894
Northern Va. Special Education Regional Program	-	1,413,882
Other federal and state school funds	-	479,466
Local sales tax	1,385,659	-
Highway construction and transportation funds	986,337	-
Welfare grants	372,856	-
Communication tax	472,477	-
Airport grants	816,464	-
Other federal and state funds	211,366	-
Total due from federal and state sources	<u>\$ 4,245,159</u>	<u>\$ 4,322,358</u>

**Note 5. Interfund Receivables, Payables, and Transfers**

Interfund balances at June 30, consisted of the following:

<b>Primary Government</b>	
Due to general fund from:	
Non-major governmental funds	\$ 1,365,868
Airport fund	392,000
Non-major enterprise funds	<u>12,840</u>
Total due to general fund from other funds for cash advances	<u>\$ 1,770,708</u>

In 2008, the general fund lent the airport fund \$1,960,000 to purchase property for the airport expansion projects; the airport fund has made payments to bring the current balance to \$392,000. In 2015, the general fund advanced the NVTA capital projects fund \$1,196,109 from capital reserves, so the NVTA fund could meet the 12.5% C&I equivalency requirement in order to receive the City's 30% funds from NVTA. The remaining balance consists of interfund loans from the general fund to the family services fund, parking garage fund, transportation capital projects fund and museum publishing fund, all of which are short term obligations at June 30, 2015.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

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

	<b>Transfers In</b>				<b>Total Transfers Out</b>
	<b>General Fund</b>	<b>Nonmajor Governmental</b>	<b>Enterprise</b>	<b>Internal Service</b>	
<b>Transfers Out:</b>					
General fund	\$ -	\$ 4,088,375	\$ 238,000	\$ -	\$ 4,326,375
Nonmajor governmental	183,580	40,000	1,920,000	-	2,143,580
Electric fund	896,920	550,000	-	38,000	1,484,920
Water fund	604,000	63,300	-	180,000	847,300
Sewer fund	223,860	126,600	400,000	70,000	820,460
	<u>\$ 1,908,360</u>	<u>\$ 4,868,275</u>	<u>\$ 2,558,000</u>	<u>\$ 288,000</u>	<u>\$ 9,622,635</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, 2015**

**Note 6. Capital Assets**

**Primary Government**

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

<b><u>Governmental Activities</u></b>	<b><u>Beginning Balance, As Restated</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital asset, not being depreciated:				
Land and land rights	\$ 111,361,675	\$ -	\$ -	\$ 111,361,675
Construction in progress	8,149,292	3,639,838	(8,145,350)	3,643,780
Total capital assets not being depreciated	119,510,967	3,639,838	(8,145,350)	115,005,455
Capital assets, being depreciated:				
Buildings and improvements	33,098,928	1,598,946	(5,550)	34,692,324
Machinery and equipment	15,343,666	5,228,241	(669,133)	19,902,774
Infrastructure	201,878,998	2,779,509	(438,867)	204,219,640
Total capital assets being depreciated	250,321,592	9,606,696	(1,113,550)	258,814,738
Less accumulated depreciation for:				
Buildings and improvements	(22,895,674)	(922,918)	3,607	(23,814,985)
Machinery and equipment	(11,348,571)	(1,392,981)	645,952	(12,095,600)
Infrastructure	(79,634,851)	(5,202,461)	398,993	(84,438,319)
Total accumulated depreciation	(113,879,096)	(7,518,360)	1,048,552	(120,348,904)
Total capital assets being depreciated, net	136,442,496	2,088,336	(64,998)	138,465,834
Governmental activities capital assets, net	<u>\$ 255,953,463</u>	<u>\$ 5,728,174</u>	<u>\$ (8,210,348)</u>	<u>\$ 253,471,289</u>

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

Governmental activities:	
General government	\$ 396,544
Public safety	640,353
Public works	5,369,476
Health and welfare	7,449
Culture and recreation	321,186
Internal service funds amounts charged to functions based on usage	<u>783,352</u>
Total depreciation expense – governmental activities	<u>\$ 7,518,360</u>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**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:

<b><u>Business Activities</u></b>	<b><u>Beginning Balance, As Restated</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital asset, not being depreciated:				
Land and land rights	\$ 9,787,360	\$ 1,682,006	\$ (100,303)	\$ 11,369,063
Construction in progress	21,337,629	12,032,125	(23,244,838)	10,124,916
Total capital assets not being depreciated	31,124,989	13,714,131	(23,345,141)	21,493,979
Capital assets, being depreciated:				
Investment in plant	198,265,696	21,379,313	(77,350)	219,567,659
Buildings and improvements	4,652,248	-	-	4,652,248
Machinery and equipment	4,232,424	607,387	(31,481)	4,808,330
Purchased capacity	27,153,049	-	-	27,153,049
Total capital assets being depreciated	234,303,417	21,986,700	(108,831)	256,181,286
Less accumulated depreciation for:				
Investment in plant	(133,862,460)	(7,070,172)	10,637	(140,921,995)
Buildings and improvements	(2,891,463)	(232,613)	-	(3,124,076)
Machinery and equipment	(3,338,617)	(346,336)	31,481	(3,653,472)
Purchased capacity	(13,955,830)	(1,386,506)	-	(15,342,336)
Total accumulated depreciation	(154,048,370)	(9,035,627)	42,118	(163,041,879)
Total capital assets being depreciated, net	80,255,047	12,951,073	(66,713)	93,139,407
Business-type activities capital assets, net	<u>\$ 111,380,036</u>	<u>\$ 26,665,204</u>	<u>\$ (23,411,854)</u>	<u>\$ 114,633,386</u>

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

Electric fund	\$ 2,598,221
Water fund	2,168,175
Sewer fund	1,600,528
Airport fund	2,430,790
Nonmajor enterprise funds	237,913
Total	<u>\$ 9,035,627</u>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 6. Capital Assets (Continued)**

**Primary Government (Continued)**

Purchased Water Rights and Purchased Capacity:

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

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

Construction Commitments:

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

	<u><b>Total Contracts</b></u>	<u><b>Total Payments</b></u>	<u><b>Future Amounts to be Expended</b></u>
General capital projects	\$ 1,684,049	\$ 1,431,780	\$ 252,269
Gateway capital projects	88,297	37,809	50,488
Streets capital projects	2,371,352	1,138,974	1,232,378
Stormwater management	1,313,051	669,498	643,553
Sewer capital projects	804,900	303,089	501,811
Water capital projects	2,966,874	933,320	2,033,554
Electric capital projects	5,532,522	1,710,608	3,821,914
Airport capital projects	7,658,397	5,755,604	1,902,793
MCPS capital projects	<u>36,897,460</u>	<u>3,183,596</u>	<u>33,713,864</u>
Total	\$ <u>59,316,902</u>	\$ <u>15,164,278</u>	\$ <u>44,152,624</u>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 6. Capital Assets (Continued)**

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

<b><u>MCPS</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital asset, not being depreciated:				
Land and land rights	\$ 2,336,649	\$ -	\$ -	\$ 2,336,649
Construction in progress	3,623,117	6,977,233	(777,799)	9,822,551
Total capital assets not being depreciated	5,959,766	6,977,233	(777,799)	12,159,200
Capital assets, being depreciated:				
Buildings and improvements	126,917,877	1,544,938	(73,918)	128,388,897
Machinery and equipment	8,880,807	1,490,347	(615,163)	9,755,991
Total capital assets being depreciated	135,798,684	3,035,285	(689,081)	138,144,888
Less accumulated depreciation for:				
Buildings and improvements	(88,198,516)	(4,025,002)	25,863	(92,197,655)
Machinery and equipment	(6,841,104)	(681,655)	615,163	(6,907,596)
Total accumulated depreciation	(95,039,620)	(4,706,657)	641,026	(99,105,251)
Total capital assets being depreciated, net	40,759,064	(1,671,372)	(48,055)	39,039,637
MCPS capital assets, net	<u>\$ 46,718,830</u>	<u>\$ 5,305,861</u>	<u>\$ (825,854)</u>	<u>\$ 51,198,837</u>

Depreciation expense of \$4,677,089 was charged to functions/programs of the respective Component Unit MCPS' governmental activities.



**CITY OF MANASSAS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 7. Unavailable/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><b>Governmental Funds</b></u>
Deferred property tax revenue, representing uncollected tax billings (General Fund)	\$ 1,564,729
Deferred vehicle license taxes, and other items (General Fund)	<u>305,452</u>
Total deferred inflows of resources for the general fund	<u>1,870,181</u>
Deferred property tax revenue, representing uncollected tax billings (Special Revenue Funds)	<u>127,479</u>
Total deferred inflows of resources	<u>\$ 1,997,660</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, 2015**

**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:

	<b>Beginning Balance, As Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 52,403,935	\$46,101,800	\$ 16,642,215	\$ 81,863,520	\$ 6,034,560
Premium on bonds	2,379,240	4,401,863	353,616	6,427,487	373,465
Capital leases	401,974	-	245,547	156,427	77,474
Compensated absences	2,472,354	2,598,783	2,490,686	2,580,451	387,067
Net OPEB obligation	2,679,141	355,029	-	3,034,170	-
Governmental activities long-term liabilities	<u>\$ 60,336,644</u>	<u>\$53,457,475</u>	<u>\$ 19,732,064</u>	<u>\$ 94,062,055</u>	<u>\$ 6,872,566</u>
	<b>Beginning Balance, As Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 27,922,083	\$ 12,008,200	\$ 14,398,547	\$ 25,531,736	\$ 1,980,823
VDOA obligation	1,568,000	-	-	1,568,000	-
Premium on bonds	898,878	2,043,948	520,661	2,422,165	202,416
Compensated absences	901,877	719,625	739,170	882,332	132,350
Net OPEB obligation	451,596	97,550	-	549,146	-
Business-type activities long-term liabilities	<u>\$ 31,742,434</u>	<u>\$ 14,869,323</u>	<u>\$ 15,658,378</u>	<u>\$ 30,953,379</u>	<u>\$ 2,315,589</u>
<b>Total Primary Government</b>	<u>\$ 92,079,078</u>	<u>\$ 68,326,798</u>	<u>\$ 35,390,442</u>	<u>\$ 125,015,434</u>	<u>\$ 9,188,155</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, \$233,589 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, 2015**

**Note 8. Long-Term Debt (Continued)**

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

<b>MCPS</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Capital leases	\$ 198,996	\$ 473,079	\$ 187,332	\$ 484,743	\$ 152,830
Compensated absences	2,030,403	1,296,975	1,225,082	2,102,296	315,344
Net OPEB obligation	<u>1,835,000</u>	<u>-</u>	<u>150,000</u>	<u>1,685,000</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 4,064,399</u>	<u>\$ 1,770,054</u>	<u>\$ 1,562,414</u>	<u>\$ 4,272,039</u>	<u>\$ 468,174</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:

<b>Series</b>	<b>Maturity date</b>	<b>Interest rates</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Series 2004 VARF	4/1/2024	5.00%	\$ -	\$ 805,256
Series 2005 A Refunding	1/1/2018	3.50 - 5.25%	4,390,140	674,860
Series 2005 B	7/1/2016	3.25 - 5.00%	1,920,000	-
Series 2005 C	7/1/2016	5.25 - 5.50%	-	255,000
Series 2007 VML/VACo	8/1/2017	4.25- 5.00%	-	2,205,000
Series 2009 VRA Refunding	10/1/2021	4.13 - 5.13%	-	1,275,000
Series 2010 ABC VML/VACo	2/15/2030	2.00 - 6.07%	1,847,400	2,447,600
Series 2010 D	7/1/2024	2.00 - 5.00%	1,433,100	1,376,900
Series 2010 D Refunding	7/1/2024	2.00 - 5.00%	15,740,000	-
Series 2010 E Refunding	7/1/2017	2.00 - 3.00%	1,097,910	727,090
Series 2014A	5/1/2034	3.00 - 5.00%	9,333,170	3,756,830
Series 2014B	7/1/2025	2.34%	9,515,000	-
Series 2014C Refunding	7/1/2034	2.00 - 5.00%	2,936,800	10,308,200
Series 2014C	7/1/2034	2.00 - 5.00%	33,650,000	-
Series 2014D Refunding	7/1/2025	0.50 - 3.00%	-	1,700,000
Total general obligation bonds			<u>81,863,520</u>	<u>25,531,736</u>
VDOA obligation	8/1/2016	0.00%	<u>-</u>	<u>1,568,000</u>
Total primary government			<u>\$ 81,863,520</u>	<u>\$ 27,099,736</u>

**CITY OF MANASSAS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**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:

<b>Fiscal Year Ending June 30</b>	<b>Governmental Activities</b>			
	<b>General Obligation Bonds</b>		<b>Capital Leases</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 6,034,560	\$ 3,322,590	\$ 77,474	\$ 2,988
2017	6,295,414	2,903,793	78,953	1,508
2018	5,548,154	2,681,687	-	-
2019	3,949,369	2,468,495	-	-
2020	4,883,330	2,298,557	-	-
2021-2025	26,123,370	8,421,224	-	-
2026-2030	15,153,993	3,887,041	-	-
2031-2035	13,875,330	1,132,843	-	-
	<u>\$ 81,863,520</u>	<u>\$ 27,116,230</u>	<u>\$ 156,427</u>	<u>\$ 4,496</u>

<b>Fiscal Year Ending June 30</b>	<b>Business-Type Activities</b>			
	<b>General Obligation Bonds</b>		<b>Obligations Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 1,980,823	\$ 1,129,336	\$ -	\$ -
2017	2,071,775	976,608	1,568,000	-
2018	2,801,035	872,245	-	-
2019	2,291,024	772,631	-	-
2020	1,524,483	700,997	-	-
2021-2025	7,701,919	2,518,950	-	-
2026-2030	5,941,007	817,129	-	-
2031-2035	1,219,670	91,557	-	-
	<u>\$ 25,531,736</u>	<u>\$ 7,879,453</u>	<u>\$ 1,568,000</u>	<u>\$ -</u>

(Continued)

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 8. Long-Term Debt (Continued)**

**Primary Government (Continued)**

**Current Year New Issue and Refunding of Debt**

In August 2014, the City issued \$9,515,000 in general obligation public improvement refunding bonds, Series 2014B, with a fixed interest rate of 2.34%. These bonds were issued to complete a partial refunding of Series 2005B bonds in the amount of \$8,790,000. 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. This refunding was undertaken to reduce total debt service payments over the next 11 years by \$603,415 and to obtain an economic gain of \$527,683.

In November 2014, the City issued \$48,595,000 in general obligation public improvement and refunding bonds, Series 2014C and 2014D with an average interest rate of 0.5-5.0%. These bonds were issued to provide financing for School projects and partial refunding of \$15,460,000 in outstanding bonds Series 2005B, 2005C, 2007B and 2010D. 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. This refunding was undertaken to reduce total debt service payments over the next 16 years by \$1,455,536 and to obtain an economic gain of \$1,236,299.

Approximately \$7,190,000 remains outstanding at June 30, 2015 related to both the partially defeased bonds above.

**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, 2015 was \$409,904 and \$332,846, respectively. The future minimum lease payment for these leases is as follows:

	<b><u>Primary Government</u></b>	<b><u>MCPS</u></b>
Fiscal Year Ending June 30:		
2016	\$ 387,573	\$ 331,107
2017	362,804	351,294
2018	375,678	361,833
2019	389,130	372,688
2020	343,375	383,869
2021-2025	1,573,508	1,222,095
Total	<b><u>\$ 3,432,068</u></b>	<b><u>\$ 3,022,886</u></b>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**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 2017. 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:

	<b><u>Primary Government</u></b>	<b><u>MCPS</u></b>
Assets:		
Street Sweeper	\$ 155,000	\$ -
Defibrillators	196,568	-
Telephone System	-	1,110,719
Copiers	-	509,563
Less: Accumulated Depreciation	<u>(179,941)</u>	<u>(417,427)</u>
Total	<b><u>\$ 171,627</u></b>	<b><u>\$ 1,202,855</u></b>

The following is a schedule of future minimum lease payments, including interest for MCPS capital leases at June 30, 2015:

	<b><u>MCPS</u></b>	
	<b><u>Capital Leases</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2016	\$ 152,830	\$ 15,527
2017	116,656	10,734
2018	121,228	6,163
2019	<u>94,029</u>	<u>1,515</u>
	<b><u>\$ 484,743</u></b>	<b><u>\$ 33,939</u></b>

**CITY OF MANASSAS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 9. Contingent Liabilities and Commitments**

Federal programs in which the City participates were audited in accordance with provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 (PWMRDC) requires periodic true-ups based on actual costs incurred for the City's prisoner day percentage, shared overhead costs and shared repairs. As of year-end, the City's liability (receivable) for these costs for fiscal years 2010, 2011, 2012, 2013, 2014 and 2015 is \$7,436, (\$89,901), \$550,110, \$537,903, \$1,200,150 and (\$334,156), respectively, totaling \$1,871,542. The City is awaiting final billings from PWMRDC for these years; however, amounts are subject to change for the most recent year based on verification by PWMRDC.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**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 operates 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, 2015 is 14.24%.

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 2007, two issued in 2010, two issued in 2011, two issued in 2013 and one in 2014. The sewer enterprise fund is funding 100 percent of the City's share of the debt issues. As of June 30, 2015, the City's committed share of UOSA's remaining debt service (including interest) is as follows:

	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,054,192	\$ 1,603,736
2017	1,094,552	1,563,148
2018	1,129,837	1,528,149
2019	1,166,319	1,491,176
2020	1,205,166	1,452,262
2021-2025	6,603,592	6,736,438
2026-2030	8,239,585	5,495,871
2031-2035	8,870,051	3,830,327
2036-2040	10,217,810	1,922,253
2041-2043	<u>3,216,101</u>	<u>203,276</u>
	<u>\$ 42,797,205</u>	<u>\$ 25,826,636</u>

The sewer fund made payments in fiscal year 2015 for its share of UOSA's operating costs and debt service costs of \$6,189,037 and \$2,667,594, respectively. 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 2015.

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, 2015**

**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 2015, the City received \$1,547,540 of these taxes.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**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.

**CITY OF MANASSAS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

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

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<p><b>Eligible Members</b></p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b></p> <p>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Eligible Members</b></p> <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b></p> <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>Eligible Members</b></p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• 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.</li> </ul> <p><b>*Non-Eligible Members</b></p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
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**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<b>Retirement Contributions</b>	<b>Retirement Contributions</b>	<b>Retirement Contributions</b>
<p>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.</p>	<p>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.</p>	<p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<b>Creditable Service</b>	<b>Creditable Service</b>	<b>Creditable Service</b>
<p>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Same as Plan 1.</p>	<p><b><u>Defined Benefit Component:</u></b></p> <p>Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b><u>Defined Contributions Component:</u></b></p> <p>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<p><b>Vesting</b></p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b></p> <p>Same as Plan 1.</p>	<p><b>Vesting</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>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.</p> <p><b><u>Defined Contributions Component:</u></b></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>
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**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

		<p><b>Vesting (Continued)</b></p> <p><b><u>Defined Contributions Component: (Continued)</u></b></p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b></p> <p>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.</p> <p>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.</p>	<p><b>Calculating the Benefit</b></p> <p>See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>See definition under Plan 1.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>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.</p>



**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

Average Final Compensation	Average Final Compensation	Average Final Compensation
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier	Service Retirement Multiplier	Service Retirement Multiplier
<b>VRS:</b> 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%.	<b>VRS:</b> 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.	<b><u>Defined Benefit Component:</u></b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.  For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Sheriffs and regional jail superintendents:	Sheriffs and regional jail superintendents:	Sheriffs and regional jail superintendents:
The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	Same as Plan 1.	Not applicable.
Political subdivision hazardous duty employees:	Political subdivision hazardous duty employees:	Political subdivision hazardous duty employees:
The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Same as Plan 1.	Not applicable.
		<b><u>Defined Contribution Component:</u></b>
		Not applicable.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<p><b>Normal Retirement Age</b></p> <p><b>VRS:</b> Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b></p> <p><b>VRS:</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p><b>VRS:</b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p><b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<p><b>Earliest Reduced Retirement Eligibility</b></p> <p><b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b></p> <p><b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p><b>VRS:</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p>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%.</p> <p><b><u>Eligibility:</u></b></p> <p>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p>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%.</p> <p><b><u>Eligibility:</u></b></p> <p>Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Not applicable.</p> <p><b><u>Eligibility:</u></b></p> <p>Same as Plan 1 and Plan 2.</p>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>	<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>	<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>
<p><b><u>Eligibility:</u></b> (Continued)</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>		
<p><b><u>Exceptions to COLA Effective Dates:</u></b></p>	<p><b><u>Exceptions to COLA Effective Dates:</u></b></p>	<p><b><u>Exceptions to COLA Effective Dates:</u></b></p>
<p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> </ul>	<p>Same as Plan 1.</p>	<p>Same as Plan 1 and Plan 2.</p>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> (Continued)</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>		
<p><b>Disability Coverage</b></p> <p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b></p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b></p> <p>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 and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 12. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

<b>Purchase of Prior Service</b>	<b>Purchase of Prior Service</b>	<b>Purchase of Prior Service</b>
<p>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Same as Plan 1.</p>	<p><b><u>Defined Benefit Component:</u></b></p> <p>Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation.</li> <li>• 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.</li> </ul> <p><b><u>Defined Contribution Component:</u></b></p> <p>Not applicable.</p>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Employees Covered by Benefit Terms**

As of the June 30, 2013 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	196	59
Inactive members:		
Vested inactive members	65	17
Non-vested inactive members	131	46
Inactive members active elsewhere in VRS	89	33
Total inactive members	285	96
Active members	442	156
Total covered employees	923	311

**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.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Contributions (Continued)**

The City's contractually required contribution rate for the year ended June 30, 2015 was 13.7% of covered employee compensation. The MCPS (Non-professional) contractually required contribution rate for the year ended June 30, 2015 was 9.80% of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$3,680,000 and \$3,549,681 for the years ended June 30, 2015 and June 30, 2014, respectively. Contributions to the pension plan from MCPS (Non-professional) were \$329,000 and \$371,110 for the years ended June 30, 2015 and June 30, 2014, respectively.

**Net Pension Liability**

The political subdivision's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

**Actuarial Assumptions – General Employees**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.35%
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 return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% 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 7.00% to simplify preparation of pension liabilities.



**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 12. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions – General Employees (Continued)**

Mortality rates: 14% of deaths are assumed to be service related.

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions – General Employees (Continued)**

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

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

**Actuarial Assumptions – Public Safety Employees**

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.50%
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 return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% 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 7.00% to simplify preparation of pension liabilities.

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

Largest 10 – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions – Public Safety Employees (Continued)**

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

**CITY OF MANASSAS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**Long-Term Expected Rate of Return**

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

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

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**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**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2013	\$ 122,051,379	\$ 88,192,172	\$ 33,859,207
Changes for the year:			
Service cost	3,172,984	-	3,172,984
Interest	8,352,384	-	8,352,384
Differences between expected and actual experience	-	-	-
Contributions – employer	-	3,549,681	(3,549,681)
Contributions – employee	-	1,357,566	(1,357,566)
Net investment income	-	13,881,967	(13,881,967)
Benefit payments, including refunds of employee contributions	(5,463,217)	(5,463,217)	-
Administrative expenses	-	(74,624)	74,624
Other changes	-	985	(985)
Net changes	6,062,151	13,252,358	(7,190,207)
Balances at June 30, 2014	\$ 128,113,530	\$ 101,444,530	\$ 26,669,000

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

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

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2013	\$ 14,354,279	\$ 12,465,266	\$ 1,889,013
Changes for the year:			
Service cost	448,462	-	448,462
Interest	986,400	-	986,400
Differences between expected and actual experience	-	-	-
Contributions – employer	-	371,110	(371,110)
Contributions – employee	-	213,775	(213,775)
Net investment income	-	1,971,754	(1,971,754)
Benefit payments, including refunds of employee contributions	(525,710)	(525,710)	-
Administrative expenses	-	(10,484)	10,484
Other changes	-	(280)	280
Net changes	909,152	2,020,165	(1,111,013)
Balances at June 30, 2014	\$ 15,263,431	\$ 14,485,431	\$ 778,000

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

**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:

	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
Primary Government:			
City's net pension liability	<u>\$ 44,927,286</u>	<u>\$ 26,669,000</u>	<u>\$ 11,668,462</u>
Component Unit:			
MCPS (Non-professional) net pension liability (asset)	<u>\$ 2,929,827</u>	<u>\$ 778,000</u>	<u>\$ (995,653)</u>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**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, 2015, the City recognized pension expense of \$2,544,000. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	6,184,000
Employer contributions subsequent to the measurement date	<u>3,680,000</u>	<u>-</u>
Total	<u><u>\$ 3,680,000</u></u>	<u><u>\$ 6,184,000</u></u>

For the year ended June 30, 2015, MCPS (Non-professional) recognized pension expense of \$138,000. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	878,000
Employer contributions subsequent to the measurement date	<u>329,000</u>	<u>-</u>
Total	<u><u>\$ 329,000</u></u>	<u><u>\$ 878,000</u></u>



**CITY OF MANASSAS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 12. Defined Benefit Pension Plan (Continued)**

The City's deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2016	\$ (1,546,000)
2017	(1,546,000)
2018	(1,546,000)
2019	(1,546,000)
Thereafter	-
Total	(6,184,000)

The MCPS (Non-professional) deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2016	\$ (219,500)
2017	(219,500)
2018	(219,500)
2019	(219,500)
Thereafter	-
Total	(878,000)

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**General Information about the Teacher Cost Sharing Pool**

***Plan Description***

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This 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 plan descriptions and 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 five 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, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the school division were \$7,570,000 and \$6,119,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**General Information about the Teacher Cost Sharing Pool (Continued)**

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

At June 30, 2015, the school division reported a liability of \$86,628,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 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, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.72% as compared to 0.69% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of \$7,626,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, 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.

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

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	12,856,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,506,000	-
Employer contributions subsequent to the measurement date	<u>7,570,000</u>	<u>-</u>
Total	<u><u>\$ 11,076,000</u></u>	<u><u>\$ 12,856,000</u></u>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**General Information about the Teacher Cost Sharing Pool (Continued)**

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

The 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, 2016. 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 Ended June 30,**

2016	\$ (2,440,000)
2017	(2,440,000)
2018	(2,440,000)
2019	(2,440,000)
2020	410,000
Total	<u>(9,350,000)</u>

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

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

	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
School division's proportionate share of the VRS teacher employee retirement plan net pension liability	<u>\$ 127,205,000</u>	<u>\$ 86,628,000</u>	<u>\$ 53,220,000</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 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**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 2015 was 0.16% of annual covered payroll. The MCPS contribution rate for 2015 was 0.26% of annual covered payroll of non-professional employees.

**CITY OF MANASSAS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**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, 2014 using the entry age normal cost method. The actuarial assumptions at June 30, 2014 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, 2014 was 20-29 years.

**Three-Year Trend Information  
City**

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2015	\$ 43,865	100%	\$ -
June 30, 2014	\$ 51,035	100%	\$ -
June 30, 2013	\$ 52,195	100%	\$ -

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

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2015	\$ 10,971	100%	\$ -
June 30, 2014	\$ 13,868	100%	\$ -
June 30, 2013	\$ 12,895	100%	\$ -

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

Funding Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation date, the VRS health insurance credit program was 54.13% and 67.41% funded. The actuarial liability for the City and MCPS (non-professional employees) benefits were \$914,962 and \$241,742 respectively, and the actuarial value of assets was \$495,235 and \$162,959, resulting in an unfunded actuarial liability (UAAL) of \$419,727 and \$78,783 for the City and the MCPS (non-professional employees). The covered payroll (annual payroll of active employees covered by the plan) was \$26,454,349 and \$4,317,567 and ratio of the UAAL to the covered payroll was 1.59% and 1.82% 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, 2015**

**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 has elected not to pre-fund OPEB liabilities. The City 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><b>City</b></u>	<u><b>MCPS</b></u>
Annual required contribution	\$ 723,000	\$ 208,000
Interest on net OPEB obligation	109,576	73,000
Adjustment to annual required contribution	<u>(154,897)</u>	<u>(92,000)</u>
Annual OPEB cost	677,679	189,000
Contributions made	<u>(225,100)</u>	<u>(339,000)</u>
Increase (decrease) in net OPEB obligation	452,579	(150,000)
Net OPEB obligation – beginning of year, restated	<u>3,130,737</u>	<u>1,835,000</u>
Net OPEB obligation – end of year	<u><u>\$ 3,583,316</u></u>	<u><u>\$ 1,685,000</u></u>



**CITY OF MANASSAS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**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.

<b>City:</b>		<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>		
June 30, 2015	\$ 677,679	33.22%	\$ 3,583,316
June 30, 2014	\$ 385,030	38.01%	\$ 3,130,737
June 30, 2013	\$ 367,649	42.98%	\$ 2,892,046

<b>MCPS:</b>		<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>		
June 30, 2015	\$ 189,000	179.37%	\$ 1,685,000
June 30, 2014	\$ 193,000	161.14%	\$ 1,835,000
June 30, 2013	\$ 691,000	47.03%	\$ 1,953,000

Funding Status and Funding Progress

The funding status of the plan as of June 30, 2015 and July 1, 2014, respectively, was as follows:

	<b>City</b>	<b>MCPS</b>
Actuarial Accrued Liability (AAL)	\$ 6,905,500	\$ 2,578,000
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 6,905,500	2,578,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-%	-%
Covered Payroll (Active Plan Members)	\$ 27,733,600	57,686,171
UAAL as a Percentage of Covered Payroll	24.90%	4.47%

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, 2015**

**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 efforts 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, 2015	July 1, 2014
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Closed
Amortization Period	30 years	30 years
Years Remaining	22 years	23 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	6.50%	6.00%
Initial	6.50%	6.00%
Ultimate	4.50%	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, 2015**

**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:

	<b>General Fund</b>	<b>Other Governmental Funds</b>
Nonspendable:		
Cemetery fund principal	\$ -	\$ 100,000
Long term advances due from other funds	574,599	-
Total nonspendable	574,599	100,000
Restricted for:		
Proffers for development	1,147,382	-
Storm water management	574,777	-
Developer deposits for future projects	382,504	-
Matching grants for police	37,397	-
Bond proceeds and escrows not yet spent	-	2,231,656
Communication systems	-	598,136
Fire and rescue system	-	2,588,671
Matching grants for fire and rescue	-	49,121
Road maintenance	-	160,821
Museum system	-	1,380,459
Cemetery maintenance	-	161,775
Total restricted	2,142,060	7,170,639
Committed to:		
General government administration	254,480	-
Capital reserve	3,706,582	-
Community development	656,825	211,930
Employee benefits	918,000	-
Social services	-	56,719
Museum system	-	12,359
Capital projects	-	6,097,446
Total committed	5,535,887	6,378,454
Assigned to:		
Subsequent year appropriation	109,024	-
Total assigned	109,024	-
Unassigned	13,145,824	(3,632)
Total fund balance	\$ 21,507,394	\$ 13,645,461

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 18. Prior Period Adjustment**

In the current year the City and MCPS adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. This standard replaces the requirements of GASB Statements No. 27 and No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The new Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available. The City has also adjusted beginning net position for items discovered subsequent to its previously issued financial statements as noted below.

	Governmental Activities	Business- Type Activities	Electric Fund	Water Fund	Sewer Fund	Airport Fund	Nonmajor Enterprise Funds	Internal Service Funds	MCPS Governmental Activities
Net Position, July 1, 2014, as previously reported	\$ 235,299,213	\$137,005,058	\$ 38,210,156	\$ 36,186,739	\$ 22,298,006	\$ 37,798,794	\$ 2,511,363	\$ 6,296,913	\$ 55,559,598
Recognition of pension related liabilities and deferred outflows in accordance with GASB Statement No. 68	(23,363,331)	(6,825,099)	(3,659,778)	(1,820,029)	(707,640)	(521,192)	(116,460)	(1,809,682)	(89,870,000)
Various capital asset and depreciation errors	709,955	(3,410,397)	(1,130,199)	(110,383)	(234,318)	(1,935,497)	-	-	-
To correct OPEB liability	528,652	82,919	45,295	22,338	10,110	5,176	-	-	-
To correct allowance for doubtful accounts and write-off old accounts	-	(2,108,947)	(1,393,760)	(126,212)	(458,275)	-	(130,700)	-	-
To record VDOA loan	-	(1,568,000)	-	-	-	(1,568,000)	-	-	-
To correct insurance proceeds liability	-	490,177	-	-	-	490,177	-	-	-
To eliminate arbitrage liability	170,415	-	-	-	-	-	-	-	-
To correct revenues for leases and rentals	-	172,972	-	-	-	172,972	-	-	-
Net Position, July 1, 2014, as restated	<u>\$ 213,344,904</u>	<u>\$123,838,683</u>	<u>\$ 32,071,714</u>	<u>\$ 34,152,453</u>	<u>\$ 20,907,883</u>	<u>\$ 34,442,430</u>	<u>\$ 2,264,203</u>	<u>\$ 4,487,231</u>	<u>\$ (34,310,402)</u>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 19. Major Customer**

The City has one major sewer and water customer. For the current year in the Sewer Fund, this customer accounted for approximately 17% of total revenues. For the current year in the Water Fund, this customer accounted for approximately 19% of total revenues.

**Note 20. New Accounting Standards**

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

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ending June 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. 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 will be effective for the year ending June 30, 2017.

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 20. New Accounting Standards (Continued)**

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ending June 30, 2016 and should be applied retroactively. Earlier application is permitted.

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

## **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, 2011	\$ -	\$ 3,893,700	\$ 3,893,700	0.0%	\$ 24,650,600	15.8%
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%

**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
June 30, 2012	\$ -	\$ 5,971,000	\$ 5,971,000	0.0%	\$ 56,524,389	10.6%
June 30, 2013	-	6,298,000	6,298,000	0.0%	56,524,389	11.1%
June 30, 2014	-	2,578,000	2,578,000	0.0%	57,686,171	4.5%

**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, 2012	\$ 386,138	\$ 824,232	\$ 438,094	46.8%	\$ 25,495,597	1.7%
June 30, 2013	430,739	859,592	428,853	50.1%	27,187,083	1.6%
June 30, 2014	495,235	914,962	419,727	54.1%	26,454,349	1.6%

**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, 2012	\$ 118,923	\$ 236,023	\$ 117,100	50.4%	\$ 4,464,586	2.6%
June 30, 2013	138,059	229,718	91,659	60.1%	4,333,644	2.1%
June 30, 2014	162,959	241,742	78,783	67.4%	4,317,567	1.8%

## CITY OF MANASSAS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**June 30, 2015**

	<b>Primary Government</b>	<b>MCPS -- Nonprofessional Employees</b>
<b>Total Pension Liability</b>		
Service cost	\$ 3,172,984	\$ 448,462
Interest on total pension liability	8,352,384	986,400
Benefit payments, including refunds of employee contributions	(5,463,217)	(525,710)
Net change in total pension liability	6,062,151	909,152
<b>Total pension liability - beginning</b>	122,051,379	14,354,279
<b>Total pension liability - ending</b>	128,113,530	15,263,431
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	3,549,681	371,110
Contributions - employee	1,357,566	213,775
Net investment income	13,881,967	1,971,754
Benefit payments, including refunds of employee contributions	(5,463,217)	(525,710)
Administrative expenses	(74,624)	(10,484)
Other changes	985	(280)
Net change in plan fiduciary net position	13,252,358	2,020,165
<b>Plan fiduciary net position - beginning</b>	88,192,172	12,465,266
<b>Plan fiduciary net position - ending</b>	101,444,530	14,485,431
<b>Net pension liability - ending</b>	\$ 26,669,000	\$ 778,000
Plan fiduciary net position as a percentage of total pension liability	79%	95%
Covered employee payroll	\$ 28,181,695	\$ 4,279,686
Net pension liability as a percentage of covered employee payroll	95%	18%

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

## CITY OF MANASSAS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**June 30, 2015**

<b>Year Ended June 30</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Primary Government</b>					
2015	\$ 3,680,000	\$ 3,680,000	\$ -	\$ 27,994,452	13.15%
<b>MCPS - Nonprofessional Employees</b>					
2015	\$ 329,000	\$ 329,000	\$ -	\$ 4,211,076	7.81%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, 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, 2015**

<b>Year Ended June 30</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.72%	\$ 86,628,000	\$ 50,935,105	170.08%	70.88%

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

## CITY OF MANASSAS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**VRS TEACHER RETIREMENT PLAN**  
**June 30, 2015**

<b>Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2015	\$ 7,570,000	\$ 7,570,000	\$ -	\$ 52,454,673	14.43%

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

## CITY OF MANASSAS, VIRGINIA

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

#### Note 1. Changes of Benefit Terms

There have been no significant changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012 (fiscal year 2014 for the teacher cost sharing pool). The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

#### 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

**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.

**Family Services Publishing Fund** - to account for and report revenues from the sale of the book "My Mom Has a Job" and committed by City Council for social service 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.

**Museum Collections Fund** - to account for and report donations received which are restricted for expenditures related to the Manassas Museum collection of artifacts.

**Museum Publishing Fund** - to account for and report revenues from the sales of museum publications which the City Council has committed to expenditures for future publications.

**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.

**Manassas Landing** - to account for and report the lease revenues from buildings at Manassas Landing which City Council has committed for future development of Manassas Landing.

### 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.

## **NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

### **CAPITAL PROJECTS FUNDS (CONTINUED)**

**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 onstruction or other capital improvements that reduce congestion, capital improvements in NVTA’s most recent long range plan, or for public transportation purposes.

### **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, 2015**

Exhibit 16

	Special Revenue Funds	Capital Project Funds	Permanent Cemetery Maintenance Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 5,272,550	\$ 7,087,611	\$ 161,775	\$ 12,521,936
Cash and investments - restricted	-	2,231,656	100,000	2,331,656
Receivables, net:		-		
Taxes	165,417	-	-	165,417
Accounts	-	30,000	-	30,000
Due from other governments	<u>421,707</u>	<u>986,336</u>	<u>-</u>	<u>1,408,043</u>
 Total assets	 <u>\$ 5,859,674</u>	 <u>\$ 10,335,603</u>	 <u>\$ 261,775</u>	 <u>\$ 16,457,052</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 586,829	\$ 702,707	\$ -	\$ 1,289,536
Retainage payable	-	23,838	-	23,838
Deposits	4,870	-	-	4,870
Due to other funds	<u>85,912</u>	<u>1,279,956</u>	<u>-</u>	<u>1,365,868</u>
 Total liabilities	 <u>677,611</u>	 <u>2,006,501</u>	 <u>-</u>	 <u>2,684,112</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable/unearned revenue	<u>127,479</u>	<u>-</u>	<u>-</u>	<u>127,479</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	100,000	100,000
Restricted	4,777,208	2,231,656	161,775	7,170,639
Committed	281,008	6,097,446	-	6,378,454
Unassigned	<u>(3,632)</u>	<u>-</u>	<u>-</u>	<u>(3,632)</u>
 Total fund balances	 <u>5,054,584</u>	 <u>8,329,102</u>	 <u>261,775</u>	 <u>13,645,461</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 5,859,674</u>	 <u>\$ 10,335,603</u>	 <u>\$ 261,775</u>	 <u>\$ 16,457,052</u>

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

Exhibit 17

	Special Revenue Funds	Capital Project Funds	Permanent Cemetery Cemetery Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
General property taxes	\$ 7,985,948	\$ -	\$ -	\$ 7,985,948
Revenues from use of money and property	215,447	72	308	215,827
Charges for services	652,574	-	4,860	657,434
Miscellaneous	176,201	30,000	-	206,201
Intergovernmental	3,639,647	2,302,909	-	5,942,556
Total revenues	<u>12,669,817</u>	<u>2,332,981</u>	<u>5,168</u>	<u>15,007,966</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	7,845	19,541	-	27,386
Public safety	8,065,404	-	-	8,065,404
Public works	3,774	-	-	3,774
Health and welfare	5,686,703	-	-	5,686,703
Capital outlay	411,813	3,960,853	-	4,372,666
Debt service:				
Principal	38,352	-	-	38,352
Interest and fiscal charges	2,264	-	-	2,264
Total expenditures	<u>14,216,155</u>	<u>3,980,394</u>	<u>-</u>	<u>18,196,549</u>
Excess (deficiency) of revenues over expenditures	<u>(1,546,338)</u>	<u>(1,647,413)</u>	<u>5,168</u>	<u>(3,188,583)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,448,375	2,419,900	-	4,868,275
Transfers out	(223,580)	(1,920,000)	-	(2,143,580)
Proceeds from sale of capital assets	18,196	15,000	-	33,196
Total other financing sources (uses)	<u>2,242,991</u>	<u>514,900</u>	<u>-</u>	<u>2,757,891</u>
Net change in fund balances	696,653	(1,132,513)	5,168	(430,692)
Fund balance - beginning	<u>4,357,931</u>	<u>9,461,615</u>	<u>256,607</u>	<u>14,076,153</u>
Fund balance - ending	<u>\$ 5,054,584</u>	<u>\$ 8,329,102</u>	<u>\$ 261,775</u>	<u>\$ 13,645,461</u>

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**CITY OF MANASSAS, VIRGINIA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2015**

	Family Services Fund	Family Services Publishing Fund	PEG Fund	Owens Brooke District Fund	Fire Rescue Fund
<b>ASSETS</b>					
Cash and investments	\$ -	\$ 56,719	\$ 601,132	\$ 161,154	\$ 2,848,510
Receivables, net					
Taxes	-	-	-	169	165,248
Due from other governments	<u>372,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,121</u>
Total assets	<u>\$ 372,586</u>	<u>\$ 56,719</u>	<u>\$ 601,132</u>	<u>\$ 161,323</u>	<u>\$ 3,062,879</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 285,436	\$ -	\$ 2,996	\$ 333	\$ 297,777
Deposits	4,870	-	-	-	-
Due to other funds	<u>82,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>372,586</u>	<u>-</u>	<u>2,996</u>	<u>333</u>	<u>297,777</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable/unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>169</u>	<u>127,310</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>169</u>	<u>127,310</u>
<b>FUND BALANCES</b>					
Restricted	-	-	598,136	160,821	2,637,792
Committed	-	56,719	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>56,719</u>	<u>598,136</u>	<u>160,821</u>	<u>2,637,792</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 372,586</u>	<u>\$ 56,719</u>	<u>\$ 601,132</u>	<u>\$ 161,323</u>	<u>\$ 3,062,879</u>

Merchant Museum Fund	Museum Collections Fund	Museum Publishing Fund	Speiden Carper House Fund	Manassas Landing Fund	Total
\$ 977,496	\$ 12,359	\$ -	\$ 403,250	\$ 211,930	\$ 5,272,550
-	-	-	-	-	165,417
-	-	-	-	-	421,707
<u>\$ 977,496</u>	<u>\$ 12,359</u>	<u>\$ -</u>	<u>\$ 403,250</u>	<u>\$ 211,930</u>	<u>\$ 5,859,674</u>
\$ -	\$ -	\$ -	\$ 287	\$ -	\$ 586,829
-	-	-	-	-	4,870
-	-	3,632	-	-	85,912
-	-	3,632	287	-	677,611
-	-	-	-	-	127,479
-	-	-	-	-	127,479
977,496	-	-	402,963	-	4,777,208
-	12,359	-	-	211,930	281,008
-	-	(3,632)	-	-	(3,632)
<u>977,496</u>	<u>12,359</u>	<u>(3,632)</u>	<u>402,963</u>	<u>211,930</u>	<u>5,054,584</u>
<u>\$ 977,496</u>	<u>\$ 12,359</u>	<u>\$ -</u>	<u>\$ 403,250</u>	<u>\$ 211,930</u>	<u>\$ 5,859,674</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, 2015**

	Family Services Fund	Family Services Publishing Fund	PEG Fund	Owens Brooke District Fund	Fire Rescue Fund
<b>REVENUES</b>					
General property taxes	\$ -	\$ -	\$ -	\$ 39,966	\$ 7,945,982
Revenues from use of money and property	-	66	-	169	-
Charges for services	35,950	-	-	-	615,774
Miscellaneous	-	-	149,647	-	9,107
Intergovernmental	3,284,978	-	-	-	354,669
Total revenues	<u>3,320,928</u>	<u>66</u>	<u>149,647</u>	<u>40,135</u>	<u>8,925,532</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	-	-	7,845	-	-
Public safety	-	-	-	-	8,065,404
Public works	-	-	-	3,774	-
Health and welfare	5,686,703	-	-	-	-
Cultural, recreation, and community development	-	-	-	-	-
Capital outlay	-	-	-	-	378,670
Debt service:					
Principal	-	-	-	-	38,352
Interest and fiscal charges	-	-	-	-	2,264
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>5,686,703</u>	<u>-</u>	<u>7,845</u>	<u>3,774</u>	<u>8,484,690</u>
Excess (deficiency) of revenues over expenditures	<u>(2,365,775)</u>	<u>66</u>	<u>141,802</u>	<u>36,361</u>	<u>440,842</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,365,775	-	-	-	82,600
Transfers out	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	18,196
Total other financing sources (uses)	<u>2,365,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,796</u>
Net change in fund balances	-	66	141,802	36,361	541,638
Fund balance - beginning	<u>-</u>	<u>56,653</u>	<u>456,334</u>	<u>124,460</u>	<u>2,096,154</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 56,719</u>	<u>\$ 598,136</u>	<u>\$ 160,821</u>	<u>\$ 2,637,792</u>



Merchant Museum Fund	Museum Collections Fund	Museum Publishing Fund	Speiden Carper House Fund	Manassas Landing Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,985,948
1,146	14	-	476	213,576	215,447
-	-	850	-	-	652,574
16,616	831	-	-	-	176,201
-	-	-	-	-	3,639,647
<u>17,762</u>	<u>845</u>	<u>850</u>	<u>476</u>	<u>213,576</u>	<u>12,669,817</u>
-	-	-	-	-	7,845
-	-	-	-	-	8,065,404
-	-	-	-	-	3,774
-	-	-	-	-	5,686,703
-	-	-	-	-	-
-	-	-	3,143	30,000	411,813
-	-	-	-	-	38,352
-	-	-	-	-	2,264
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,143</u>	<u>30,000</u>	<u>14,216,155</u>
<u>17,762</u>	<u>845</u>	<u>850</u>	<u>(2,667)</u>	<u>183,576</u>	<u>(1,546,338)</u>
-	-	-	-	-	2,448,375
-	-	-	-	(223,580)	(223,580)
-	-	-	-	-	18,196
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(223,580)</u>	<u>2,242,991</u>
17,762	845	850	(2,667)	(40,004)	696,653
<u>959,734</u>	<u>11,514</u>	<u>(4,482)</u>	<u>405,630</u>	<u>251,934</u>	<u>4,357,931</u>
<u>\$ 977,496</u>	<u>\$ 12,359</u>	<u>\$ (3,632)</u>	<u>\$ 402,963</u>	<u>\$ 211,930</u>	<u>\$ 5,054,584</u>

**CITY OF MANASSAS, VIRGINIA  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS  
June 30, 2015**

Exhibit 20

	General Capital Projects Fund	Gateway Capital Projects Fund	Transportation Capital Projects Fund	Stormwater Capital Projects Fund	NVTA Capital Projects Fund	Total
<b>ASSETS</b>						
Cash and investments	\$ 2,042,876	\$ 129,061	\$ 204,694	\$ 92,730	\$ 4,618,250	\$ 7,087,611
Cash and investments - restricted	-	-	12,306	746,072	1,473,278	2,231,656
Receivables, net						
Accounts	30,000	-	-	-	-	30,000
Due from other governments	-	-	468,216	-	518,120	986,336
<b>Total assets</b>	<b>\$ 2,072,876</b>	<b>\$ 129,061</b>	<b>\$ 685,216</b>	<b>\$ 838,802</b>	<b>\$ 6,609,648</b>	<b>\$ 10,335,603</b>
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 84,202	\$ 43,474	\$ 308,401	\$ 32,063	\$ 234,567	\$ 702,707
Retainage payable	-	-	-	23,838	-	23,838
Due to other funds	-	-	83,847	-	1,196,109	1,279,956
<b>Total liabilities</b>	<b>84,202</b>	<b>43,474</b>	<b>392,248</b>	<b>55,901</b>	<b>1,430,676</b>	<b>2,006,501</b>
<b>FUND BALANCES</b>						
Restricted:						
Bond proceeds not yet spent	-	-	12,306	746,072	773,278	1,531,656
Escrow fund for capital projects	-	-	-	-	700,000	700,000
Committed	1,988,674	85,587	280,662	36,829	3,705,694	6,097,446
<b>Total fund balances</b>	<b>1,988,674</b>	<b>85,587</b>	<b>292,968</b>	<b>782,901</b>	<b>5,178,972</b>	<b>8,329,102</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,072,876</b>	<b>\$ 129,061</b>	<b>\$ 685,216</b>	<b>\$ 838,802</b>	<b>\$ 6,609,648</b>	<b>\$ 10,335,603</b>

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**For the Year Ended June 30, 2015**

Exhibit 21

	General Capital Projects Fund	Gateway Capital Projects Fund	Transportation Capital Projects Fund	Stormwater Capital Projects Fund	NVTA Capital Projects Fund	Total
<b>REVENUES</b>						
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ -	\$ 72	\$ 72
Miscellaneous	30,000	-	-	-	-	30,000
Intergovernmental	-	-	536,542	-	1,766,367	2,302,909
Total revenues	<u>30,000</u>	<u>-</u>	<u>536,542</u>	<u>-</u>	<u>1,766,439</u>	<u>2,332,981</u>
<b>EXPENDITURES</b>						
Current:						
General government administration	-	-	-	-	19,541	19,541
Capital outlay	1,347,853	73,574	1,121,708	595,994	821,724	3,960,853
Total expenditures	<u>1,347,853</u>	<u>73,574</u>	<u>1,121,708</u>	<u>595,994</u>	<u>841,265</u>	<u>3,980,394</u>
Excess (deficiency) of revenues over expenditures	<u>(1,317,853)</u>	<u>(73,574)</u>	<u>(585,166)</u>	<u>(595,994)</u>	<u>925,174</u>	<u>(1,647,413)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,224,900	-	345,000	300,000	550,000	2,419,900
Transfers out	-	-	-	-	(1,920,000)	(1,920,000)
Proceeds from sale of capital assets	-	15,000	-	-	-	15,000
Total other financing sources (uses)	<u>1,224,900</u>	<u>15,000</u>	<u>345,000</u>	<u>300,000</u>	<u>(1,370,000)</u>	<u>514,900</u>
Net change in fund balances	(92,953)	(58,574)	(240,166)	(295,994)	(444,826)	(1,132,513)
Fund balance - beginning	<u>2,081,627</u>	<u>144,161</u>	<u>533,134</u>	<u>1,078,895</u>	<u>5,623,798</u>	<u>9,461,615</u>
Fund balance - ending	<u>\$ 1,988,674</u>	<u>\$ 85,587</u>	<u>\$ 292,968</u>	<u>\$ 782,901</u>	<u>\$ 5,178,972</u>	<u>\$ 8,329,102</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 Square Pavilion Fund** - to account for and report the operations and maintenance of the Loy E. Harris Pavilion.

**Candy Factory Fund** - to account for and report the operation and maintenance of a performing arts center.

**Parking Garage Fund** - to account for and report the operation of parking service.

**Stormwater Fund** - to account for and report the operation of stormwater utility operations.

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**June 30, 2015**

Exhibit 22

	Solid Waste Fund	City Square Pavilion Fund	Candy Factory Fund	Parking Garage Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 125,152	\$ 232,741	\$ 194,832	\$ -	\$ 329,129	\$ 881,854
Accounts receivable, net	203,960	-	-	-	54,410	258,370
Total current assets	<u>329,112</u>	<u>232,741</u>	<u>194,832</u>	<u>-</u>	<u>383,539</u>	<u>1,140,224</u>
Noncurrent assets:						
Depreciable, net	35,470	633,599	894,573	44,248	-	1,607,890
Total assets	<u>364,582</u>	<u>866,340</u>	<u>1,089,405</u>	<u>44,248</u>	<u>383,539</u>	<u>2,748,114</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension contributions subsequent to the measurement date	14,140	-	-	-	14,639	28,779
Total deferred outflows of resources	<u>14,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,639</u>	<u>28,779</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued expenses	257,862	-	-	29,214	34,136	321,212
Deposits	-	450	-	-	-	450
Compensated absences	867	-	-	-	-	867
Total current liabilities	<u>258,729</u>	<u>450</u>	<u>-</u>	<u>29,214</u>	<u>34,136</u>	<u>322,529</u>
Noncurrent liabilities:						
Due to other funds	-	-	-	12,840	-	12,840
Compensated absences	4,910	-	-	-	-	4,910
Net pension liability	102,473	-	-	-	106,090	208,563
Total noncurrent liabilities	<u>107,383</u>	<u>-</u>	<u>-</u>	<u>12,840</u>	<u>106,090</u>	<u>226,313</u>
Total liabilities	<u>366,112</u>	<u>450</u>	<u>-</u>	<u>42,054</u>	<u>140,226</u>	<u>548,842</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Net difference between projected and actual investment earnings on pension plan investments	23,762	-	-	-	24,600	48,362
Total deferred inflows of resources	<u>23,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,600</u>	<u>48,362</u>
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	35,470	633,599	894,573	44,248	-	1,607,890
Unrestricted	(46,622)	232,291	194,832	(42,054)	233,352	571,799
Total net position (deficit)	<u>\$ (11,152)</u>	<u>\$ 865,890</u>	<u>\$ 1,089,405</u>	<u>\$ 2,194</u>	<u>\$ 233,352</u>	<u>\$ 2,179,689</u>

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2015**

Exhibit 23

	Solid Waste Fund	City Square Pavilion Fund	Candy Factory Fund	Parking Garage Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES</b>						
Charges for services	\$ 3,297,110	\$ 26,482	\$ 27,984	\$ 28,292	\$ 582,275	\$ 3,962,143
Connection charges	-	-	-	-	-	-
Total operating revenues	<u>3,297,110</u>	<u>26,482</u>	<u>27,984</u>	<u>28,292</u>	<u>582,275</u>	<u>3,962,143</u>
<b>OPERATING EXPENSES</b>						
Personal services	171,632	-	-	-	284,527	456,159
Contractual services	2,993,498	138,500	-	34,537	57,229	3,223,764
Supplies	3,948	-	-	80	1,058	5,086
Internal and other services	229,118	59,000	71,000	5,000	6,109	370,227
Depreciation and amortization	<u>2,534</u>	<u>104,850</u>	<u>127,763</u>	<u>2,766</u>	<u>-</u>	<u>237,913</u>
Total operating expenses	<u>3,400,730</u>	<u>302,350</u>	<u>198,763</u>	<u>42,383</u>	<u>348,923</u>	<u>4,293,149</u>
Operating income (loss)	<u>(103,620)</u>	<u>(275,868)</u>	<u>(170,779)</u>	<u>(14,091)</u>	<u>233,352</u>	<u>(331,006)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Intergovernmental grants	8,308	-	-	-	-	8,308
Investment earnings	<u>184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184</u>
Total nonoperating revenues (expenses)	<u>8,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,492</u>
Income (loss) before transfers	<u>(95,128)</u>	<u>(275,868)</u>	<u>(170,779)</u>	<u>(14,091)</u>	<u>233,352</u>	<u>(322,514)</u>
<b>TRANSFERS IN</b>	<u>-</u>	<u>197,500</u>	<u>40,500</u>	<u>-</u>	<u>-</u>	<u>238,000</u>
Change in net position	<u>(95,128)</u>	<u>(78,368)</u>	<u>(130,279)</u>	<u>(14,091)</u>	<u>233,352</u>	<u>(84,514)</u>
Total net position - beginning, as restated	<u>83,976</u>	<u>944,258</u>	<u>1,219,684</u>	<u>16,285</u>	<u>-</u>	<u>2,264,203</u>
Total net position (deficit) - ending	<u>\$ (11,152)</u>	<u>\$ 865,890</u>	<u>\$ 1,089,405</u>	<u>\$ 2,194</u>	<u>\$ 233,352</u>	<u>\$ 2,179,689</u>

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2015**

Exhibit 24

	Solid Waste Fund	City Square Pavilion Fund	Candy Factory Fund	Parking Garage Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
<b>OPERATING ACTIVITIES</b>						
Cash received from customers and users	\$ 3,294,480	\$ 26,482	\$ 27,984	\$ 28,292	\$ 527,865	\$ 3,905,103
Cash paid to suppliers	(2,978,136)	(138,500)	-	(35,686)	(39,257)	(3,191,579)
Cash paid to employees	(172,597)	-	-	-	(153,370)	(325,967)
Payments for interfund services used	(229,118)	(59,000)	(71,000)	(5,000)	(6,109)	(370,227)
Net cash provided by (used in) operating activities	(85,371)	(171,018)	(43,016)	(12,394)	329,129	17,330
<b>NONCAPITAL FINANCING ACTIVITIES</b>						
Other miscellaneous receipts (payments)	-	-	-	12,394	-	12,394
Transfers from other funds	-	197,500	40,500	-	-	238,000
Operating grants received	8,308	-	-	-	-	8,308
Net cash provided by noncapital financing activities	8,308	197,500	40,500	12,394	-	258,702
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of capital assets	(38,004)	-	-	-	-	(38,004)
Net cash used in capital and related financing activities	(38,004)	-	-	-	-	(38,004)
<b>INVESTING ACTIVITIES</b>						
Investment income	184	-	-	-	-	184
Net cash provided by investing activities	184	-	-	-	-	184
Net increase (decrease) in cash and cash equivalents	(114,883)	26,482	(2,516)	-	329,129	238,212
Cash and cash equivalents - beginning of year	240,035	206,259	197,348	-	-	643,642
Cash and cash equivalents - end of year	\$ 125,152	\$ 232,741	\$ 194,832	\$ -	\$ 329,129	\$ 881,854
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ (103,620)	\$ (275,868)	\$ (170,779)	\$ (14,091)	\$ 233,352	\$ (331,006)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	2,534	104,850	127,763	2,766	-	237,913
Pension expense net of employer contributions	(4,365)	-	-	-	116,051	111,686
(Increase) decrease in:						
Accounts receivable	(2,630)	-	-	-	(54,410)	(57,040)
Increase (decrease) in:						
Accounts payable and accrued expenses	19,731	-	-	(1,069)	34,136	52,798
Compensated absences	2,979	-	-	-	-	2,979
Total adjustments	18,249	104,850	127,763	1,697	95,777	348,336
Net cash provided by (used in) operating activities	\$ (85,371)	\$ (171,018)	\$ (43,016)	\$ (12,394)	\$ 329,129	\$ 17,330



## **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.

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**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2015**

Exhibit 25

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 307,382	\$ 1,149,502	\$ 3,397,475	\$ 4,854,359
Prepaid expenses	<u>-</u>	<u>-</u>	<u>88,532</u>	<u>88,532</u>
Total current assets	<u>307,382</u>	<u>1,149,502</u>	<u>3,486,007</u>	<u>4,942,891</u>
Noncurrent assets:				
Capital assets:				
Depreciable, net	<u>19,730</u>	<u>1,915,584</u>	<u>173,774</u>	<u>2,109,088</u>
Total assets	<u>327,112</u>	<u>3,065,086</u>	<u>3,659,781</u>	<u>7,051,979</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contributions subsequent to the measurement date	<u>41,441</u>	<u>69,593</u>	<u>108,691</u>	<u>219,725</u>
Total deferred outflows of resources	<u>41,441</u>	<u>69,593</u>	<u>108,691</u>	<u>219,725</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	55,028	63,418	103,074	221,520
Compensated absences	6,449	12,647	15,942	35,038
Capital lease obligation	<u>-</u>	<u>38,381</u>	<u>-</u>	<u>38,381</u>
Total current liabilities	<u>61,477</u>	<u>114,446</u>	<u>119,016</u>	<u>294,939</u>
Noncurrent liabilities:				
Compensated absences	36,544	71,669	90,338	198,551
Net pension liability	300,321	504,340	787,686	1,592,347
Capital lease obligations	<u>-</u>	<u>39,105</u>	<u>-</u>	<u>39,105</u>
Total noncurrent liabilities	<u>336,865</u>	<u>615,114</u>	<u>878,024</u>	<u>1,830,003</u>
Total liabilities	<u>398,342</u>	<u>729,560</u>	<u>997,040</u>	<u>2,124,942</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Net difference between projected and actual investment earnings on pension plan investments	<u>69,638</u>	<u>116,946</u>	<u>182,648</u>	<u>369,232</u>
Total deferred inflows of resources	<u>69,638</u>	<u>116,946</u>	<u>182,648</u>	<u>369,232</u>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	19,730	1,838,098	173,774	2,031,602
Unrestricted	<u>(119,157)</u>	<u>450,075</u>	<u>2,415,010</u>	<u>2,745,928</u>
Total net position (deficit)	<u>\$ (99,427)</u>	<u>\$ 2,288,173</u>	<u>\$ 2,588,784</u>	<u>\$ 4,777,530</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, 2015**

Exhibit 26

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,308,570	\$ 2,823,160	\$ 2,685,123	\$ 6,816,853
Total operating revenues	<u>1,308,570</u>	<u>2,823,160</u>	<u>2,685,123</u>	<u>6,816,853</u>
<b>OPERATING EXPENSES</b>				
Personal services	482,763	737,574	1,201,517	2,421,854
Contractual services	326,931	155,793	504,341	987,065
Supplies	88,793	1,017,872	297,583	1,404,248
Internal and other services	505,372	537,755	308,652	1,351,779
Depreciation and amortization	2,168	708,982	72,202	783,352
Total operating expenses	<u>1,406,027</u>	<u>3,157,976</u>	<u>2,384,295</u>	<u>6,948,298</u>
Operating income (loss)	<u>(97,457)</u>	<u>(334,816)</u>	<u>300,828</u>	<u>(131,445)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	316	1,243	3,813	5,372
Gain on sale of capital assets	-	32,738	-	32,738
Other/insurance recoveries	35,911	53,664	8,235	97,810
Interest expense	-	(2,176)	-	(2,176)
Total nonoperating revenues (expenses)	<u>36,227</u>	<u>85,469</u>	<u>12,048</u>	<u>133,744</u>
Income (loss) before transfers	<u>(61,230)</u>	<u>(249,347)</u>	<u>312,876</u>	<u>2,299</u>
<b>TRANSFERS IN</b>	<u>80,000</u>	<u>208,000</u>	<u>-</u>	<u>288,000</u>
Change in net position	18,770	(41,347)	312,876	290,299
Total net position (deficit) - beginning, as restated	<u>(118,197)</u>	<u>2,329,520</u>	<u>2,275,908</u>	<u>4,487,231</u>
Total net position (deficit) - ending	<u>\$ (99,427)</u>	<u>\$ 2,288,173</u>	<u>\$ 2,588,784</u>	<u>\$ 4,777,530</u>

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2015**

Exhibit 27

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
<b>OPERATING ACTIVITIES</b>				
Cash received from customers and users	\$ 1,308,570	\$ 2,823,160	\$ 2,685,123	\$ 6,816,853
Cash paid to suppliers	(439,574)	(1,189,222)	(936,272)	(2,565,068)
Cash paid to employees	(490,453)	(754,996)	(1,242,236)	(2,487,685)
Payments for interfund services used	(505,372)	(537,755)	(308,652)	(1,351,779)
Net cash provided by (used in) operating activities	(126,829)	341,187	197,963	412,321
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
Other miscellaneous receipts	35,911	53,664	8,235	97,810
Transfers from other funds	80,000	208,000	-	288,000
Net cash provided by noncapital financing activities	115,911	261,664	8,235	385,810
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(9,753)	(899,994)	(38,471)	(948,218)
Proceeds from sale of capital assets	-	55,918	-	55,918
Principal paid on capital leases	-	(37,669)	-	(37,669)
Interest paid on capital leases	-	(2,176)	-	(2,176)
Net cash used in capital and related financing activities	(9,753)	(883,921)	(38,471)	(932,145)
<b>INVESTING ACTIVITIES</b>				
Investment income	316	1,243	3,813	5,372
Net cash provided by investing activities	316	1,243	3,813	5,372
Net increase (decrease) in cash and cash equivalents	(20,355)	(279,827)	171,540	(128,642)
Cash and cash equivalents - beginning of year	327,737	1,429,329	3,225,935	4,983,001
Cash and cash equivalents - end of year	\$ 307,382	\$ 1,149,502	\$ 3,397,475	\$ 4,854,359
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (97,457)	\$ (334,816)	\$ 300,828	\$ (131,445)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,168	708,982	72,202	783,352
Pension expense net of employer contributions	(12,793)	(21,483)	(33,552)	(67,828)
(Increase) decrease in:				
Prepaid expenses	-	-	(88,532)	(88,532)
Increase (decrease) in:				
Accounts payable and accrued expenses	(22,227)	(12,213)	(42,885)	(77,325)
Compensated absences	3,480	717	(10,098)	(5,901)
Total adjustments	(29,372)	676,003	(102,865)	543,766
Net cash provided by (used in) operating activities	\$ (126,829)	\$ 341,187	\$ 197,963	\$ 412,321

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## **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, 2015**

Exhibit 28

	School Operating Fund	School Capital Projects Fund	School Food Service Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 15,380,153	\$ 1,490,140	\$ 1,677,618	\$ 18,547,911
Cash and investments - restricted	-	36,923,381	-	36,923,381
Accounts receivable	1,859,371	-	13,424	1,872,795
Due from other governments	<u>4,136,966</u>	<u>-</u>	<u>185,392</u>	<u>4,322,358</u>
Total assets	<u>\$ 21,376,490</u>	<u>\$ 38,413,521</u>	<u>\$ 1,876,434</u>	<u>\$ 61,666,445</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 15,481,591	\$ 1,236,582	\$ 425,653	\$ 17,143,826
Retainage payable	<u>-</u>	<u>143,200</u>	<u>-</u>	<u>143,200</u>
Total liabilities	<u>15,481,591</u>	<u>1,379,782</u>	<u>425,653</u>	<u>17,287,026</u>
<b>FUND BALANCES</b>				
Restricted for capital projects	-	35,840,374	-	35,840,374
Assigned	<u>5,894,899</u>	<u>1,193,365</u>	<u>1,450,781</u>	<u>8,539,045</u>
Total fund balances	<u>5,894,899</u>	<u>37,033,739</u>	<u>1,450,781</u>	<u>44,379,419</u>
Total liabilities and fund balances	<u>\$ 21,376,490</u>	<u>\$ 38,413,521</u>	<u>\$ 1,876,434</u>	<u>\$ 61,666,445</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, 2015**

Exhibit 29

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Total fund balances for governmental funds (Exhibit 28)	\$ 44,379,419
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.	51,198,837
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	(484,743)
Net OPEB obligation	(1,685,000)
Compensated absences	(2,102,296)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2015 employer contributions	7,899,000
Deferred outflows of resources due to changes in proportion and differences between employer contributions and proportionate share of contributions-teacher cost sharing	3,506,000
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(13,734,000)
Net pension liability	<u>(87,406,000)</u>
Net position of governmental activities	<u>\$ 1,571,217</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, 2015**

Exhibit 30

	School Operating Fund	School Capital Projects Fund	School Food Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Revenues from use of money and property	\$ 6,066	\$ 35,653	\$ -	\$ 41,719
Charges for services	534,985	-	887,066	1,422,051
Intergovernmental revenues:				
Local	49,946,280	40,351,639	-	90,297,919
Commonwealth	45,658,715	-	101,113	45,759,828
Federal	3,046,767	-	2,690,527	5,737,294
Total revenues	<u>99,192,813</u>	<u>40,387,292</u>	<u>3,678,706</u>	<u>143,258,811</u>
<b>EXPENDITURES</b>				
Current:				
Education	95,112,503	-	3,678,660	98,791,163
Capital outlay	473,079	7,799,741	-	8,272,820
Payment in lieu of debt service	5,000,876	-	-	5,000,876
Debt service:				
Principal retirement	187,332	-	-	187,332
Interest and other fiscal charges	5,447	-	-	5,447
Total expenditures	<u>100,779,237</u>	<u>7,799,741</u>	<u>3,678,660</u>	<u>112,257,638</u>
Excess (deficiency) of revenues over expenditures	<u>(1,586,424)</u>	<u>32,587,551</u>	<u>46</u>	<u>31,001,173</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease proceeds	473,079	-	-	473,079
Total other financing sources (uses)	<u>473,079</u>	<u>-</u>	<u>-</u>	<u>473,079</u>
Net change in fund balances	(1,113,345)	32,587,551	46	31,474,252
Fund balances - beginning	<u>7,008,244</u>	<u>4,446,188</u>	<u>1,450,735</u>	<u>12,905,167</u>
Fund balances - ending	<u>\$ 5,894,899</u>	<u>\$ 37,033,739</u>	<u>\$ 1,450,781</u>	<u>\$ 44,379,419</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, 2015**

Exhibit 31

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Net change in fund balances - total governmental funds (Exhibit 30)	\$	31,474,252
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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 (\$9,234,719) exceeded depreciation (\$4,706,657) in the current period.	4,528,062
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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.	(48,055)
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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 proceeds	(473,079)
Capital lease payments	187,332

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	(71,893)
Net OPEB obligation	150,000

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.	-
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Employer pension contributions	7,899,000
Pension expense	(7,764,000)

Change in net position of governmental activities	\$	35,881,619
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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, 2015**

Exhibit 32

	School Operating Fund			Variance with
	Budgeted Amounts			Final Budget -
	Original	Final	Actual	Positive
				(Negative)
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 6,066	\$ 6,066
Charges for services	571,879	571,879	534,985	(36,894)
Intergovernmental:				
Local	49,361,885	49,361,885	49,946,280	584,395
Commonwealth	45,648,268	45,648,268	45,658,715	10,447
Federal	3,143,724	3,143,724	3,046,767	(96,957)
Total revenues	<u>98,725,756</u>	<u>98,725,756</u>	<u>99,192,813</u>	<u>467,057</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	72,829,025	73,329,025	72,712,469	616,556
Administration, attendance, and health	5,122,319	5,122,319	5,382,006	(259,687)
Pupil transportation	3,357,380	3,357,380	3,388,710	(31,330)
Operation and maintenance	7,692,448	7,842,448	7,966,831	(124,383)
Technology	4,607,957	6,100,569	5,718,277	382,292
Facilities	380,280	380,280	417,289	(37,009)
Capital lease payment	-	-	192,779	(192,779)
Payment in lieu of debt service	5,274,199	5,274,199	5,000,876	273,323
Contingency	276,696	276,696	-	276,696
Total expenditures	<u>99,540,304</u>	<u>101,682,916</u>	<u>100,779,237</u>	<u>903,679</u>
Excess (deficiency) of revenues over expenditures	<u>(814,548)</u>	<u>(2,957,160)</u>	<u>(1,586,424)</u>	<u>1,370,736</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease proceeds	-	-	473,079	473,079
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>473,079</u>	<u>473,079</u>
Net change in fund balances	<u>\$ (814,548)</u>	<u>\$ (2,957,160)</u>	<u>(1,113,345)</u>	<u>\$ 1,843,815</u>
Fund Balance, Beginning			<u>7,008,244</u>	
Fund Balance, Ending			<u>\$ 5,894,899</u>	

**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, 2015**

Exhibit 33

	School Food Service Fund			Variance with
	Budgeted Amounts			Final Budget -
	Original	Final	Actual	Positive (Negative)
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	1,025,000	1,025,000	887,066	(137,934)
Intergovernmental:				
Commonwealth	89,000	89,000	101,113	12,113
Federal	<u>2,771,831</u>	<u>2,771,831</u>	<u>2,690,527</u>	<u>(81,304)</u>
Total revenues	<u>3,885,831</u>	<u>3,885,831</u>	<u>3,678,706</u>	<u>(207,125)</u>
<b>EXPENDITURES</b>				
Current:				
Food services	<u>4,024,941</u>	<u>4,224,941</u>	<u>3,678,660</u>	<u>546,281</u>
Total expenditures	<u>4,024,941</u>	<u>4,224,941</u>	<u>3,678,660</u>	<u>546,281</u>
Excess (deficiency) of revenues over expenditures	<u>(139,110)</u>	<u>(339,110)</u>	<u>46</u>	<u>339,156</u>
Net change in fund balances	<u>\$ (139,110)</u>	<u>\$ (339,110)</u>	<u>46</u>	<u>\$ 339,156</u>
Fund Balance, Beginning			<u>1,450,735</u>	
Fund Balance, Ending			<u>\$ 1,450,781</u>	

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**DISCRETELY PRESENTED COMPONENT UNIT - MCPS**  
**SCHOOL ACTIVITY FUNDS**  
**June 30, 2015**

Exhibit 34

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>ASSETS</b>				
Cash:				
Osbourn High School	\$ 431,755	\$ 644,058	\$ 682,805	\$ 393,008
Grace E. Metz Middle School	58,774	76,272	88,112	46,934
Mayfield Intermediate School	41,058	50,633	49,264	42,427
Baldwin Elementary School	15,647	46,073	49,380	12,340
Jennie Dean Elementary School	20,729	46,145	44,932	21,942
R.C. Haydon Elementary School	23,018	67,614	69,022	21,610
George C. Round Elementary School	67,189	24,275	47,256	44,208
Weems Elementary School	28,270	46,924	48,780	26,414
	<u>686,440</u>	<u>1,001,994</u>	<u>1,079,551</u>	<u>608,883</u>
Total assets	<u>686,440</u>	<u>1,001,994</u>	<u>1,079,551</u>	<u>608,883</u>
<b>LIABILITIES</b>				
Amounts held for student activity funds	<u>\$ 686,440</u>	<u>\$ 1,001,994</u>	<u>\$ 1,079,551</u>	<u>\$ 608,883</u>

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNIT - MCPS**  
**PRIVATE-PURPOSE TRUST FUNDS**  
**June 30, 2015**

Exhibit 35

	Nancy Lyons Scholarship Fund	E. Shreve Brent Scholarship Fund	Total
<b>ASSETS</b>			
Cash and investments	\$ 85,340	\$ 955,328	\$ 1,040,668
Total assets	<u>85,340</u>	<u>955,328</u>	<u>1,040,668</u>
<b>NET POSITION</b>			
Held in trust	<u>\$ 85,340</u>	<u>\$ 955,328</u>	<u>\$ 1,040,668</u>

**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, 2015**

Exhibit 36

	Nancy Lyons Scholarship Fund	E. Shreve Brent Scholarship Fund	Total
<b>ADDITIONS</b>			
Investment earnings	\$ 80	\$ 47,402	\$ 47,482
Total additions	<u>80</u>	<u>47,402</u>	<u>47,482</u>
<b>DEDUCTIONS</b>			
Scholarships distributions	<u>15,911</u>	<u>20,000</u>	<u>35,911</u>
Total deductions	<u>15,911</u>	<u>20,000</u>	<u>35,911</u>
Change in net position	(15,831)	27,402	11,571
Net position - beginning	<u>101,171</u>	<u>927,926</u>	<u>1,029,097</u>
Net position - ending	<u>\$ 85,340</u>	<u>\$ 955,328</u>	<u>\$ 1,040,668</u>



## **SUPPLEMENTAL DATA**

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## 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.

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## CITY OF MANASSAS, VIRGINIA

Table 1

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental activities					
Net investment in capital assets	\$ 180,129,887	\$ 183,920,923	\$ 184,501,768	\$ 188,286,143	\$ 187,167,835
Restricted	3,526,589	3,755,019	3,171,524	2,837,832	1,905,999
Unrestricted	(28,017,364)	(26,811,818)	(19,420,422)	(19,205,279)	(16,284,557)
Total governmental activities net position	<u>\$ 155,639,112</u>	<u>\$ 160,864,124</u>	<u>\$ 168,252,870</u>	<u>\$ 171,918,696</u>	<u>\$ 172,789,277</u>
Business-type activities					
Invested in capital assets,					
Net investment in capital assets	\$ 56,113,682	\$ 62,407,803	\$ 72,380,276	\$ 70,188,507	\$ 76,572,357
Restricted	2,776,842	2,521,141	343,478	354,727	54,724
Unrestricted	19,922,330	24,797,184	24,896,047	28,630,117	34,206,399
Total business-type activities net position	<u>\$ 78,812,854</u>	<u>\$ 89,726,128</u>	<u>\$ 97,619,801</u>	<u>\$ 99,173,351</u>	<u>\$ 110,833,480</u>
Total primary government					
Net investment in capital assets	\$ 236,243,569	\$ 246,328,726	\$ 256,882,044	\$ 258,474,650	\$ 263,740,192
Restricted	6,303,431	6,276,160	3,515,002	3,192,559	1,960,723
Unrestricted	(8,095,034)	(2,014,634)	5,475,625	9,424,838	17,921,842
Total primary government net position	<u>\$ 234,451,966</u>	<u>\$ 250,590,252</u>	<u>\$ 265,872,671</u>	<u>\$ 271,092,047</u>	<u>\$ 283,622,757</u>
Component unit - Manassas City Public Schools					
Net investment in capital assets	\$ 55,118,374	\$ 63,715,611	\$ 61,416,111	\$ 57,277,879	\$ 53,900,305
Restricted	12,857,469	1,527,377	-	-	-
Unrestricted	8,464,659	6,525,451	4,637,838	3,007,722	3,785,225
Total component unit net position	<u>\$ 76,440,502</u>	<u>\$ 71,768,439</u>	<u>\$ 66,053,949</u>	<u>\$ 60,285,601</u>	<u>\$ 57,685,530</u>
Total reporting unit					
Net investment in capital assets	\$ 233,749,468	\$ 256,220,662	\$ 268,562,880	\$ 270,383,099	\$ 274,972,222
Restricted	19,160,900	7,803,537	3,515,002	3,192,559	1,960,723
Unrestricted	57,982,100	58,334,492	59,848,738	57,801,990	64,375,342
Total reporting unit net position	<u>\$ 310,892,468</u>	<u>\$ 322,358,691</u>	<u>\$ 331,926,620</u>	<u>\$ 331,377,648</u>	<u>\$ 341,308,287</u>

Source: City of Manassas Comprehensive Annual Financial Report

Notes: Fiscal years 2006 through 2014 are presented as restated.

The sum of Invested in capital assets, net of related debt 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 Invested in capital assets, net of related debt. The total reporting unit matches the assets with the debt and reports the net amount of the Invested in capital assets, net of related debt.

## CITY OF MANASSAS, VIRGINIA

Table 1

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

<b>Fiscal Year</b>				
<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$ 187,046,616	\$ 190,610,490	\$ 192,612,544	\$ 239,215,472	\$ 237,700,797
4,863,154	681,134	100,000	100,000	961,775
(13,758,457)	(5,238,442)	(2,884,806)	(2,607,237)	(59,515,691)
<u>\$ 178,151,313</u>	<u>\$ 186,053,182</u>	<u>\$ 189,827,738</u>	<u>\$ 236,708,235</u>	<u>\$ 179,146,881</u>
\$ 74,485,176	\$ 82,091,882	\$ 88,046,880	\$ 86,301,566	\$ 89,811,588
3,060,310	-	-	-	1,116,832
45,688,265	51,375,758	51,403,397	44,362,216	41,056,499
<u>\$ 123,233,751</u>	<u>\$ 133,467,640</u>	<u>\$ 139,450,277</u>	<u>\$ 130,663,782</u>	<u>\$ 131,984,919</u>
\$ 261,531,792	\$ 272,702,372	\$ 280,659,424	\$ 325,517,038	\$ 327,512,385
7,923,464	681,134	100,000	100,000	2,078,607
31,929,808	46,137,316	48,518,591	41,754,979	(18,459,192)
<u>\$ 301,385,064</u>	<u>\$ 319,520,822</u>	<u>\$ 329,278,015</u>	<u>\$ 367,372,017</u>	<u>\$ 311,131,800</u>
\$ 51,214,420	\$ 49,095,596	\$ 46,206,590	\$ 46,519,834	\$ 50,714,094
-	-	-	3,535,677	35,840,374
4,788,337	4,598,515	4,343,729	5,504,087	(84,983,251)
<u>\$ 56,002,757</u>	<u>\$ 53,694,111</u>	<u>\$ 50,550,319</u>	<u>\$ 55,559,598</u>	<u>\$ 1,571,217</u>
\$ 273,768,712	\$ 286,415,968	\$ 294,871,514	\$ 340,042,372	\$ 346,019,702
8,023,464	681,134	100,000	3,635,677	37,918,981
75,595,645	86,117,831	84,856,820	79,253,566	(71,235,666)
<u>\$ 357,387,821</u>	<u>\$ 373,214,933</u>	<u>\$ 379,828,334</u>	<u>\$ 422,931,615</u>	<u>\$ 312,703,017</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				
	2006	2007	2008	2009	2010
<b>Expenses</b>					
Governmental activities:					
General government	\$ 10,153,438	\$ 7,995,896	\$ 8,485,619	\$ 8,600,672	\$ 8,473,478
Public safety	16,543,855	20,773,741	22,315,459	24,236,806	24,539,618
Public works	9,161,689	10,195,139	10,338,179	9,796,492	9,405,335
Health and welfare	7,692,521	8,730,682	8,657,439	8,435,426	7,973,696
Culture, recreation, development	8,720,514	6,510,141	5,842,629	6,499,227	6,138,833
Education	53,604,226	48,102,935	48,443,875	48,924,698	47,592,844
Interest on long term debt	1,841,298	3,461,780	3,009,189	2,785,179	2,605,659
Bond issuance costs	-	-	-	-	-
Total governmental activities	107,717,541	105,770,314	107,092,389	109,278,500	106,729,463
Business-type activities:					
Electric	50,258,549	55,128,224	59,507,858	61,712,947	51,914,838
Water	6,823,570	7,667,438	7,417,192	7,397,777	6,989,962
Sewer	8,504,190	9,370,635	11,477,209	12,009,823	12,138,037
Airport	2,497,631	2,510,742	2,790,729	3,390,014	3,392,717
Solid Waste	2,570,552	2,655,728	2,656,126	2,815,686	2,868,737
City Square Pavilion	423,748	438,519	425,006	298,683	317,848
Candy Factory	168,020	190,157	177,279	198,440	191,763
Parking Garage	-	-	-	-	-
Stormwater	-	-	-	-	-
Telecommunications	395,351	251,989	327,516	675,703	521,024
Total business-type activities	71,641,611	78,213,432	84,778,915	88,499,073	78,334,926
Total primary government	\$ 179,359,152	\$ 183,983,746	\$ 191,871,304	\$ 197,777,573	\$ 185,064,389
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 484,100	\$ 12,533	\$ 91,197	\$ 124,380	\$ 463,437
Public safety	611,576	2,176,120	2,181,634	1,776,805	1,909,779
Public works	962,075	1,363,215	1,061,618	1,294,376	643,891
Health and welfare	54,619	74,298	64,651	65,900	33,348
Culture, recreation, development	436,225	1,037,388	509,641	392,047	406,412
Operating grants/contributions	9,427,043	9,110,430	11,438,714	9,192,809	8,804,363
Capital grants/contributions	663,245	62,500	-	-	-
Total governmental activities	12,638,883	13,836,484	15,347,455	12,846,317	12,261,230
Business-type activities:					
Charges for services:					
Electric	51,499,542	58,233,774	61,160,340	63,332,951	54,968,258
Water	6,991,660	8,599,256	8,893,622	9,232,312	10,301,071
Sewer	9,189,046	10,302,215	10,727,954	11,905,882	12,091,738
Airport	1,565,442	1,734,558	1,862,187	1,929,298	2,080,115
Solid Waste	2,527,764	2,523,788	2,597,354	2,772,014	2,896,323
City Square Pavilion	9,748	11,249	11,657	13,354	13,526
Candy Factory	28,750	25,600	32,060	30,609	27,984
Parking Garage	-	-	-	-	-
Stormwater	-	-	-	-	-
Telecommunications	165,160	162,512	197,777	386,666	325,228
Operating grants/contributions	128,598	102,408	80,563	111,479	1,652,441
Capital grants/contributions	1,843,256	6,740,435	5,474,062	1,277,198	6,612,727
Total business-type activities	73,948,966	88,435,795	91,037,576	90,991,763	90,969,411
Total primary government	\$ 86,587,849	\$ 102,272,279	\$ 106,385,031	\$ 103,838,080	\$ 103,230,641



## CITY OF MANASSAS, VIRGINIA

Table 2, Page 2 of 4

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

Fiscal Year				
2011	2012	2013	2014	2015
\$ 8,411,567	\$ 8,339,202	\$ 8,864,313	\$ 8,889,060	\$ 9,656,080
24,460,979	25,608,165	28,575,011	28,751,948	29,046,682
8,435,069	8,496,181	8,905,254	10,001,107	10,021,004
7,490,361	7,046,876	7,046,417	7,873,882	8,226,526
6,731,424	5,966,162	5,806,374	5,366,949	5,922,737
47,123,718	48,125,649	48,014,667	57,448,414	90,297,919
2,758,789	2,421,533	2,170,239	2,144,525	2,652,212
-	-	-	-	472,373
105,411,907	106,003,768	109,382,275	120,475,885	156,295,533
59,998,016	65,718,110	61,360,909	66,181,787	48,812,825
6,849,916	7,330,693	8,276,499	7,745,000	8,062,024
11,976,128	12,091,241	12,392,026	12,618,910	13,113,008
3,369,665	3,505,497	3,563,277	3,548,396	4,172,683
2,957,779	3,058,172	3,117,943	3,191,138	3,400,730
370,416	345,831	316,921	328,600	302,350
199,396	212,488	198,263	198,763	198,763
-	38,409	43,863	40,189	42,383
-	-	-	-	348,923
-	-	-	-	-
85,721,316	92,300,441	89,269,701	93,852,783	78,453,689
\$ 191,133,223	\$ 198,304,209	\$ 198,651,976	\$ 214,328,668	\$ 234,749,222
\$ 769,067	\$ 1,458,699	\$ 793,268	\$ 965,601	\$ 794,125
1,755,053	1,853,608	1,912,366	1,835,901	2,038,460
865,261	1,319,174	1,453,769	965,091	632,645
38,807	41,545	36,150	37,549	35,950
405,456	403,140	436,111	602,636	621,092
11,968,013	11,780,598	7,851,624	7,568,603	7,659,004
-	-	211,730	46,562,063	2,338,510
15,801,657	16,856,764	12,695,018	58,537,444	14,119,786
63,213,305	65,345,470	61,766,073	63,967,176	48,774,461
10,760,754	11,839,939	10,721,365	9,680,679	9,145,951
14,260,452	14,508,871	14,588,115	14,174,279	14,000,269
2,134,108	2,292,410	2,330,193	2,388,024	2,411,487
2,916,356	3,002,388	3,125,895	3,164,902	3,297,110
16,787	22,920	19,764	23,816	26,482
30,397	27,464	29,484	27,984	27,984
-	2,331	23,064	30,136	28,292
-	-	-	-	582,275
-	-	-	-	-
289,574	151,253	90,738	121,607	61,649
6,019,525	7,008,212	4,764,229	2,254,331	6,730,158
99,641,258	104,201,258	97,458,920	95,832,934	85,086,118
\$ 115,442,915	\$ 121,058,022	\$ 110,153,938	\$ 154,370,378	\$ 99,205,904

## CITY OF MANASSAS, VIRGINIA

Table 2, Page 3 of 4

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

	2006	2007	2008	2009	2010
<b>Net revenue (expenses)</b>					
Governmental activities	\$ (95,078,658)	\$ (91,933,830)	\$ (91,744,934)	\$ (96,432,183)	\$ (94,468,233)
Business-type activities	2,307,355	10,222,363	6,258,661	2,492,690	12,634,485
Total primary government	<u>\$ (92,771,303)</u>	<u>\$ (81,711,467)</u>	<u>\$ (85,486,273)</u>	<u>\$ (93,939,493)</u>	<u>\$ (81,833,748)</u>
<b>General revenues and other</b>					
Governmental activities:					
Taxes	\$ 77,135,694	\$ 79,492,663	\$ 85,077,974	\$ 85,999,880	\$ 77,135,239
Unrestricted grants	5,473,873	4,082,918	3,993,249	3,933,837	8,117,505
Other	5,086,545	5,963,073	3,149,103	2,991,923	3,252,349
Payment from MCPS	6,357,895	6,827,645	6,287,164	5,774,990	5,637,807
Transfers	970,399	792,543	626,190	1,397,379	1,195,914
Total governmental activities	<u>95,024,406</u>	<u>97,158,842</u>	<u>99,133,680</u>	<u>100,098,009</u>	<u>95,338,814</u>
Business-type activities:					
Unrestricted investment earnings	527,565	994,381	1,409,308	481,835	115,836
Other	611,405	489,073	851,894	(23,596)	105,722
Transfers	(970,399)	(792,543)	(626,190)	(1,397,379)	(1,195,914)
Total business-type activities	<u>168,571</u>	<u>690,911</u>	<u>1,635,012</u>	<u>(939,140)</u>	<u>(974,356)</u>
Total primary government	<u>\$ 95,192,977</u>	<u>\$ 97,849,753</u>	<u>\$ 100,768,692</u>	<u>\$ 99,158,869</u>	<u>\$ 94,364,458</u>
<b>Changes in Net Position</b>					
Governmental activities	\$ (54,252)	\$ 5,225,012	\$ 7,388,746	\$ 3,665,826	\$ 870,581
Business-type activities	2,475,926	10,913,274	7,893,673	1,553,550	11,660,129
Total primary government	<u>\$ 2,421,674</u>	<u>\$ 16,138,286</u>	<u>\$ 15,282,419</u>	<u>\$ 5,219,376</u>	<u>\$ 12,530,710</u>

Source: City of Manassas Comprehensive Annual Financial Report

Note: Fiscal years 2003 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)**

<b>Fiscal Year</b>				
<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
\$ (89,610,250)	\$ (89,147,004)	\$ (96,687,257)	\$ (61,938,441)	\$ (142,175,747)
13,919,942	11,900,817	8,189,219	1,980,151	6,632,429
<u>\$ (75,690,308)</u>	<u>\$ (77,246,187)</u>	<u>\$ (88,498,038)</u>	<u>\$ (59,958,290)</u>	<u>\$ (135,543,318)</u>
\$ 77,640,223	\$ 79,587,120	\$ 82,026,887	\$ 86,865,855	\$ 91,654,559
8,204,284	7,926,918	8,052,773	8,159,679	8,090,939
2,594,066	2,362,609	3,080,490	2,911,774	2,737,775
5,410,273	5,263,956	4,913,003	4,792,911	5,000,876
1,123,440	1,908,270	2,388,660	4,679,697	493,575
<u>94,972,286</u>	<u>97,048,873</u>	<u>100,461,813</u>	<u>107,409,916</u>	<u>107,977,724</u>
90,745	60,707	73,908	60,294	51,716
(486,976)	180,635	108,169	194,033	1,955,666
<u>(1,123,440)</u>	<u>(1,908,270)</u>	<u>(2,388,660)</u>	<u>(4,679,697)</u>	<u>(493,575)</u>
<u>(1,519,671)</u>	<u>(1,666,928)</u>	<u>(2,206,583)</u>	<u>(4,425,370)</u>	<u>1,513,807</u>
<u>\$ 93,452,615</u>	<u>\$ 95,381,945</u>	<u>\$ 98,255,230</u>	<u>\$ 102,984,546</u>	<u>\$ 109,491,531</u>
\$ 5,362,036	\$ 7,901,869	\$ 3,774,556	\$ 45,471,475	\$ (34,198,023)
12,400,271	10,233,889	5,982,636	(2,445,219)	8,146,236
<u>\$ 17,762,307</u>	<u>\$ 18,135,758</u>	<u>\$ 9,757,192</u>	<u>\$ 43,026,256</u>	<u>\$ (26,051,787)</u>

## CITY OF MANASSAS, VIRGINIA

Table 3

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

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Primary Government:</b>					
Governmental activities:					
General government	\$ 752,184	\$ 320,434	\$ 422,049	\$ 465,871	\$ 778,728
Public safety	1,227,120	3,919,782	4,067,101	3,369,305	2,876,241
Public works	4,604,965	4,602,690	6,587,453	5,052,596	4,771,216
Health and welfare	5,611,614	3,888,690	3,761,211	3,566,498	3,428,633
Culture, recreation, development	443,000	1,104,888	509,641	392,047	406,412
Total governmental activities	12,638,883	13,836,484	15,347,455	12,846,317	12,261,230
Business-type activities:					
Electric	51,541,115	60,949,683	61,977,984	63,332,951	54,974,184
Water	6,991,660	8,599,256	8,893,622	9,251,337	10,301,972
Sewer	9,189,046	10,302,215	10,727,954	11,905,882	12,091,738
Airport	2,382,984	5,005,591	5,213,933	2,736,432	9,073,997
Solid waste	2,536,509	2,530,451	2,605,861	2,780,120	2,902,852
Stormwater	-	-	-	-	-
Other business-type activities	203,658	199,361	241,494	430,629	366,738
Total business-type activities	72,844,972	87,586,557	89,660,848	90,437,351	89,711,481
Total primary government	\$ 85,483,855	\$ 101,423,041	\$ 105,008,303	\$ 103,283,668	\$ 101,972,711
<b>Component unit:</b>					
Manassas city public schools	\$ 35,944,448	\$ 37,825,783	\$ 39,178,665	\$ 41,451,188	\$ 41,209,426
Total component unit	\$ 35,944,448	\$ 37,825,783	\$ 39,178,665	\$ 41,451,188	\$ 41,209,426
	Fiscal Year				
	2011	2012	2013	2014	2015
<b>Primary Government:</b>					
Governmental activities:					
General government	\$ 1,025,292	\$ 1,718,270	\$ 1,078,275	\$ 1,249,770	\$ 1,109,629
Public safety	3,027,236	6,681,747	3,450,067	2,415,567	2,519,179
Public works	7,521,426	4,717,284	5,046,339	51,042,204	6,512,926
Health and welfare	3,317,247	3,320,815	2,671,226	3,222,267	3,321,128
Culture, recreation, development	910,456	418,648	449,111	607,636	656,924
Total governmental activities	15,801,657	16,856,764	12,695,018	58,537,444	14,119,786
Business-type activities:					
Electric	64,622,214	65,993,354	61,801,837	63,967,176	49,191,776
Water	13,859,866	16,065,286	10,755,883	9,777,191	9,178,718
Sewer	14,260,452	14,572,682	14,588,115	14,194,383	14,050,269
Airport	3,439,671	4,240,026	7,030,452	4,639,027	8,694,904
Solid waste	2,922,060	3,008,923	3,135,325	3,173,221	3,305,418
Stormwater	-	-	-	-	582,275
Other business-type activities	47,184	52,715	72,312	81,936	82,758
Total business-type activities	99,151,447	103,932,986	97,383,924	95,832,934	85,086,118
Total primary government	\$ 114,953,104	\$ 120,789,750	\$ 110,078,942	\$ 154,370,378	\$ 99,205,904
<b>Component unit:</b>					
Manassas city public schools	\$ 41,674,204	\$ 45,070,026	\$ 49,018,321	\$ 49,444,533	\$ 52,919,173
Total component unit	\$ 41,674,204	\$ 45,070,026	\$ 49,018,321	\$ 49,444,533	\$ 52,919,173

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				
	2006	2007	2008	2009	2010
<b>Pre-GASB 54 implementation:</b>					
General fund					
Reserved	\$ 3,076,613	\$ 3,301,206	\$ 4,498,123	\$ 4,135,238	\$ 4,867,143
Unreserved, designated	1,342,139	2,800,921	3,231,404	2,645,900	2,245,748
Unreserved, undesignated	14,910,285	14,052,538	11,407,179	12,194,000	13,891,163
Total general fund	<u>\$ 19,329,037</u>	<u>\$ 20,154,665</u>	<u>\$ 19,136,706</u>	<u>\$ 18,975,138</u>	<u>\$ 21,004,054</u>
All other governmental funds					
Reserved	\$ 10,009,929	\$ 7,443,946	\$ 4,920,000	\$ 3,209,641	\$ 2,882,100
Unreserved, reported in:					
Special revenue funds	243,956	603,515	1,400,013	1,474,944	1,567,040
Capital projects funds	4,317,271	3,335,098	6,641,066	4,139,318	2,144,276
Total all other governmental funds	<u>\$ 14,571,156</u>	<u>\$ 11,382,559</u>	<u>\$ 12,961,079</u>	<u>\$ 8,823,903</u>	<u>\$ 6,593,416</u>
	Fiscal Year				
	2011	2012	2013	2014	2015
<b>Post-GASB 54 implementation:</b>					
General fund					
Nonspendable	950,239	1,450,187	410,693	395,877	574,599
Restricted	2,999,143	2,575,633	2,982,051	2,448,897	2,142,060
Committed	7,505,941	7,033,509	5,234,941	4,978,410	5,535,887
Assigned	-	-	-	-	109,024
Unassigned	11,878,166	12,193,722	12,136,198	12,665,075	13,145,824
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>
All other governmental funds					
Nonspendable:					
Permanent fund principal	100,000	100,000	100,000	100,000	100,000
Restricted, reported in:					
Special revenue funds	2,608,460	3,537,436	3,286,743	4,042,312	4,777,208
Capital projects funds	4,863,154	581,134	-	2,769,038	2,231,656
Permanent fund	83,279	70,543	70,813	156,607	161,775
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
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>

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				
	2006	2007	2008	2009	2010
<b>Revenues</b>					
General property taxes	\$ 55,014,389	\$ 58,284,664	\$ 62,918,748	\$ 66,747,985	\$ 63,697,942
Other local taxes	21,849,580	21,237,921	19,687,511	18,355,300	14,897,257
Permits, fees, licenses	1,012,373	885,919	913,331	533,860	923,525
Fines and forfeitures	718,507	633,223	544,266	509,871	521,655
Use of money and property	2,384,694	2,422,607	1,349,399	544,697	276,216
Charges for services	817,715	1,230,695	1,244,643	1,208,576	1,144,351
Payment in lieu of debt service	6,247,895	6,827,645	6,287,164	5,774,990	5,637,807
Recovered costs	1,416,630	1,519,416	1,593,210	1,656,460	1,973,170
Miscellaneous	1,305,566	2,779,960	1,555,185	1,944,405	1,401,785
Intergovernmental	15,564,161	13,255,848	15,431,962	13,126,646	16,921,868
Total Revenues	<u>106,331,510</u>	<u>109,077,898</u>	<u>111,525,419</u>	<u>110,402,790</u>	<u>107,395,576</u>
<b>Expenditures</b>					
General government administration	7,458,300	7,775,056	8,251,309	8,282,142	8,087,758
Public safety	19,644,976	20,540,744	21,432,111	23,181,421	23,619,295
Public works	4,590,352	5,937,436	5,989,842	5,194,725	5,312,789
Health and welfare	7,791,229	8,666,345	8,594,700	8,416,209	7,976,335
Culture, recreation	7,603,100	6,142,894	5,301,265	6,010,353	5,735,016
Education	44,804,226	48,102,935	48,443,875	48,924,698	47,592,844
Education-School Facilities	8,800,000	-	-	-	-
Non Departmental					
Capital outlay	4,713,826	7,431,345	4,499,479	7,372,921	4,308,676
Debt service					
Principal retirement	5,354,711	5,721,200	5,448,966	5,256,466	5,285,032
Interest and fiscal charges	2,820,087	3,421,836	3,109,315	2,906,134	2,721,773
Bond Issuance costs	-	-	-	-	-
Total expenditures	<u>113,580,807</u>	<u>113,739,791</u>	<u>111,070,862</u>	<u>115,545,069</u>	<u>110,639,518</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ (7,249,297)	\$ (4,661,893)	\$ 454,557	\$ (5,142,279)	\$ (3,243,942)
<b>Other financing sources (uses)</b>					
Transfers in	5,682,391	4,906,749	4,282,488	5,008,434	10,305,313
Transfers out	(4,950,636)	(4,268,727)	(4,176,483)	(4,164,899)	(9,530,605)
Proceeds from issuance of bonds	35,073,920	1,003,901	-	-	2,200,000
Proceeds from issuance of premium on bonds	-	-	-	-	67,663
Payment to refunded bond escrow age	(15,093,920)	-	-	-	-
Capital lease	-	-	-	-	-
Other	286,172	657,000	-	-	-
Total other financing sources (uses)	<u>20,997,927</u>	<u>2,298,923</u>	<u>106,005</u>	<u>843,535</u>	<u>3,042,371</u>
<b>Net change in fund balance</b>	<u>\$ 13,748,630</u>	<u>\$ (2,362,970)</u>	<u>\$ 560,562</u>	<u>\$ (4,298,744)</u>	<u>\$ (201,571)</u>
Debt service as a percentage of noncapital expenditures	7.5%	8.6%	8.0%	7.5%	7.5%

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

2011	2012	2013	2014	2015
\$ 62,613,605	\$ 63,518,398	\$ 64,499,818	\$ 69,152,354	\$ 73,313,910
16,045,899	16,593,452	17,516,677	17,703,001	17,944,186
784,597	779,823	929,999	796,896	944,973
633,285	793,663	803,283	637,403	668,975
324,979	287,212	284,224	286,872	307,417
1,072,428	1,097,365	1,140,610	1,221,953	1,194,458
5,410,273	5,263,956	4,913,003	4,792,911	5,000,876
1,973,170	1,887,460	1,922,080	1,951,150	2,101,870
1,350,794	2,405,303	2,563,751	2,304,867	1,601,879
20,101,400	19,707,516	16,116,127	18,019,681	18,052,021
110,310,430	112,334,148	110,689,572	116,867,088	121,130,565
8,126,487	8,175,771	8,711,499	8,668,542	9,041,926
23,838,881	25,150,135	28,109,517	28,617,782	28,398,747
4,158,164	3,954,503	4,381,295	4,787,857	4,328,697
7,458,336	7,032,635	7,034,040	7,834,030	8,277,227
6,369,224	5,661,189	5,521,613	5,109,182	5,558,630
47,123,718	48,125,649	48,014,667	51,334,432	90,297,919
-	-	-	-	-
8,964,479	5,460,088	5,796,525	7,355,398	5,042,455
4,827,350	5,058,445	4,911,579	4,946,984	5,123,293
2,811,252	2,403,570	2,234,419	2,131,062	2,049,473
-	-	-	-	472,373
113,677,891	111,021,985	114,715,154	120,785,269	158,590,740
\$ (3,367,461)	\$ 1,312,163	\$ (4,025,582)	\$ (3,918,181)	\$ (37,460,175)
4,315,802	8,058,273	7,439,151	8,370,750	6,776,635
(3,270,466)	(6,186,212)	(5,628,361)	(3,812,053)	(6,469,955)
21,539,489	-	-	3,814,050	46,101,800
2,553,885	-	-	178,380	4,401,863
(20,654,771)	-	-	-	(12,794,921)
-	-	196,568	-	-
-	-	-	51,518	33,196
4,483,939	1,872,061	2,007,358	8,602,645	38,048,618
\$ 1,116,478	\$ 3,184,224	\$ (2,018,224)	\$ 4,684,464	\$ 588,443
7.3%	7.1%	6.6%	6.2%	4.7%

## CITY OF MANASSAS, VIRGINIA

Table 6

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Real property	\$ 43,604,988	\$ 46,144,523	\$ 51,019,031	\$ 54,249,494	\$ 52,749,987
Personal property	10,300,880	11,076,499	10,677,820	10,934,245	9,322,059
Other	1,108,520	1,063,642	1,221,897	1,564,246	1,625,896
Total property taxes	<u>55,014,388</u>	<u>58,284,664</u>	<u>62,918,748</u>	<u>66,747,985</u>	<u>63,697,942</u>
Sales	7,778,776	8,129,713	7,082,425	6,440,055	6,881,710
Business licenses	3,029,004	3,490,912	3,017,478	2,869,132	2,450,090
Meals	2,596,486	2,682,545	2,640,665	2,547,151	2,423,969
Communications	-	1,420,444	3,312,500	3,009,702	-
Other	7,779,707	5,514,307	3,634,443	3,489,260	3,141,488
Total other local taxes	<u>21,183,973</u>	<u>21,237,921</u>	<u>19,687,511</u>	<u>18,355,300</u>	<u>14,897,257</u>
Total tax revenues	<u>\$ 76,198,361</u>	<u>\$ 79,522,585</u>	<u>\$ 82,606,259</u>	<u>\$ 85,103,285</u>	<u>\$ 78,595,199</u>

	Fiscal Year				
	2011	2012	2013	2014	2015
Real property	\$ 51,703,328	\$ 52,321,058	\$ 52,523,333	\$ 56,668,858	\$ 59,628,262
Personal property	9,133,899	9,475,950	10,375,908	10,749,146	11,819,907
Other	1,776,378	1,721,390	1,600,577	1,734,350	1,865,741
Total property taxes	<u>62,613,605</u>	<u>63,518,398</u>	<u>64,499,818</u>	<u>69,152,354</u>	<u>73,313,910</u>
Sales	7,305,186	7,210,697	7,811,499	7,581,829	7,555,344
Business licenses	2,759,079	2,931,782	2,957,117	3,110,196	3,075,033
Meals	2,584,054	2,894,531	3,094,965	3,315,080	3,406,893
Communications	-	-	-	-	-
Other	3,397,580	3,556,442	3,653,096	3,695,896	3,906,916
Total other local taxes	<u>16,045,899</u>	<u>16,593,452</u>	<u>17,516,677</u>	<u>17,703,001</u>	<u>17,944,186</u>
Total tax revenues	<u>\$ 78,659,504</u>	<u>\$ 80,111,850</u>	<u>\$ 82,016,495</u>	<u>\$ 86,855,355</u>	<u>\$ 91,258,096</u>

Source: City of Manassas Comprehensive Annual Financial Report

Notes: Fiscal year 2006 is presented as restated

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



## CITY OF MANASSAS, VIRGINIA

Table 7

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

Tax Year	Real Property			Total Direct Tax Rate	Real & Personal Property Public Service	Personal Property		Total Assessed & Actual Value	Total Taxable Assessed & Actual Value
	Residential	Commercial	Tax Exempt			Tangible Personal Property	Machinery & Tools		
2006	\$ 4,094,450,400	\$ 1,495,603,600	\$752,934,300	0.815	\$ 76,027,798	\$ 313,024,370	\$ 238,122,175	\$6,970,162,643	\$6,217,228,343
2007	4,110,384,900	1,552,164,900	864,839,600	0.855	75,516,362	336,796,415	371,201,965	7,310,904,142	6,446,064,542
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

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**

<b>Tax Year</b>	<b>General</b>	<b>Fire Rescue Levy</b>	<b>Total Direct Real Property</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Aircraft</b>
2006	\$ 0.815	\$ -	\$ 0.815	\$ 3.050	\$ 1.900	\$ 0.00001
2007	0.855	-	0.855	3.050	1.900	0.00001
2008	1.015	0.100	1.115	3.250	2.100	0.00001
2009	1.350	0.143	1.493	3.250	2.100	0.00001
2010	1.318	0.154	1.472	3.250	2.100	0.00001
2011	0.659	0.077	0.736	3.250	2.100	0.00001
2012	1.226	0.169	1.395	3.250	2.100	0.00001
2013	1.192	0.174	1.366	3.250	2.100	0.00001
2014	1.211	0.182	1.393	3.250	2.100	0.00001
2015	1.190	0.178	1.368	3.250	2.100	0.00001

Source: City of Manassas Commissioner of the Revenue

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

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

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

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

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

Semiconductor manufacturing machinery & tools is taxed at a different rate than that noted above.

*Go to [www.manassascity.org](http://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	2015			2006		
	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	2.3%	\$ 101,480,400	2	1.8%
Micron Technology	98,066,200	2	2.2%	101,773,200	1	1.8%
UDR Wellington Place	62,033,100	3	1.4%	36,556,000	5	0.7%
Battery Heights Associates	53,066,000	4	1.2%	43,352,800	3	0.8%
Prince William Medical Center	31,744,600	5	0.7%	34,614,300	6	0.6%
Verizon South	27,400,315	6	0.6%	39,777,600	4	0.7%
Davis Ford Crossing, LLC	27,286,000	7	0.6%	30,425,000	7	0.5%
WT/CAP Manassas Courts Apt.	26,634,400	8	0.6%	-		0.0%
Fairfield Village Square	25,348,200	9	0.6%	25,523,800	9	0.5%
Van Metre Barrington Park	23,748,700	10	0.5%	-		0.0%
Liberia Development Corp.				26,783,100	8	0.5%
Signal Hill Two LLC				22,451,900	10	0.4%
Totals	<u>\$ 475,870,915</u>		<u>10.7%</u>	<u>\$ 462,738,100</u>		<u>8.3%</u>

Source: City of Manassas Commissioner of the Revenue

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

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

\$5,590,054,000 - 2006

\$4,427,664,700 - 2015

## 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					
		2006	2007	2008	2009	2010	2011
2005	\$ 21,069,446	\$ 21,069,446	\$ -	\$ -	\$ -	\$ -	\$ -
2006	45,487,710	22,743,855	22,743,855	-	-	-	-
2007	47,837,204	-	23,918,602	23,918,602	-	-	-
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	-	-	-	-	-	-
2013	52,668,751	-	-	-	-	-	-
2014	56,428,143	-	-	-	-	-	-
2015	59,630,272	-	-	-	-	-	-
Total Levy for Fiscal Year		\$ 43,813,301	\$ 46,662,457	\$ 51,439,713	\$ 55,297,716	\$ 53,907,095	\$ 52,139,297

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
2006	\$ 43,813,301	\$ 42,651,696	97.35%	\$ 1,161,555	\$ 43,813,251	100.00%	\$ 1,497,043	3.42%
2007	46,662,457	44,456,148	95.27%	2,203,781	46,659,929	99.99%	1,607,795	3.45%
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%	1,889,494	55,289,029	99.98%	2,525,401	4.57%
2010	53,907,095	51,987,471	96.44%	1,901,540	53,889,011	99.97%	2,472,448	4.59%
2011	52,139,297	50,353,653	96.58%	1,782,724	52,136,377	99.99%	1,785,797	3.43%
2012	52,254,647	50,861,085	97.33%	1,380,585	52,241,670	99.98%	2,321,143	4.44%
2013	52,668,751	51,440,592	97.67%	1,191,851	52,632,443	99.93%	1,919,644	3.64%
2014	56,428,143	55,060,273	97.58%	836,287	55,896,560	99.06%	1,460,048	2.59%
2015	59,630,272	58,540,515	98.17%	-	58,540,515	98.17%	1,405,624	2.36%

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
2012	2013	2014	2015	
\$ -	\$ -	\$ -	\$ -	2005
-	-	-	-	2006
-	-	-	-	2007
-	-	-	-	2008
-	-	-	-	2009
-	-	-	-	2010
-	-	-	-	2011
52,254,647	-	-	-	2012
-	52,668,751	-	-	2013
-	-	56,428,143	-	2014
-	-	-	59,630,272	2015
<u>\$ 52,254,647</u>	<u>\$ 52,668,751</u>	<u>\$ 56,428,143</u>	<u>\$ 59,630,272</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

## 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	
	General Obligation Bonds	State Literary Loans	Capital Leases	Notes	General Obligation Bonds	Other Obligations		Personal Income	Per Capita
2006	\$ 74,467,620	\$ 1,820,275	\$ 2,778,000	\$ -	\$ 17,658,610	\$ -	\$ 96,724,505	6.67%	\$ 2,726
2007	69,148,420	1,418,275	2,482,029	1,003,096	15,735,337	-	89,787,157	6.06%	2,579
2008	64,252,430	1,116,239	2,227,607	752,925	30,481,425	-	98,830,626	6.51%	2,852
2009	59,837,150	814,275	1,841,720	501,949	28,659,250	-	91,654,344	5.71%	2,510
2010	57,601,950	512,275	1,483,960	250,973	29,714,312	-	89,563,470	5.32%	2,368
2011	56,399,910	225,000	1,150,534	-	30,603,393	-	88,378,837	4.87%	2,246
2012	51,881,400	-	828,023	-	28,260,978	-	80,970,401	4.30%	1,987
2013	49,370,944	-	659,593	-	26,628,741	-	76,659,278	4.01%	1,837
2014	52,403,935	-	401,974	-	27,922,083	-	80,727,992	n/a	1,918
2015	81,863,520	-	156,427	-	25,531,735	1,568,000	109,119,682	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**

<b>Fiscal Year</b>	<b>Outstanding General Obligation Bonds</b>	<b>Outstanding State Literary Loans</b>	<b>Total Outstanding Bonds Supported by Taxpayers</b>	<b>Percentage of Outstanding Bonds to Total Taxable Assessed and Actual Value of Real Property</b>	<b>Outstanding Bonds Per Capita</b>
2006	\$ 74,467,620	\$ 1,820,275	\$ 76,287,895	1.36%	\$ 2,150
2007	69,148,420	1,418,275	70,566,695	1.25%	2,027
2008	64,252,430	1,116,239	65,368,669	1.31%	1,886
2009	59,837,150	814,275	60,651,425	1.61%	1,661
2010	57,601,950	512,275	58,114,225	1.62%	1,537
2011	56,399,910	225,000	56,624,910	1.49%	1,439
2012	51,881,400	-	51,881,400	1.33%	1,273
2013	49,370,944	-	49,370,944	1.20%	1,183
2014	52,403,935	-	52,403,935	1.25%	1,245
2015	81,863,520	-	81,863,520	1.85%	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.

General Bonded Debt from Business Type Activities (not repaid with property taxes) is not reflected nor used to calculate a general bonded debt ratio in this table.

n/a = not available

## CITY OF MANASSAS, VIRGINIA

Table 13

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt limit	\$ 559,005,400	\$ 566,254,980	\$ 498,242,480	\$ 375,902,670	\$ 359,178,260
Total net debt applicable to limit	93,946,505	86,302,032	95,850,094	89,310,675	87,828,537
Legal debt margin	\$ 465,058,895	\$ 479,952,948	\$ 402,392,386	\$ 286,591,995	\$ 271,349,723
Total net debt applicable to limit as a percent of debt limit	16.81%	15.24%	19.24%	23.76%	24.45%

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				
	2011	2012	2013	2014	2015
Debt limit	\$ 379,675,090	\$ 391,250,530	\$ 410,511,380	\$ 418,621,640	\$ 442,766,470
Total net debt applicable to limit	87,228,303	80,142,378	75,999,685	80,326,018	107,395,255
Legal debt margin	<u>\$ 292,446,787</u>	<u>\$ 311,108,152</u>	<u>\$ 334,511,695</u>	<u>\$ 338,295,622</u>	<u>\$ 335,371,215</u>
 Total net debt applicable to limit as a percent of debt limit	 22.97%	 20.48%	 18.51%	 19.19%	 24.26%

**Legal Debt Margin Calculation for Fiscal Year 2015**

Real property assessed value January 1, 2014, used for FY2015 (7/1/2014 - 6/30/2015)	\$ 5,135,475,800
Less exempt real property assessed value	<u>(707,811,100)</u>
Total taxable real property assessed value	4,427,664,700
 Debt limit (10% of taxable real property assessed value)	 442,766,470
 Total net debt applicable to limit June 30, 2015	 <u>107,395,255</u>
Legal debt margin	<u><u>\$ 335,371,215</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)
2006	35,488	\$ 1,449,259,000	\$ 40,838	6,525	2.9%
2007	34,817	1,481,533,000	42,552	6,575	2.8%
2008	34,656	1,517,344,000	43,783	6,474	4.0%
2009	36,514	1,605,521,000	43,970	6,566	7.4%
2010	37,821	1,682,127,000	44,476	6,684	7.0%
2011	39,358	1,816,568,000	46,155	6,936	6.2%
2012	40,742	1,880,936,000	46,167	7,104	5.9%
2013	41,725	1,909,336,000	45,760	7,220	5.7%
2014	42,081	n/a	n/a	7,218	5.1%
2015	n/a	n/a	n/a	7,442	4.5%

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 Eight Years Ago

Employer	2014			2006		
	Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
Micron Technology	1,560	1	7.3%	1,186	3	6.0%
Manassas City Public Schools (FTE)	1,054	2	5.0%	919	4	4.6%
Lockheed Martin	962	3	4.5%	1,500	1	7.5%
Novant Prince William Health System	643	4	3.0%	1,400	2	7.0%
City of Manassas (FTE)	441	5	2.1%	468	5	2.4%
American Disposal Service	439	6	2.1%			
BAE Systems	265	7	1.2%	350	6	1.8%
S.W.I.F.T.	213	8	1.0%	275	8	1.4%
ARS (American Residential Svcs)	193	9	0.9%			
Aurora Flight Sciences	188	10	0.9%	200	10	1.0%
Battlefield Ford	136	11	0.6%			
CGI (Oberon Assoc)	82	12	0.4%	275	7	1.4%
Colgan Air				250	9	1.3%
Totals	<u>6,176</u>		<u>29.10%</u>	<u>6,823</u>		<u>34.4%</u>
Total City Employment	21,227					

Source: City of Manassas Economic Development Department

Notes: Calendar year 2014 is the most current year available

Information for 2005 (nine years prior) is not available

The first year information is available is 2006, the year GASB 44 was implemented

FTE - full time equivalents

## CITY OF MANASSAS, VIRGINIA

Table 16

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

<b>Function</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
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	2.00	2.00	8.00	8.00	10.00
Voter Registration	2.55	2.55	2.55	2.55	2.55	2.05	2.05	2.05	2.05	2.05
Treasurer	8.00	8.00	8.00	7.00	7.00	6.00	6.00	6.00	7.00	7.00
Commissioner of the Revenue	13.00	13.00	13.00	12.00	12.00	11.00	11.00	11.00	11.00	11.00
Finance and Administration	15.00	15.00	15.00	30.00	30.00	30.05	30.55	27.05	27.30	25.30
Human Resources	8.00	8.00	8.00	-	-	-	-	-	-	-
Public Safety										
Police	117.50	118.50	124.75	122.75	122.75	120.75	127.00	127.00	127.25	127.25
Fire	8.00	8.00	-	-	-	-	-	-	-	-
Rescue	15.00	17.00	-	-	-	-	-	-	-	-
Fire and Rescue	-	-	34.00	46.00	46.00	46.00	59.00	60.00	60.00	60.00
Public Works	74.00	77.00	74.00	61.00	52.00	48.50	49.50	49.50	50.50	50.50
Culture, Recreation, Development										
Recreation and parks	24.90	24.90	22.40	-	-	-	-	-	-	-
Museum System	10.50	10.50	9.50	8.50	8.50	4.50	5.50	6.50	6.50	6.50
Community Development	7.00	7.00	10.00	28.25	28.25	26.25	28.25	27.25	27.25	27.25
Economic Development	-	-	-	-	-	-	-	-	2.50	2.50
Health and Human Services										
Family Services	35.10	35.23	35.99	36.49	36.49	37.11	36.11	37.48	37.48	37.48
Utilities										
Sewer	15.00	14.00	14.00	13.00	13.00	11.00	11.00	11.00	11.00	11.00
Water	31.00	30.00	29.00	28.00	28.00	27.50	27.50	27.50	27.50	27.50
Electric	57.00	57.00	56.00	56.00	56.00	54.00	54.00	54.00	54.00	54.00
Airport	5.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Solid Waste	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Vehicle Maintenance	9.00	9.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Information Technology	10.00	10.00	10.00	-	-	-	-	-	-	-
Total primary government	<u>471.55</u>	<u>476.68</u>	<u>486.19</u>	<u>472.54</u>	<u>463.54</u>	<u>445.71</u>	<u>468.46</u>	<u>473.33</u>	<u>478.33</u>	<u>478.33</u>

Source: City of Manassas Annual Operating Budget

## CITY OF MANASSAS, VIRGINIA

Table 17

Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Business licenses issued	3,300	3,400	3,500	3,600	3,150	2,700	2,600	2,600	2,600	2,600
Property returns processed	32,700	33,300	34,500	33,500	32,000	31,500	31,500	32,500	35,000	34,000
Public Safety										
Traffic citations	7,700	8,162	8,000	8,000	6,000	5,500	5,500	6,750	8,500	8,400
Criminal arrests	2,890	3,063	3,063	3,200	3,200	3,000	2,500	2,500	2,775	3,000
Police calls for service	66,500	66,000	66,000	67,000	67,000	65,000	60,000	60,000	61,000	63,000
Public Works										
Site plans reviewed	53	50	45	35	45	20	20	30	40	55
Building permits issued	669	780	665	650	465	400	400	450	500	570
Fire inspections	500	500	800	800	800	1,200	1,400	1,200	1,000	1,200
Acres mowed	353	357	361	361	361	361	365	365	365	365
Culture, Recreation, Development										
Pool admissions	9,500	9,800	8,200	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Museum facility visitors	83,000	84,000	84,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Zoning complaints	300	300	200	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Existing businesses assisted	70	70	100	100	50	30	15	15	8	n/a
Health and Human Services										
Family services										
Customers served	35,000	35,000	36,500	43,500	60,000	78,000	75,000	90,300	96,100	121,837
Section 8 vouchers used	225	225	280	275	306	302	327	306	306	288
Sewer Utility										
Wastewater processed (1)	1.9	2.2	2.1	2.2	2.2	2.2	2.2	2.31	2.48	2.39
Water Utility										
Drinking water produced (1)	4.2	4.4	3.5	4.4	4.6	4.5	4.5	4.61	4.70	4.74
Electric Utility										
Load management savings	\$6.0 M	\$7.5 M	\$8.1M	\$7.6M	\$7.3M	\$1.5M	\$648K	\$702K	\$731K	\$871K
Airport										
Total operations (2)	132,000	132,000	130,000	115,000	115,073	92,394	86,337	83,180	79,616	79,550
Based aircraft	415	415	435	402	405	402	406	423	418	418
Information Technology										
Devices supported	651	658	610	1,324	1,289	1,320	1,325	1,325	1,340	1,340
Visitors to city website	289,000	290,000	300,000	450,000	475,000	990,000	500,000	1,000,000	1,000,000	1,200,000

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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	652	652	827	827	827	827	827	827
Vehicles in fleet	418	450	427	436	440	441	452	447	446	448
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)	241	241	253	253	243	243	244	244	244	245
Street lights	2,853	2,772	2,790	2,918	2,918	2,952	2,979	2,979	3,062	2,719
Traffic signals	51	53	55	53	55	60	58	61	61	62
Culture, Recreation, Developme										
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	12
Park acreage	194	194	194	194	194	194	194	194	194	194
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)	112	125	125	125	125	125	125	115	115	115
Storm sewers (miles)	92	94	94	72	72	72	72	72	72	72
Treatment capacity (1)	8	8	9	9	9	9	9	9	9	9
Water Utility										
Water connections	10,884	10,862	10,506	10,647	10,763	10,911	10,918	10,997	11,104	11,178
Water mains (miles)	152	152	152	152	152	152	152	152	152	152
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	17	19	19	19	19	19	19	19	20	20
Electric capacity (2)	37	41	41	41	41	41	41	41	40	40
Airport										
Airport acreage	885	885	899	899	899	899	899	899	899	892
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

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**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 unit, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2015.

**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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.**

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Items 2015-001, 2015-002, and 2015-008 to be material weaknesses.**



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 four 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 2015-004 through 2015-007.**

### **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  
December 30, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* 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, 2015.**

## 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 *OMB Circular A-133*, 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2015-003 to be a material weakness.**

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, according, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
December 30, 2015

**CITY OF MANASSAS, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2015**

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 programs selected for testing.

**CITY OF MANASSAS, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2015**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **Three material weaknesses** relating to the audit of the financial statements were 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. **One material weakness** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required By *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion** on all major federal programs.
6. The audit disclosed **one audit finding relating to a major program**.
7. The major programs of the City are:

<u>Name of Program</u>	<u>CFDA #</u>
Child Nutrition Cluster - School Breakfast Program	10.553
Child Nutrition Cluster - National School Lunch Program	10.555
Child Nutrition Cluster - Summer Food Service Program	10.559
Airport Improvement Program	20.106
Special Education: Grants to States	84.027
Special Education – Preschool Grants	84.173

8. The **threshold for** distinguishing Type A programs was **\$414,080**.
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, 2015**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2015-001: Accounts Receivable – Enterprise Funds (Material Weakness)**

*Condition:*

A material adjustment was required to eliminate old accounts receivable in several of the enterprise funds.

*Recommendation:*

We recommend the City record all amounts transferred to the “144” account as write-offs in order to avoid overstatement of accounts receivable.

*Management’s Response:*

The auditee concurs with this recommendation.

**2015-002: Capital Assets (Material Weakness)**

*Condition:*

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.

*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.

**CITY OF MANASSAS, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**2015-008: Airport Transactions (Material Weakness)**

*Condition:*

Material adjustments were required for items in the Airport Fund related to debt not previously recorded, recognition of insurance proceeds revenue related to prior years and accounting for revenue from monthly rental of hangars and leases. The Airport is also subject to unique requirements as promulgated by the Federal Aviation Administration which may have an impact on the financial reporting process.

*Recommendation:*

The City has regular communication with management at the Airport and we recommend the City continue to implement formal processes to ensure that all of the transactions are accurately captured, analyzed and recorded in the financial records on a timely basis.

*Management's Response:*

The auditee concurs with this recommendation.

**CITY OF MANASSAS, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

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

**2015-003: Highway Planning and Construction – CFDA No. 20.205**

*Condition:*

The Highway Planning and Construction program was not properly included in the FY14 Schedule of Expenditures of Federal Awards (SEFA) and therefore not originally tested as part of the FY14 audit. The program was tested at a later date and the FY14 SEFA was reissued.

*Criteria:*

The FY14 Schedule of Expenditures of Federal Awards must contain all expenditures of federal grants.

*Cause:*

The City failed to include expenditures under the grant on the FY14 SEFA due to reimbursement requests not being filed in a timely manner.

*Effect:*

The FY14 SEFA was not complete.

*Context:*

Approximately \$500,000 of federal funding out of approximately \$10,000,000 reported on the corrected FY15 SEFA was missing.

*Recommendation:*

We recommend that the client review the SEFA for errors and that the SEFA be compared to federal revenues and expenditures each year.

*Management's Response:*

The auditee concurs with this recommendation. The FY14 SEFA was reissued with the Highway Planning and Construction program expenditures properly included. The FY14 CAFR was reissued with corrected revenues and expenditures related to this program, as well.



**CITY OF MANASSAS, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

**2015-004: Social Services Access Rights**

*Condition:*

There is not a formalized yearly review of individuals' access rights for VaCMS, ADAPT, OASIS, and EAS.

*Recommendation:*

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

*Management's Response:*

The auditee concurs with this recommendation.

**2015-005: Investment Ratings**

*Condition:*

Several corporate bonds fell below Virginia required minimum ratings during the year. These bonds amounted to \$81,211.

*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.

**CITY OF MANASSAS, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

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

**2015-006: Commonwealth of Virginia Disclosure Statements**

*Condition:*

One member of City Council did not file a statement of economic interest by the June deadline and an additional seven of the statements were not filed by the December deadline as set forth by the *Code of Virginia*.

One out of eight members of the School Board did not file a statement of economic interest by the June deadline and none of the statements were filed by the December 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.

**2015-007: Public Accounts**

*Condition:*

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

*Recommendation:*

Steps should be taken to ensure that all City funds are maintained in accounts marked as public by the financial institution.

*Management's Response:*

The auditee concurs with this recommendation.

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**CITY OF MANASSAS, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2015**

<b>Federal Granting Agency/Recipient State Agency/Grant Program</b>	<b>Federal CFDA Number</b>	<b>Cluster Expenditures</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Pass-through payments:			
Department of Education:			
National School Breakfast Program	10.553	\$ 570,673	
National School Lunch Program - Food Donations	10.555	171,542	
National School Lunch Program	10.555	1,878,929	
Summer Food Service Program for Children	10.559	69,383	
Total Child Nutrition Cluster			\$ 2,690,527
Department of Social Services:			
State Administration:			
SNAP Cluster			
Matching Grants for Supplemental Nutrition Assistance Program	10.561		397,317
Total U.S. Department of Agriculture			3,087,844
<b>U.S. Department of Housing and Urban Development</b>			
Pass through payments:			
VHDA and Prince William County			
Section 8 Housing Assistance Payments Program	14.195		189,529
Total U.S. Department of Housing and Urban Development			189,529
<b>U.S. Department of Justice</b>			
Direct payments:			
State Criminal Alien Assistance Program	16.606		35,355
Bulletproof Vest Partnership Program	16.607		4,463
Edward Byrne Memorial Justice Assistance Program	16.738		32,562
Pass through payments:			
Virginia Department of State Police:			
Missing Children's Assistance	16.543		40,000
Total U.S. Department of Justice			112,380
<b>U.S. Department of Transportation</b>			
Direct payments:			
Airport Improvement Program	20.106		5,551,017
Pass-through payments:			
Virginia Department of Transportation			
Highway Planning and Construction	20.205		327,715
Virginia Department of Motor Vehicles			
State and Community Highway Safety Program	20.607		12,569
Total U.S. Department of Transportation			5,891,301
<b>U.S. Department of Education</b>			
Pass-through payments:			
Commonwealth of Virginia Department of Education:			
Title I - Grants to Local Educational Agencies	84.010		1,165,429
Special Education - Grants to States	84.027	1,391,375	
Special Education - Preschool Grants	84.173	29,554	
Total Special Education Cluster:			1,420,929
Career and Technical Education: Basic grants to states	84.048		104,669
English Language Acquisition Grants	84.365		255,892
Improving Teacher Quality State Grants	84.367		100,895
Total U.S. Department of Education			3,047,814
<b>Department of Homeland Security:</b>			
Pass-through Payments:			
Department of Emergency Management:			
Non-Profit Security Program	97.008		10,580
Emergency Management Performance Grants	97.042		4,647
Homeland Security Grant Program	97.067		84,693
Homeland Security Grant Program	97.067		59,590
Total U.S. Department of Homeland Security			159,510

**CITY OF MANASSAS, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**For the Year Ended June 30, 2015**

<b>Federal Granting Agency/Recipient State Agency/Grant Program</b>	<b>Federal CFDA Number</b>	<b>Cluster Expenditures</b>	<b>Federal Expenditures</b>
<b>Department of Health and Human Services:</b>			
Pass-through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556		\$ 10,061
Temporary Assistance to Needy Families	93.558		244,742
Refugee and Entrant Assistance	93.566		13,838
Low Income Home Energy Assistance	93.568		20,626
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		39,449
Child Welfare Services	93.645		1,849
Foster Care - Title IV-E	93.658		296,542
Adoption Assistance	93.659		63,741
Social Service Block Grant	93.667		155,208
Chafee Foster Care Independence Program	93.674		1,512
State Children's Insurance Program	93.767		13,128
Medical Assistance Program	93.778		453,583
			<hr/>
Total U.S. Department of Health and Human Services			1,314,279
			<hr/>
Total Expenditures of Federal Awards			<u>\$ 13,802,657</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 County'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.