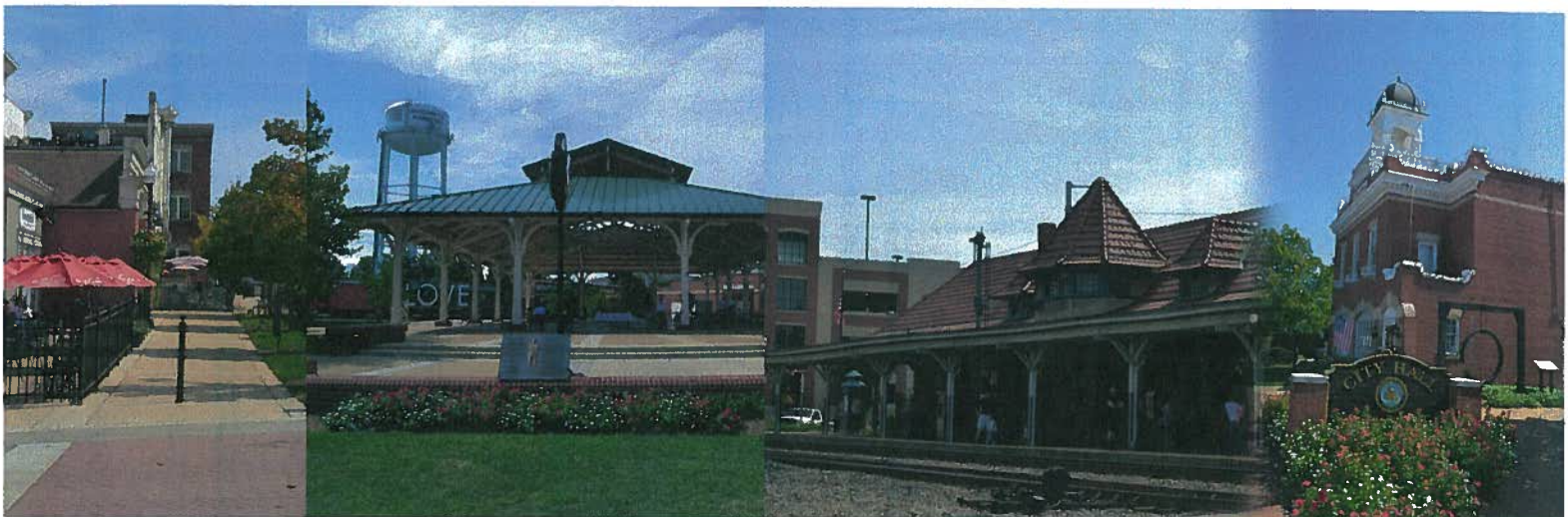




City of Manassas

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2013



CITY OF MANASSAS, VIRGINIA

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013



*Prepared by
The Department of Finance*

CITY OF MANASSAS, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CITY OF MANASSAS, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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CITY OF MANASSAS, VIRGINIA

MAYOR
Harry J. Parrish II

CITY COUNCIL
Andrew L. Harrover, V. Mayor
Marc T. Aveni
Ian T. Lovejoy
J. Steven Randolph
Jonathan L. Way
Mark D. Wolfe

CITY MANAGER
W. Patrick Pate

December 19, 2013

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, 2013 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 Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. The independent auditor has issued an unqualified ("clean") opinion on the City's financial statements for the fiscal year ended June 30, 2013. 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 is located thirty miles southwest of Washington, D. C. It has an area of ten square miles with an estimated population of 39,902. The Town of Manassas received its charter in 1873. In May of 1975, the Town of Manassas became a city.

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 eight proprietary functions: the electric, water and sewer 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 statement; therefore, you will find fund statements for MCPS beginning on page 119. 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. The City will transfer 58.5% of general tax revenues to the Schools annually. Each year both bodies will adopt a five-year forecast. When they adopt their annual operating budgets, each will also adopt a Five-Year Capital Improvement Plan consistent with the projected revenues.

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 this proposed budget to the City Council at 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

The City continues its recovery from the great recession. The Commissioner of the Revenue, John Grzejka, released the real estate assessments for the 2013 tax year (values as of January 1, 2012) in late January. Residential assessment increased 7.0% and commercial assessment increased 1.9% for a combined increase of 4.9%. The 2012 residential/commercial ratio is 60.7 / 39.3, a small change from the 2011 ratio of 59.2 / 40.8. Other tax revenues continue the growth that began the year before last. For FYE 2013 sales tax revenue increased by 8.3 percent, revenue from the meals tax grew 6.9 percent, and other local taxes increased 2.7 percent. Overall local taxes were up by 5.6 percent for the year.

On June 27, 2012, Moody's affirmed the City's Aa1 bond rating and removed the negative outlook placed in June 2010. Moody's report stated that the removal "reflects the improvement in the City's financial position due to operating adjustments made to alleviate fiscal pressures over the past two fiscal years". Moody's further stated that the city "has begun to show signs of recovery" and the City's solid financial position is "expected to remain steady in the near future." During the recession, the City maintained a general fund unassigned fund balance at 13 percent of operating revenue. In 2009 City Council established a policy requiring a 13 percent unassigned fund balance be maintained. In FYE 2013 as well as in the previous three past fiscal years, the City has been in compliance with Council's 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, 2012. This was the twenty-eighth 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 preparation of this report could not be accomplished without the 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 Bonni Johnston for publishing the CAFR. 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



Diane Bergeron
Acting Director,
Finance & Administration

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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, 2012

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Executive Director/CEO

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**CITY OF MANASSAS, VIRGINIA
CITY COUNCIL**

Harry J. Parrish II, Mayor
Andrew L. Harrover, Vice-Mayor
Marc T. Aveni
Sheryl L. Bass
J. Steven Randolph
Jonathan L. Way
Mark D. Wolfe

CITY MANAGER
William Patrick Pate

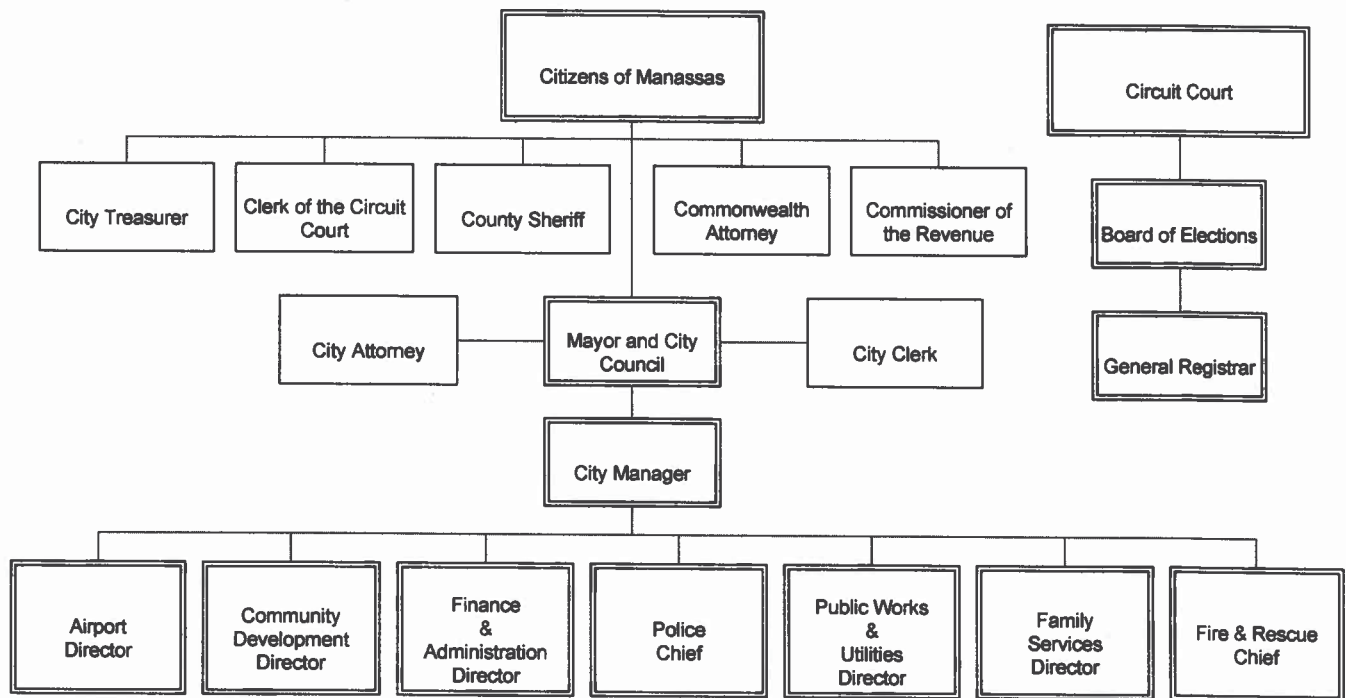
**CITY OF MANASSAS PUBLIC SCHOOLS
SCHOOL BOARD**

Scott M. Albrecht, Chairman
Arthur B. Bushnell, Vice Chairman
Kermit H. Dance
Timothy J. Demeria
Roland J. Magee, Jr.
Pamela J. Sebesky
Sanford S. Williams

SUPERINTENDENT OF SCHOOLS
Dr. Gail Pope

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CITY OF MANASSAS ORGANIZATIONAL CHART



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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Manassas, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manassas, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. 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 on pages 15-25, budgetary comparison information, and schedule of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manassas, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013 on our consideration of the City of Manassas, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Manassas, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
December 19, 2013

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CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis June 30, 2013

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, 2013. 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 1-3 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, 2013 by \$362,822,549 (net position). \$277,865,729 of the Total Reporting Unit's net position is invested in capital assets and \$100,000 is restricted in its use. The remaining net position, \$84,856,820 is not restricted.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at June 30, 2013 by \$312,272,230 (net position). \$263,653,639 of the City's net position is invested in capital assets, \$100,000 is restricted in its use, and the remaining balance of \$48,518,591 is unrestricted net position. The deficit in unrestricted net position of the Governmental Activities (\$2,884,806) is the result of bonds issued by the City for MCPS. This debt is reflected as a liability of the City. However, the schools built with the bond proceeds are the assets of MCPS. At year-end, the City has \$31,994,500 of debt outstanding relating to MCPS school buildings.
- The unassigned fund balance for the City's general fund at June 30, 2013 was \$12,136,198. This amount is 12 percent of total general fund revenues of \$98,268,025 for fiscal year 2013. 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 \$4,913,003. General fund unassigned fund balance as a percent of general fund revenues as calculated in accordance with the City's Unassigned Fund Balance Policy R-2009-53 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 Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows 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.

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

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 vacation leave).

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, 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 31-33 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. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains sixteen 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 fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the annual appropriated budget. The City also adopts annual appropriated budgets for five non-major governmental funds - family services, PEG, Owens Brooke district, fire rescue, and Speiden Carper house funds. The budgetary comparison statements for these funds are provided elsewhere in this report.

The basic governmental fund financial statements can be found on pages 36-41 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

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, a regional airport, a city pavilion, and a performing arts center (Candy Factory).

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 for 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. 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 four 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 42-47 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49-82 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 91-117 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 119-129 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the City's governmental activities increased \$3,867,873 in fiscal year 2013 to \$179,402,785. The increase is partially due to increases of \$2,635,585, \$2,485,536, and \$1,335,443 in cash and investments, construction in progress, and machinery and equipment values respectively that offset a \$2,525,033 decrease in infrastructure values as well as lesser declines in various other asset categories. These netted to an overall increase in assets of \$1,840,749. There was net decrease in liabilities resulting for the most part from a \$3,014,505 decline in long-term debt and other long-term liabilities that offset a \$1,956,222 increase in payables. The resulting decrease of \$631,739 in total liabilities and the increase in total assets were the primary contributors to the increase in total net position that ended the fiscal year at \$179,402,785. The unrestricted deficit ended the year at \$2,884,806, a 45 percent reduction from the previous fiscal year.

The net position of the business-type activities increased \$6,433,462 in fiscal year 2013 to \$132,869,445. Program revenues for the electric, water, and sewer utilities exceeded expenses by \$5,642,223 and the business activities transferred \$2,388,660 to the governmental activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

The net position of MCPS has decreased \$3,143,792. This was mainly due to reductions in buildings and improvement values, receivables, and due from other governments of \$3,588,769, \$90,272, and \$322,603 respectively that offset increases in cash and investment, construction in progress, and machinery and equipment values of \$2,873,938, \$166,836, and \$386,302 respectively and brought asset values down by \$574,568. Increases in payables of \$2,308,952 and \$248,352 in long-term liabilities contributed to the decline in net position.

The following tables summarize the Statement of Net Position for the reporting unit as of June 30, 2013.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Current assets	\$ 43,640,762	\$ 42,587,442	\$ 65,363,802	\$ 65,653,478	\$ 109,004,564	\$ 108,240,920
Capital assets	198,828,243	198,040,814	108,094,789	104,127,088	306,923,032	302,167,902
Total assets	<u>\$ 242,469,005</u>	<u>\$ 240,628,256</u>	<u>\$ 173,458,591</u>	<u>\$ 169,780,566</u>	<u>\$ 415,927,596</u>	<u>\$ 410,408,822</u>
Deferred outflows of resources	\$ 1,395,385	\$ 1,534,924	\$ -	\$ -	\$ 1,395,385	\$ 1,534,924
Current liabilities	\$ 8,818,782	\$ 6,506,740	\$ 12,560,701	\$ 12,952,333	\$ 21,379,483	\$ 19,459,073
Long-term liabilities	55,642,823	60,121,528	28,028,445	30,392,250	83,671,268	90,513,778
Total liabilities	<u>\$ 64,461,605</u>	<u>\$ 66,628,268</u>	<u>\$ 40,589,146</u>	<u>\$ 43,344,583</u>	<u>\$ 105,050,751</u>	<u>\$ 109,972,851</u>
Net position:						
Net Investment						
in capital assets	\$ 182,187,591	\$ 180,092,220	\$ 81,466,048	\$ 75,060,225	\$ 263,653,639	\$ 255,152,445
Restricted	100,000	681,134	-	-	100,000	681,134
Unrestricted (deficit)	(2,884,806)	(5,238,442)	51,403,397	51,375,758	48,518,591	46,137,316
Total net position	<u>\$ 179,402,785</u>	<u>\$ 175,534,912</u>	<u>\$ 132,869,445</u>	<u>\$ 126,435,983</u>	<u>\$ 312,272,230</u>	<u>\$ 301,970,895</u>

	MCPS		Total Reporting Unit	
	FY 2013	FY 2012	FY 2013	FY 2012
Current assets	\$ 22,662,436	\$ 20,201,373	\$ 131,667,000	\$ 128,442,293
Capital assets	46,557,996	49,593,627	353,481,028	351,761,529
Total assets	<u>\$ 69,220,432</u>	<u>\$ 69,795,000</u>	<u>\$ 485,148,028</u>	<u>\$ 480,203,822</u>
	\$ -	\$ -	\$ 1,395,385	\$ 1,534,924
Current liabilities	\$ 14,393,188	\$ 12,084,236	\$ 35,772,671	\$ 31,543,309
Long-term liabilities	4,276,925	4,016,653	87,948,193	94,530,431
Total liabilities	<u>\$ 18,670,113</u>	<u>\$ 16,100,889</u>	<u>\$ 123,720,864</u>	<u>\$ 126,073,740</u>
Net position:				
Net Investment				
in capital assets	\$ 46,206,590	\$ 49,095,596	\$ 277,865,729	\$ 268,866,041
Restricted	-	-	100,000	681,134
Unrestricted	4,343,729	4,598,515	84,856,820	86,117,831
Total net position	<u>\$ 50,550,319</u>	<u>\$ 53,694,111</u>	<u>\$ 362,822,549</u>	<u>\$ 355,665,006</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

The following tables summarize the change in net position for the City for the year ended June 30, 2013.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Revenues:						
Program revenues:						
Charges for services	\$ 4,631,664	\$ 5,076,166	\$ 92,603,953	\$ 97,041,793	\$ 97,235,617	\$ 102,117,959
Operating grants, contributions	7,851,624	11,780,598	90,738	151,253	7,942,362	11,931,851
Capital grants, contributions	211,730	-	4,689,233	6,739,940	4,900,963	6,739,940
General Revenues:						
Property Taxes	64,510,210	62,993,668	-	-	64,510,210	62,993,668
Other Taxes	17,516,677	16,593,452	-	-	17,516,677	16,593,452
Unrestricted grants	8,052,773	7,926,918	-	-	8,052,773	7,926,918
City appropriation to MCPS	-	-	-	-	-	-
Other	7,993,493	7,626,565	182,707	241,342	8,176,200	7,867,907
Total revenues	\$ 110,768,171	\$ 111,997,367	\$ 97,566,631	\$ 104,174,328	\$ 208,334,802	\$ 216,171,695
Expenses:						
General government	\$ 8,864,313	\$ 8,339,202	\$ -	\$ -	\$ 8,864,313	\$ 8,339,202
Public safety	28,575,011	25,608,165	-	-	28,575,011	25,608,165
Public works	8,811,937	8,402,865	-	-	8,811,937	8,402,865
Health and welfare	7,046,417	7,046,876	-	-	7,046,417	7,046,876
Culture, rec, development	5,806,374	5,966,162	-	-	5,806,374	5,966,162
Interest on long-term debt	2,170,239	2,421,533	-	-	2,170,239	2,421,533
Electric	-	-	61,167,893	65,525,093	61,167,893	65,525,093
Water	-	-	8,072,824	7,136,356	8,072,824	7,136,356
Sewer	-	-	12,262,895	11,966,185	12,262,895	11,966,185
Airport	-	-	3,563,277	3,505,497	3,563,277	3,505,497
Solid Waste	-	-	3,117,943	3,058,172	3,117,943	3,058,172
City Square Pavilion	-	-	316,921	345,831	316,921	345,831
Candy Factory	-	-	198,263	212,488	198,263	212,488
Parking Garage	-	-	43,863	38,409	43,863	38,409
Education	48,014,667	48,125,649	-	-	48,014,667	48,125,649
Total expenses	\$ 109,288,958	\$ 105,910,452	\$ 88,743,879	\$ 91,788,031	\$ 198,032,837	\$ 197,698,483
Increase (decrease) in net position before transfers	\$ 1,479,213	\$ 6,086,915	\$ 8,822,752	\$ 12,386,297	\$ 10,301,965	\$ 18,473,212
Transfers	2,388,660	1,908,270	(2,388,660)	(1,908,270)	-	-
Change in net position	\$ 3,867,873	\$ 7,995,185	\$ 6,433,462	\$ 10,478,027	\$ 10,301,335	\$ 18,473,212
Net position beginning	175,534,912	167,539,727	126,435,983	115,957,956	301,970,895	283,497,683
Net position ending	\$ 179,402,785	\$ 175,534,912	\$ 132,869,445	\$ 126,435,983	\$ 312,272,230	\$ 301,970,895

GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

	MCPS		Total Reporting Unit	
	FY 2013	FY 2012	FY 2013	FY 2012
Revenues:				
Program revenues:				
Charges for services	\$ 1,666,487	\$ 1,879,206	\$ 98,902,104	\$ 103,997,165
Operating grants, contributions	47,351,834	43,190,820	55,294,196	55,122,671
Capital grants, contributions	-	-	4,900,963	6,739,940
General Revenues:				
Property Taxes	-	-	64,510,210	62,993,668
Other Taxes	-	-	17,516,677	16,593,452
Unrestricted grants	-	-	8,052,773	7,926,918
City appropriation to MCPS	48,014,667	48,125,649	48,014,667	48,125,649
Other	9,485	7,585	8,185,685	7,875,492
Total revenues	<u>\$ 97,042,473</u>	<u>\$ 93,203,260</u>	<u>\$ 305,377,275</u>	<u>\$ 309,374,955</u>
Expenses:				
General government	\$ -	\$ -	\$ 8,864,313	\$ 8,339,202
Public safety	-	-	28,575,011	25,608,165
Public works	-	-	8,811,937	8,402,865
Health and welfare	-	-	7,046,417	7,046,876
Culture, rec, development	-	-	5,806,374	5,966,162
Interest on long-term debt	-	-	2,170,239	2,421,533
Electric	-	-	61,167,893	65,525,093
Water	-	-	8,072,824	7,136,356
Sewer	-	-	12,262,895	11,966,185
Airport	-	-	3,563,277	3,505,497
Solid Waste	-	-	3,117,943	3,058,172
City Square Pavilion	-	-	316,921	345,831
Candy Factory	-	-	198,263	212,488
Parking Garage	-	-	43,863	38,409
Education	100,186,265	95,511,906	148,200,932	143,637,555
Total expenses	<u>\$ 100,186,265</u>	<u>\$ 95,511,906</u>	<u>\$ 298,219,102</u>	<u>\$ 293,210,389</u>
Increase (decrease) in net position before transfers	\$ (3,143,792)	\$ (2,308,646)	\$ 7,158,173	\$ 16,164,566
Transfers	-	-	-	-
Change in net position	<u>\$ (3,143,792)</u>	<u>\$ (2,308,646)</u>	<u>\$ 7,157,543</u>	<u>\$ 16,164,566</u>
Net position beginning	53,694,111	56,002,757	355,665,006	339,500,440
Net position ending	<u>\$ 50,550,319</u>	<u>\$ 53,694,111</u>	<u>\$ 362,822,549</u>	<u>\$ 355,665,006</u>

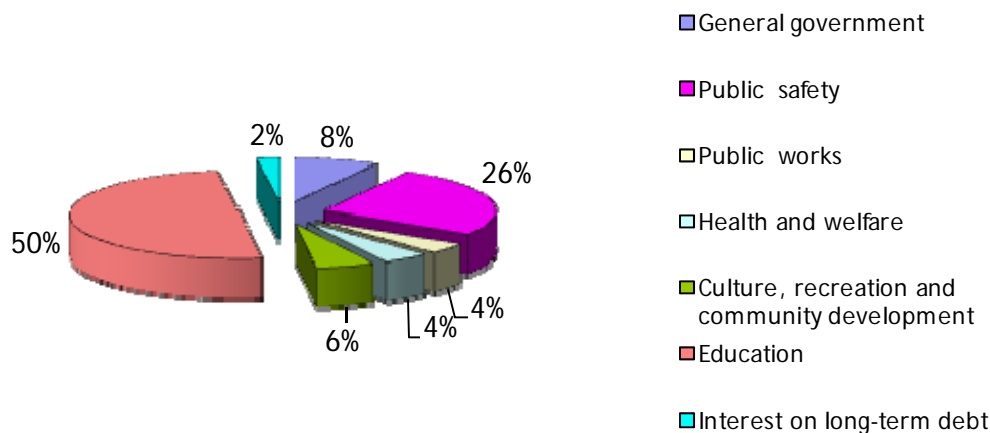
GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

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 \$96,593,940, an increase of \$7,540,252 over last fiscal year. As the table and chart below indicate, education continues to be the City's largest program with expenses totaling \$48,014,667. The education expense in the governmental activities reflects the City's local revenue which is appropriated to MCPS. The program revenues of education are recorded in the component unit, MCPS, and therefore are not in the table or chart.

Governmental Activities Expenses and Program Revenues

	Program Expenses FY 2013	Program Revenues FY 2013	Net Program Cost FY 2013	Net Program Cost FY 2012
General government	\$ 8,864,313	\$ 1,078,275	\$ 7,786,038	\$ 6,620,932
Public safety	28,575,011	3,450,067	25,124,944	18,926,418
Public works	8,811,937	5,046,339	3,765,598	3,685,581
Health and welfare	7,046,417	2,671,226	4,375,191	3,726,061
Culture, recreation and community development	5,806,374	449,111	5,357,263	5,547,514
Education	48,014,667	-	48,014,667	48,125,649
Interest on long-term debt	2,170,239	-	2,170,239	2,421,533
Total	<u>\$ 109,288,958</u>	<u>\$ 12,695,018</u>	<u>\$ 96,593,940</u>	<u>\$ 89,053,688</u>

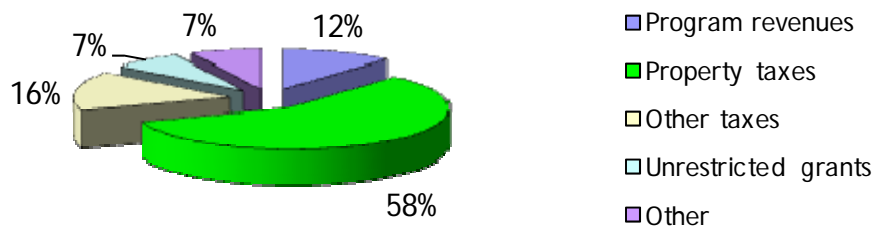
Governmental Activities Net Program Costs



GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

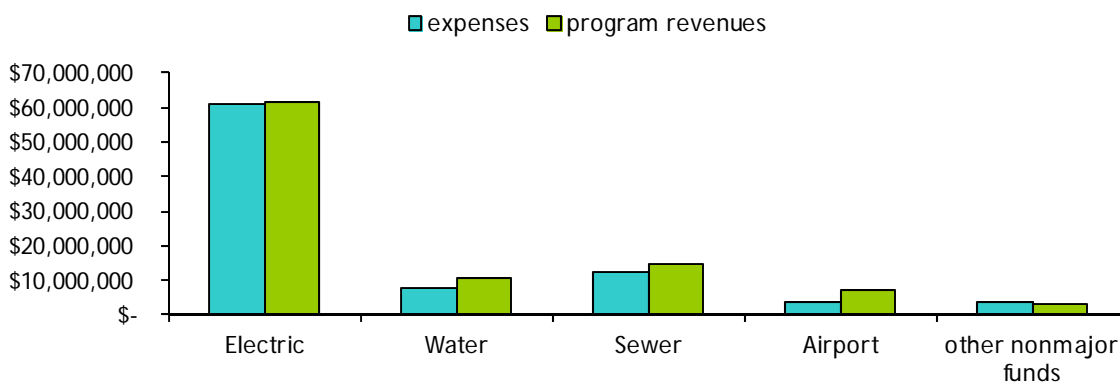
In addition to program revenues of \$12,695,018, there are also general revenues in the governmental activities, which are revenues that are not attributed to any specific program/function. The total general revenues in fiscal year 2013 are \$100,461,813 for total governmental activities revenues of \$113,156,831. General revenues in fiscal year 2013 are \$3,412,940 more than fiscal year 2012, due mostly to an increase in program revenues. 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 2013 was \$88,743,879. As depicted in the chart below, program revenues of \$97,383,924 offset the cost of doing business. The Electric and Airport Funds received grants of \$34,764 and \$4,653,469 respectively in capital grants which are reflected as revenues.

Business-type Activities Expenses and Program Revenues



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved 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 2013, the City's governmental funds reported combined ending fund balances of \$29,879,948, a decrease of \$2,018,224 from fiscal year 2012. The decrease is a net of the \$470,944 increase in non-major funds and a \$2,489,168 reduction in the general fund. The general fund decrease is due to increased expenditures in FY 2013, primarily in public works, public safety, and general government administration.

The general fund is the chief operating fund of the City. At the end of fiscal year 2013, the unassigned fund balance of the general fund was \$12,136,198 while total fund balance was \$20,763,883. 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 13 percent of total general fund expenditures, while total fund balance represents 21 percent of those expenditures. The unassigned fund balance also represents 12 percent of total general fund revenues of \$98,268,025 for fiscal year 2013. 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 \$4,913,003. The unassigned fund balance as a percent of general fund revenues per the City Council's policy (\$98,268,025 less \$4,913,003) is 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 2013 in the Electric, Water, Sewer, Airport, and the non-major funds are \$40,653,272; \$32,749,225; \$20,024,232; \$36,581,772; and \$2,860,944, respectively. The increase or (decrease) in total net position for the Electric, Water, Sewer, and Airport funds are (\$882,783); \$2,122,657; \$1,896,927; \$3,488,961, and \$3,488,811, respectively. Only 38.7% of the total net positions of these funds are unrestricted in its use. The remaining 61.3% is invested of capital assets, net of related debt. The unrestricted nets position at the end of fiscal year 2013 in the Electric, Water, Sewer, Airport, and the non-major funds are \$22,098,551; \$13,961,530; \$14,247,116; \$278,433; and \$817,767, 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 2013, the City's general fund revenues exceeded the revised revenue budget by \$2,538,688. Expenditures ended the year over the revised budget by \$162,565. 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 R-2009-53, 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.

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, 2013 is \$306,923,032, an increase of \$4,755,130 from June 30, 2012. The net increase in the governmental activities assets of \$787,429 is primarily due to increases in the categories machinery and equipment and construction in progress values that are partially offset by decreased values in the categories of buildings and improvement as well as those of infrastructures. The net increase of \$3,967,701 in the business-type capital assets is due primarily to increased construction in progress values partially offset by declines in the categories of investment in plant, buildings and improvements, and purchased capacity.

The following tables summarize the capital assets of the City and MCPS. Additional information on the capital assets is found in Note 5 on pages 61-63 of this report

	Capital Assets FY 2013	Accumulated Depreciation FY 2013	Capital Assets net of Accumulated Depreciation		Net Increase (Decrease) Capital Assets
	FY 2013	FY 2013	FY 2013	FY 2012	
Governmental Activities					
Land	\$ 85,924,921	\$ -	\$ 85,924,921	\$ 85,906,892	\$ 18,029
Buildings and improvements	29,492,670	(21,937,693)	7,554,977	8,081,523	(526,546)
Machinery and equipment	14,222,210	(11,406,399)	2,815,811	1,480,368	1,335,443
Construction in progress	6,455,395	-	6,455,395	3,969,859	2,485,536
Infrastructure	169,885,025	(73,807,886)	96,077,139	98,602,172	(2,525,033)
Total	<u>\$ 305,980,221</u>	<u>\$ (107,151,978)</u>	<u>\$ 198,828,243</u>	<u>\$ 198,040,814</u>	<u>\$ 787,429</u>
Business-type Activities					
Land	\$ 9,468,637	\$ -	\$ 9,468,637	\$ 9,468,637	\$ -
Buildings and improvements	4,652,249	(2,658,852)	1,993,397	2,226,012	(232,615)
Investment in Plant	168,380,587	(125,255,558)	43,125,029	47,202,931	(4,077,902)
Machinery and equipment	6,655,235	(5,860,454)	794,781	840,276	(45,495)
Purchased capacity	27,153,049	(12,569,324)	14,583,725	15,970,231	(1,386,506)
Construction in progress	38,129,220	-	38,129,220	28,419,001	9,710,219
Total	<u>\$ 254,438,977</u>	<u>\$ (146,344,188)</u>	<u>\$ 108,094,789</u>	<u>\$ 104,127,088</u>	<u>\$ 3,967,701</u>
Total Primary Government					
Land	\$ 95,393,558	\$ -	\$ 95,393,558	\$ 95,375,529	\$ 18,029
Buildings and improvements	34,144,919	(24,596,545)	9,548,374	10,307,535	(759,161)
Investment in Plant	168,380,587	(125,255,558)	43,125,029	47,202,931	(4,077,902)
Machinery and equipment	20,877,445	(17,266,853)	3,610,592	2,320,644	1,289,948
Purchased capacity	27,153,049	(12,569,324)	14,583,725	15,970,231	(1,386,506)
Construction in progress	44,584,615	-	44,584,615	32,388,860	12,195,755
Infrastructure	169,885,025	(73,807,886)	96,077,139	98,602,172	(2,525,033)
Total	<u>\$ 560,419,198</u>	<u>\$ (253,496,166)</u>	<u>\$ 306,923,032</u>	<u>\$ 302,167,902</u>	<u>\$ 4,755,130</u>
MCPS					
Land	\$ 2,336,649	\$ -	\$ 2,336,649	\$ 2,336,649	\$ -
Construction in progress	176,854	-	176,854	10,018	166,836
Buildings and improvements	125,787,706	(84,250,838)	41,536,868	45,125,637	(3,588,769)
Machinery and equipment	9,144,846	(6,637,221)	2,507,625	2,121,323	386,302
Total	<u>\$ 137,446,055</u>	<u>\$ (90,888,059)</u>	<u>\$ 46,557,996</u>	<u>\$ 49,593,627</u>	<u>\$ (3,035,631)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION: (CONTINUED)

Long-term debt. The following tables summarize the long-term debt of the City and MCPS. Additional information on long-term debt is found in Note 10 on pages 66-69 of this report.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
General obligation bonds	\$ 47,334,820	\$ 51,881,400	\$ 25,873,516	\$ 28,260,978	\$ 73,208,336	\$ 80,142,378
Premium on bonds	2,036,124	2,156,095	755,225	805,885	2,791,349	2,961,980
Capital leases	659,593	828,023	-	-	659,593	828,023
Compensated absences	2,589,286	2,396,010	917,704	870,387	3,506,990	3,266,397
OPEB Obligation payable	3,023,000	2,860,000	482,000	455,000	3,505,000	3,315,000
Total	<u>\$ 55,642,823</u>	<u>\$ 60,121,528</u>	<u>\$ 28,028,445</u>	<u>\$ 30,392,250</u>	<u>\$ 83,671,268</u>	<u>\$ 90,513,778</u>

	MCPS		Total Reporting Unit	
	FY 2013	FY 2012	FY 2013	FY 2012
General obligation bonds	\$ -	\$ -	\$ 73,208,336	\$ 80,142,378
Premium on bonds	-	-	2,791,349	2,961,980
Capital leases	351,406	498,031	1,010,999	1,326,054
Compensated absences	1,972,519	1,931,622	5,479,509	5,198,019
OPEB Obligation payable	1,953,000	1,587,000	5,458,000	4,902,000
Total	<u>\$ 4,276,925</u>	<u>\$ 4,016,653</u>	<u>\$ 87,948,193</u>	<u>\$ 94,530,431</u>

The City's total debt of \$87,948,193 is a net decrease of \$6,582,238. This was due primarily to general obligation bond principal payments of \$6,934,042 in fiscal year 2013. Capital leases were reduced by principal payments while the OPEB obligation payable increased by \$190,000. The net increase to the MCPS total debt is \$260,272 which is primarily the net result of a \$146,625 decrease in the outstanding capital leases and an increase of \$366,000 to the OPEB obligation.

The City's rating for general obligation debt from Standard & Poor's is "AA". The rating from Moody's is "Aa1". This reflects the City's improved 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, 2013 is \$4,105,113,800 making the current legal debt limitation of the City \$410,511,380. The City's general obligation debt applicable to the limit is \$75,999,685 leaving a legal debt margin of \$334,511,695. Additional information on the City's long-term debt can be found in Note 10 on pages 66-69 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The unemployment rate for the City as of August 2013 was 5.9 percent, which is higher than the state rate (5.8 percent) but lower than federal rate (7.9 percent).
- Real property taxable assessed value increased 4.9 percent in 2013 to \$4,105,113,800, up by \$162,265,900 over the previous calendar year. The City is projecting assessed value to continue increasing marginally in 2014 and estimates a corresponding increase in local use taxes and have taken these factors into consideration in the development of the FY 2013-2014 Budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance and Administration Director, 9027 Center Street, City of Manassas, Virginia, 20110.

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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, 2013

	Governmental Activities	Business Type Activities	Total Primary Government	Component Unit Manassas City Public Schools	Total Reporting Unit
Assets					
Cash and investments	\$ 36,982,176	\$ 51,101,054	\$ 88,083,230	\$ 17,013,696	\$ 105,096,926
Receivables	3,334,235	12,238,325	15,572,560	1,603,842	17,176,402
Internal balances	392,000	(392,000)	-	-	-
Due from other governments	2,932,351	49,268	2,981,619	4,044,898	7,026,517
Inventory and other assets	-	2,367,155	2,367,155	-	2,367,155
Capital assets not being depreciated:					
Land and land rights	85,924,921	9,468,637	95,393,558	2,336,649	97,730,207
Construction in progress	6,455,395	38,129,220	44,584,615	176,854	44,761,469
Capital assets net of accumulated depreciation:					
Buildings and improvements	7,554,977	1,993,397	9,548,374	41,536,868	51,085,242
Investment in plant	-	43,125,029	43,125,029	-	43,125,029
Machinery and equipment	2,815,811	794,781	3,610,592	2,507,625	6,118,217
Infrastructure	96,077,139	-	96,077,139	-	96,077,139
Purchased capacity	-	14,583,725	14,583,725	-	14,583,725
Total assets	242,469,005	173,458,591	415,927,596	69,220,432	485,148,028
Deferred outflows of resources					
Deferred charge on refunding	1,395,385	-	1,395,385	-	1,395,385
Liabilities					
Payables	6,279,123	8,573,700	14,852,823	14,393,188	29,246,011
Accrued interest payable	1,020,297	501,154	1,521,451	-	1,521,451
Due to other governments	1,183,414	-	1,183,414	-	1,183,414
Unearned revenues	335,948	3,485,847	3,821,795	-	3,821,795
Long term liabilities:					
Due within one year	5,335,377	1,970,764	7,306,141	448,288	7,754,429
Due in more than one year	50,307,446	26,057,681	76,365,127	3,828,637	80,193,764
Total liabilities	64,461,605	40,589,146	105,050,751	18,670,113	123,720,864
Net position					
Net investment in capital assets	182,187,591	81,466,048	263,653,639	46,206,590	277,865,729 A
Restricted for:					
Nonexpendable Cemetery					
Principal	100,000	-	100,000	-	100,000
Unrestricted (deficit)	(2,884,806)	51,403,397	48,518,591	4,343,729	84,856,820 A
Total net position	\$ 179,402,785	\$ 132,869,445	\$ 312,272,230	\$ 50,550,319	\$ 362,822,549

A. The sum of the columns does not equal the Total Reporting Unit column by a difference of \$31,994,500 because the debt related to the Component Unit Manassas City Public Schools (MCPS) is reflected in the primary government's Governmental Activities column reducing unrestricted net position. The assets are reflected in the Component Unit column as net investment in capital assets. The Total Reporting Unit column matches the assets with the debt and reports the net amount of the net investment in capital assets.

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

CITY OF MANASSAS, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	Capital
		Services	Grants and	Grants and
			Contributions	Contributions
Primary government:				
Governmental activities:				
General government	\$ 8,864,313	\$ 793,268	\$ 285,007	\$ -
Public safety	28,575,011	1,912,366	1,537,701	-
Public works	8,811,937	1,453,769	3,380,840	211,730
Health and welfare	7,046,417	36,150	2,635,076	-
Culture, recreation, and community development	5,806,374	436,111	13,000	-
Education	48,014,667	-	-	-
Interest on long term debt	2,170,239	-	-	-
Total governmental activities	109,288,958	4,631,664	7,851,624	211,730
Business-type activities:				
Electric	61,167,893	61,766,073	-	35,764
Water	8,072,824	10,721,365	34,518	-
Sewer	12,262,895	14,588,115	-	-
Airport	3,563,277	2,330,193	46,790	4,653,469
Solid waste	3,117,943	3,125,895	9,430	-
City Square Pavilion	316,921	19,764	-	-
Candy Factory	198,263	29,484	-	-
Parking Garage	43,863	23,064	-	-
Total business-type activities	88,743,879	92,603,953	90,738	4,689,233
Total primary government	\$ 198,032,837	\$ 97,235,617	\$ 7,942,362	\$ 4,900,963
Component unit:				
Manassas City Public Schools	100,186,265	1,666,487	47,351,834	-
Total component unit	\$ 100,186,265	\$ 1,666,487	\$ 47,351,834	\$ -
General revenues:				
Property taxes				
Sales taxes				
Business License taxes				
Meals taxes				
Other taxes				
Unrestricted grants				
Unrestricted investment earnings				
Other unrestricted revenues				
Payment to component unit				
Payment from component unit				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	Total
Governmental Activities	Business-type Activities	Total	Manassas City Public Schools	Reporting Unit
\$ (7,786,038)	\$ -	\$ (7,786,038)	\$ -	\$ (7,786,038)
(25,124,944)	-	(25,124,944)	-	(25,124,944)
(3,765,598)	-	(3,765,598)	-	(3,765,598)
(4,375,191)	-	(4,375,191)	-	(4,375,191)
(5,357,263)	-	(5,357,263)	-	(5,357,263)
(48,014,667)	-	(48,014,667)	-	(48,014,667)
(2,170,239)	-	(2,170,239)	-	(2,170,239)
(96,593,940)	-	(96,593,940)	-	(96,593,940)
-	633,944	633,944	-	633,944
-	2,683,059	2,683,059	-	2,683,059
-	2,325,220	2,325,220	-	2,325,220
-	3,467,175	3,467,175	-	3,467,175
-	17,382	17,382	-	17,382
-	(297,157)	(297,157)	-	(297,157)
-	(168,779)	(168,779)	-	(168,779)
-	(20,799)	(20,799)	-	(20,799)
-	8,640,045	8,640,045	-	8,640,045
(96,593,940)	8,640,045	(87,953,895)	-	(87,953,895)
-	-	-	(51,167,944)	(51,167,944)
-	-	-	(51,167,944)	(51,167,944)
64,510,210	-	64,510,210	-	64,510,210
7,811,499	-	7,811,499	-	7,811,499
3,180,970	-	3,180,970	-	3,180,970
3,094,965	-	3,094,965	-	3,094,965
3,429,243	-	3,429,243	-	3,429,243
8,052,773	-	8,052,773	-	8,052,773
284,224	73,908	358,132	9,485	367,617
2,796,266	108,169	2,904,435	-	2,904,435
-	-	-	48,014,667	48,014,667
4,913,003	-	4,913,003	-	4,913,003
2,388,660	(2,388,660)	-	-	-
100,461,813	(2,206,583)	98,255,230	48,024,152	146,279,382
3,867,873	6,433,462	10,301,335	(3,143,792)	7,157,543
175,534,912	126,435,983	301,970,895	53,694,111	355,665,006
\$ 179,402,785	\$ 132,869,445	\$ 312,272,230	\$ 50,550,319	\$ 362,822,549

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Fund Financial Statements

CITY OF MANASSAS, VIRGINIA

Balance Sheet
Governmental Funds
June 30, 2013

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 23,050,116	\$ 9,115,191	\$ 32,165,307
Receivable (net of allowances for uncollectibles):			
Taxes receivable	2,169,047	215,304	2,384,351
Accounts receivable	698,836	251,048	949,884
Due from other governments	2,400,022	532,329	2,932,351
Advances to other funds	410,693	-	410,693
Total assets	<u>\$ 28,728,714</u>	<u>\$ 10,113,872</u>	<u>\$ 38,842,586</u>
Liabilities			
Liabilities:			
Accounts payable	\$ 3,245,278	\$ 804,339	\$ 4,049,617
Retainage payable	-	7,328	7,328
Deposits	1,932,602	14,756	1,947,358
Due to other governments	1,012,998	-	1,012,998
Unearned revenues	335,948	-	335,948
Advances from other funds	-	18,693	18,693
Total liabilities	<u>6,526,826</u>	<u>845,116</u>	<u>7,371,942</u>
Deferred inflows of resources			
Unavailable revenue - property tax	<u>\$ 1,438,005</u>	<u>\$ 152,691</u>	<u>\$ 1,590,696</u>
Fund balances:			
Nonspendable:			
Long term advances to other funds	410,693	-	410,693
Permanent fund principal	-	100,000	100,000
Restricted:			
Communication systems	-	342,188	342,188
Road maintenance	-	105,172	105,172
Fire rescue system	-	1,468,499	1,468,499
Museum system	-	1,370,884	1,370,884
Cemetery maintenance	-	70,813	70,813
Proffers and developer contributions for capital projects	2,982,051	-	2,982,051
Committed:			
Social services programs	-	56,575	56,575
Museum system	-	11,498	11,498
Economic development	657,000	215,981	872,981
Capital projects	-	5,380,519	5,380,519
Capital Reserve Fund	2,964,149	-	2,964,149
OPEB liability	918,000	-	918,000
General government	695,792	-	695,792
Unassigned	12,136,198	(6,064)	12,130,134
Total fund balances	<u>20,763,883</u>	<u>9,116,065</u>	<u>29,879,948</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 28,728,714</u>	<u>\$ 10,113,872</u>	<u>\$ 38,842,586</u>

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

CITY OF MANASSAS, VIRGINIA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2013

Total fund balances for governmental funds	\$	29,879,948
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$	85,924,921	
Construction in progress		6,455,395	
Buildings and improvements, net of accumulated depreciation		7,471,432	
Infrastructure, net of accumulated depreciation		96,077,139	
Machinery and equipment, net of accumulated depreciation		1,395,602	
Total capital assets			197,324,489

Some of the City's property and other taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore are reported as unavailable revenue in the funds		1,590,696
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Internal service funds are used by management to charge costs of information technology and equipment to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Assets:			
Current assets		4,816,869	
Capital assets		10,010,779	
Less accumulated depreciation		(8,507,025)	
Liabilities		(507,562)	5,813,061

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Accrued interest payable	\$	(1,020,297)	
Deferred charge on refunding		1,395,385	
Bonds payable		(47,334,820)	
Premium on long-term debt, net of accumulated amortization		(2,036,124)	
Claims payable		(170,416)	
Capital lease		(659,593)	(49,825,865)
Compensated absences (not reported as fund liabilities)			(2,356,544)
Net OPEB obligation (not reported as fund liabilities)			(3,023,000)

Total net position of governmental activities	\$	179,402,785
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The accompanying notes to financial statements are an integral part of this statement.

CITY OF MANASSAS, VIRGINIA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2013

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
General property taxes	\$ 57,608,800	\$ 6,891,018	\$ 64,499,818
Other local taxes	17,516,677	-	17,516,677
Permits, fees and licenses	929,999	-	929,999
Fines and forfeitures	803,283	-	803,283
Use of money and property	66,409	217,815	284,224
Charges for services	591,054	549,556	1,140,610
Payment in lieu of debt service	4,913,003	-	4,913,003
Recovered costs	1,922,080	-	1,922,080
Miscellaneous	1,757,772	805,979	2,563,751
Intergovernmental	12,158,948	3,957,179	16,116,127
Total revenues	98,268,025	12,421,547	110,689,572
Expenditures			
Current:			
General government administration	8,700,261	11,238	8,711,499
Public safety	20,185,854	7,923,663	28,109,517
Public works	4,372,577	8,718	4,381,295
Health and welfare	2,149,979	4,884,061	7,034,040
Culture, recreation, and community development	5,506,018	15,595	5,521,613
Education	48,014,667	-	48,014,667
Capital outlay	1,008,884	4,787,641	5,796,525
Debt service:			
Principal retirement of capital lease	324,383	40,616	364,999
Interest and fees on capital lease	22,551	-	22,551
Principal retirement	4,546,580	-	4,546,580
Interest and fees on long term debt	2,211,868	-	2,211,868
Total expenditures	97,043,622	17,671,532	114,715,154
Excess (deficiency) of revenues over (under) expenditures	1,224,403	(5,249,985)	(4,025,582)
Other financing sources (uses)			
Transfers in	1,749,090	5,690,061	7,439,151
Transfers out	(5,462,661)	(165,700)	(5,628,361)
Capital leases	-	196,568	196,568
Total other financing sources (uses)	(3,713,571)	5,720,929	2,007,358
Net change in fund balances	(2,489,168)	470,944	(2,018,224)
Fund balance - beginning	23,253,051	8,645,121	31,898,172
Fund balance - ending	\$ 20,763,883	\$ 9,116,065	\$ 29,879,948

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

CITY OF MANASSAS, VIRGINIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2013

Net change in fund balances - total governmental funds (Exhibit 5) \$ (2,018,224)

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.

Capital outlays	\$	5,965,639		
Depreciation		(5,402,920)		562,719

Under the modified accrual basis of accounting used in the governmental funds, revenues are recorded when measurable and realizable to pay current obligations. However, in the statement of net position revenues are reported when earned. This requires adjustments to convert the revenues to the accrual basis.

10,392

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Capital lease proceeds	\$	(196,568)		
Amortization of premium on long-term debt		119,971		
Amortization of deferred amount on refunding		(139,539)		
Repayments of long-term debt:				
General obligation bonds		4,546,580		
Capital leases		364,998		
				4,695,442

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:

Compensated absences	\$	(187,189)		
Net OPEB obligation		(163,000)		
Accrued interest payable		83,747		(266,442)

Internal service funds are used by management to provide certain goods and services to governmental funds.

The change in net position is reported with governmental activities.

883,986

Change in net position of governmental activities	\$	3,867,873
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The accompanying notes to financial statements are an integral part of this statement.

CITY OF MANASSAS, VIRGINIA

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
General Fund
For the Year Ended June 30, 2013

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues:				
From local sources:				
Taxes:				
Property	\$ 56,904,160	\$ 56,904,160	\$ 57,608,800	\$ 704,640
Other local	16,777,000	16,777,000	17,516,677	739,677
Permits, fees and licenses	757,650	757,650	929,999	172,349
Fines and forfeitures	602,050	602,050	803,283	201,233
Use of money and property:				
Interest	75,000	75,000	43,868	(31,132)
Interest from bond proceeds	-	-	22,541	22,541
Charges for services	566,150	596,302	591,054	(5,248)
Payment in lieu of debt service	4,913,000	4,913,000	4,913,003	3
Recovered cost	1,922,080	1,922,080	1,922,080	-
Proffers	-	123,000	973,389	850,389
Miscellaneous	367,140	818,967	784,383	(34,584)
Total from local sources	<u>82,884,230</u>	<u>83,489,209</u>	<u>86,109,077</u>	<u>2,619,868</u>
From other governments:				
From the Commonwealth of Virginia				
PPTRA	3,786,630	3,786,630	3,786,634	4
Communications tax	3,150,000	3,150,000	2,953,989	(196,011)
Other	4,826,370	4,826,370	4,979,315	152,945
From the Federal government	10,000	477,128	439,010	(38,118)
Total from other governments	<u>11,773,000</u>	<u>12,240,128</u>	<u>12,158,948</u>	<u>(81,180)</u>
Total revenues	<u>94,657,230</u>	<u>95,729,337</u>	<u>98,268,025</u>	<u>2,538,688</u>
Expenditures:				
Departmental:				
City council	433,630	834,580	654,394	180,186
Clerk's office	281,590	313,090	285,272	27,818
City manager	484,230	546,025	532,070	13,955
Electoral board	258,350	282,350	281,822	528
Treasurer	652,520	670,790	641,762	29,028
Commissioner of the revenue	1,184,860	1,197,360	1,196,683	677
Finance and administration	3,289,470	3,265,636	3,085,102	180,534
Reimbursable event	-	30,000	29,547	453
Police	13,589,250	14,212,958	14,121,649	91,309
Correction and detention	3,099,140	4,293,090	4,632,044	(338,954)
Public works	7,043,670	7,368,188	7,165,521	202,667
Community development	3,697,410	3,880,530	3,713,138	167,392
Total departmental expenditures	<u>\$ 34,014,120</u>	<u>\$ 36,894,597</u>	<u>\$ 36,339,004</u>	<u>\$ 555,593</u>

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

CITY OF MANASSAS, VIRGINIA

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
General Fund
For the Year Ended June 30, 2013

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Expenditures (continued):				
Debt service:				
Principal retirement - general	\$ 1,527,020	\$ 1,527,020	\$ 1,483,463	\$ 43,557
Principal retirement - schools	3,387,500	3,387,500	3,387,500	-
Interest and fees on long-term debt - general	665,760	665,760	708,916	(43,156)
Interest and fees on long-term debt - schools	1,525,500	1,525,500	1,525,503	(3)
Total debt service	<u>7,105,780</u>	<u>7,105,780</u>	<u>7,105,382</u>	<u>398</u>
Shared services	4,499,030	4,499,030	4,499,027	3
Joint services	899,710	954,710	943,042	11,668
Contributions	142,500	142,500	142,500	-
Education	47,161,440	47,284,440	48,014,667	(730,227)
Total expenditures	<u>93,822,580</u>	<u>96,881,057</u>	<u>97,043,622</u>	<u>(162,565)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>834,650</u>	<u>(1,151,720)</u>	<u>1,224,403</u>	<u>2,376,123</u>
Other financing sources (uses):				
Transfers in	1,749,090	1,749,090	1,749,090	-
Transfers out	(2,583,740)	(5,427,008)	(5,462,661)	(35,653)
Total other financing sources (uses)	<u>(834,650)</u>	<u>(3,677,918)</u>	<u>(3,713,571)</u>	<u>(35,653)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (4,829,638)</u>	<u>(2,489,168)</u>	<u>\$ 2,340,470</u>
Fund balance, beginning			<u>23,253,051</u>	
Fund balance, ending			<u>\$ 20,763,883</u>	

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

CITY OF MANASSAS, VIRGINIA

Statement of Net Position
Proprietary Funds
June 30, 2013

	Electric	Water	Sewer
Assets			
Current assets:			
Equity in pooled cash and investments - unrestricted	\$ 19,239,845	\$ 16,930,581	\$ 12,696,563
Accounts receivable (net of allowance for uncollectibles)	8,081,541	1,369,480	2,259,621
Due from other governments	-	-	-
Inventory	1,824,632	503,109	39,414
Total current assets	29,146,018	18,803,170	14,995,598
Noncurrent assets:			
Capital assets:			
Land and land rights	220,630	1,453,840	1,698,365
Buildings and improvements	-	-	-
Investment in plant	69,214,661	27,636,635	16,796,847
Machinery and equipment	5,740,830	346,677	81,637
Construction in progress	6,360,528	17,875,144	1,773,112
Purchased capacity	-	9,553,340	17,599,709
Less accumulated depreciation	(62,578,258)	(29,079,924)	(18,033,836)
Total noncurrent assets	18,958,391	27,785,712	19,915,834
Total assets	48,104,409	46,588,882	34,911,432
Liabilities and net position			
Current liabilities:			
Accounts payable	5,284,345	764,294	317,070
Retainage payable	-	76,621	-
Deposits	965,522	203,702	-
Accrued interest payable	5,249	151,627	283,365
Compensated absences - current	79,013	34,385	12,390
Bonds payable - current	81,010	814,780	635,000
Total current liabilities	6,415,139	2,045,409	1,247,825
Noncurrent liabilities:			
Unearned revenue	-	3,289,164	8,050
Advance from other funds	-	-	-
Compensated absences - net of current	447,738	194,847	70,207
Net OPEB obligations - net of current	265,600	127,000	57,400
Bonds payable - net of current	322,660	8,183,237	13,503,718
Total noncurrent liabilities	1,035,998	11,794,248	13,639,375
Total liabilities	7,451,137	13,839,657	14,887,200
Net position:			
Net investment in capital assets	18,554,721	18,787,695	5,777,116
Unrestricted	22,098,551	13,961,530	14,247,116
Total net position	\$ 40,653,272	\$ 32,749,225	\$ 20,024,232

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

Exhibit F

<u>Airport</u>	<u>Other Nonmajor Enterprise</u>	<u>Total Enterprise</u>	<u>Internal Service Funds</u>
\$ 1,466,592	\$ 767,473	\$ 51,101,054	\$ 4,816,869
191,722	335,961	12,238,325	-
49,268	-	49,268	-
-	-	2,367,155	-
<u>1,707,582</u>	<u>1,103,434</u>	<u>65,755,802</u>	<u>4,816,869</u>
6,095,802	-	9,468,637	-
-	4,652,249	4,652,249	278,484
54,732,444	-	168,380,587	-
375,129	110,962	6,655,235	9,732,295
12,120,436	-	38,129,220	-
-	-	27,153,049	-
(33,932,136)	(2,720,034)	(146,344,188)	(8,507,025)
<u>39,391,675</u>	<u>2,043,177</u>	<u>108,094,789</u>	<u>1,503,754</u>
<u>41,099,257</u>	<u>3,146,611</u>	<u>173,850,591</u>	<u>6,320,623</u>
143,542	266,295	6,775,546	274,820
519,783	-	596,404	-
32,076	450	1,201,750	-
60,913	-	501,154	-
9,030	2,838	137,656	34,912
302,318	-	1,833,108	-
<u>1,067,662</u>	<u>269,583</u>	<u>11,045,618</u>	<u>309,732</u>
188,633	-	3,485,847	-
392,000	-	392,000	-
51,172	16,084	780,048	197,830
32,000	-	482,000	-
2,786,018	-	24,795,633	-
<u>3,449,823</u>	<u>16,084</u>	<u>29,935,528</u>	<u>197,830</u>
<u>4,517,485</u>	<u>285,667</u>	<u>40,981,146</u>	<u>507,562</u>
36,303,339	2,043,177	81,466,048	1,503,754
278,433	817,767	51,403,397	4,309,307
<u>\$ 36,581,772</u>	<u>\$ 2,860,944</u>	<u>\$ 132,869,445</u>	<u>\$ 5,813,061</u>

CITY OF MANASSAS, VIRGINIA

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2013

	Electric	Water	Sewer
Operating revenues			
Charges for services	\$ 58,973,531	\$ 9,966,224	\$ 12,756,775
Connection charges	190,580	755,141	1,831,340
Total operating revenues	<u>59,164,111</u>	<u>10,721,365</u>	<u>14,588,115</u>
Operating expenses			
Personal services	5,089,625	2,418,375	919,590
Contractual services	986,388	594,408	103,142
Supplies	1,162,151	1,094,563	88,752
Internal and other services	1,558,874	1,350,192	646,158
Purchased power	50,313,580	-	-
Contract treatment charges	-	-	8,417,553
Depreciation and amortization	2,031,943	1,222,381	1,405,337
Total operating expenses	<u>61,142,561</u>	<u>6,679,919</u>	<u>11,580,532</u>
Operating income (loss)	<u>(1,978,450)</u>	<u>4,041,446</u>	<u>3,007,583</u>
Nonoperating revenue (expense)			
Intergovernmental grants	-	34,518	-
Interest revenue	31,388	22,376	17,558
Service reimbursements	2,601,962	-	-
Gain (loss) on sale of capital assets	-	-	-
Other	28,685	21,632	38,099
Interest expense	(25,332)	(397,494)	(682,363)
Total nonoperating revenue (expense)	<u>2,636,703</u>	<u>(318,968)</u>	<u>(626,706)</u>
Income (loss) before transfers and contributions	658,253	3,722,478	2,380,877
Transfers in	-	-	34,600
Transfers out	(1,576,800)	(604,410)	(518,550)
Capital Contributions (return)	<u>35,764</u>	<u>(995,411)</u>	<u>-</u>
Change in net position	(882,783)	2,122,657	1,896,927
Total net position - beginning	<u>41,536,055</u>	<u>30,626,568</u>	<u>18,127,305</u>
Total net position - ending	<u>\$ 40,653,272</u>	<u>\$ 32,749,225</u>	<u>\$ 20,024,232</u>

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

Exhibit G

Airport	Other Nonmajor Enterprise	Total Enterprise	Internal Service Funds
\$ 2,330,193	\$ 3,198,207	\$ 87,224,930	\$ 6,855,592
-	-	2,777,061	-
2,330,193	3,198,207	90,001,991	6,855,592
699,459	166,258	9,293,307	2,315,002
255,104	2,947,971	4,887,013	971,108
79,955	5,957	2,431,378	1,552,233
359,584	321,426	4,236,234	1,236,536
-	-	50,313,580	-
-	-	8,417,553	-
1,976,619	235,378	6,871,658	584,623
3,370,721	3,676,990	86,450,723	6,659,502
(1,040,528)	(478,783)	3,551,268	196,090
46,790	9,430	90,738	-
2,033	553	73,908	6,550
-	-	2,601,962	-
-	-	-	68,207
19,753	-	108,169	35,269
(192,556)	-	(1,297,745)	-
(123,980)	9,983	1,577,032	110,026
(1,164,508)	(468,800)	5,128,300	306,116
-	284,000	318,600	577,870
-	(7,500)	(2,707,260)	-
4,653,469	-	3,693,822	-
3,488,961	(192,300)	6,433,462	883,986
33,092,811	3,053,244	126,435,983	4,929,075
\$ 36,581,772	\$ 2,860,944	132,869,445	\$ 5,813,061

CITY OF MANASSAS, VIRGINIA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Electric	Water	Sewer
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 59,003,447	\$ 18,823,900	\$ 14,362,413
Other miscellaneous receipts (expenses)	28,685	21,632	38,099
Payments to other funds	-	-	-
Payments to suppliers	(53,743,375)	(2,246,963)	(8,636,034)
Payments to employees	(5,072,328)	(2,386,193)	(911,057)
Payments for interfund services used	(1,341,708)	(984,156)	(638,196)
Net cash provided by (used for) operating activities	(1,125,279)	13,228,220	4,215,225
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	-	-	34,600
Transfers to other funds	(1,576,800)	(604,410)	(518,550)
Receipts from service reimbursements	2,601,962	-	-
Operating grants received	-	34,518	-
Net cash provided by (used for) noncapital financing activities	1,025,162	(569,892)	(483,950)
Cash Flows from Capital and Related Financing Activities			
Capital grants and contributions received	35,764	(995,411)	-
Sale of capital assets	-	-	-
Principal paid on capital debt	(682,340)	(801,080)	(610,000)
Interest paid on capital debt	(25,332)	(397,494)	(682,363)
Purchases of capital assets	(2,416,995)	(1,246,821)	(320,014)
Net cash provided by (used for) capital and related financing activities	(3,088,903)	(3,440,806)	(1,612,377)
Cash Flows from Investing Activities			
Interest revenue	31,388	22,376	17,558
Net cash provided by investing activities	31,388	22,376	17,558
Net increase in cash and cash equivalents	(3,157,632)	9,239,898	2,136,456
Cash and cash equivalents, beginning	22,397,477	7,690,683	10,560,107
Cash and cash equivalents, ending	\$ 19,239,845	\$ 16,930,581	\$ 12,696,563
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (1,978,450)	\$ 4,041,446	\$ 3,007,583
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	2,031,943	1,222,381	1,405,337
Other miscellaneous receipts (expenses)	28,685	21,632	38,099
(Increase) decrease in accounts receivable	(195,693)	8,702,060	(191,865)
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in inventories	(270,380)	(157,969)	(1,483)
(Increase) decrease in advance to other funds	-	-	-
Increase (decrease) in net OPEB obligation	15,800	6,500	2,700
Increase (decrease) in unearned revenue	-	(594,659)	(33,837)
Increase (decrease) in customer deposits	35,030	(4,865)	-
Increase (decrease) in accounts payable	(795,521)	(34,414)	(20,763)
Increase (decrease) in compensated absences	3,307	26,108	9,454
Total adjustments	853,171	9,186,774	1,207,642
Net cash provided by (used for) operating activities	\$ (1,125,279)	\$ 13,228,220	\$ 4,215,225

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

Exhibit H

Airport	Other Nonmajor Enterprise	Total Enterprise	Internal Service Funds
\$ 2,351,422	\$ 3,228,505	\$ 97,769,687	\$ 6,855,592
19,753	-	108,169	35,269
-	(30,160)	(30,160)	-
(512,696)	(3,004,863)	(68,143,931)	(3,132,252)
(693,244)	(163,504)	(9,226,326)	(2,318,534)
(192,237)	(278,662)	(3,434,959)	(651,293)
972,998	(248,684)	17,042,480	788,782
-	284,000	318,600	577,870
-	(7,500)	(2,707,260)	-
-	-	2,601,962	-
46,790	9,430	90,738	-
46,790	285,930	304,040	577,870
4,653,469	-	3,693,822	-
-	-	-	68,207
(294,042)	-	(2,387,462)	-
(192,556)	-	(1,297,745)	-
(5,829,937)	-	(9,813,767)	(809,335)
(1,663,066)	-	(9,805,152)	(741,128)
2,033	553	73,908	6,550
2,033	553	73,908	6,550
(641,245)	37,799	7,615,276	632,074
2,107,837	729,674	43,485,778	4,184,795
\$ 1,466,592	\$ 767,473	\$ 51,101,054	\$ 4,816,869
\$ (1,040,528)	\$ (478,783)	\$ 3,551,268	\$ 196,090
1,976,619	235,378	6,871,658	584,623
19,753	-	108,169	35,269
(6,446)	30,298	8,338,354	-
26,589	-	26,589	-
-	-	(429,832)	-
-	(30,160)	(30,160)	-
2,000	-	27,000	-
1,023	-	(627,473)	-
63	-	30,228	-
(11,254)	(8,686)	(870,638)	(33,288)
5,179	3,269	47,317	6,088
2,013,526	230,099	13,491,212	592,692
\$ 972,998	\$ (248,684)	\$ 17,042,480	\$ 788,782

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CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements June 30, 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial 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.

B. 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 (the City) and its component unit (MCPS). For the most part, the effect of inter-fund activity has been removed from these statements. 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. The primary government is reported separately from the legally separate component unit.

The sum of the Total Primary Government and the Component Unit Manassas City Public Schools columns on the statement of net position does not equal the Total Reporting Unit column because the debt related to MCPS is reflected in the primary government's Governmental Activities column reducing unrestricted net position. The assets are reflected in the Component Unit Manassas City Public Schools column as net investment in capital assets. The Total Reporting Unit column matches the assets with the debt and reports the net amount in Net investment in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available to be used to pay liabilities of the current period if they are collectible within the current period or soon enough thereafter. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. Property taxes, sales taxes, other local taxes, and intergovernmental revenue are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues from the use of money and property and from intergovernmental grants are recorded as earned regardless of when collected. The legal and contractual requirements of the individual programs are used as guidance in determining revenue recognition. All other revenue items are considered to be measurable and available only when cash is received by the City. 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.

The City reports the general fund as the only major governmental fund. The general fund is the City's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

The electric, water, and sewer funds account for the activities of these utilities. The airport fund accounts for the activities of the Manassas Regional Airport.

Additionally, the City reports the following fund type:

Internal service funds account for vehicle maintenance, building maintenance, and information technology services provided to other departments of the City on a cost reimbursement basis.

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash, Cash Equivalents and Investments

The City considers all highly liquid investments with purchase maturities of three months or less to be cash and cash equivalents. Restricted cash and temporary cash investments for all funds and its component unit are maintained in a single pooled account, except for those investments required to be maintained in separate accounts in order to comply with legal restrictions.

Investments are reported at fair value, except for money market investments that have a remaining maturity at the time of purchase of one year or less. These investments are reported at amortized cost which approximates fair value.

Interest earned is allocated to the respective funds, based on each fund's equity in the pooled account, except when the interest earnings are restricted. \$1,332 of interest earned on invested bond proceeds in the transportation fund was allocated to the general fund. Because the use of these earnings is restricted, they are held in the general fund until budgeted and appropriated for an allowable use.

E. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal years are referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. Receivables and Payables: (Continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property receivables are shown net of allowance for uncollectible. The City's allowance for uncollectible accounts is based upon historical data.

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.

F. Inventories and Prepaid Items

Inventories of the enterprise funds are valued at cost using the first-in/first-out (FIFO) method. The cost is recorded as an expense at the time the individual inventory items are consumed. Inventories at June 30, 2013 of the governmental fund types and the internal service funds are not material and are recognized as expenditures/expenses when purchased. 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. There are no prepaid items in the current fiscal year.

G. 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 costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Interest incurred during the construction phase of capital assets of business-type activities is included in the capitalized value of the assets constructed. There was no interest incurred on construction projects in the current fiscal year.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

G. Capital Assets: (Continued)

Both the City and MCPS depreciate capital assets 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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

I. 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

J. Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

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 amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while 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.

K. Fund Equity

The City and MCPS report fund balance in accordance with GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54). GASB 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

In the fund financial statements, governmental funds report five classifications of fund balances. The classifications and a description of each follow.

- Nonspendable - amounts not in a spendable format (inventory and prepaid) or are required to be maintained intact (corpus of a permanent fund)
- Restricted - amounts constrained to specific purposes by their providers (grantors, bondholders) through constitutional provisions, or by enabling legislation
- Committed - amounts constrained to specific purposes by a government itself, using its highest level of decision making authority; to be reported as committed, amounts can not be used for any other purpose unless the government takes the same highest level action to remove or change the constraint
- Assigned - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority
- Unassigned - amounts that are available for any purpose; positive amounts are only reported in the general fund

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. The City Council establishes (and modifies or rescinds) fund balance commitments by passage of 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

L. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

M. Net Position Flow Assumption

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

N. Encumbrances

Encumbrance accounting, the recording of commitments resulting from approved purchase orders and contracts, is employed by the City for its governmental fund types. Encumbrances outstanding at fiscal year-end lapse and are re-appropriated and re-encumbered in the next fiscal year as an amendment to the adopted budget. The City's material encumbrances are for capital projects and are disclosed in Note 10 C Construction commitments.

O. Restricted Assets

Restricted assets are liquid assets which have limitations on their use. Unspent amounts from the issuance of general obligation bonds are reported as restricted cash and investments in the City's governmental and enterprise funds.

P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. For the year ended June 30, 2013, the general fund estimated uncollectible taxes receivable in the amount of \$655,144. The electric, water, sewer, airport funds and solid waste funds estimated uncollectible accounts receivable in the amounts of \$39,250, \$6,692, \$11,353, \$1,298 and \$1,688 respectively. Accordingly, actual results could differ from these estimates.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Q. Governmental Fund Types

The City and MCPS reports fund balance in accordance with GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54). GASB 54 provides comprehensive definitions of the governmental fund types. The City's general fund is used to account for and report all financial resources not accounted for and reported in any other fund. Special revenue funds account for and reports financial resources that are restricted or committed to expenditures for a specific purpose. The City has ten special revenue funds. Capital projects funds account for and report financial resources that are restricted or committed to expenditures for capital outlays. The City has four capital projects funds. Permanent funds account for and report resources that are restricted such that only earnings may be used for the intended purpose. The City has one permanent fund.

R. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board:

The City implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

S. Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board:

The City implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

NOTE 2—STEWARDSHIP, COMPLIANCE, and ACCOUNTABILITY:

A. Budgetary Information

The City Council adopts and appropriates annual budgets for the following governmental funds: general fund, family services, Owens Brooke district, fire and rescue, Liberia house and Speiden Carper house funds. 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.

NOTE 2—STEWARDSHIP, COMPLIANCE, and ACCOUNTABILITY: (Continued)

A. Budgetary Information: (Continued)

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. The City Council approved supplemental appropriations in the general fund totaling \$3,058,477 in fiscal year 2013, which included \$273,197 of outstanding encumbrances at June 30, 2012. Appropriations to MCPS are legally controlled at the total appropriation level.

B. Deficit Fund Equity

The museum publishing fund had a deficit fund balance in the amount of \$6,064 as of June 30, 2013. The museum publishing fund accounts for the publishing and sale of printed material related to the history of the area. In fiscal year 2010 a book was published at a cost of \$35,000. This fund may continue to carry a negative fund balance until revenue from the sale of this book offsets the cost of publishing the book.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits and Investments

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 the excess deposits. Accordingly, all deposits are considered fully collateralized.

The City maintains an investment policy which establishes guidelines for safeguarding and efficient management of City funds and for the purchase and sale of investment instruments. The goal is to minimize risk and to ensure the availability of cash to meet the City's expenditures, while generating revenue from the use of funds which might otherwise remain idle. The City's policy applies to all financial assets under the authority of the Treasurer.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits and Investments: (Continued)

The primary objectives of the Treasurer's investment activities, in priority order, are safety, liquidity, and yield. Safety of principal is the foremost objective of the investment of public funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The investment portfolio shall remain sufficiently liquid to meet all operational requirements that may be reasonably anticipated. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary year and economic cycles, taking into account the investment risk constraints and liquidity. All investments shall be in compliance at all times with provisions in the Code of Virginia. Deposits will be secured in accordance with the Virginia Security for Public Deposits Act, as per the Code of Virginia.

Interest Rate Risk - In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the investment maturity or duration of its investment portfolio to less than five years.

Credit Risk - The City has no investment policy that would further limit its investment choices. The City pre-qualifies all banks, financial institutions, and other depositories and ensures that they demonstrate an acceptable level of financial stability both before receiving or managing the City's funds and periodically thereafter. As of June 30, 2013, the City's investment in the Local Government Investment Pool and the Virginia State Non-Arbitrage Program were rated AAAM by Standard & Poor's. All of the City's investments in U.S. agencies carry the explicit guarantee of the U.S. government.

Concentration of Credit Risk - The City places no limit on the amount the City may invest in any one issuer. Eighty-eight percent (86.3%) of the City's investments are in the Local Government Investment Pool.

Custodial Credit Risk - For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the City may not recover its deposits. All of the bank balances were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act), Section 2.2-4400 et.seq. of the Code of Virginia.

For investments, custodial credit risk is the risk that, in the event of the failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Per City policy, the Treasurer's designated custodian shall hold all securities purchased by the City. The securities must be in the City's name and identifiable on the custodian's books as belonging to the City. The custodian must be a third party.

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (Continued)

As of June 30, 2013, the reporting unit had the following deposits and investments:

Deposits and investments	Years to maturity	Fair value
Primary government:		
U.S. government agency obligations	1-5	\$ 3,941,041
Local Government Investment Pool	N/A	76,792,797
Wells Fargo VML 2010 Bond	N/A	8
Deposits and cash equivalents (temporally deficit)	N/A	7,349,384
Total primary government		<u>\$ 88,083,230</u>
MCPS:		
Deposits and cash equivalents	N/A	\$ 17,013,696
Total MCPS		<u>17,013,696</u>
Total reporting unit		<u><u>\$ 105,096,926</u></u>

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 and the State Treasurer's Local Government Investment Pool (LGIP).

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 4—RECEIVABLES:

Receivables at June 30, 2013, for the City's individual major funds, nonmajor and other funds, and the component unit MCPS consist of the following:

Funds:	<u>Taxes</u>	<u>Accounts</u>	<u>Gross receivables</u>	<u>Less: allowance for uncollectibles</u>	<u>Net total receivables</u>
General	\$ 2,824,191	\$ 698,836	\$ 3,523,027	\$ (655,144)	\$ 2,867,883
Nonmajor governmental	215,304	251,048	466,352	-	466,352
Electric	-	8,120,791	8,120,791	(39,250)	8,081,541
Water	-	1,376,172	1,376,172	(6,692)	1,369,480
Sewer	-	2,270,974	2,270,974	(11,353)	2,259,621
Airport	-	193,020	193,020	(1,298)	191,722
Nonmajor business-type	-	337,649	337,649	(1,688)	335,961
Total primary government	<u>\$ 3,039,495</u>	<u>\$ 13,248,490</u>	<u>\$ 16,287,985</u>	<u>\$ (715,425)</u>	<u>\$ 15,572,560</u>
MCPS	<u>\$ -</u>	<u>\$ 1,603,842</u>	<u>\$ 1,603,842</u>	<u>\$ -</u>	<u>\$ 1,603,842</u>

Due from other governments:

<u>Due to:</u>	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General	\$ 79,434	\$ 2,211,245	\$ 109,343	\$ 2,400,022
Nonmajor governmental	372,552	119,283	40,494	532,329
Airport	3,478	45,790	-	49,268
Total primary government	<u>\$ 455,464</u>	<u>\$ 2,376,318</u>	<u>\$ 149,837</u>	<u>\$ 2,981,619</u>
MCPS	<u>\$ 1,333,608</u>	<u>\$ 2,711,290</u>	<u>\$ -</u>	<u>\$ 4,044,898</u>

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 5—CAPITAL ASSETS:

The following is a schedule of changes in capital asset activity of the primary government for the year ended June 30, 2013:

	June 30, 2012	Additions	Deletions	June 30, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land and land rights	\$ 85,906,892	\$ 18,029	\$ -	\$ 85,924,921
Construction in progress	3,969,859	2,609,049	(123,513)	6,455,395
Total capital assets not being depreciated	<u>\$ 89,876,751</u>	<u>\$ 2,627,078</u>	<u>\$ (123,513)</u>	<u>\$ 92,380,316</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 29,344,408	\$ 148,262	\$ -	\$ 29,492,670
Machinery and equipment	12,486,352	2,332,867	(597,009)	14,222,210
Infrastructure	168,505,775	1,790,279	(411,029)	169,885,025
Total capital assets being depreciated	<u>\$ 210,336,535</u>	<u>\$ 4,271,408</u>	<u>\$ (1,008,038)</u>	<u>\$ 213,599,905</u>
Accumulated depreciation:				
Buildings and improvements	\$ (21,262,885)	\$ (674,808)	\$ -	\$ (21,937,693)
Machinery and Equipment	(11,005,984)	(997,424)	597,009	(11,406,399)
Infrastructure	(69,903,603)	(4,315,312)	411,029	(73,807,886)
Total accumulated depreciation	<u>\$ (102,172,472)</u>	<u>\$ (5,987,544)</u>	<u>\$ 1,008,038</u>	<u>\$ (107,151,978)</u>
Total capital assets being depreciated, net	<u>\$ 108,164,063</u>	<u>\$ (1,716,136)</u>	<u>\$ -</u>	<u>\$ 106,447,927</u>
Governmental activities capital assets, net	<u>\$ 198,040,814</u>	<u>\$ 910,942</u>	<u>\$ (123,513)</u>	<u>\$ 198,828,243</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and land rights	\$ 9,468,637	\$ -	\$ -	\$ 9,468,637
Construction in progress	28,419,001	10,273,118	(562,899)	38,129,220
Total capital assets not being depreciated	<u>\$ 37,887,638</u>	<u>\$ 10,273,118</u>	<u>\$ (562,899)</u>	<u>\$ 47,597,857</u>
Capital assets, being depreciated:				
Investment in plant	\$ 167,522,493	\$ 858,094	\$ -	\$ 168,380,587
Buildings and improvements	4,652,249	-	-	4,652,249
Machinery and equipment	6,495,553	271,046	(111,364)	6,655,235
Purchased Capacity	27,153,049	-	-	27,153,049
Total capital assets being depreciated	<u>\$ 205,823,344</u>	<u>\$ 1,129,140</u>	<u>\$ (111,364)</u>	<u>\$ 206,841,120</u>
Accumulated depreciation:				
Investment in plant	(120,319,562)	(4,935,996)	-	(125,255,558)
Buildings and improvements	(2,426,237)	(232,615)	-	(2,658,852)
Machinery and equipment	(5,655,277)	(316,541)	111,364	(5,860,454)
Purchased Capacity	(11,182,818)	(1,386,506)	-	(12,569,324)
Total accumulated depreciation	<u>\$ (139,583,894)</u>	<u>\$ (6,871,658)</u>	<u>\$ 111,364</u>	<u>\$ (146,344,188)</u>
Total capital assets being depreciated, net	<u>\$ 66,239,450</u>	<u>\$ (5,742,518)</u>	<u>\$ -</u>	<u>\$ 60,496,932</u>
Business-type activities capital assets, net	<u>\$ 104,127,088</u>	<u>\$ 4,530,600</u>	<u>\$ (562,899)</u>	<u>\$ 108,094,789</u>
Total primary government	<u>\$ 302,167,902</u>	<u>\$ 5,441,542</u>	<u>\$ (686,412)</u>	<u>\$ 306,923,032</u>

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 5—CAPITAL ASSETS: (Continued)

The following is a schedule of changes in capital assets of the component unit MCPS for the year ended June 30, 2013:

	June 30, 2012	Additions	Deletions	June 30, 2013
Capital assets, not being depreciated:				
Land and land rights	\$ 2,336,649	\$ -	\$ -	\$ 2,336,649
Construction in progress	10,018	176,854	(10,018)	176,854
Total capital assets not being depreciated	<u>\$ 2,346,667</u>	<u>\$ 176,854</u>	<u>\$ (10,018)</u>	<u>\$ 2,513,503</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 125,488,443	\$ 299,263	\$ -	\$ 125,787,706
Machinery and equipment	8,258,085	988,597	(101,836)	9,144,846
Total capital assets being depreciated	<u>\$ 133,746,528</u>	<u>\$ 1,287,860</u>	<u>\$ (101,836)</u>	<u>\$ 134,932,552</u>
Less accumulated depreciation for:				
Buildings and improvements	(80,362,806)	(3,888,032)	-	(84,250,838)
Machinery and equipment	(6,136,762)	(602,295)	101,836	(6,637,221)
Total accumulated depreciation	<u>\$ (86,499,568)</u>	<u>\$ (4,490,327)</u>	<u>\$ 101,836</u>	<u>\$ (90,888,059)</u>
Total capital assets being depreciated, net	<u>\$ 47,246,960</u>	<u>\$ (3,202,467)</u>	<u>\$ -</u>	<u>\$ 44,044,493</u>
MCPS capital assets, net	<u><u>\$ 49,593,627</u></u>	<u><u>\$ (3,025,613)</u></u>	<u><u>\$ (10,018)</u></u>	<u><u>\$ 46,557,996</u></u>

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

Governmental activities:	
General Government Administration	\$ 188,396
Public Safety	531,431
Public Works	4,390,236
Health and Welfare	7,449
Culture and Recreation	285,409
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	584,623
Total depreciation expense - governmental activities	<u>\$ 5,987,544</u>
Business-type activities:	
Electric	\$ 2,031,943
Water	1,222,381
Sewer	1,405,337
Airport	1,976,619
City Square Pavilion	104,849
Candy Factory	127,763
Parking Garage	2,766
Total depreciation expense - business-type activities	<u>\$ 6,871,658</u>

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. Amortization expense in the water fund in the current fiscal year totaled \$536,373.

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 5—CAPITAL ASSETS: (Continued)

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. Amortization expense in the sewer fund in the current fiscal year totaled \$850,133.

NOTE 6—INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

The interfund balances as of June 30, 2013 are as follows:

Advances from/to other funds		
Receivable Fund	Payable Fund	Amount
General	Owens Brooke District	\$ 13,681
General	Museum Publishing	6,064
General	Transportation Capital Projects Fund	(1,052)
General	Airport	392,000
Total		<u>\$ 410,693</u>

In 2002, the general fund lent the Owens Brooke District fund \$213,000 to repair the streets in the district. In 2008, the general fund lent the airport fund \$1,960,000 to purchase property for airport expansion projects. Both funds have made payments to bring the balances to the amounts in the table. The inter-fund loans from the general fund to the Parking Facility Fund, Transportation Capital Projects Fund and Museum Publishing Fund are all short term obligations at June 30, 2013.

The primary purpose of inter-fund transfers is to provide funding for operations and capital projects. The inter-fund transfers for the fiscal year 2013 are as follows:

Transfers out	Transfers in				Total Transfers Out
	General Fund	Nonmajor Governmental	Enterprise	Internal Service	
General fund	\$ -	\$ 5,144,061	\$ 318,600	\$ -	\$ 5,462,661
Nonmajor governmental	165,700	-	-	-	165,700
Electric fund	859,130	436,800	-	280,870	1,576,800
Water fund	502,810	54,600	-	47,000	604,410
Sewer fund	213,950	54,600	-	250,000	518,550
Solid waste fund	7,500	-	-	-	7,500
Total transfers in	<u>\$ 1,749,090</u>	<u>\$ 5,690,061</u>	<u>\$ 318,600</u>	<u>\$ 577,870</u>	<u>\$ 8,335,621</u>

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 7—PAYABLES:

Payables at June 30, 2013, for the City and MCPS consist of the following:

	Accounts	Retainages	Accrued Payroll and Related Liabilities	Deposits	Total Payables
General fund	\$ 2,186,025	\$ -	\$ 1,059,253	\$ 1,932,602	\$ 5,177,880
Nonmajor governmental funds	498,356	7,328	305,983	14,756	826,423
Electric fund	5,095,717	-	188,628	965,522	6,249,867
Water fund	680,431	76,621	83,863	203,702	1,044,617
Sewer fund	283,332	-	33,738		317,070
Airport fund	118,184	519,783	25,358	32,076	695,401
Nonmajor enterprise funds	262,939	-	3,356	450	266,745
Internal service funds	198,074	-	76,746	-	274,820
Total primary government	<u>\$ 9,323,058</u>	<u>\$ 603,732</u>	<u>\$ 1,776,925</u>	<u>\$ 3,149,108</u>	<u>\$ 14,852,823</u>
MCPS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,393,188</u>
Total reporting unit	<u><u>\$ 9,323,058</u></u>	<u><u>\$ 603,732</u></u>	<u><u>\$ 1,776,925</u></u>	<u><u>\$ 3,149,108</u></u>	<u><u>\$ 29,246,011</u></u>

NOTE 8—UNAVAILABLE AND UNEARNED REVENUES:

In the fund financial statements, governmental funds report unavailable/unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, 2013, the unearned/unavailable revenues reported on the fund financial statements for the governmental funds are as follows:

	Unavailable/ Unearned Revenue
General fund	
Property taxes receivable	\$ 1,438,005
Vehicle license taxes, bank franchise taxes receivable, and other items	335,948
Nonmajor governmental funds	
Property taxes receivable	152,691
Total	<u><u>\$ 1,926,644</u></u>

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 8—UNAVAILABLE AND UNEARNED REVENUES: (Continued)

On the statement of net position, unearned revenues are liabilities for assets which have been received but for which the revenue has not yet been earned. The balances of unearned revenues at June 30, 2013 on the statement of net position for governmental and business-type activities are as follows:

	Unavailable/Unearned Revenue	
	Governmental Activities	Business-type Activities
General Fund		
Vehicle License, Bank Franchise Taxes, and Other items	\$ 335,948	\$ -
Water fund		
Prepaid connection fees	-	1,650
Water capacity sold to Prince William County Service Authority	-	1,893,354
Water capacity sold to City of Manassas Park	-	1,394,160
Sewer fund		
Prepaid connection fees	-	8,050
Airport Fund		
Leases and rentals	-	188,633
Total unearned revenues	\$ <u>335,948</u>	\$ <u>3,485,847</u>

The Prince William County Service Authority purchased five (5) million gallons per day (MGD) of water capacity from the City from 1997 through 2002 for the total amount of \$7,498,260. In February 2001, the City of Manassas Park purchased one (1) MGD of water capacity from the City for \$3,750,000. The City recognizes the sale of water capacity as unearned revenue which is amortized in the water fund over 20 years.

NOTE 9—LEASES:

A. Operating

The City has various leases for real estate and equipment with non-cancelable lease terms. Total rental expense under operating leases of the primary government for the year ended June 30, 2013 was \$253,112. The future minimum lease payments for these leases are as follows:

Fiscal year Ending June 30	Governmental Activities
2014	\$ 272,364
2015	103,382
2016	15,655
2017	15,655
2018	15,805
2019-2023	70,749
Total minimum lease payments	\$ <u>493,610</u>

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 9—LEASES: (Continued)

B. Capital

Capital leases for the City and MCPS expire at various dates through 2016. 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:

	Governmental Activities	MCPS
Assets:		
Animal Shelter	\$ 3,079,522	\$ -
Street Sweeper	147,251	-
Defibrillators	196,568	-
Telephone System	-	1,110,719
Less: Accumulated depreciation	(1,572,350)	(295,300)
Total	<u>\$ 1,850,991</u>	<u>\$ 815,419</u>

The following is a schedule of future minimum lease payments for capital leases at June 30, 2013:

Fiscal year Ending June 30	Governmental Activities	MCPS
2014	\$ 397,958	\$ 163,870
2015	221,928	163,870
2016	40,616	40,967
2017	40,616	
Total minimum lease payments	\$ 701,118	\$ 368,707
Less-amount representing interest	(41,525)	(17,301)
Present value of future minimum lease payments	<u>\$ 659,593</u>	<u>\$ 351,406</u>

NOTE 10—LONG-TERM OBLIGATIONS:

A. City Debt and Related Interest to Maturity

The City issues general obligation bonds to provide funds for acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. All outstanding bonds are serial bonds. All authorized debt has been issued. There is no overlapping debt for the City. General obligation bonds outstanding as of June 30, 2013, are summarized on the next page.

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 10—LONG-TERM OBLIGATIONS: (Continued)

A. City Debt and Related Interest to Maturity: (Continued)

General obligation bonds outstanding as of June 30, 2013, are detailed below:

Purpose	Series	Interest rates	Amount
Governmental activities - public improvements	Series 2005 A Refunding	3.50 - 5.25%	\$ 175,220
Governmental activities - public improvements	Series 2005 B	3.25 - 5.00%	8,733,000
Governmental activities - public improvements	Series 2010 ABC VML/VACo	2.00 - 6.07%	2,025,850
Governmental activities - public improvements	Series 2010 D	2.00 - 5.00%	2,580,600
Governmental activities - public improvements	Series 2010 E Refunding	2.00 - 3.00%	1,825,650
Governmental activities - school facilities	Series 2004	3.00 - 5.00%	3,200,000
Governmental activities - school facilities	Series 2005 A Refunding	3.50 - 5.25%	7,142,500
Governmental activities - school facilities	Series 2005 B	3.25 - 5.00%	5,822,000
Governmental activities - school facilities	Series 2010 D Refunding	2.00 - 5.00%	15,830,000
Total general obligation bonds for governmental activities			\$ 47,334,820
Total governmental activities			\$ 47,334,820
Business-type activities - sewer system	Series 2007 VML/VACo	4.25 - 5.00%	\$ 13,665,000
Business-type activities - electric system	Series 2010 E Refunding	2.00 - 3.00%	403,670
Business-type activities - water system	Series 2005 A Refunding	3.50 - 5.25%	1,172,280
Business-type activities - water system	Series 2009 VRA Refunding	4.13 - 5.13%	1,575,000
Business-type activities - water system	Series 2010 ABC VML/VACo	2.00 - 6.07%	2,684,150
Business-type activities - water system	Series 2010 D	2.00 - 5.00%	2,479,400
Business-type activities - water system	Series 2010 E Refunding	2.00 - 3.00%	805,680
Business-type activities - airport system	Series 1994 B	5.50 - 6.00%	50,000
Business-type activities - airport system	Series 1994 C	5.40 - 6.10%	75,000
Business-type activities - airport system	Series 2004 VARF	5.00%	943,336
Business-type activities - airport system	Series 2005 C	5.25 - 5.50%	2,020,000
Total general obligation bonds for business-type activities			\$ 25,873,516
Total primary government			\$ 73,208,336

General Obligation bonds outstanding as of June 30, 2013 are totaled by series below:

Series	Interest rates	Amount
Series 1994 B	5.50 - 6.00%	\$ 50,000
Series 1994 C	5.40 - 6.10%	75,000
Series 2004	3.00 - 5.00%	3,200,000
Series 2004 VARF	5.00%	943,336
Series 2005 A Refunding	3.50 - 5.25%	8,490,000
Series 2005 B	3.25 - 5.00%	14,555,000
Series 2005 C	5.25 - 5.50%	2,020,000
Series 2007 VML/VACo	4.25 - 5.00%	13,665,000
Series 2009 VRA Refunding	4.13 - 5.13%	1,575,000
Series 2010 ABC VML/VACo	2.00 - 6.07%	4,710,000
Series 2010 D	2.00 - 5.00%	5,060,000
Series 2010 D Refunding	2.00 - 5.00%	15,830,000
Series 2010 E Refunding	2.00 - 3.00%	3,035,000
Total		\$ 73,208,336

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 10—LONG-TERM OBLIGATIONS: (Continued)

A. City Debt and Related Interest to Maturity: (Continued)

Annual debt service to maturity for general obligation bonds and State literary fund loans is as follows:

Fiscal Year Ending June 30	Governmental activities		Business-type activities	
	General Obligations Bonds		General Obligations Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 4,574,210	\$ 2,017,807	\$ 1,833,108	\$ 1,218,013
2015	4,605,260	1,819,344	1,750,502	1,140,438
2016	4,629,190	1,626,761	1,815,193	1,064,219
2017	4,675,240	1,442,918	1,892,948	982,379
2018	4,669,230	1,255,399	1,827,959	894,579
2019-2023	14,858,750	3,996,529	7,964,738	3,292,093
2024-2028	8,588,400	836,933	7,973,609	1,273,299
2029-2031	734,540	59,395	815,459	68,521
Total	<u>\$ 47,334,820</u>	<u>\$ 13,055,086</u>	<u>\$ 25,873,516</u>	<u>\$ 9,933,541</u>

B. Changes in Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities:

	June 30, 2012	Issuances/ Additions	Retirements/ Reductions	June 30, 2013	Due Within One Year
Primary Government					
Governmental activities:					
General obligation bonds payable	\$ 51,881,400	\$ -	\$ (4,546,580)	\$ 47,334,820	\$ 4,574,210
Premium on bonds	2,156,095	-	(119,971)	2,036,124	-
Capital leases	828,023	196,568	(364,998)	659,593	372,774
Compensated absences	2,396,010	2,571,124	(2,377,848)	2,589,286	388,393
Net OPEB obligation	2,860,000	298,547	(135,547)	3,023,000	-
Total governmental activities	<u>\$ 60,121,528</u>	<u>\$ 3,066,239</u>	<u>\$ (7,544,944)</u>	<u>\$ 55,642,823</u>	<u>\$ 5,335,377</u>
Business-type activities:					
General obligation bonds	\$ 28,260,978	\$ -	\$ (2,387,462)	\$ 25,873,516	\$ 1,833,108
Premium on bonds	805,885	-	(50,660)	755,225	-
Compensated absences	870,387	789,480	(742,163)	917,704	137,656
Net OPEB obligation	455,000	49,453	(22,453)	482,000	-
Total business-type activities	<u>\$ 30,392,250</u>	<u>\$ 838,933</u>	<u>\$ (3,202,738)</u>	<u>\$ 28,028,445</u>	<u>\$ 1,970,764</u>
Total Primary Government	<u>\$ 90,513,778</u>	<u>\$ 3,905,172</u>	<u>\$ (10,747,682)</u>	<u>\$ 83,671,268</u>	<u>\$ 7,306,141</u>
MCPS					
Capital leases	\$ 498,031	\$ -	\$ (146,625)	\$ 351,406	\$ 152,410
Compensated absences	1,931,622	2,493,660	(2,452,763)	1,972,519	295,878
Net OPEB obligation	1,587,000	691,000	(325,000)	1,953,000	-
Total MCPS	<u>\$ 4,016,653</u>	<u>\$ 3,184,660</u>	<u>\$ (2,924,388)</u>	<u>\$ 4,276,925</u>	<u>\$ 448,288</u>

NOTE 10—LONG-TERM OBLIGATIONS: (Continued)**B. Changes in Long-Term Liabilities: (Continued)**

The General Fund is used to liquidate compensated absences and the Net OPEB obligation for the City's governmental activities and the School Fund is used to liquidate the MCPS compensated absences and Net OPEB obligation. The enterprise funds are used to liquidate the compensated absences and OPEB of those operations.

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 year end \$232,742 of compensated absences is included in the above amounts. For the governmental activities, compensated absences are generally liquidated by the general fund.

C. Construction Commitments

The City has active construction projects as of June 30, 2013. The projects include the widening and construction of existing streets, city hall, police facility improvements and electric, water, sewer, and airport projects. At year end, the City's commitments with contractors are as follows:

	<u>Spent-to-date</u>	<u>Remaining Commitments</u>
General capital projects	\$ 1,585,690	\$ 285,823
Gateway capital projects	5,615	7,385
Streets capital projects	604,032	553,728
Storm water management	152,508	98,551
Sewer capital projects	1,667,565	1,415,749
Water capital projects	9,958,640	108,003
Electric capital projects	1,895,651	150,968
Airport capital projects	7,882,469	247,250
Total	<u>\$ 23,752,170</u>	<u>\$ 2,867,457</u>

The Radio Replacement project is a significant project in the general capital projects fund. This project is funded with general fund revenues. The major project in the transportation capital projects fund is Route 28 widening. Projects in the water, sewer and electric funds are financed by those funds. State and Federal grants are the primary funding source for the airport fund projects.

D. Defeasance of Long-Term Debt

In prior years, the City defeased Series 1994A, 1995, 1996A, 1997A, 1999, 2002, and 2004 of General Obligation Bonds by placing the net proceeds from the issuance of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

NOTE 11—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.

NOTE 12—JOINT VENTURES:**A. Upper Occoquan Sewage Authority**

The Upper Occoquan Sewage Authority (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. Each jurisdiction's percentage share of UOSA's capacity as of June 30, 2013 is as follows:

<u>Jurisdiction</u>	<u>Percentage of total allocated capacity</u>
Fairfax County	51.11%
Prince William County	29.25%
City of Manassas	14.24%
City of Manassas Park	5.40%
	<u>100.00%</u>

NOTE 12—JOINT VENTURES: (Continued)

A. Upper Occoquan Sewage Authority

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 five Sewage System Revenue Bond issues outstanding: two issued in 1995, one issued in 2003, one issued in 2004, and one issued in 2005. The sewer enterprise fund is funding 100 percent of the City's share of the debt issues. As of June 30, 2013, the City's committed share of UOSA's remaining debt service (including interest) is as follows:

Fiscal year Ending June 30	Principal	Interest	Total
2014	\$ 846,126	\$ 1,887,760	\$ 2,733,886
2015	985,340	1,777,491	2,762,831
2016	1,037,616	1,733,558	2,771,174
2017	1,084,554	1,686,444	2,770,998
2018	1,126,680	1,644,458	2,771,138
2019-2023	6,155,966	7,558,434	13,714,400
2024-2028	7,222,887	6,530,579	13,753,466
2029-2033	8,654,744	4,953,186	13,607,930
2034-2038	9,570,225	3,031,465	12,601,690
2039-2043	6,322,861	643,008	6,965,869
Total	<u>\$ 43,006,999</u>	<u>\$ 31,446,383</u>	<u>\$ 74,453,382</u>

The sewer fund made payments in fiscal year 2013 for its share of UOSA's operating costs and debt service costs of \$6,087,392 and \$2,330,161, 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 2013.

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.

B. Potomac and Rappahannock Transportation Commission

The Potomac and Rappahannock Transportation Commission (PRTC) was created in fiscal year 1987 to account for a two percent fuel tax authorized by the Commonwealth of Virginia. The PRTC, a joint venture with the contiguous jurisdictions of Prince William 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.

NOTE 12—JOINT VENTURES: (Continued)**B. Potomac and Rappahannock Transportation Commission: (Continued)**

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 composition of the Commission is as follows:

<u>Jurisdiction</u>	<u>Number of Members</u>	<u>Percent of membership</u>
Prince William County	6	35.29%
Stafford County	2	11.76%
Spotsylvania County	2	11.76%
Manassas	1	5.88%
Manassas Park	1	5.88%
Fredericksburg	1	5.88%
Commonwealth House	2	11.76%
Commonwealth Senate	1	5.88%
Virginia Department of Rail and Public Transportation	1	5.88%
Total	<u>17</u>	<u>100.00%</u>

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 13—CONTINGENT LIABILITIES:

The City receives financial assistance from numerous Federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. In the opinion of management, no material refund will be required as a result of expenditures disallowed, if any, by grantor agencies.

The City is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operation. Although the outcome of these matters is not presently determinable, in the opinion of management of the City and the City attorneys, the resolution of these matters will not have a material, adverse effect on the City's financial condition.

NOTE 14—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

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

The City and MCPS contribute to the Virginia Retirement System (VRS).

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.7% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum, Option payment (PLOP) or an Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for member electing the Survivor Option, PLOP, or Advance Pension Option or those retiring with a reduced benefit.

NOTE 14—DEFINED BENEFIT PENSION PLAN: (Continued)

A. Plan Description: (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/publications/2012-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be and has been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period 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. In addition, the City and MCPS are required to contribute the remaining amounts necessary to fund their 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 and MCPS's non-professional employer contribution rates for the fiscal year ended 2013 were 13.14% and 8.68% of annual covered payroll, respectively.

The MCPS's contributions for professional employees were \$4,956,555, \$2,992,586, and \$1,794,077 to the teacher cost-sharing pool for the fiscal years ended June 30, 2013, 2012 and 2011. The contribution rates for 2013, 2012 and 2011 were 11.66%, 6.33% and 3.93% respectively.

C. Annual Pension Cost

For fiscal year 2013, the City's annual pension cost of \$3,609,685 was equal to the City's required and actual contributions.

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 14—DEFINED BENEFIT PENSION PLAN: (Continued)

C. Annual Pension Cost: (Continued)

For fiscal year 2013, MCPS's annual pension cost for the non-professional employees was \$349,778 which was equal to the MCPS's required and actual contributions.

Fiscal Year Ending June 30	Annual Pension Cost (1)	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
City:			
2011	\$ 2,375,074	100%	\$ -
2012	2,447,214	100%	-
2013	3,609,685	100%	-
MCPS - School Professional:			
2011	\$ 1,794,077	100%	\$ -
2012	2,992,586	100%	-
2013	4,956,556	100%	-
MCPS - School Non-professional:			
2011	\$ 309,437	100%	\$ -
2012	307,062	100%	-
2013	349,778	100%	-

(1) Employer portion only

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the per year salary increases include an inflation component of 2.50%. The actuarial value of the City's and the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City and School Board's unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the City's plan was 70.41% funded. The actuarial accrued liability for benefits was \$113,694,212, and the actuarial value of assets was \$80,049,012, resulting in an unfunded actuarial accrued liability (UAAL) of \$33,645,200. The covered payroll (annual payroll of active employees covered by the plan) was \$25,494,597, and ratio of the UAAL to the covered payroll was 131.96%.

As of June 30, 2012, the most recent actuarial valuation date, the City School Board's plan was 77.40% funded. The actuarial accrued liability for benefits was \$14,498,523, and the actuarial value of assets was \$11,221,719, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,276,804. The covered payroll (annual payroll of active employees covered by the plan) was \$4,464,586, and ratio of the UAAL to the covered payroll was 73.40%.

NOTE 14—DEFINED BENEFIT PENSION PLAN: (Continued)

D. Funded Status and Funding Progress: (Continued)

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 15—OTHER POSTEMPLOYMENT BENEFITS - HEALTH CARE INSURANCE:

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. In FY 2008 the City and MCPS implemented Governmental Accounting Standards Board Statement 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension (GASB 45). The City and MCPS made the decision not to fund the plans in FY 2008. The City and MCPS are examining options for the most fiscally responsible solution for both entities.

A. Plan Descriptions

The City of Manassas Retiree Health Insurance Plan is a single-employer defined benefit post-employment 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.

Membership in the City's plan consisted of the following at June 30, 2013 the date of the last actuarial valuation.

(1) Number of Participants	
a. Active Employees	429
b. Retirees (Pre-Medicare)	17

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. Any employee who retires from MCPS is allowed to remain on MCPS's healthcare policy until the age of sixty-five (65) with the same medical coverage (including dependant coverage) as active employees. Retirees with less than fifteen (15) years of service are responsible for the full cost of the monthly premium. MCPS pays 40% of the monthly premium for retirees 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.

NOTE 15—OTHER POSTEMPLOYMENT BENEFITS - HEALTH CARE INSURANCE: (Continued)**A. Plan Descriptions: (Continued)**

Membership in MCPS's plan consisted of the following at June 30, 2012 the date of the last actuarial valuation.

(1) Number of Participants	
c. Active Employees	731
d. Retirees (Pre-Medicare)	44
(2) Active Statistics	
e. Average Age	45.59
f. Average Service	10.51
(3) Inactive Statistics - Average Age	60.86

B. 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.

C. Annual OPEB Cost and Net OPEB Obligation

The City's and MCPS's OPEB costs are based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represent the level of funding that, if paid on an on-going basis, is projected to cover the normal cost each year and amortize any unfunded liabilities over a period of not to exceed thirty years. The following table shows the components of the City's and MCPS's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's and MCPS's net OPEB obligation.

	<u>City</u>	<u>MCPS</u>
Annual required contribution	\$ 343,900	\$ 702,000
Interest on net OPEB obligation	125,000	63,000
Adjustment to annual required contribution	(120,900)	(74,000)
Annual OPEB cost (expense)	\$ 348,000	\$ 691,000
Contributions made	(158,000)	(325,000)
Increase in net OPEB obligation	\$ 190,000	\$ 366,000
Net OPEB obligation-beginning of year	3,315,000	1,587,000
Net OPEB obligation-end of year	<u>\$ 3,505,000</u>	<u>\$ 1,953,000</u>

NOTE 15—OTHER POSTEMPLOYMENT BENEFITS - HEALTH CARE INSURANCE: (Continued)**C. Annual OPEB Cost and Net OPEB Obligation: (Continued)**

The City's and MCPS's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY 2013 and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
City:			
June 30, 2013	\$ 348,000	45.40%	\$ 3,505,000
June 30, 2012	348,000	45.40%	3,315,000
June 30, 2011	983,588	19.38%	3,125,000
MCPS:			
June 30, 2013	691,000	47.03%	1,953,000
June 30, 2012	658,000	45.74%	1,587,000
June 30, 2011	657,391	50.41%	1,230,000

D. Funded Status and Funding Progress

The funded status of the plans as of the most recent actuarial valuation date is as follows.

	<u>City June 30, 2013</u>	<u>MCPS June 30, 2012</u>
Actuarial Valuation Date	June 30, 2013	June 30, 2012
Actuarial Value of Assets	-	-
Actuarial Accrued Liability (AAL)	3,761,600	5,971,000
Unfunded ALL (UALL)	3,791,600	5,971,000
Funded Ratio	0.0%	0.0%
Covered Payroll	26,666,600	56,524,389
UAAL as a % of covered payroll	14.22%	10.56%

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 employments, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedules of employer contributions present trend information about the amounts contributed to the plans by the City and MCPS in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years.

NOTE 15—OTHER POST EMPLOYMENT BENEFITS - HEALTH CARE INSURANCE: (Continued)**E. Actuarial Methods and Assumptions**

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

	City	MCPS
Actuarial Valuation Date	June 30, 2013	June 30, 2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Covered Payroll, Open	Level Percentage of Covered Payroll, Open
Remaining Amortization Period	30 years	26 years
Asset Valuation Method	N/A	Weighted Average
Actuarial Assumptions:		
Investment Rate of Return	3.5%	4%
Healthcare Cost Trend Rate	7.00%	8.00%
Initial	7.00%	8.00%
Ultimate	4.80%	3.40%

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE CREDIT PROGRAM:**A. Plan Descriptions**

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

An employee of the City or a nonprofessional employee of MCPS, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45. The health insurance credit program for professional employees of MCPS is described in section F. of this note.

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

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE CREDIT PROGRAM: (Continued)**B. Funding Policy**

As a participating local political subdivision, the City is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The City's and MCPS's contribution rates for the fiscal year ended 2013 were .19% and .32% of annual covered payroll, respectively.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The City and MCPS are required to contribute the 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.

For FY 2013, the City's contribution of \$52,195 and MCPS's contribution of \$12,895 were equal to the ARC and OPEB cost. The City's and MCPS's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
City:			
June 30, 2011 \$	41,116	100.00%	\$ -
June 30, 2012	42,398	100.00%	-
June 30, 2013	52,195	100.00%	-
MCPS:			
June 30, 2011 \$	13,626	100.00%	\$ -
June 30, 2012	13,625	100.00%	-
June 30, 2013	12,895	100.00%	-

D. Funded Status and Funding Progress

The funded status of the plans as of June 30, 2012, the most recent actuarial valuation date, is as follows:

	<u>City</u>	<u>MCPS</u>
Actuarial Valuation Date	June 30, 2012	June 30, 2012
Actuarial Accrued Liability (AAL)	\$ 824,232	\$ 236,023
Actuarial Value of Assets	\$ 386,138	\$ 118,923
Unfunded AAL	\$ 438,094	\$ 117,100
Funded Ratio	46.85%	50.39%
Covered Payroll	\$ 25,495,597	\$ 4,464,586
UAAL as a % of covered payroll	1.72%	2.62%

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE CREDIT PROGRAM: (CONTINUED)**D. Funded Status and Funding Progress: (Continued)**

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 and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plans and the annual required contributions of the City and MCPS are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plans assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. Actuarial Methods and Assumptions

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

	City	MCPS
Actuarial Valuation Date	June 30, 2012	June 30, 2012
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percentage of Pay, Open	Level Percentage of Pay, Open
Remaining Amortization Period	29 years	29 years
Asset Valuation Method	Market Value of Assets	Market Value of Assets
Actuarial Assumptions:		
Investment Rate of Return	7.00%	7.00%
Payroll Growth Rate	3.00%	3.00%
Includes Inflation at	2.50%	2.50%

The Retiree Health Insurance Credit benefit is based on a members' employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to healthcare cost trend rate is need or applied.

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE CREDIT PROGRAM: (Continued)

F. Professional Employees - MCPS

MCPS participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of 1) twice the amount of their creditable service or 2) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

MCPS is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2013, 2012, and 2011 were \$255,054, \$283,674, and \$273,905, respectively and equaled the required contributions for each year.

NOTE 17—PENDING GASB PRONOUNCEMENTS:

At June 30, 2013, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the City. The statements which might impact the City are as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

The City has not yet determined the effect these GASB Statements will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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CITY OF MANASSAS, VIRGINIA

Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2013

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
<u>DEFINED BENEFIT PENSION PLAN - VIRGINIA RETIREMENT SYSTEM:</u>						
City:						
June 30, 2010	\$ 77,458,846	\$ 102,464,991	\$ 25,006,145	75.60%	\$ 24,027,386	104.07%
June 30, 2011	79,490,301	108,899,257	29,408,956	72.99%	23,542,869	124.92%
June 30, 2012	80,049,012	113,694,212	33,645,200	70.41%	25,495,597	131.96%
MCPS Non-professional:						
June 30, 2010	10,410,616	12,816,020	2,405,404	81.23%	4,626,278	51.99%
June 30, 2011	10,913,504	13,597,674	2,684,170	80.26%	4,430,607	60.58%
June 30, 2012	11,221,719	14,498,523	3,276,804	77.40%	4,464,586	73.40%
<u>OTHER POSTEMPLOYMENT BENEFITS - HEALTH CARE INSURANCE:</u>						
City:						
June 30, 2009	-	4,829,000	4,829,000	0.00%	28,037,244	17.22%
June 30, 2011	-	3,893,700	3,893,700	0.00%	24,650,600	15.80%
June 30, 2013	-	3,791,600	3,791,600	0.00%	26,666,600	14.22%
MCPS:						
June 30, 2010	-	6,469,000	6,469,000	0.00%	54,983,529	11.77%
June 30, 2011	-	5,971,000	5,971,000	0.00%	56,524,389	10.56%
June 30, 2012	-	6,298,000	6,298,000	0.00%	56,524,389	11.14%
<u>OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE CREDIT PROGRAM:</u>						
City:						
June 30, 2010	316,177	757,809	441,632	41.72%	24,027,386	1.84%
June 30, 2011	387,344	809,791	422,447	47.83%	23,542,869	1.79%
June 30, 2012	386,138	824,232	438,094	46.85%	25,495,597	1.72%
MCPS Non-professional:						
June 30, 2010	90,491	209,137	118,646	43.27%	4,626,278	2.56%
June 30, 2011	114,175	216,460	102,285	52.75%	4,430,607	2.31%
June 30, 2012	118,923	236,023	117,100	50.39%	4,464,586	2.62%

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OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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.

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.

PERMANENT FUND

Cemetery Maintenance Fund - to account for and report fees from the sale of cemetery plots which are invested in a perpetual 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, 2013

	Combined Special Revenue Funds	Combined Capital Project Funds	Permanent Fund Cemetery Maintenance	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 3,716,648	\$ 5,227,730	\$ 170,813	\$ 9,115,191
Receivable (net of allowances for uncollectibles):				
Taxes receivable	215,304	-	-	215,304
Accounts receivable	-	251,048	-	251,048
Due from other governments	532,329	-	-	532,329
Total assets	<u>\$ 4,464,281</u>	<u>\$ 5,478,778</u>	<u>\$ 170,813</u>	<u>\$ 10,113,872</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 712,356	\$ 91,983	\$ -	\$ 804,339
Retainage payable	-	7,328	-	7,328
Deposits	14,756	-	-	14,756
Advances from other funds	19,745	(1,052)	-	18,693
Total liabilities	<u>746,857</u>	<u>98,259</u>	<u>-</u>	<u>845,116</u>
Deferred inflows of resources				
Unavailable revenue - property tax	152,691	-	-	152,691
Fund balances:				
Nonspendable:				
Permanent fund principal	-	-	100,000	100,000
Restricted:				
Communication systems	342,188	-	-	342,188
Road maintenance	105,172	-	-	105,172
Fire rescue system	1,468,499	-	-	1,468,499
Museum system	1,370,884	-	-	1,370,884
Cemetery maintenance	-	-	70,813	70,813
Committed:				
Social services programs	56,575	-	-	56,575
Museum system	11,498	-	-	11,498
Economic development	215,981	-	-	215,981
Capital projects	-	5,380,519	-	5,380,519
Unassigned	(6,064)	-	-	(6,064)
Total fund balances	<u>3,564,733</u>	<u>5,380,519</u>	<u>170,813</u>	<u>9,116,065</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,464,281</u>	<u>\$ 5,478,778</u>	<u>\$ 170,813</u>	<u>\$ 10,113,872</u>

CITY OF MANASSAS, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds	Capital Project Funds	Permanent Fund Cemetery Maintenance	Total Nonmajor Governmental Funds
Revenues				
General property taxes	\$ 6,891,018	\$ -	\$ -	\$ 6,891,018
Use of money and property	217,545	-	270	217,815
Charges for services	549,556	-	-	549,556
Miscellaneous	176,819	629,160	-	805,979
Intergovernmental	3,745,449	211,730	-	3,957,179
Total revenues	<u>11,580,387</u>	<u>840,890</u>	<u>270</u>	<u>12,421,547</u>
Expenditures				
Current:				
General government administration	11,238	-	-	11,238
Public safety	7,923,663	-	-	7,923,663
Public works	8,718	-	-	8,718
Health and welfare	4,884,061	-	-	4,884,061
Culture, recreation, and community development	15,595	-	-	15,595
Capital outlay	1,277,017	3,510,624	-	4,787,641
Debt service:				
Principal retirement of capital lease	40,616	-	-	40,616
Total expenditures	<u>14,160,908</u>	<u>3,510,624</u>	<u>-</u>	<u>17,671,532</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,580,521)</u>	<u>(2,669,734)</u>	<u>270</u>	<u>(5,249,985)</u>
Other financing sources (uses)				
Transfers in	2,335,393	3,354,668	-	5,690,061
Transfers out	(165,700)	-	-	(165,700)
Capital leases	196,568	-	-	196,568
Total other financing sources (uses)	<u>2,366,261</u>	<u>3,354,668</u>	<u>-</u>	<u>5,720,929</u>
Net change in fund balances	(214,260)	684,934	270	470,944
Fund balances - beginning	<u>3,778,993</u>	<u>4,695,585</u>	<u>170,543</u>	<u>8,645,121</u>
Fund balances - ending	<u>\$ 3,564,733</u>	<u>\$ 5,380,519</u>	<u>\$ 170,813</u>	<u>\$ 9,116,065</u>

CITY OF MANASSAS, VIRGINIA

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2013

	Family Services	Family Services Publishing	PEG	Owens Brooke District
Assets				
Cash and investments	\$ 64,796	\$ 56,575	\$ 342,188	\$ 119,095
Receivable (net of allowances for uncollectibles):				
Taxes receivable	-	-	-	192
Due from other governments	255,491	-	-	-
Total assets	320,287	56,575	342,188	119,287
Liabilities				
Liabilities:				
Accounts payable	305,531	-	-	242
Deposits	14,756	-	-	-
Advances from other funds	-	-	-	13,681
Total liabilities	320,287	-	-	13,923
Deferred inflows of resources				
Unavailable revenue - property tax	-	-	-	192
Fund balances:				
Restricted:				
Communication systems	-	-	342,188	-
Road maintenance	-	-	-	105,172
Fire rescue system	-	-	-	-
Museum system	-	-	-	-
Committed:				
Social services programs	-	56,575	-	-
Museum system	-	-	-	-
Economic development	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	-	56,575	342,188	105,172
Total liabilities, deferred inflows of resources and fund balances	\$ 320,287	\$ 56,575	\$ 342,188	\$ 119,287

<u>Fire Rescue</u>	<u>Merchant Museum</u>	<u>Museum Collections</u>	<u>Museum Publishing</u>	<u>Speiden Carper House</u>	<u>Manassas Landing</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 1,535,461	\$ 928,843	\$ 11,498	\$ -	\$ 442,211	\$ 215,981	\$ 3,716,648
215,112	-	-	-	-	-	215,304
276,838	-	-	-	-	-	532,329
<u>2,027,411</u>	<u>928,843</u>	<u>11,498</u>	<u>-</u>	<u>442,211</u>	<u>215,981</u>	<u>4,464,281</u>
406,413	-	-	-	170	-	712,356
-	-	-	-	-	-	14,756
-	-	-	6,064	-	-	19,745
<u>406,413</u>	<u>-</u>	<u>-</u>	<u>6,064</u>	<u>170</u>	<u>-</u>	<u>746,857</u>
152,499	-	-	-	-	-	152,691
-	-	-	-	-	-	342,188
-	-	-	-	-	-	105,172
1,468,499	-	-	-	-	-	1,468,499
-	928,843	-	-	442,041	-	1,370,884
-	-	-	-	-	-	56,575
-	-	11,498	-	-	-	11,498
-	-	-	-	-	215,981	215,981
-	-	-	(6,064)	-	-	(6,064)
<u>1,468,499</u>	<u>928,843</u>	<u>11,498</u>	<u>(6,064)</u>	<u>442,041</u>	<u>215,981</u>	<u>3,564,733</u>
<u>\$ 2,027,411</u>	<u>\$ 928,843</u>	<u>\$ 11,498</u>	<u>\$ -</u>	<u>\$ 442,211</u>	<u>\$ 215,981</u>	<u>\$ 4,464,281</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, 2013

	Family Services	Family Services Publishing	PEG	Owens Brooke District
Revenues				
General property taxes	\$ -	\$ -	\$ -	\$ 40,056
Use of money and property	-	89	-	188
Charges for services	36,150	-	-	-
Miscellaneous	-	-	135,707	-
Intergovernmental	2,604,738	-	-	-
Total revenues	2,640,888	89	135,707	40,244
Expenditures				
Current:				
General government administration	-	-	11,238	-
Public safety	-	-	-	-
Public works	-	-	-	8,718
Health and welfare	4,884,061	-	-	-
Culture, recreation, and community development	-	-	-	-
Capital outlay	-	-	26,896	-
Debt service:				
Principal retirement of capital lease	-	-	-	-
Total expenditures	4,884,061	-	38,134	8,718
Excess (deficiency) of revenues over (under) expenditures	(2,243,173)	89	97,573	31,526
Other financing sources (uses)				
Transfers in	2,243,173	-	-	-
Transfers out	-	-	-	-
Capital leases	-	-	-	-
Total other financing sources (uses)	2,243,173	-	-	-
Net change in fund balances	-	89	97,573	31,526
Fund balance - beginning	-	56,486	244,615	73,646
Fund balance (deficit) - ending	\$ -	\$ 56,575	\$ 342,188	\$ 105,172

Fire Rescue	Merchant Museum	Museum Collections	Museum Publishing	Speiden Carper House	Manassas Landing	Total Nonmajor Special Revenue Funds
\$ 6,850,962	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,891,018
-	1,449	18	1,525	700	213,576	217,545
513,406	-	-	-	-	-	549,556
521	40,591	-	-	-	-	176,819
1,140,711	-	-	-	-	-	3,745,449
8,505,600	42,040	18	1,525	700	213,576	11,580,387
-	-	-	-	-	-	11,238
7,923,663	-	-	-	-	-	7,923,663
-	-	-	-	-	-	8,718
-	-	-	-	-	-	4,884,061
-	-	-	-	2,520	13,075	15,595
1,250,121	-	-	-	-	-	1,277,017
40,616	-	-	-	-	-	40,616
9,214,400	-	-	-	2,520	13,075	14,160,908
(708,800)	42,040	18	1,525	(1,820)	200,501	(2,580,521)
92,220	-	-	-	-	-	2,335,393
-	-	-	-	-	(165,700)	(165,700)
196,568	-	-	-	-	-	196,568
288,788	-	-	-	-	(165,700)	2,366,261
(420,012)	42,040	18	1,525	(1,820)	34,801	(214,260)
1,888,511	886,803	11,480	(7,589)	443,861	181,180	3,778,993
\$ 1,468,499	\$ 928,843	\$ 11,498	\$ (6,064)	\$ 442,041	\$ 215,981	\$ 3,564,733

CITY OF MANASSAS, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual
 Family Services Fund
 For the Year Ended June 30, 2013

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for services	\$ 38,983	\$ 38,983	\$ 36,150	\$ (2,833)
Intergovernmental	2,980,557	3,095,984	2,604,738	(491,246)
Total revenues	<u>3,019,540</u>	<u>3,134,967</u>	<u>2,640,888</u>	<u>(494,079)</u>
Expenditures				
Health and welfare	5,227,060	5,342,487	4,884,061	458,426
Total expenditures	<u>5,227,060</u>	<u>5,342,487</u>	<u>4,884,061</u>	<u>458,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,207,520)</u>	<u>(2,207,520)</u>	<u>(2,243,173)</u>	<u>(35,653)</u>
Other financing sources				
Transfers in	2,207,520	2,207,520	2,243,173	35,653
Total other financing sources	<u>2,207,520</u>	<u>2,207,520</u>	<u>2,243,173</u>	<u>35,653</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>	
Fund balance, ending			<u>\$ -</u>	

CITY OF MANASSAS, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual
 PEG Fund
 For the Year Ended June 30, 2013

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
Miscellaneous	\$ 100,000	\$ 100,000	\$ 135,707	\$ 35,707
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>135,707</u>	<u>35,707</u>
Expenditures				
General government	100,000	100,000	38,134	61,866
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>38,134</u>	<u>61,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>97,573</u>	<u>97,573</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>97,573</u>	<u>\$ 97,573</u>
Fund balance, beginning			<u>244,615</u>	
Fund balance, ending			<u>\$ 342,188</u>	

CITY OF MANASSAS, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual
 Owens Brooke District Fund
 For the Year Ended June 30, 2013

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
General property taxes	\$ 40,200	\$ 40,200	\$ 40,056	\$ (144)
Use of money and property	-	-	188	188
Total revenues	<u>40,200</u>	<u>40,200</u>	<u>40,244</u>	<u>44</u>
Expenditures				
Public works	40,200	40,200	8,718	31,482
Total expenditures	<u>40,200</u>	<u>40,200</u>	<u>8,718</u>	<u>31,482</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>31,526</u>	<u>31,526</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>31,526</u>	<u>\$ 31,526</u>
Fund balance, beginning			<u>73,646</u>	
Fund balance, ending			<u>\$ 105,172</u>	

CITY OF MANASSAS, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual
 Fire Rescue Fund
 For the Year Ended June 30, 2013

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
General property taxes	\$ 6,843,880	\$ 6,843,880	\$ 6,850,962	\$ 7,082
Charges for services	410,000	410,000	513,406	103,406
Miscellaneous	-	342	521	179
Intergovernmental	126,000	1,381,334	1,140,711	(240,623)
Total revenues	<u>7,379,880</u>	<u>8,635,556</u>	<u>8,505,600</u>	<u>(129,956)</u>
Expenditures				
Public safety	7,038,700	8,497,099	7,923,663	573,436
Capital outlay	383,400	2,091,721	1,250,121	841,600
Debt service:				
Principal retirement of capital lease	50,000	50,000	40,616	9,384
Total expenditures	<u>7,472,100</u>	<u>10,638,820</u>	<u>9,214,400</u>	<u>1,424,420</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(92,220)</u>	<u>(2,003,264)</u>	<u>(708,800)</u>	<u>1,294,464</u>
Other financing sources				
Transfers in	92,220	92,220	92,220	-
Capital leases	-	-	196,568	196,568
Total other financing sources	<u>92,220</u>	<u>92,220</u>	<u>288,788</u>	<u>196,568</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (1,911,044)</u>	<u>(420,012)</u>	<u>\$ 1,491,032</u>
Fund balance, beginning			<u>1,888,511</u>	
Fund balance, ending			<u>\$ 1,468,499</u>	

CITY OF MANASSAS, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual
 Speiden Carper House Fund
 For the Year Ended June 30, 2013

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
Use of money and property	\$ 1,000	\$ 1,000	\$ 700	\$ (300)
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>700</u>	<u>(300)</u>
Expenditures				
Culture, recreation, and community development	<u>4,000</u>	<u>39,000</u>	<u>2,520</u>	<u>36,480</u>
Total expenditures	<u>4,000</u>	<u>39,000</u>	<u>2,520</u>	<u>36,480</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,000)</u>	<u>(38,000)</u>	<u>(1,820)</u>	<u>36,180</u>
Net change in fund balances	<u><u>\$ (3,000)</u></u>	<u><u>\$ (38,000)</u></u>	<u>(1,820)</u>	<u><u>\$ 36,180</u></u>
Fund balance, beginning			<u>443,861</u>	
Fund balance, ending			<u><u>\$ 442,041</u></u>	

CITY OF MANASSAS, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget and Actual
 Manassas Landing Fund
 For the Year Ended June 30, 2013

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
Use of money and property	\$ 217,060	\$ 217,060	\$ 213,576	\$ (3,484)
Total revenues	<u>217,060</u>	<u>217,060</u>	<u>213,576</u>	<u>(3,484)</u>
Expenditures				
Culture, recreation, and community development	51,360	51,360	13,075	38,285
Total expenditures	<u>51,360</u>	<u>51,360</u>	<u>13,075</u>	<u>38,285</u>
Excess (deficiency) of revenues over (under) expenditures	<u>165,700</u>	<u>165,700</u>	<u>200,501</u>	<u>34,801</u>
Other financing sources (uses)				
Transfers out	(165,700)	(165,700)	(165,700)	-
Total other financing sources (uses)	<u>(165,700)</u>	<u>(165,700)</u>	<u>(165,700)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>34,801</u>	<u>\$ 34,801</u>
Fund balance, beginning			<u>181,180</u>	
Fund balance, ending			<u>\$ 215,981</u>	

CITY OF MANASSAS, VIRGINIA

Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2013

	General Capital Projects	Gateway Capital Projects	Transportation Capital Projects	Storm Water Management Capital Projects	Total Nonmajor Capital Project Funds
Assets					
Cash and investments	\$ 4,650,305	\$ 164,161	\$ 297,022	\$ 116,242	\$ 5,227,730
Accounts receivable	-	-	251,048	-	251,048
Total assets	<u>\$ 4,650,305</u>	<u>\$ 164,161</u>	<u>\$ 548,070</u>	<u>\$ 116,242</u>	<u>\$ 5,478,778</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 16,802	\$ -	\$ 72,995	\$ 2,186	\$ 91,983
Retainage payable	-	-	7,328	-	7,328
Advances from other funds	-	-	(1,052)	-	(1,052)
Total liabilities	<u>16,802</u>	<u>-</u>	<u>79,271</u>	<u>2,186</u>	<u>98,259</u>
Fund balances:					
Committed:					
Capital projects	4,633,503	164,161	468,799	114,056	5,380,519
Total fund balances	<u>4,633,503</u>	<u>164,161</u>	<u>468,799</u>	<u>114,056</u>	<u>5,380,519</u>
Total liabilities and fund balances	<u>\$ 4,650,305</u>	<u>\$ 164,161</u>	<u>\$ 548,070</u>	<u>\$ 116,242</u>	<u>\$ 5,478,778</u>

CITY OF MANASSAS, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in
Fund BalancesNonmajor Capital Project Funds
For the Year Ended June 30, 2013

	General Capital Projects	Gateway Capital Projects	Transportation Capital Projects	Storm Water Management Capital Projects	Total Nonmajor Capital Project Funds
Revenues					
Miscellaneous	\$ 96,787	\$ -	\$ 532,373	\$ -	\$ 629,160
Intergovernmental	-	-	211,730	-	211,730
Total revenues	<u>96,787</u>	<u>-</u>	<u>744,103</u>	<u>-</u>	<u>840,890</u>
Expenditures					
Capital outlay	<u>2,109,047</u>	<u>5,615</u>	<u>1,268,057</u>	<u>127,905</u>	<u>3,510,624</u>
Total expenditures	<u>2,109,047</u>	<u>5,615</u>	<u>1,268,057</u>	<u>127,905</u>	<u>3,510,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,012,260)</u>	<u>(5,615)</u>	<u>(523,954)</u>	<u>(127,905)</u>	<u>(2,669,734)</u>
Other financing sources (uses)					
Transfers in	<u>2,927,000</u>	<u>-</u>	<u>327,668</u>	<u>100,000</u>	<u>3,354,668</u>
Total other financing sources (uses)	<u>2,927,000</u>	<u>-</u>	<u>327,668</u>	<u>100,000</u>	<u>3,354,668</u>
Net change in fund balances	914,740	(5,615)	(196,286)	(27,905)	684,934
Fund balance - beginning	<u>3,718,763</u>	<u>169,776</u>	<u>665,085</u>	<u>141,961</u>	<u>4,695,585</u>
Fund balance - ending	<u>\$4,633,503</u>	<u>\$164,161</u>	<u>\$ 468,799</u>	<u>\$ 114,056</u>	<u>\$ 5,380,519</u>

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NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises--where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes.

Solid Waste Fund - to account for and report provision of solid waste collection for the residents of the City. All activities necessary to provide this service are accounted for in this fund.

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.

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CITY OF MANASSAS, VIRGINIA

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2013

	Solid Waste	City Square Pavilion	Candy Factory	Parking Garage	Total Nonmajor Enterprise Funds
Assets					
Current assets					
Equity in pooled cash and investments					
- unrestricted	\$ 274,811	\$ 260,693	\$ 224,864	\$ 7,105	\$ 767,473
Accounts receivable					
(net of allowance for uncollectibles)	335,961	-	-	-	335,961
Total current assets	610,772	260,693	224,864	7,105	1,103,434
Noncurrent assets					
Capital assets:					
Buildings and improvements	-	2,096,997	2,555,252	-	4,652,249
Machinery and equipment	-	55,652	-	55,310	110,962
Less accumulated depreciation	-	(1,309,350)	(1,405,153)	(5,531)	(2,720,034)
Total noncurrent assets	-	843,299	1,150,099	49,779	2,043,177
Total assets	610,772	1,103,992	1,374,963	56,884	3,146,611
Liabilities and net position					
Current liabilities					
Accounts payable	235,749	-	-	30,546	266,295
Deposits	-	450	-	-	450
Compensated absences-current	2,838	-	-	-	2,838
Total current liabilities	238,587	450	-	30,546	269,583
Noncurrent liabilities					
Compensated absences	16,084	-	-	-	16,084
Total noncurrent liabilities	16,084	-	-	-	16,084
Total liabilities	254,671	450	-	30,546	285,667
Net position					
Investment in capital assets	-	843,299	1,150,099	49,779	2,043,177
Unrestricted (deficit)	356,101	260,243	224,864	(23,441)	817,767
Total net position	\$ 356,101	\$ 1,103,542	\$ 1,374,963	\$ 26,338	\$ 2,860,944

CITY OF MANASSAS, VIRGINIA

Combining Statement of Revenues, Expenses, and Changes in Net Position

Nonmajor Enterprise Funds

For the Year Ended June 30, 2013

	Solid Waste	City Square Pavilion	Candy Factory	Parking Garage	Total Nonmajor Enterprise Funds
Operating revenues					
Charges for services	\$ 3,125,895	\$ 19,764	\$ 29,484	\$ 23,064	\$ 3,198,207
Total operating revenues	<u>3,125,895</u>	<u>19,764</u>	<u>29,484</u>	<u>23,064</u>	<u>3,198,207</u>
Operating expenses					
Personal services	166,258	-	-	-	166,258
Contractual services	2,759,347	153,072	-	35,552	2,947,971
Supplies	5,622	-	-	335	5,957
Internal and other services	186,716	59,000	70,500	5,210	321,426
Depreciation and amortization	-	104,849	127,763	2,766	235,378
Total operating expenses	<u>3,117,943</u>	<u>316,921</u>	<u>198,263</u>	<u>43,863</u>	<u>3,676,990</u>
Operating income (loss)	<u>7,952</u>	<u>(297,157)</u>	<u>(168,779)</u>	<u>(20,799)</u>	<u>(478,783)</u>
Nonoperating revenue (expense)					
Intergovernmental grants	9,430	-	-	-	9,430
Interest revenue	553	-	-	-	553
Total nonoperating revenue	<u>9,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,983</u>
Income (loss) before transfers	<u>17,935</u>	<u>(297,157)</u>	<u>(168,779)</u>	<u>(20,799)</u>	<u>(468,800)</u>
Transfers in	-	238,500	45,500	-	284,000
Transfers out	<u>(7,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,500)</u>
Change in net position	<u>10,435</u>	<u>(58,657)</u>	<u>(123,279)</u>	<u>(20,799)</u>	<u>(192,300)</u>
Total net position - beginning	<u>345,666</u>	<u>1,162,199</u>	<u>1,498,242</u>	<u>47,137</u>	<u>3,053,244</u>
Total net position - ending	<u>\$ 356,101</u>	<u>\$ 1,103,542</u>	<u>\$ 1,374,963</u>	<u>\$ 26,338</u>	<u>\$ 2,860,944</u>

CITY OF MANASSAS, VIRGINIA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013

	Solid Waste	City Square Pavilion	Candy Factory	Parking Garage	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 3,099,978	\$ 19,764	\$ 29,484	\$ 79,279	\$ 3,228,505
Payments to other funds	-	-	-	(30,160)	(30,160)
Payments to suppliers	(2,767,967)	(153,072)	(47,020)	(36,804)	(3,004,863)
Payments to employees	(163,504)	-	-	-	(163,504)
Payments for interfund services used	(183,952)	(59,000)	(30,500)	(5,210)	(278,662)
Net cash provided by (used for) operating activities	<u>(15,445)</u>	<u>(192,308)</u>	<u>(48,036)</u>	<u>7,105</u>	<u>(248,684)</u>
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	-	238,500	45,500	-	284,000
Transfers to other funds	(7,500)	-	-	-	(7,500)
Operating grants received	9,430	-	-	-	9,430
Net cash provided by (used for) noncapital financing activities	<u>1,930</u>	<u>238,500</u>	<u>45,500</u>	<u>-</u>	<u>285,930</u>
Cash Flows from Investing Activities					
Interest revenue	553	-	-	-	553
Net cash provided by investing activities	<u>553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>553</u>
Net increase (decrease) in cash and cash equivalents	<u>(12,962)</u>	<u>46,192</u>	<u>(2,536)</u>	<u>7,105</u>	<u>37,799</u>
Cash and cash equivalents, beginning	287,773	214,501	227,400	-	729,674
Cash and cash equivalents, ending	<u>\$ 274,811</u>	<u>\$ 260,693</u>	<u>\$ 224,864</u>	<u>\$ 7,105</u>	<u>\$ 767,473</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 7,952	\$ (297,157)	\$ (168,779)	\$ (20,799)	\$ (478,783)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	-	104,849	127,763	2,766	235,378
(Increase) decrease in accounts receivable	(25,917)	-	-	56,215	30,298
Increase (decrease) in accounts payable	(749)	-	(7,020)	(917)	(8,686)
Increase (decrease) in compensated absences	3,269	-	-	-	3,269
Increase (decrease) in advance from other funds	-	-	-	(30,160)	(30,160)
Total adjustments	<u>(23,397)</u>	<u>104,849</u>	<u>120,743</u>	<u>27,904</u>	<u>230,099</u>
Net cash provided by (used for) operating activities	<u>\$ (15,445)</u>	<u>\$ (192,308)</u>	<u>\$ (48,036)</u>	<u>\$ 7,105</u>	<u>\$ (248,684)</u>

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INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

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, 2013

	<u>Building Maintenance</u>	<u>Vehicle Maintenance</u>	<u>Information Technology</u>	<u>Total Internal Service Funds</u>
Assets				
Current assets				
Equity in pooled cash and investments - unrestricted	\$ 356,334	\$ 1,507,612	\$ 2,952,923	\$ 4,816,869
Total current assets	<u>356,334</u>	<u>1,507,612</u>	<u>2,952,923</u>	<u>4,816,869</u>
Noncurrent assets				
Capital assets:				
Buildings and improvements	-	278,484	-	278,484
Machinery and equipment	15,181	8,806,716	910,398	9,732,295
Less accumulated depreciation	<u>(1,518)</u>	<u>(7,718,262)</u>	<u>(787,245)</u>	<u>(8,507,025)</u>
Total noncurrent assets	<u>13,663</u>	<u>1,366,938</u>	<u>123,153</u>	<u>1,503,754</u>
Total assets	<u>369,997</u>	<u>2,874,550</u>	<u>3,076,076</u>	<u>6,320,623</u>
Liabilities and net position				
Current liabilities				
Accounts payable	51,414	83,436	139,970	274,820
Compensated absences - current	<u>6,462</u>	<u>12,128</u>	<u>16,322</u>	<u>34,912</u>
Total current liabilities	<u>57,876</u>	<u>95,564</u>	<u>156,292</u>	<u>309,732</u>
Noncurrent liabilities				
Compensated absences	<u>36,618</u>	<u>68,723</u>	<u>92,489</u>	<u>197,830</u>
Total noncurrent liabilities	<u>36,618</u>	<u>68,723</u>	<u>92,489</u>	<u>197,830</u>
Total liabilities	<u>94,494</u>	<u>164,287</u>	<u>248,781</u>	<u>507,562</u>
Net position				
Net investment in capital assets	13,663	1,366,938	123,153	1,503,754
Unrestricted	<u>261,840</u>	<u>1,343,325</u>	<u>2,704,142</u>	<u>4,309,307</u>
Total net position	<u>\$ 275,503</u>	<u>\$ 2,710,263</u>	<u>\$ 2,827,295</u>	<u>\$ 5,813,061</u>

CITY OF MANASSAS, VIRGINIA

Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2013

	<u>Building Maintenance</u>	<u>Vehicle Maintenance</u>	<u>Information Technology</u>	<u>Total Internal Service Funds</u>
Operating revenues				
Charges for services	\$ 1,280,855	\$ 2,959,321	\$ 2,615,416	\$ 6,855,592
Total operating revenues	<u>1,280,855</u>	<u>2,959,321</u>	<u>2,615,416</u>	<u>6,855,592</u>
Operating expenses				
Personal services	456,614	722,868	1,135,520	2,315,002
Contractual services	292,349	152,386	526,373	971,108
Supplies	65,048	1,188,017	299,168	1,552,233
Internal and other services	462,686	466,475	307,375	1,236,536
Depreciation and amortization	1,518	536,957	46,148	584,623
Total operating expenses	<u>1,278,215</u>	<u>3,066,703</u>	<u>2,314,584</u>	<u>6,659,502</u>
Operating income (loss)	<u>2,640</u>	<u>(107,382)</u>	<u>300,832</u>	<u>196,090</u>
Nonoperating revenue				
Interest revenue	619	1,630	4,301	6,550
Gain (loss) on sale of capital assets	-	68,207	-	68,207
Other	-	24,186	11,083	35,269
Total nonoperating revenue	<u>619</u>	<u>94,023</u>	<u>15,384</u>	<u>110,026</u>
Income (loss) before transfers and contributions	3,259	(13,359)	316,216	306,116
Transfers in	<u>-</u>	<u>577,870</u>	<u>-</u>	<u>577,870</u>
Change in net position	3,259	564,511	316,216	883,986
Total net position - beginning	<u>272,244</u>	<u>2,145,752</u>	<u>2,511,079</u>	<u>4,929,075</u>
Total net position - ending	<u><u>\$ 275,503</u></u>	<u><u>\$ 2,710,263</u></u>	<u><u>\$ 2,827,295</u></u>	<u><u>\$ 5,813,061</u></u>

CITY OF MANASSAS, VIRGINIA

Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013

	Building Maintenance	Vehicle Maintenance	Information Technology	Total Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 1,280,855	\$ 2,959,321	\$ 2,615,416	\$ 6,855,592
Other miscellaneous receipts	-	24,186	11,083	35,269
Payments to suppliers	(674,049)	(1,579,042)	(879,161)	(3,132,252)
Payments to employees	(459,656)	(710,718)	(1,148,160)	(2,318,534)
Payments for interfund services used	(157,382)	(282,536)	(211,375)	(651,293)
Net cash provided by (used for) operating activities	(10,232)	411,211	387,803	788,782
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	577,870	-	577,870
Net cash provided by (used for) noncapital financing activities	-	577,870	-	577,870
Cash Flows from Capital and Related Financing Activities				
Sale of capital assets	-	68,207	-	68,207
Purchases of capital assets	(15,181)	(674,479)	(119,675)	(809,335)
Net cash provided by (used for) capital and related financing activities	(15,181)	(606,272)	(119,675)	(741,128)
Cash Flows from Investing Activities				
Interest revenue	619	1,630	4,301	6,550
Net cash provided by investing activities	619	1,630	4,301	6,550
Net increase (decrease) in cash and cash equivalents	(24,794)	384,439	272,429	632,074
Cash and cash equivalents, beginning	381,128	1,123,173	2,680,494	4,184,795
Cash and cash equivalents, ending	\$ 356,334	\$ 1,507,612	\$ 2,952,923	\$ 4,816,869
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 2,640	\$ (107,382)	\$ 300,832	\$ 196,090
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	1,518	536,957	46,148	584,623
Other miscellaneous receipts	-	24,186	11,083	35,269
Increase (decrease) in accounts payable	(13,055)	(56,539)	36,306	(33,288)
Increase (decrease) in compensated absences	(1,335)	13,989	(6,566)	6,088
Total adjustments	(12,872)	518,593	86,971	592,692
Net cash provided by (used for) operating activities	\$ (10,232)	\$ 411,211	\$ 387,803	\$ 788,782

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DISCRETELY PRESENTED COMPONENT UNIT - MANASSAS CITY PUBLIC SCHOOLS

GOVERNMENTAL FUNDS

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

Capital Projects Fund - to account for and report for bonds which are restricted for the purchase and/or construction of major school facilities.

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 Funds - to account for monies donated for the Nancy Lyons and E. Shreve Brent Scholarships.

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CITY OF MANASSAS, VIRGINIA

Balance Sheet
 Manassas City Public Schools Component Unit
 June 30, 2013

	Operating	Food Service	Total Governmental Funds
Assets			
Cash and investments	\$ 15,720,348	\$ 1,293,348	\$ 17,013,696
Accounts receivable	1,602,501	1,341	1,603,842
Due from other governments	3,929,574	115,324	4,044,898
Total assets	<u>\$ 21,252,423</u>	<u>\$ 1,410,013</u>	<u>\$ 22,662,436</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 14,122,285	\$ 270,903	\$ 14,393,188
Total liabilities	<u>14,122,285</u>	<u>270,903</u>	<u>14,393,188</u>
Fund balances:			
Committed:			
Instruction	707,595	-	707,595
Administration	68,500	-	68,500
Operations and maintenance	12,800	-	12,800
Construction	1,090,271	-	1,090,271
Technology	603,508	-	603,508
Food service	-	1,139,110	1,139,110
Unassigned	4,647,464	-	4,647,464
Total fund balances	<u>7,130,138</u>	<u>1,139,110</u>	<u>8,269,248</u>
Total liabilities and fund balances	<u>\$ 21,252,423</u>	<u>\$ 1,410,013</u>	<u>\$ 22,662,436</u>

CITY OF MANASSAS, VIRGINIA

Manassas City Public Schools - Component Unit
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 At June 30, 2013

Total fund balances for governmental funds	\$	8,269,248
--------------------------------------------	----	-----------

Total net position reported for governmental activities in the statement of net position is different because:

are not reported in the funds. Those assets consist of:

Land	\$	2,336,649
Construction in progress		176,854
Buildings and improvements, net of accumulated depreciation		41,536,868
Machinery and equipment, net of accumulated depreciation		<u>2,507,625</u>

Total capital assets		46,557,996
----------------------	--	------------

Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Capital lease		(351,406)
---------------	--	-----------

Net OPEB obligation not reported as fund liabilities		(1,953,000)
------------------------------------------------------	--	-------------

Compensated absences not reported as fund liabilities		<u>(1,972,519)</u>
-------------------------------------------------------	--	--------------------

Total net position of governmental activities	\$	<u><u>50,550,319</u></u>
-----------------------------------------------	----	--------------------------

CITY OF MANASSAS, VIRGINIA

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Manassas City Public Schools Component Unit
 For the Year Ended June 30, 2013

	Operating	Food Service	Total Governmental Funds
Revenues			
Use of money and property	\$ 9,485	\$ -	\$ 9,485
Charges for services	673,919	992,568	1,666,487
Intergovernmental:			
From the City of Manassas	48,014,667	-	48,014,667
From the Commonwealth	41,617,909	85,388	41,703,297
From the Federal government	3,255,913	2,392,624	5,648,537
Total revenues	<u>93,571,893</u>	<u>3,470,580</u>	<u>97,042,473</u>
Expenditures			
Current:			
Education	87,038,457	3,320,335	90,358,792
Capital outlay	1,454,697	-	1,454,697
Payment in lieu of debt service	4,913,003	-	4,913,003
Debt Service:			
Principal retirement	146,625	-	146,625
Interest and fees on long term debt	17,245	-	17,245
Total expenditures	<u>93,570,027</u>	<u>3,320,335</u>	<u>96,890,362</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,866</u>	<u>150,245</u>	<u>152,111</u>
Net change in fund balances	<u>1,866</u>	<u>150,245</u>	<u>152,111</u>
Fund balance - beginning	<u>7,128,272</u>	<u>988,865</u>	<u>8,117,137</u>
Fund balance - ending	<u>\$ 7,130,138</u>	<u>\$ 1,139,110</u>	<u>\$ 8,269,248</u>

CITY OF MANASSAS, VIRGINIA

Component Unit School Board

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2013

Net change in fund balances - total governmental funds	\$	152,111
--------------------------------------------------------	----	---------

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 exceeded capital outlays in the current period.

(3,035,631)

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal paid on capital leases

146,625

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:

Net OPEB obligation		(366,000)
Compensated absences		(40,897)

Change in net position of governmental activities (Exhibit B)	\$	(3,143,792)
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CITY OF MANASSAS, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Manassas City Public Schools Operating Fund
 For the Year Ended June 30, 2013

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
Use of money and property	\$ -	\$ -	\$ 9,485	\$ 9,485
Charges for services	664,059	664,059	673,919	9,860
Intergovernmental:				
From the City of Manassas	47,284,440	47,284,440	48,014,667	730,227
From the Commonwealth	42,419,135	42,487,032	41,617,909	(869,123)
From the Federal government	3,214,666	3,214,666	3,255,913	41,247
Total revenues	93,582,300	93,650,197	93,571,893	(78,304)
Expenditures				
Education:				
Instruction	68,488,545	69,275,388	68,874,994	400,394
Administration, attendance, and health	4,406,248	4,476,578	4,169,977	306,601
Pupil transportation	4,466,737	4,663,978	4,124,456	539,522
Operation and maintenance	7,456,890	7,544,770	7,158,921	385,849
Technology	3,751,177	4,250,125	3,523,062	727,063
Facilities	1,365,000	1,455,870	641,744	814,126
Capital lease payment	163,870	163,870	163,870	-
Payment in lieu of debt service	4,913,003	4,913,003	4,913,003	-
Contingency	452,830	-	-	-
Total expenditures	95,464,300	96,743,582	93,570,027	3,173,555
Excess (deficiency) of revenues over (under) expenditures	(1,882,000)	(3,093,385)	1,866	3,095,251
Net change in fund balances	<u>\$ (1,882,000)</u>	<u>\$ (3,093,385)</u>	1,866	<u>\$ 3,095,251</u>
Fund balances, beginning			7,128,272	
Fund balances, ending			<u>\$ 7,130,138</u>	

CITY OF MANASSAS, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Manassas City Public Schools Food Service
 For the Year Ended June 30, 2013

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for services	\$ 1,158,379	\$ 1,158,379	\$ 992,568	\$ (165,811)
Intergovernmental:				
From the Commonwealth	73,800	73,800	85,388	11,588
From the Federal government	2,221,629	2,221,629	2,392,624	170,995
Total revenues	<u>3,453,808</u>	<u>3,453,808</u>	<u>3,470,580</u>	<u>16,772</u>
Expenditures				
Food services	<u>3,453,808</u>	<u>3,453,808</u>	<u>3,320,335</u>	<u>133,473</u>
Total expenditures	<u>3,453,808</u>	<u>3,453,808</u>	<u>3,320,335</u>	<u>133,473</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	150,245	<u>\$ 150,245</u>
Fund balances, beginning			<u>988,865</u>	
Fund balances, ending			<u>\$ 1,139,110</u>	

CITY OF MANASSAS, VIRGINIA

Combining Statement of Fiduciary Net Position - Fiduciary Funds
 Manassas City Public Schools
 June 30, 2013

	Private Purpose Trust Funds			Agency Fund
	Nancy Lyons Scholarship Fund	E. Shreve Brent Scholarship Fund	Total	Student Activity Funds
Assets				
Cash and investments with fiscal	\$ 99,724	\$ 805,070	\$ 904,794	\$ 719,275
Total assets	<u>99,724</u>	<u>805,070</u>	<u>904,794</u>	<u>719,275</u>
Liabilities and net position				
Liabilities				
Amount held for student activity	-	-	-	719,275
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>719,275</u>
Total net position	<u>\$ 99,724</u>	<u>\$ 805,070</u>	<u>\$ 904,794</u>	<u>\$ -</u>

CITY OF MANASSAS, VIRGINIA

Combining Statement of Revenues, Expenses, and Changes in Net Position
 Manassas City Public Schools - Private-Purpose Trust Funds
 For the Year Ended June 30, 2013

	Nancy Lyons Scholarship Fund	E. Shreve Brent Scholarship Fund	Total Private - Purpose Trust Funds
Revenue			
Interest revenue	\$ 14,846	\$ 106,875	\$ 121,721
Total revenue	14,846	106,875	121,721
Expenses			
Scholarship distributions	8,000	10,000	18,000
Total expenses	8,000	10,000	18,000
Change in net position	6,846	96,875	103,721
Total net position (deficit) - beginning	92,878	708,195	801,073
Total net position (deficit) - ending	\$ 99,724	\$ 805,070	\$ 904,794

CITY OF MANASSAS, VIRGINIA

Statement of Changes in Assets and Liabilities
 Manassas City Public Schools - Agency Fund
 For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash with fiscal agent:				
Osborn Senior High School	\$ 417,403	\$ 668,013	\$ (642,286)	\$ 443,130
Grace E. Metz Junior High School	66,977	62,355	(58,701)	70,631
Mayfield Intermediate School	41,406	88,726	(87,896)	42,236
Baldwin Elementary School	10,302	71,931	(66,790)	15,443
George C. Round Elementary School	106,578	13,892	(23,427)	97,043
Jennie Dean Elementary School	16,128	51,133	(47,974)	19,287
R. C. Haydon Elementary School	18,435	37,581	(41,541)	14,475
Weems Elementary School	16,471	32,087	(31,528)	17,030
Total assets	<u>\$ 693,700</u>	<u>\$ 1,025,718</u>	<u>\$ (1,000,143)</u>	<u>\$ 719,275</u>
Liabilities				
Amounts held for student activity funds	<u>\$ 693,700</u>	<u>\$ 1,025,718</u>	<u>\$ (1,000,143)</u>	<u>\$ 719,275</u>

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STATISTICAL SECTION

This part of the City of Manassas' 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	PAGE
<i>Financial Trends - Tables I-IV</i>	
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	132-141
<i>Revenue Capacity - Tables V-IX</i>	
These schedules contain information to help the reader assess the government's most significant local revenue source, the real estate property tax.	142-149
<i>Debt Capacity - Tables X-XII</i>	
These schedules present 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.	150-153
<i>Demographic and Economic Information - Tables XIII-XIV</i>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	154-155
<i>Operating Information - Tables XV-XVII</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 the activities it performs.	156-158

CITY OF MANASSAS, VIRGINIA

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities					
Net investment in capital assets	\$ 173,132,723	\$ 180,050,514	\$ 169,062,478	\$ 172,941,450	\$ 173,610,232
Restricted	2,447,680	2,979,454	3,526,589	3,755,019	3,171,524
Unrestricted	(40,723,388)	(38,491,950)	(28,017,364)	(26,811,818)	(19,420,422)
Total governmental activities	<u>\$ 134,857,015</u>	<u>\$ 144,538,018</u>	<u>\$ 144,571,703</u>	<u>\$ 149,884,651</u>	<u>\$ 157,361,334</u>
Business-type activities					
Net investment in capital assets	\$ 56,842,059	\$ 56,664,618	\$ 51,289,335	\$ 57,065,964	\$ 66,024,795
Restricted	1,404,856	73,772	2,776,842	2,521,141	343,478
Unrestricted	14,103,480	15,618,679	19,922,330	24,797,184	24,896,047
Total business-type activities	<u>\$ 72,350,395</u>	<u>\$ 72,357,069</u>	<u>\$ 73,988,507</u>	<u>\$ 84,384,289</u>	<u>\$ 91,264,320</u>
Total primary government					
Net investment in capital assets	\$ 229,974,782	\$ 236,715,132	\$ 220,351,813	\$ 230,007,414	\$ 239,635,027
Restricted	3,852,536	3,053,226	6,303,431	6,276,160	3,515,002
Unrestricted	(26,619,908)	(22,873,271)	(8,095,034)	(2,014,634)	5,475,625
Total primary government	<u>\$ 207,207,410</u>	<u>\$ 216,895,087</u>	<u>\$ 218,560,210</u>	<u>\$ 234,268,940</u>	<u>\$ 248,625,654</u>
Component unit - Manassas City Public Schools					
Net investment in capital assets	\$ 33,928,832	\$ 39,307,732	\$ 55,118,374	\$ 63,715,611	\$ 61,416,111
Restricted	30,121,058	23,590,699	12,857,469	1,527,377	-
Unrestricted	8,035,992	6,715,495	8,464,659	6,525,451	4,637,838
Total component unit	<u>\$ 72,085,882</u>	<u>\$ 69,613,926</u>	<u>\$ 76,440,502</u>	<u>\$ 71,768,439</u>	<u>\$ 66,053,949</u>
Total reporting unit					
Net investment in capital assets	\$ 206,908,229	\$ 221,978,099	\$ 217,857,712	\$ 239,899,350	\$ 251,315,863
Restricted	33,973,594	26,643,925	19,160,900	7,803,537	3,515,002
Unrestricted	38,411,469	37,886,989	57,982,100	58,334,492	59,848,738
Total reporting unit	<u>\$ 279,293,292</u>	<u>\$ 286,509,013</u>	<u>\$ 295,000,712</u>	<u>\$ 306,037,379</u>	<u>\$ 314,679,603</u>

Source: City of Manassas Comprehensive Annual Financial Report

Notes: Fiscal years 2003 and 2006 are presented as restated.

The sum of net investment in capital assets of the primary government and the component unit does not equal net investment in capital assets of the total reporting unit, because the debt related to the component unit is reflected in the primary government's general governmental activities reducing Unrestricted net position. The assets are reflected in the component unit as net investment in capital assets. The total reporting unit matches the assets with the debt and reports the net amount of the net investment in capital assets.

Table I

Fiscal Year				
2009	2010	2011	2012	2013
\$ 177,487,923	\$ 176,462,932	\$ 176,435,030	\$ 180,092,220	\$ 182,187,591
2,837,832	1,905,999	4,863,154	681,134	100,000
(19,205,279)	(16,284,557)	(13,758,457)	(5,238,442)	(2,884,806)
<u>\$ 161,120,476</u>	<u>\$ 162,084,374</u>	<u>\$ 167,539,727</u>	<u>\$ 175,534,912</u>	<u>\$ 179,402,785</u>
\$ 63,687,537	\$ 69,265,780	\$ 67,209,381	\$ 75,060,224	\$ 81,466,048
354,727	54,724	3,060,310	-	-
28,630,117	34,206,399	45,688,265	51,375,758	51,403,397
<u>\$ 92,672,381</u>	<u>\$ 103,526,903</u>	<u>\$ 115,957,956</u>	<u>\$ 126,435,982</u>	<u>\$ 132,869,445</u>
\$ 241,175,460	\$ 245,728,712	\$ 243,644,411	\$ 255,152,445	\$ 263,653,639
3,192,559	1,960,723	7,923,464	681,134	100,000
9,424,838	17,921,842	31,929,808	46,137,316	48,518,591
<u>\$ 253,792,857</u>	<u>\$ 265,611,277</u>	<u>\$ 283,497,683</u>	<u>\$ 301,970,895</u>	<u>\$ 312,272,230</u>
\$ 57,277,879	\$ 53,900,305	\$ 51,214,420	\$ 49,095,596	\$ 46,206,590
-	-	-	-	-
3,007,722	3,785,225	4,788,337	4,598,515	4,343,729
<u>\$ 60,285,601</u>	<u>\$ 57,685,530</u>	<u>\$ 56,002,757</u>	<u>\$ 53,694,111</u>	<u>\$ 50,550,319</u>
\$ 253,083,911	\$ 256,960,742	\$ 255,881,331	\$ 268,866,041	\$ 277,865,729
3,192,559	1,960,723	8,023,464	681,134	100,000
57,801,990	64,375,342	75,595,645	86,117,831	84,856,820
<u>\$ 314,078,460</u>	<u>\$ 323,296,807</u>	<u>\$ 339,500,440</u>	<u>\$ 355,665,006</u>	<u>\$ 362,822,549</u>

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses					
Governmental activities:					
General government administration	\$ 7,207,991	\$ 12,003,385	\$ 10,153,438	\$ 7,995,896	\$ 8,485,619
Public safety	13,757,870	12,380,077	16,543,855	20,773,741	22,315,459
Public works	8,409,295	8,814,145	9,073,752	10,107,203	10,250,242
Health and welfare	7,192,621	7,490,618	7,692,521	8,730,682	8,657,439
Culture, recreation, development	6,816,495	6,528,971	8,720,514	6,510,141	5,842,629
Education	69,328,739	40,655,630	53,604,226	48,102,935	48,443,875
Interest on long term debt	2,108,285	4,203,926	1,841,298	3,461,780	3,009,189
Total governmental activities	114,821,296	92,076,752	107,629,604	105,682,378	107,004,452
Business-type activities:					
Electric	36,530,966	39,693,800	50,169,324	55,003,809	59,363,545
Water	6,458,050	6,453,095	6,720,779	7,540,204	7,281,863
Sewer	8,164,613	7,955,252	8,436,700	9,290,538	11,393,765
Airport	2,396,046	2,491,573	2,497,631	2,510,742	2,790,729
Solid Waste	1,699,345	2,082,633	2,570,552	2,655,728	2,656,126
City Square Pavilion	391,610	402,890	423,748	438,519	425,006
Candy Factory	165,883	190,437	168,020	190,157	177,279
Parking Garage	-	-	-	-	-
Telecommunications	221,128	419,246	395,351	251,989	327,516
Total business-type activities	56,027,641	59,688,926	71,382,105	77,881,686	84,415,829
Total primary government	\$ 170,848,937	\$ 151,765,678	\$ 179,011,709	\$ 183,564,064	\$ 191,420,281
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 486,842	\$ 463,425	\$ 484,100	\$ 12,533	\$ 91,197
Public safety	452,399	574,992	611,576	2,176,120	2,181,634
Public works	1,027,173	793,893	962,075	1,363,215	1,061,618
Health and welfare	116,478	74,150	54,619	74,298	64,651
Culture, recreation, development	614,602	620,753	436,225	1,037,388	509,641
Operating grants/contributions	7,073,367	7,168,447	9,427,043	9,110,430	11,438,714
Capital grants/contributions	5,174,650	6,184,595	663,245	62,500	-
Total governmental activities	14,945,511	15,880,255	12,638,883	13,836,484	15,347,455
Business-type activities:					
Charges for services:					
Electric	37,785,564	40,603,688	51,499,542	58,233,774	61,160,340
Water	6,155,194	6,130,480	6,991,660	8,599,256	8,893,622
Sewer	6,997,588	8,047,309	9,189,046	10,302,215	10,727,954
Airport	1,248,913	1,312,948	1,565,442	1,734,558	1,862,187
Solid Waste	1,741,784	2,026,906	2,527,764	2,523,788	2,597,354
City Square Pavilion	8,188	8,332	9,748	11,249	11,657
Candy Factory	32,500	30,375	28,750	25,600	32,060
Parking Garage	-	-	-	-	-
Telecommunications	-	-	165,160	162,512	197,777
Operating grants/contributions	78,608	98,000	128,598	102,408	80,563
Capital grants/contributions	5,471,641	1,605,683	739,262	5,891,197	4,097,334
Total business-type activities	59,519,980	59,863,721	72,844,972	87,586,557	89,660,848
Total primary government	\$ 74,465,491	\$ 75,743,976	\$ 85,483,855	\$ 101,423,041	\$ 105,008,303

Table II
Page 2 of 4

Fiscal Year				
2009	2010	2011	2012	2013
\$ 8,600,672	\$ 8,473,478	\$ 8,411,567	\$ 8,339,202	\$ 8,864,313
24,236,806	24,539,618	24,460,979	25,608,165	28,575,011
9,703,176	9,312,018	8,341,752	8,402,865	8,811,937
8,435,426	7,973,696	7,490,361	7,046,876	7,046,417
6,499,227	6,138,833	6,731,424	5,966,162	5,806,374
48,924,698	47,592,844	47,123,718	48,125,649	48,014,667
2,785,179	2,605,659	2,758,789	2,421,533	2,170,239
109,185,184	106,636,146	105,318,590	105,910,452	109,288,958
61,561,566	51,740,779	59,796,816	65,525,093	61,167,893
7,240,285	6,819,870	6,655,580	7,136,356	8,072,824
11,909,773	12,029,865	11,851,071	11,966,185	12,262,895
3,390,014	3,392,717	3,369,665	3,505,497	3,563,277
2,815,686	2,868,737	2,957,779	3,058,172	3,117,943
298,683	317,848	370,416	345,831	316,921
198,440	191,763	199,396	212,488	198,263
-	-	-	38,409	43,863
675,703	521,024	-	-	-
88,090,150	77,882,603	85,200,723	91,788,031	88,743,879
\$ 197,275,334	\$ 184,518,749	\$ 190,519,313	\$ 197,698,483	\$ 198,032,837
\$ 124,380	\$ 463,437	\$ 769,067	\$ 1,458,699	\$ 793,268
1,776,805	1,909,779	1,755,053	1,853,608	1,912,366
1,294,376	643,891	865,261	1,319,174	1,453,769
65,900	33,348	38,807	41,545	36,150
392,047	406,412	405,456	403,140	436,111
9,192,809	8,804,363	11,968,013	11,780,598	7,851,624
-	-	-	-	211,730
12,846,317	12,261,230	15,801,657	16,856,764	12,695,018
63,332,951	54,968,258	63,213,305	65,345,470	61,766,073
9,232,312	10,301,071	10,760,754	11,839,939	10,721,365
11,905,882	12,091,738	14,260,452	14,508,871	14,588,115
1,929,298	2,080,115	2,134,108	2,292,410	2,330,193
2,772,014	2,896,323	2,916,356	3,002,388	3,125,895
13,354	13,526	16,787	22,920	19,764
30,609	27,984	30,397	27,464	29,484
-	-	-	2,331	23,064
386,666	325,228	-	-	-
111,479	1,652,441	289,574	151,253	90,738
722,786	5,354,797	5,529,714	6,739,940	4,689,233
90,437,351	89,711,481	99,151,447	103,932,986	97,383,924
\$ 103,283,668	\$ 101,972,711	\$ 114,953,104	\$ 120,789,750	\$ 110,078,942

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

	2004	2005	2006	2007	2008
Net revenue (expenses)					
Governmental activities	\$ (99,875,785)	\$ (76,196,497)	\$ (94,990,721)	\$ (91,845,894)	\$ (91,656,997)
Business-type activities	3,492,339	174,795	1,462,867	9,704,871	5,245,019
Total primary government	<u>\$ (96,383,446)</u>	<u>\$ (76,021,702)</u>	<u>\$ (93,527,854)</u>	<u>\$ (82,141,023)</u>	<u>\$ (86,411,978)</u>
General revenues and other					
Governmental activities:					
Taxes	\$ 63,193,222	\$ 70,223,318	\$ 77,135,694	\$ 79,492,663	\$ 85,077,974
Unrestricted grants	5,223,933	5,007,216	5,473,873	4,082,918	3,993,249
Other	3,413,145	4,609,063	5,086,545	5,963,073	3,149,103
Payment from MCPS	4,333,447	5,013,427	6,357,895	6,827,645	6,287,164
Transfers	915,374	1,024,476	970,399	792,543	626,190
Total governmental activities	<u>77,079,121</u>	<u>85,877,500</u>	<u>95,024,406</u>	<u>97,158,842</u>	<u>99,133,680</u>
Business-type activities:					
Unrestricted investment earnings	82,754	210,961	527,565	994,381	1,409,308
Other	534,071	645,394	611,405	489,073	851,894
Transfers	(915,374)	(1,024,476)	(970,399)	(792,543)	(626,190)
Total business-type activities	<u>(298,549)</u>	<u>(168,121)</u>	<u>168,571</u>	<u>690,911</u>	<u>1,635,012</u>
Total primary government	<u>\$ 76,780,572</u>	<u>\$ 85,709,379</u>	<u>\$ 95,192,977</u>	<u>\$ 97,849,753</u>	<u>\$ 100,768,692</u>
Changes in Net Position					
Governmental activities	\$ (22,796,664)	\$ 9,681,003	\$ 33,685	\$ 5,312,948	\$ 7,476,683
Business-type activities	3,193,790	6,674	1,631,438	10,395,782	6,880,031
Total primary government	<u>\$ (19,602,874)</u>	<u>\$ 9,687,677</u>	<u>\$ 1,665,123</u>	<u>\$ 15,708,730</u>	<u>\$ 14,356,714</u>

Source: City of Manassas Comprehensive Annual Financial Report

Note: Fiscal years 2003 and 2006 are presented as restated.

Fiscal Year				
2009	2010	2011	2012	2013
\$ (96,338,867)	\$ (94,374,916)	\$ (89,516,933)	\$ (89,053,688)	\$ (96,593,940)
2,347,201	11,828,878	13,950,724	12,144,955	8,640,045
<u>\$ (93,991,666)</u>	<u>\$ (82,546,038)</u>	<u>\$ (75,566,209)</u>	<u>\$ (76,908,733)</u>	<u>\$ (87,953,895)</u>
\$ 85,999,880	\$ 77,135,239	\$ 77,640,223	\$ 79,587,120	\$ 82,026,887
3,933,837	8,117,505	8,204,284	7,926,918	8,052,773
2,991,923	3,252,349	2,594,066	2,362,609	3,080,490
5,774,990	5,637,807	5,410,273	5,263,956	4,913,003
1,397,379	1,195,914	1,123,440	1,908,270	2,388,660
<u>100,098,009</u>	<u>95,338,814</u>	<u>94,972,286</u>	<u>97,048,873</u>	<u>100,461,813</u>
481,835	115,836	90,745	60,707	73,908
(23,596)	105,722	(486,976)	180,635	108,169
(1,397,379)	(1,195,914)	(1,123,440)	(1,908,270)	(2,388,660)
<u>(939,140)</u>	<u>(974,356)</u>	<u>(1,519,671)</u>	<u>(1,666,928)</u>	<u>(2,206,583)</u>
<u>\$ 99,158,869</u>	<u>\$ 94,364,458</u>	<u>\$ 93,452,615</u>	<u>\$ 95,381,945</u>	<u>\$ 98,255,230</u>
\$ 3,759,142	\$ 963,898	\$ 5,455,353	\$ 7,995,185	\$ 3,867,873
1,408,061	10,854,522	12,431,053	10,478,027	6,433,462
<u>\$ 5,167,203</u>	<u>\$ 11,818,420</u>	<u>\$ 17,886,406</u>	<u>\$ 18,473,212</u>	<u>\$ 10,301,335</u>

CITY OF MANASSAS, VIRGINIA

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Revenues					
General property taxes	\$ 47,118,693	\$ 51,071,595	\$ 55,014,389	\$ 58,284,664	\$ 62,918,748
Other local taxes	16,117,205	19,029,984	21,849,580	21,237,921	19,687,511
Permits, fees, licenses	1,106,999	857,920	1,012,373	885,919	913,331
Fines and forfeitures	721,508	716,186	718,507	633,223	544,266
Use of money	789,712	1,019,451	2,384,694	2,422,607	1,349,399
Charges for services	868,987	953,107	817,715	1,230,695	1,244,643
Payment in lieu of debt service	4,270,426	5,013,427	6,247,895	6,827,645	6,287,164
Recovered costs	1,379,890	1,446,650	1,416,630	1,519,416	1,593,210
Miscellaneous	948,914	995,818	1,305,566	2,779,960	1,555,185
Intergovernmental	12,356,553	12,207,474	15,564,161	13,255,848	15,431,962
Total Revenues	85,678,887	93,311,612	106,331,510	109,077,898	111,525,419
Expenditures					
Current:					
General government	7,803,486	9,674,647	7,458,300	7,775,056	8,251,309
Public safety	13,195,741	11,774,629	19,644,976	20,540,744	21,432,111
Public works	5,389,164	2,247,149	4,590,352	5,937,436	5,989,842
Health and welfare	7,165,772	7,482,705	7,791,229	8,666,345	8,594,700
Culture, recreation	6,474,734	4,658,628	7,603,100	6,142,894	5,301,265
Education	37,828,739	40,655,630	44,804,226	48,102,935	48,443,875
Education-School Facilities	31,500,000	-	8,800,000	-	-
Capital outlay	4,172,118	14,594,541	4,713,826	7,431,345	4,499,479
Debt service					
Principal	4,254,691	4,029,388	5,354,711	5,721,200	5,448,966
Interest	2,133,324	2,495,993	2,820,087	3,421,836	3,109,315
Total expenditures	119,917,769	97,613,309	113,580,807	113,739,791	111,070,862
Excess (deficiency) of revenues over (under) expenditures	\$ (34,238,882)	\$ (4,301,697)	\$ (7,249,297)	\$ (4,661,893)	\$ 454,557
Other financing sources (uses)					
Transfers in	5,055,726	5,008,320	5,682,391	4,906,749	4,282,488
Transfers out	(4,198,586)	(4,223,358)	(4,950,636)	(4,268,727)	(4,176,483)
Bonds issued	31,500,000	-	20,000,000	1,003,901	-
Refunded Bonds issued					
Capital lease	179,014	2,989,089	-	-	-
Other	421,023	1,624,388	266,172	657,000	-
Total other financing sources (uses)	32,957,177	5,398,439	20,997,927	2,298,923	106,005
Net change in fund balance	\$ (1,281,705)	\$ 1,096,742	\$ 13,748,630	\$ (2,362,970)	\$ 560,562
Debt service as a percentage of noncapital expenditures	5.5%	7.9%	7.5%	8.6%	8.0%

Source: City of Manassas Comprehensive Annual Financial Report

Note: Capital outlay for fiscal years 2003, 2004, 2005, 2006, 2007 and 2008 are represented as restated.

Table III

Fiscal Year				
2009	2010	2011	2012	2013
\$ 66,747,985	\$ 63,697,942	\$ 62,613,605	\$ 63,518,398	\$ 64,499,818
18,355,300	14,897,257	16,045,899	16,593,452	17,516,677
533,860	923,525	784,597	779,823	929,999
509,871	521,655	633,285	793,663	803,283
544,697	276,216	324,979	287,212	284,224
1,208,576	1,144,351	1,072,428	1,097,365	1,140,610
5,774,990	5,637,807	5,410,273	5,263,956	4,913,003
1,656,460	1,973,170	1,973,170	1,887,460	1,922,080
1,944,405	1,401,785	1,350,794	2,405,303	2,563,751
13,126,646	16,921,868	20,101,400	19,707,516	16,116,127
110,402,790	107,395,576	110,310,430	112,334,148	110,689,572
8,282,142	8,087,758	8,126,487	8,175,771	8,711,499
23,181,421	23,619,295	23,838,881	25,150,135	28,109,517
5,194,725	5,312,789	4,158,164	3,954,503	4,381,295
8,416,209	7,976,335	7,458,336	7,032,635	7,034,040
6,010,353	5,735,016	6,369,224	5,661,189	5,521,613
48,924,698	47,592,844	47,123,718	48,125,649	48,014,667
-	-	-	-	-
7,372,921	4,308,676	8,964,479	5,460,088	5,796,525
5,256,466	5,285,032	4,827,350	5,058,445	4,911,579
2,906,134	2,721,773	2,811,252	2,403,570	2,234,419
115,545,069	110,639,518	113,677,891	111,021,985	114,715,154
\$ (5,142,279)	\$ (3,243,942)	\$ (3,367,461)	\$ 1,312,163	\$ (4,025,582)
5,008,434	10,305,313	4,315,802	8,058,273	7,439,151
(4,164,899)	(9,530,605)	(3,270,466)	(6,186,212)	(5,628,361)
-	2,200,000	3,128,162	-	-
-	-	310,441	-	-
-	-	-	-	196,568
-	67,663	-	-	-
843,535	3,042,371	4,483,939	1,872,061	2,007,358
\$ (4,298,744)	\$ (201,571)	\$ 1,116,478	\$ 3,184,224	\$ (2,018,224)
7.5%	7.5%	7.3%	7.1%	6.6%

CITY OF MANASSAS, VIRGINIA

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

	Fiscal Year				
	2004	2005	2006	2007	2008
General fund					
Reserved	\$ 2,558,201	\$ 2,817,354	\$ 3,076,613	\$ 3,301,206	\$ 4,498,123
Unreserved, designated	1,872,603	1,271,573	1,342,139	2,800,921	3,231,404
Unreserved, undesignated	11,917,488	13,443,449	14,910,285	14,052,538	11,407,179
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 16,348,292</u>	<u>\$ 17,532,376</u>	<u>\$ 19,329,037</u>	<u>\$ 20,154,665</u>	<u>\$ 19,136,706</u>
All other governmental funds					
Reserved	\$ 625,417	\$ 688,593	\$ 10,009,929	\$ 7,443,946	\$ 4,920,000
Unreserved, reported in:					
Special revenue funds	48,033	192,526	243,956	603,515	1,400,013
Capital projects funds	2,033,079	1,738,068	4,317,271	3,335,098	6,641,066
Nonspendable:					
Permanent fund principal					
Restricted, reported in:					
Capital projects funds	-	-	-	-	-
Committed, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 2,706,529</u>	<u>\$ 2,619,187</u>	<u>\$ 14,571,156</u>	<u>\$ 11,382,559</u>	<u>\$ 12,961,079</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.

Table IV

Fiscal Year				
2009	2010	2011	2012	2013
\$ 4,135,238	\$ 4,867,143	\$ -	\$ -	\$ -
2,645,900	2,245,748	-	-	-
12,194,000	13,891,163	-	-	-
-	-	950,239	1,450,187	410,693
-	-	2,999,143	2,575,633	2,982,051
-	-	7,505,941	7,033,509	5,234,941
-	-	11,878,166	12,193,722	12,136,198
<u>\$ 18,975,138</u>	<u>\$ 21,004,054</u>	<u>\$ 23,333,489</u>	<u>\$ 23,253,051</u>	<u>\$ 20,763,883</u>
\$ 3,209,641	\$ 2,882,100	\$ -	\$ -	\$ -
1,474,944	1,567,040	-	-	-
4,139,318	2,144,276	-	-	-
		100,000	100,000	100,000
-	-	7,554,893	4,189,113	3,357,556
-	-	56,401	56,486	56,575
-	-	374,245	4,307,111	5,607,998
-	-	(2,705,080)	(7,589)	(6,064)
<u>\$ 8,823,903</u>	<u>\$ 6,593,416</u>	<u>\$ 5,380,459</u>	<u>\$ 8,645,121</u>	<u>\$ 9,116,065</u>

CITY OF MANASSAS, VIRGINIA

Governmental Activities Tax Revenue by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
Real property	\$ 37,435,213	\$ 40,602,696	\$ 43,604,988	\$ 46,144,523	\$ 51,019,031
Personal property	8,377,204	9,228,275	10,300,880	11,076,499	10,677,820
Other	1,306,276	1,240,624	1,108,520	1,063,642	1,221,897
Total property taxes	47,118,693	51,071,595	55,014,389	58,284,664	62,918,748
Sales	6,565,896	6,989,980	7,778,776	8,129,713	7,082,425
Business licenses	2,265,090	2,700,753	3,029,004	3,490,912	3,017,478
Meals	2,298,604	2,583,398	2,596,486	2,682,545	2,640,665
Communications	-	-	-	1,420,444	3,312,500
Other	4,987,615	6,775,853	7,779,707	5,514,307	3,634,443
Total other local taxes	16,117,205	19,049,984	21,183,973	21,237,921	19,687,511
Total tax revenues	\$ 63,235,898	\$ 70,121,579	\$ 76,198,362	\$ 79,522,585	\$ 82,606,259

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.

Table V

Fiscal Year				
2009	2010	2011	2012	2013
\$ 54,249,494	\$ 52,749,987	\$ 51,703,328	\$ 52,321,058	\$ 52,523,333
10,934,245	9,322,059	9,133,899	9,475,950	10,375,908
1,564,246	1,625,896	1,776,378	1,721,390	1,600,577
66,747,985	63,697,942	62,613,605	63,518,398	64,499,818
6,440,055	6,881,710	7,305,186	7,210,697	7,811,499
2,869,132	2,450,090	2,759,079	2,931,782	2,957,117
2,547,151	2,423,969	2,584,054	2,894,531	3,094,965
3,009,702	-	-	-	-
3,489,260	3,141,488	3,397,580	3,556,442	3,653,096
18,355,300	14,897,257	16,045,899	16,593,452	17,516,677
\$ 85,103,285	\$ 78,595,199	\$ 78,659,504	\$ 80,111,850	\$ 82,016,495

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CITY OF MANASSAS, VIRGINIA

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

Tax Year	Residential	Commercial	Tax Exempt	Total Assessed and Actual Value	Less Tax Exempt	Total Taxable Assessed and Actual Value	Total Direct Tax Rate
2004	\$ 2,387,120,500	\$ 1,042,012,000	\$ 567,508,600	\$ 3,996,641,100	\$ 567,508,600	\$ 3,429,132,500	\$ 1.150
2005	3,022,354,500	1,228,016,800	681,487,600	4,931,858,900	681,487,600	4,250,371,300	1.000
2006	4,094,450,400	1,495,603,600	752,934,300	6,342,988,300	752,934,300	5,590,054,000	0.815
2007	4,110,384,900	1,552,164,900	864,839,600	6,527,389,400	864,839,600	5,662,549,800	0.855
2008	3,186,424,400	1,796,000,400	854,629,500	5,837,054,300	854,629,500	4,982,424,800	1.115
2009	2,046,404,000	1,712,622,700	852,224,300	4,611,251,000	852,224,300	3,759,026,700	1.493
2010	2,083,619,700	1,508,162,900	771,507,200	4,363,289,800	771,507,200	3,591,782,600	1.472
2011	2,249,477,700	1,547,273,200	795,895,200	4,592,646,100	795,895,200	3,796,750,900	1.395
2012	2,328,941,100	1,583,564,200	764,169,200	4,676,674,500	764,169,200	3,912,505,300	1.366
2013	2,491,207,000	1,613,906,800	678,874,300	4,783,988,100	678,874,300	4,105,113,800	1.393

Source: City of Manassas Commissioner of the Revenue

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 thru 2013 include this levy.

CITY OF MANASSAS, VIRGINIA

Property Tax Rates
Last Ten Years

Tax Year	General	Fire Rescue Levy	Total Direct Real Property	Personal Property	Machinery and Tools	Aircraft
2004	\$ 1.150	\$ -	\$ 1.150	\$ 3.050	\$ 2.500	\$ 0.010
2005	1.000	-	1.000	3.050	1.900	0.010
2006	0.815	-	0.815	3.050	1.900	-
2007	0.855	-	0.855	3.050	1.900	-
2008	1.015	0.100	1.115	3.250	2.100	-
2009	1.350	0.143	1.493	3.250	2.100	-
2010	1.318	0.154	1.472	3.250	2.100	-
2011	0.659	0.077	0.736	3.250	2.100	-
2012	1.192	0.174	1.366	3.250	2.100	-
2013	1.211	0.182	1.393	3.250	2.100	-

Source: City of Manassas Commissioner of the Revenue

Notes: 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 tax rate for tax year 2011 is about one half the amount of the previous and subsequent rates.

CITY OF MANASSAS, VIRGINIA

Principal Real Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2013			2004		
	Taxable	Rank	Percentage of	Taxable	Rank	Percentage of
	Real Assessed Value		Total Taxable Real Assessed Value	Real Assessed Value		Total Taxable Real Assessed Value
Lockheed Martin	\$ 96,411,000	1	2.4%	\$ 83,696,800	2	2.3%
Micron Technology	93,340,500	2	2.3%	87,879,400	1	2.4%
UDR Wellington Place	60,421,400	3	1.5%	29,738,800	5	0.8%
Battery Heights Associates	51,181,900	4	1.3%	35,271,600	4	1.0%
Prince William Health System	32,298,200	5	0.8%	13,859,900	9	0.4%
Verizon South	30,712,651	6	0.8%	41,289,732	3	1.1%
Davis Ford Crossing, LLC	28,569,800	7	0.7%	20,158,700	10	0.5%
Liberia Development Corp	26,931,400	8	0.7%	19,258,700	8	0.5%
Fairfield Village Square	25,757,900	9	0.6%	23,700,600	6	0.6%
Wellington Station	22,846,100	10	0.6%	19,897,300	7	0.5%
Totals	<u>\$ 468,470,851</u>		<u>11.4%</u>	<u>\$ 374,751,532</u>		<u>10.1%</u>

Source: City of Manassas Commissioner of Revenue

CITY OF MANASSAS, VIRGINIA

Real Property Tax Levies
Last Ten Years

Tax Year	Total Tax Levy for Tax Year	Fiscal Year for which Tax Levy Applies				
		2004	2005	2006	2007	2008
2003	\$ 17,993,225	\$ 17,993,225	\$ -	\$ -	\$ -	\$ -
2004	39,339,768	19,672,209	19,667,559	-	-	-
2005	42,149,468	-	21,080,022	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
2009	55,553,210	-	-	-	-	-
2010	52,260,980	-	-	-	-	-
2011	26,008,807	-	-	-	-	-
2012	52,254,647	-	-	-	-	-
2013	52,668,751	-	-	-	-	-
Total Levy for Fiscal Year		\$ 37,665,434	\$ 40,747,581	\$ 43,813,301	\$ 46,662,457	\$ 51,439,713

Table IX-a

Real Property Tax Levies and Collections
Last Ten Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy	Percentage		Percentage	
		Amount	of Levy		Amount	of Levy
2004	\$ 37,665,434	\$ 37,062,987	98.40%	\$ 596,714	\$ 37,659,701	99.98%
2005	40,747,581	39,885,372	97.88%	856,894	40,742,266	99.99%
2006	43,813,301	42,651,696	97.35%	1,155,425	43,807,121	99.99%
2007	46,662,457	44,456,148	95.27%	2,194,620	46,650,768	99.97%
2008	51,439,713	50,006,543	97.21%	1,407,240	51,413,783	99.95%
2009	55,297,716	53,399,535	96.57%	1,835,837	55,235,372	99.89%
2010	53,907,095	51,987,471	96.44%	1,781,902	53,769,373	99.74%
2011	52,139,297	50,353,653	96.58%	1,703,349	52,057,002	99.84%
2012	52,254,647	50,861,085	97.33%	1,022,481	51,883,566	99.29%
2013	52,668,751	51,440,592	97.67%			

Source: City of Manassas Finance Department

Fiscal Year for which Tax Levy Applies					Tax Year
2009	2010	2011	2012	2013	
\$ -	\$ -	\$ -	\$ -	\$ -	2003
-	-	-	-	-	2004
-	-	-	-	-	2005
-	-	-	-	-	2006
-	-	-	-	-	2007
27,521,111	-	-	-	-	2008
27,776,605	27,776,605	-	-	-	2009
-	26,130,490	26,130,490	-	-	2010
-	-	26,008,807	-	-	2011
-	-	-	52,254,647	-	2012
-	-	-	-	52,668,751	2013
<u>\$ 55,297,716</u>	<u>\$ 53,907,095</u>	<u>\$ 52,139,297</u>	<u>\$ 52,254,647</u>	<u>\$ 52,668,751</u>	

Source: City of Manassas Commission of the Revenue

Notes:

The taxes are due June 5 and December 5.

For tax years 2002 - 2010, the tax year is the calendar year.

For tax years 2002 - 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 end 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 2012 began July 1, 2012 and ended June 30, 2013

Tax year 2013 will begin July 1, 2013 and ended June 30, 2014

CITY OF MANASSAS, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities		Percentage	
					General	Total	of		
	Obligation	State	Capital		Obligation	Primary	Personal	Per	
	Bonds	Literary	Leases	Notes	Bonds	Government	Income	Capita	
2004	\$ 62,867,578	\$ 2,824,275	\$ 448,019	\$ -	\$ 18,038,997	\$ 84,178,869	9.91%	\$ 2,306	
2005	59,340,191	2,322,275	3,174,943	-	16,521,062	81,358,471	8.95%	2,199	
2006	74,467,620	1,820,275	2,778,000	-	17,658,610	96,724,505	10.48%	2,541	
2007	69,148,420	1,418,275	2,482,029	1,003,096	15,735,337	89,787,157	9.93%	2,359	
2008	64,252,430	1,116,239	2,227,607	752,925	30,481,425	98,830,626	10.76%	2,695	
2009	59,837,150	814,275	1,841,720	501,949	28,659,250	91,654,344	n/a	2,554	
2010	57,601,950	512,275	1,483,960	250,973	29,714,312	89,563,470	n/a	2,512	
2011	56,399,910	225,000	1,150,534	-	30,603,393	88,378,837	n/a	2,337	
2012	51,881,400	-	828,023	-	28,260,978	80,970,401	n/a	2,073	
2013	49,370,944	-	659,593	-	26,628,741	76,659,278	n/a	1,921	

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 XIII.

n/a = not available

CITY OF MANASSAS, VIRGINIA

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

Fiscal Year	Outstanding General Obligation Bonds	Outstanding State Literary Loans	Total Outstanding Bonds Supported by Taxpayers	Percentage of Outstanding Bonds to Total Taxable Assessed and Actual Value of Real Property	Outstanding Bonds Per Capita
2004	\$ 62,867,578	\$ 2,824,275	\$ 65,691,853	1.92%	1,800
2005	59,340,191	2,322,275	61,662,466	1.45%	1,667
2006	74,467,620	1,820,275	76,287,895	1.36%	2,004
2007	69,148,420	1,418,275	70,566,695	1.25%	1,854
2008	64,252,430	1,116,239	65,368,669	1.31%	1,783
2009	59,837,150	814,275	60,651,425	1.61%	1,690
2010	57,601,950	512,275	58,114,225	1.62%	1,630
2011	56,399,910	225,000	56,624,910	1.49%	1,497
2012	51,881,400	-	51,881,400	1.33%	1,328
2013	49,370,944	-	49,370,944	1.20%	1,237

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 Property is found in Table VI.

Population data is found in Table XIII.

General Bonded Debt from Business Type Activities (not repaid with property taxes) is not reflected or used to calculate a general bonded debt ratio in this table.

CITY OF MANASSAS, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	2004	2005	2006	2007	2008
Debt limit	\$ 342,913,250	\$ 425,037,130	\$ 559,005,400	\$ 566,254,980	\$ 498,242,480
Total net debt applicable to limit	83,730,850	78,183,528	93,946,505	86,302,032	95,850,094
Legal debt margin	\$ 259,182,400	\$ 346,853,602	\$ 465,058,895	\$ 479,952,948	\$ 402,392,386
Total net debt applicable to limit as a percent of debt limit	24.42%	18.39%	16.81%	15.24%	19.24%

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 VI.

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 X.

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt limit	\$ 375,902,670	\$ 359,178,260	\$ 379,675,090	\$ 391,250,530	\$ 410,511,380
Total net debt applicable to limit	89,310,675	87,828,537	87,228,303	80,142,378	75,999,685
Legal debt margin	\$ 286,591,995	\$ 271,349,723	\$ 292,446,787	\$ 311,108,152	\$ 334,511,695
Total net debt applicable to limit as a percent of debt limit	23.76%	24.45%	22.97%	20.48%	18.51%

Legal Debt Margin Calculation for Fiscal Year 2013

Real property assessed value January 1, 2013	\$ 4,783,988,100
Less exempt real property assessed value	(678,874,300)
Total taxable real property assessed value	4,105,113,800
Debt limit (10% of taxable real property assessed value)	410,511,380
Total net debt applicable to limit June 30, 2013	75,999,685
Legal debt margin	\$ 334,511,695

CITY OF MANASSAS, VIRGINIA

Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (1)	Personal Income (2)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2004	36,500	\$ 849,793,043	\$ 23,282	6,782	3.1%
2005	37,000	909,335,859	24,577	6,736	2.8%
2006	38,066	922,641,965	24,238	6,525	2.9%
2007	38,066	904,067,097	23,750	6,439	2.7%
2008	36,666	918,629,568	25,054	6,152	4.8%
2009	35,883	n/a	n/a	6,610	6.4%
2010	35,648	n/a	n/a	6,500	7.4%
2011	37,821	n/a	n/a	7,104	6.9%
2012	39,060	n/a	n/a	7,014	5.9%
2013	39,902	n/a	n/a	7,109	5.8%

Source: (1) City of Manassas Community Development Department
 (2) State of Virginia, Department of Taxation
 (3) Manassas City Public Schools
 (4) Virginia Employment Commission

Note: n/a = not available

CITY OF MANASSAS, VIRGINIA

Principal Employers
Current Year and Six Years Ago

Employer	2012			2006		
	Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
Micron Technology	1,800	1	27.2%	1,186	3	17.4%
Prince William Health System	1,157	2	17.5%	1,400	2	20.5%
Lockheed Martin	1,100	3	16.6%	1,500	1	22.0%
Manassas City Public Schools (FTE)	1,034	4	15.6%	919	4	13.5%
City of Manassas (FTE)	446	5	6.7%	468	5	6.9%
American Disposal Service	366	6	5.5%	n/a		0.0%
BAE Systems	320	7	4.8%	350	6	5.1%
Aurora Flight Sciences	170	8	2.6%	200	10	2.9%
Battlefield Ford	111	9	1.7%	n/a		0.0%
CGI (Oberon Assoc)	105	10	1.6%	275	7	4.0%
S.W.I.F.T.	n/a		0.0%	275	8	4.0%
Colgan Air	n/a		0.0%	250	9	3.7%
Totals	6,609		100.00%	6,823		100.0%

Source: City of Manassas Finance Department

Notes: Calendar year 2012 is the most current year available

Information for 2000 (nine years prior) is not available

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

FTE - full time equivalents

n/a - not available

CITY OF MANASSAS, VIRGINIA

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government Administration										
City Clerk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
City Manager	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	8.00
Voter Registration	2.50	2.50	2.55	2.55	2.55	2.55	2.55	2.05	2.05	2.05
Treasurer	8.00	8.00	8.00	8.00	8.00	7.00	7.00	6.00	6.00	6.00
Commissioner of the Revenue	13.00	13.00	13.00	13.00	13.00	12.00	12.00	11.00	11.00	11.00
Finance and Administration	14.00	15.00	15.00	15.00	15.00	30.00	30.00	30.05	30.55	27.05
Human Resources	8.00	8.00	8.00	8.00	8.00	-	-	-	-	-
Public Safety										
Police	112.50	115.50	117.50	118.50	124.75	122.75	122.75	120.75	127.00	127.00
Fire	7.00	8.00	8.00	8.00	-	-	-	-	-	-
Rescue	13.00	13.00	15.00	17.00	-	-	-	-	-	-
Fire and Rescue	-	-	-	-	34.00	46.00	46.00	46.00	59.00	60.00
Public Works	71.50	72.00	74.00	77.00	74.00	61.00	52.00	48.50	49.50	49.50
Culture, Recreation, Development										
Recreation and parks	30.15	30.15	24.90	24.90	22.40	-	-	-	-	-
Museum System	9.50	9.50	10.50	10.50	9.50	8.50	8.50	4.50	5.50	6.50
Community Development	7.00	7.00	7.00	7.00	10.00	28.25	28.25	26.25	28.25	27.25
Health and Human Services										
Family Services	32.85	34.85	35.10	35.23	35.99	36.49	36.49	37.11	36.11	37.48
Utilities										
Sewer	15.00	15.00	15.00	14.00	14.00	13.00	13.00	11.00	11.00	11.00
Water	29.00	29.00	31.00	30.00	29.00	28.00	28.00	27.50	27.50	27.50
Electric	57.00	57.00	57.00	57.00	56.00	56.00	56.00	54.00	54.00	54.00
Airport	5.00	5.00	5.00	6.00	6.00	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	9.00	9.00	8.00	8.00	8.00	8.00	8.00	8.00
Information Technology	10.00	10.00	10.00	10.00	10.00	-	-	-	-	-
Total primary government	461.00	467.50	471.55	476.68	486.19	472.54	463.54	445.71	468.46	473.33

Source: City of Manassas Annual Operating Budget

CITY OF MANASSAS, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government Administration										
Business licenses issued	2,700	3,232	3,300	3,400	3,500	3,600	3,150	2,700	2,600	2,600
Property returns processed	31,175	31,937	32,700	33,300	34,500	33,500	32,000	31,500	31,500	32,500
Public Safety										
Traffic citations	7,631	7,216	7,700	8,162	8,000	8,000	6,000	5,500	5,500	6,750
Criminal arrests	3,216	2,675	2,890	3,063	3,063	3,200	3,200	3,000	2,500	2,500
Police calls for service	58,627	62,017	66,500	66,000	66,000	67,000	67,000	65,000	60,000	60,000
Public Works										
Site plans reviewed	45	55	53	50	45	35	45	20	20	30
Building permits issued	666	724	669	780	665	650	465	400	400	450
Fire inspections	1,007	434	500	500	800	800	800	1,200	1,400	1,200
Acres mowed	341	353	353	357	361	361	361	361	365	365
Culture, Recreation, Development										
Pool admissions	9,500	9,300	9,500	9,800	8,200	n/a	n/a	n/a	n/a	n/a
Museum facility visitors	80,000	84,630	83,000	84,000	84,000	n/a	n/a	n/a	n/a	n/a
Zoning complaints	177	143	300	300	200	n/a	n/a	n/a	n/a	n/a
Existing businesses assisted	50	101	70	70	100	100	50	30	15	15
Health and Human Services										
Family services										
Customers served	31,500	34,500	35,000	35,000	36,500	43,500	60,000	78,000	75,000	90,300
Section 8 vouchers used	210	225	225	225	280	275	306	302	327	306
Sewer Utility										
Wastewater processed (1)	2.0	1.6	1.9	2.2	2.1	2.2	2.2	2.2	2.2	2.31
Water Utility										
Drinking water produced (1)	4.1	3.9	4.2	4.4	3.5	4.4	4.6	4.5	4.5	4.61
Electric Utility										
Load management savings	\$5.9 M	\$6.0 M	\$6.0 M	\$7.5 M	\$8.1M	\$7.6M	\$7.3M	\$1.5M	\$6.5K	\$7.0K
Airport										
Total operations (2)	137,000	124,851	132,000	132,000	130,000	115,000	115,073	92,394	86,337	83,180
Based aircraft	414	402	415	415	435	402	405	402	406	423
Information Technology										
Devices supported	639	644	651	658	610	1,324	1,289	1,320	1,325	1,325
Visitors to city website	193,510	255,430	289,000	290,000	300,000	450,000	475,000	990,000	500,000	1,000,000

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

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government Administration										
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)	607	652	652	652	652	652	827	827	827	827
Vehicles in fleet	405	413	418	450	427	436	440	441	452	447
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)	238	241	241	241	253	253	243	243	244	244
Street lights	2,644	2,853	-	2,772	2,790	2,918	2,918	2,920	2,921	2,921
Traffic signals	45	49	51	53	55	53	55	60	58	61
Culture, Recreation, Development										
Museums	1	1	1	1	1	1	1	1	1	1
Restored historic buildings:										
Railroad Depot	1	1	1	1	1	1	1	1	1	1
Candy Factory	1	1	1	1	1	1	1	1	1	1
Parks	12	12	12	12	12	12	12	12	12	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	112	112	125	125	125	125	125	125	115
Storm sewers (miles)	89	90	92	94	94	72	72	72	72	72
Treatment capacity (1)	8	8	8	8	9	9	9	9	9	9
Water Utility										
Water connections	10,776	10,871	10,884	10,862	10,506	10,647	10,763	10,911	10,918	11,332
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	17	17	19	19	19	19	19	19	19
Electric capacity (2)	37	37	37	41	41	41	41	41	41	41
Airport										
Airport acreage	889	885	885	885	899	899	899	899	899	899
Number of runways	2	2	2	2	2	2	2	2	2	2

Source: City of Manassas Finance Department

Notes: (1) Millions of gallons per day

(2) Megawatts

CITY OF MANASSAS, VIRGINIA

Schedule of Expenditures of Federal Awards
For the year ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Catalogue	Pass-through Entity Identifying Number	Total Federal Expenditures
Department of Agriculture:			
Pass through payments: Virginia Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	10553-301-10	\$ 487,783
National School Lunch Program - Food Donations	10.555	00-571	192,075
National School Lunch Program	10.555	10555-301-10	1,644,883
			<u>\$ 1,836,958</u>
Summer Food Service Program for Children	10.559	10559-301-10	67,883
Total Child Nutrition Cluster:			<u>2,392,624</u>
Pass through payments: Virginia Department of Social Services			
State Administrative Matching Grants for Supplemental Nutritional Assistance Program	10.561	10561-765-10	\$ 376,704
Total Department of Agriculture			<u>\$ 2,769,328</u>
Department of Housing and Urban Development:			
Pass through payments: VHDA and Prince William County			
Section 8 Housing Assistance Payments Program	14.195	14195-165-10	\$ 191,114
Total Department of Housing and Urban Development			<u>\$ 191,114</u>
Department of Education:			
Pass through payments: Virginia Department of Education			
Title I Grants to Local Educational Agencies	84.010	84010-197-10	\$ 897,118
Special Education Cluster (IDEA):			
Special Education: Grants to States	84.027	84027-197-10	1,808,244
Special Education: Preschool Grants	84.173	84173-197-10	32,066
			<u>\$ 1,840,310</u>
Career and Technical Education: Basic Grants to States	84.048	84048-197-10	\$ 129,943
Education for Homeless Children and Youth	84.196	84196-197-10	8,800
English Language Acquisition Grants	84.365	84365-197-10	290,296
Improving Teacher Quality State Grants	84.367	84367-197-10	89,447
Total Department of Education			<u>\$ 3,255,914</u>

CITY OF MANASSAS, VIRGINIA

Schedule of Expenditures of Federal Awards
For the year ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Catalogue	Pass-through Entity Identifying Number	Total Federal Expenditures
Department of Health and Human Services:			
Pass through payments: Virginia Department of Social Services			
Promoting Safe and Stable Families	93.556	93556-765-10	\$ 12,892
Temporary Assistance for Needy Families	93.558	93558-765-10	266,335
Refugee and Entrant Assistance: State Administered Programs	93.566	93566-765-10	3,182
Low-Income Home Energy Assistance	93.568	93568-765-10	13,767
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	93596-765-10	36,842
Chafee Education and Training Vouchers Program (ETV)	93.599	93599-765-10	554
Stephanie Tubbs Jones Child Welfare Services Program	93.645	93645-765-10	962
Foster Care: Title IV-E	93.658	93658-765-10	139,990
Adoption Assistance	93.659	93659-765-10	47,539
Social Services Block Grant	93.667	93667-765-10	144,981
Chafee Foster Care Independence Program	93.674	93674-765-10	2,120
Children's Health Insurance Program	93.767	93767-765-10	9,098
Medical Assistance Program	93.778	93778-765-10	227,137
Total Department of Health and Human Services			<u>\$ 905,399</u>
Corporation for National and Community Service:			
Direct payments:			
Volunteers in Service to America	94.013	N/A	\$ 8,000
Total Corporation for National and Community Service:			<u>\$ 8,000</u>
Department of Homeland Security:			
Direct payments:			
Assistance to Firefighters Grant	97.044	N/A	\$ 803,346
Pass through payments: Department of Emergency Management			
Emergency Management Performance Grants	97.042	97042-127-10	4,529
State Homeland Security Program	97.073	97073-127-10	7,103
Non-Profit Security Program	97.008	97073-127-10	6,750
Homeland Security Grant Program	97.067	9UASI596/ 0UASI596/ 11UASI596/ 12UASI596	134,780
Total Department of Homeland Security			<u>\$ 956,508</u>

CITY OF MANASSAS, VIRGINIA

Schedule of Expenditures of Federal Awards
For the year ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Catalogue	Pass-through Entity Identifying Number	Total Federal Expenditures
Department of Justice:			
Direct payments:			
State Criminal Alien Assistance Program	16.606	N/A	\$ 78,950
Bulletproof Vest Partnership Program	16.607	N/A	5,490
Edward Byrne Memorial Justice Assistance Program	16.738	N/A	24,550
ARRA Public Safety Partnership and Community Policing Grants	16.710	N/A	241,494
Pass through payments: Virginia Department of State Police			
Missing Children's Assistance	16.543	16543-156-10	20,000
Total Department of Justice			<u>\$ 370,484</u>
Executive Office of the President:			
Pass through payments: Mercyhurst University			
High Intensity Drug Trafficking Areas Program	95.001	N/A	<u>\$ 8,519</u>
Total Executive Office of the President			<u>\$ 8,519</u>
National Endowment for the Arts:			
Pass through payments: Virginia Commission for the Arts			
Promotion of the Arts Partnership Agreements	45.025	1430200	<u>\$ 5,000</u>
Total National Endowment for the Arts			<u>\$ 5,000</u>
Department of Transportation:			
Federal Aviation Administration:			
Direct payments:			
Airport Improvement Program	20.106	N/A	\$ 4,214,609
Pass through payments: Virginia Department of Motor Vehicles			
State and Community Highway Safety	20.600	4369	15,462
Federal Transit Administration			
Pass through payments: Virginia Department of Transportation			
Highway Planning and Construction	20.205	61448	<u>67,106</u>
			<u>\$ 67,106</u>
Total Department of Transportation			<u>\$ 4,297,177</u>
Total Expenditures of Federal Awards			<u><u>\$ 12,767,443</u></u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

CITY OF MANASSAS, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2013

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Manassas, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Manassas, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

Listed below is a reconciliation of Federal Revenue and the Schedule of Expenditures of Federal Awards.

Federal expenditures	\$ 12,767,443
Federal funds which are not subject to single audit in the General Fund and Airport Fund (rental of building for post office, Memorandum of understanding (MOU), and tower rentals at the airport, interest subsidy).	108,884
Commodities received by School Board not recorded as revenue	<u>(192,075)</u>
Revenue from Federal Government	<u>\$ 12,684,252</u>

Note 5 - Federal Oversight Agency

The federal oversight agency for the City is the U.S. Department of Health and Human Services.

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Manassas, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Manassas, Virginia's basic financial statements, and have issued our report thereon dated December 19, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Manassas, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 19, 2013

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by 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 City of Manassas, Virginia's 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 City of Manassas, Virginia's major federal programs for the year ended June 30, 2013. City of Manassas, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Manassas, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 City of Manassas, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Manassas, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of City of Manassas, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Manassas, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 City of Manassas, Virginia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 19, 2013

CITY OF MANASSAS, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510 (a) of OMB Circular A-133?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
84.027/84.173	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies
16.710	ARRA Public Safety Partnership and Community Policing Grants
97.044	Assistance to Firefighters Grants

Dollar threshold used to distinguish between Type A and Type B programs	\$383,023
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

CITY OF MANASSAS, VIRGINIA

Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2013

There were no findings reported for the year ended June 30, 2013.



CITY OF MANASSAS

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