



# City of Manassas, Virginia Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014





# **CITY OF MANASSAS, VIRGINIA**

## **Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014**



*Prepared by  
The Department of Finance*





CITY OF MANASSAS, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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# CITY OF MANASSAS, VIRGINIA

MAYOR  
Harry J. Parrish II

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

CITY MANAGER  
W. Patrick Pate

December 15, 2014

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, 2014 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 unmodified ("clean") opinion on the City's financial statements for the fiscal year ended June 30, 2014. The independent auditor's report is located at the front of the Financial Section of the CAFR.

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

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

## Profile of the City

The City of Manassas is a community of approximately 41,705 people located in Northern Virginia within the Washington, D. C. Metropolitan Statistical Area. Surrounded by Prince William County, the City is thirty miles southwest of the nation's capital and encompasses a land area of ten square miles. The City is predominately residential in character and is an educational and government center with associated industrial, commercial and service activities. The Town of Manassas received its charter in 1873 and operated as a town in Prince William County until May 1, 1975, when it became an independent City of the Commonwealth of Virginia.

## Profile of the City (Continued)

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 statements; therefore, you will find fund statements for MCPS beginning on page 126. 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 transfers 58.5% of its general tax revenues to the Schools annually. Each year both bodies adopt a five-year forecast as required by the joint resolution. 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 his proposed budget to the City Council usually by the end of February. The School Board presents the proposed budget for MCPS to the City Council by April 1. The City Council holds numerous public work sessions on the budget in March and April. Council is required to hold a public hearing and adopt a budget by June 30 for the fiscal year beginning July 1. MCPS budget is appropriated and controlled at the total budget level. The City's appropriated budget is legally controlled at the fund level. City Council must approve all transfers between funds. Department directors may make transfers of appropriations within a department and the City Manager may transfer between departments within a fund.

## Local economy and long-term financial planning

In 2014, the City showed very positive signs of recovery from the recent recession. Former Commissioner of the Revenue, John Grzejka, released the real estate assessments for the 2014 tax year (values as of January 1, 2013) in late January. The average residential assessment increased 5% and the average commercial assessment increased 1.18% for a combined increase of 3.45%. In addition, there was \$40,867,700 of new construction in calendar year 2012. The 2013 residential/commercial ratio is 60.5 / 39.5, a small change from the 2012 ratio of 59.5 / 40.5. Other tax revenues continue the growth that began in fiscal year 2011. For fiscal year end (FYE) 2014, revenue from business licenses increased by 5.2%, meals tax revenues grew 7.1%, and other local taxes increased 1.2%, offset by a 2.9% decrease in sales tax revenue. Overall, local taxes were up by 1.1% for the fiscal year. The City's unemployment rate decreased to 4.8% in 2014 well below the national rate of 6.1% and from a high of 7.7% in 2010 during the recession.

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

On March 11, 2014, Standard & Poor's upgraded the City's AA bond rating to AA+ and assigned a stable outlook. On March 6, 2014, Moody's affirmed the City's Aa1 bond rating stating it reflects the city's satisfactory financial position with adequate reserves, moderately-sized tax base showing signs of recovery following significant declines and above-average socio-economic indicators. In 2009 City Council established a policy requiring a 13 percent unassigned fund balance is maintained. In FYE 2014 as well as in the previous four fiscal years, the City has been in compliance with this policy.

## Awards and acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Manassas for its CAFR for the fiscal year ended June 30, 2013. This was the twenty-ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City of Manassas also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2013. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,



William Patrick Pate  
City Manager



Paul E. York  
Finance & Administration Director

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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, 2013**

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

Executive Director/CEO

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**CITY OF MANASSAS, VIRGINIA  
ELECTED AND APPOINTED OFFICIALS  
JUNE 30, 2014**

**CITY COUNCIL**

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

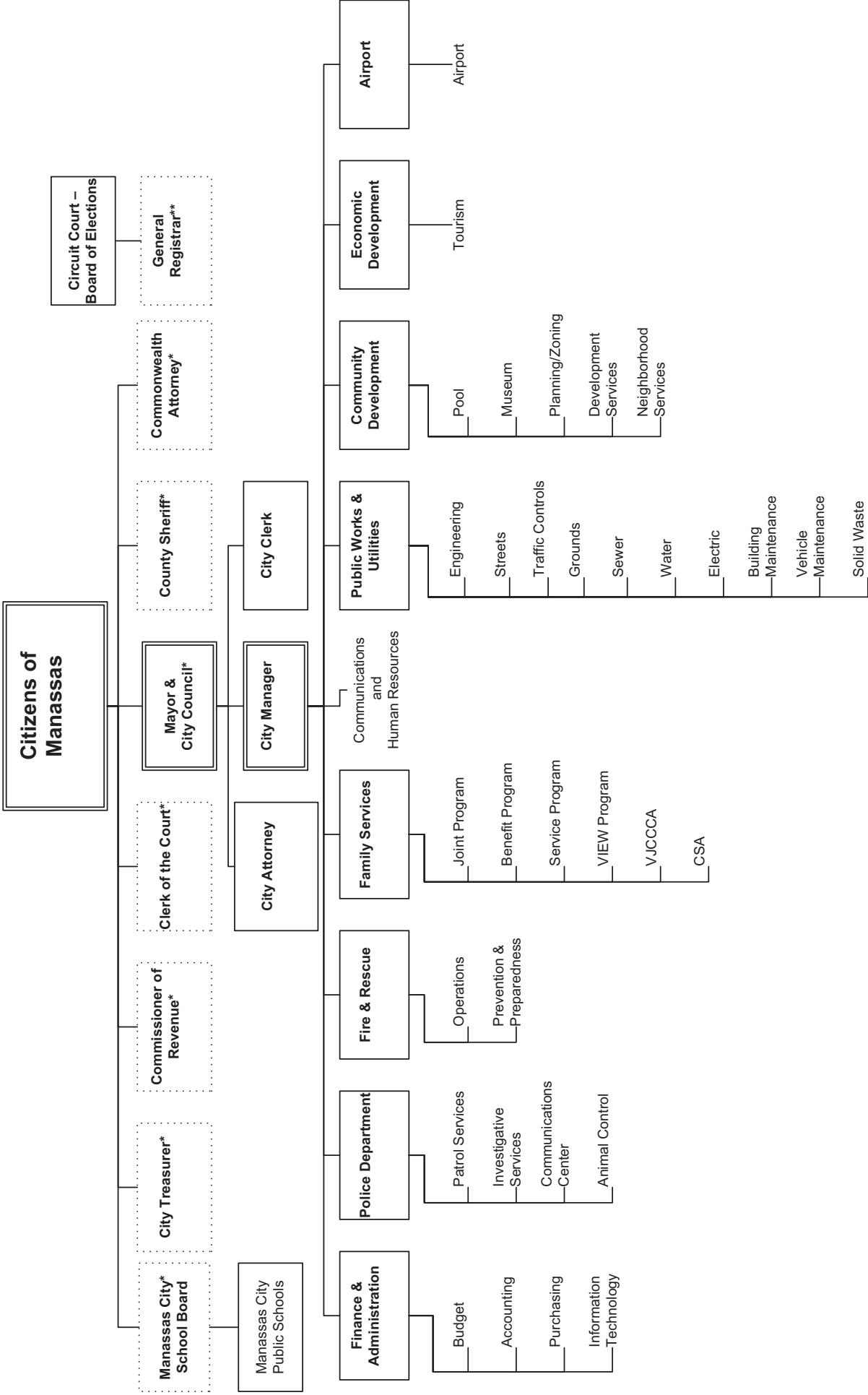
**CITY MANAGER**  
William Patrick Pate

**MANASSAS PUBLIC SCHOOLS  
SCHOOL BOARD**

Timothy J. Demeria, Chairman  
Scott M. Albrecht, Vice Chairman  
Arthur P. Bushnell  
Ilka V. Chavez  
Ellen M. Purdy  
Pamela J. Sebesky  
Sanford S. Williams

**SUPERINTENDENT OF SCHOOLS**  
Dr. Catherine B. Magouyrk

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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, 2014, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of pension and OPEB funding progress on pages 15-27 and 95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City 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 15, 2014 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.

As described in Note 20 to the financial statements, the City of Manassas, Virginia has discovered items subsequent to the previously issued financial statements. These financial statements have been restated to reflect these corrections which are disclosed in Note 20.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia

December 15, 2014, except for Note 20, as to which the date is September 23, 2015

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## CITY OF MANASSAS, VIRGINIA

### Management's Discussion and Analysis (UNAUDITED)

For The Year Ended June 30, 2014

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As management of the City of Manassas, Virginia (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. 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, 2014 by \$427,863,869 (net position). The Total Reporting Unit's net position invested in capital assets is \$340,315,039 and \$3,635,677 is restricted in its use. The remaining net position, \$83,913,153 is unrestricted.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at June 30, 2014 by \$372,304,271 (net position). \$328,217,480 of the City's net position is invested in capital assets, \$100,000 is restricted in its use, and the remaining balance of \$43,986,791 is unrestricted net position. The deficit in unrestricted net position of the Governmental Activities (\$3,306,304) 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 \$34,422,275 of debt outstanding relating to MCPS.
- The unassigned fund balance for the City's general fund at June 30, 2014 was \$12,665,075. This amount is 12.4 percent of total general fund revenues of \$102,165,063 for fiscal year 2014. 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 \$4,792,911. 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 Statements

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

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis  
(UNAUDITED)  
For The Year Ended June 30, 2014

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OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Government-wide Statements: (Continued)

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, health and welfare, and culture, recreation, and community development. The business-type activities of the City include electric, water and sewer utilities, solid waste collection, 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 33-35 of this report.

Fund Financial Statements

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

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

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis  
(UNAUDITED)  
For The Year Ended June 30, 2014

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OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Fund Financial Statements: (Continued)

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

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

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

The basic governmental fund financial statements can be found on pages 38-43 of this report.

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

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

Proprietary funds provide the same type of information as business-type activities in the government-wide financial statements, only in more detail. Proprietary funds are reported using the full accrual basis of accounting method. The proprietary fund financial statements provide separate information for the electric, water and sewer utilities and regional airport which are considered to be major funds of the City. The other 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 44-49 of this report.

## CITY OF MANASSAS, VIRGINIA

### Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2014

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#### OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

*Notes to the Financial Statements* - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 51-92 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 102-124 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 126-134 of this report.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the City's governmental activities increased \$45,471,475 in fiscal year 2014 to \$235,299,213. The increase is primarily due to capital asset increases of \$23,189,138, \$18,079,553, \$1,791,008, \$1,858,636, and \$1,071,976 in infrastructure, land, buildings and improvements, construction in progress, and machinery and equipment, respectively, and due to an increase in cash and investments of \$4,486,918 and an increase in restricted cash totaling \$2,869,038, offset by decreases in other receivables of \$824,912. The overall increase in assets was \$52,521,802. There was a net increase in liabilities of \$6,910,788, resulting primarily from a \$5,222,473 increase in long-term debt and an additional \$1,188,294 due to other governments. In March 2014, the City issued \$9,643,325 of General Obligation Public Improvement Bonds to fund its governmental activities capital improvement program budget for FY 2014, which is largely responsible for the increase in cash and liabilities. The increase in capital assets was largely a result of the capture and recording of donated infrastructure and land assets totaling \$44,270,664 in FY 2014. \$11,314,346 of donated infrastructure and land assets from prior years, net of \$889,393 accumulated depreciation, is included in restated balances. The increases in total liabilities and total assets were the primary contributors to the increase in total net position that ended the fiscal year at \$235,299,213. The unrestricted deficit ended the year at \$3,306,304, a 15 percent increase from the previous fiscal year.

The net position of the business-type activities decreased \$2,445,219 in fiscal year 2014 to \$137,005,058. In March 2014, the City issued \$3,881,675 of General Obligation Public Improvement Bonds to fund its business activities capital improvement program budget for FY 2014, which is responsible for the increase in long term liabilities. \$10,578,271 of donated investment in plant assets from prior years, net of \$3,997,439 of accumulated depreciation, is included in restated balances. Program revenues for the airport, water, and sewer utilities exceeded expenses by \$4,698,295 and the business activities transferred \$4,679,697 to the governmental activities.

The net position of MCPS has increased \$5,009,279. This change was primarily due to increases in restricted cash and investments of \$3,535,677 and in construction in progress totaling \$3,446,263, offset by reductions in buildings and improvements of \$2,817,507.



CITY OF MANASSAS, VIRGINIA

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

The following tables summarize the Statement of Net Position for the reporting unit as of June 30, 2014.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Current assets	\$ 50,172,253	\$ 43,640,762	\$ 65,792,459	\$ 65,363,802	\$ 115,964,712	\$ 109,004,564
Capital assets	255,243,507	209,253,196	114,790,431	114,675,621	370,033,938	323,928,817
Total assets	<u>\$ 305,415,760</u>	<u>\$ 252,893,958</u>	<u>\$ 180,582,890</u>	<u>\$ 180,039,423</u>	<u>\$ 485,998,650</u>	<u>\$ 432,933,381</u>
Deferred outflows of resources	\$ 1,255,846	\$ 1,395,385	\$ -	\$ -	\$ 1,255,846	\$ 1,395,385
Current liabilities	\$ 10,507,097	\$ 8,818,782	\$ 13,320,479	\$ 12,560,701	\$ 23,827,576	\$ 21,379,483
Long-term liabilities	60,865,296	55,642,823	30,257,353	28,028,445	91,122,649	83,671,268
Total liabilities	<u>\$ 71,372,393</u>	<u>\$ 64,461,605</u>	<u>\$ 43,577,832</u>	<u>\$ 40,589,146</u>	<u>\$ 114,950,225</u>	<u>\$ 105,050,751</u>
Net position:						
Net Investment						
in capital assets	\$ 238,505,517	\$ 192,612,544	\$ 89,711,963	\$ 88,046,880	\$ 328,217,480	\$ 280,659,424
Restricted	100,000	100,000	-	-	100,000	100,000
Unrestricted (deficit)	(3,306,304)	(2,884,806)	47,293,095	51,403,397	43,986,791	48,518,591
Total net position	<u>\$ 235,299,213</u>	<u>\$ 189,827,738</u>	<u>\$ 137,005,058</u>	<u>\$ 139,450,277</u>	<u>\$ 372,304,271</u>	<u>\$ 329,278,015</u>

	MCPS		Total Reporting Unit	
	FY 2014	FY 2013	FY 2014	FY 2013
Current assets	\$ 27,363,362	\$ 22,662,436	\$ 143,328,074	\$ 131,667,000
Capital assets	46,718,830	46,557,996	416,752,768	370,486,813
Total assets	<u>\$ 74,082,192</u>	<u>\$ 69,220,432</u>	<u>\$ 560,080,842</u>	<u>\$ 502,153,813</u>
	\$ -	\$ -	\$ 1,255,846	\$ 1,395,385
Current liabilities	\$ 14,458,195	\$ 14,393,188	\$ 38,285,771	\$ 35,772,671
Long-term liabilities	4,064,399	4,276,925	95,187,048	87,948,193
Total liabilities	<u>\$ 18,522,594</u>	<u>\$ 18,670,113</u>	<u>\$ 133,472,819</u>	<u>\$ 123,720,864</u>
Net position:				
Net Investment				
in capital assets	\$ 46,519,834	\$ 46,206,590	\$ 340,315,039	\$ 294,871,514
Restricted	3,535,677	-	3,635,677	100,000
Unrestricted	5,504,087	4,343,729	83,913,153	84,856,820
Total net position	<u>\$ 55,559,598</u>	<u>\$ 50,550,319</u>	<u>\$ 427,863,869</u>	<u>\$ 379,828,334</u>

CITY OF MANASSAS, VIRGINIA

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GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

The following tables summarize the changes in net position for the reporting unit for the year ended June 30, 2014.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Revenues:						
Program revenues:						
Charges for services	\$ 4,406,778	\$ 4,631,664	\$ 93,456,996	\$ 92,603,953	\$ 97,863,774	\$ 97,235,617
Operating grants, contributions	7,568,603	7,851,624	121,607	90,738	7,690,210	7,942,362
Capital grants, contributions	46,562,063	211,730	2,254,331	4,764,229	48,816,394	4,975,959
General Revenues:						
Property Taxes	69,162,854	64,510,210	-	-	69,162,854	64,510,210
Other Taxes	17,703,001	17,516,677	-	-	17,703,001	17,516,677
Unrestricted grants	8,159,679	8,052,773	-	-	8,159,679	8,052,773
City appropriation to MCPS	-	-	-	-	-	-
Other	7,704,685	7,993,493	254,327	182,077	7,959,012	8,175,570
Total revenues	\$ 161,267,663	\$ 110,768,171	\$ 96,087,261	\$ 97,640,997	\$ 257,354,924	\$ 208,409,168
Expenses:						
General government	\$ 8,889,060	\$ 8,864,313	\$ -	\$ -	\$ 8,889,060	\$ 8,864,313
Public safety	28,751,948	28,575,011	-	-	28,751,948	28,575,011
Public works	10,001,107	8,905,254	-	-	10,001,107	8,905,254
Health and welfare	7,873,882	7,046,417	-	-	7,873,882	7,046,417
Culture, rec, development	5,366,949	5,806,374	-	-	5,366,949	5,806,374
Interest on long-term debt	2,144,525	2,170,239	-	-	2,144,525	2,170,239
Electric	-	-	66,181,787	61,360,909	66,181,787	61,360,909
Water	-	-	7,745,000	8,276,499	7,745,000	8,276,499
Sewer	-	-	12,618,910	12,392,026	12,618,910	12,392,026
Airport	-	-	3,548,396	3,563,277	3,548,396	3,563,277
Solid Waste	-	-	3,191,138	3,117,943	3,191,138	3,117,943
City Square Pavilion	-	-	328,600	316,921	328,600	316,921
Candy Factory	-	-	198,763	198,263	198,763	198,263
Parking Garage	-	-	40,189	43,863	40,189	43,863
Education	57,448,414	48,014,667	-	-	57,448,414	48,014,667
Total expenses	\$ 120,475,885	\$ 109,382,275	\$ 93,852,783	\$ 89,269,701	\$ 214,328,668	\$ 198,651,976
Increase (decrease) in net position before transfers	\$ 40,791,778	\$ 1,385,896	\$ 2,234,478	\$ 8,371,296	\$ 43,026,256	\$ 9,757,192
Transfers	4,679,697	2,388,660	(4,679,697)	(2,388,660)	-	-
Change in net position	\$ 45,471,475	\$ 3,774,556	\$ (2,445,219)	\$ 5,982,636	\$ 43,026,256	\$ 9,757,192
Net position beginning, as restated	189,827,738	186,053,182	139,450,277	133,467,641	329,278,015	319,520,823
Net position ending	\$ 235,299,213	\$ 189,827,738	\$ 137,005,058	\$ 139,450,277	\$ 372,304,271	\$ 329,278,015

CITY OF MANASSAS, VIRGINIA

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GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

	MCPS		Total Reporting Unit	
	FY 2014	FY 2013	FY 2014	FY 2013
Revenues:				
Program revenues:				
Charges for services	\$ 1,444,671	\$ 1,666,487	\$ 99,308,445	\$ 98,902,104
Operating grants, contributions	47,999,862	47,351,834	55,690,072	55,294,196
Capital grants, contributions	-	-	48,816,394	4,975,959
General Revenues:				
Property Taxes	-	-	69,162,854	64,510,210
Other Taxes	-	-	17,703,001	17,516,677
Unrestricted grants	-	-	8,159,679	8,052,773
City appropriation to MCPS	57,448,414	48,014,667	57,448,414	48,014,667
Other	4,787	9,485	7,963,799	8,185,055
Total revenues	<u>\$ 106,897,734</u>	<u>\$ 97,042,473</u>	<u>\$ 364,252,658</u>	<u>\$ 305,451,641</u>
Expenses:				
General government	\$ -	\$ -	\$ 8,889,060	\$ 8,864,313
Public safety	-	-	28,751,948	28,575,011
Public works	-	-	10,001,107	8,905,254
Health and welfare	-	-	7,873,882	7,046,417
Culture, rec, development	-	-	5,366,949	5,806,374
Interest on long-term debt	-	-	2,144,525	2,170,239
Electric	-	-	66,181,787	61,360,909
Water	-	-	7,745,000	8,276,499
Sewer	-	-	12,618,910	12,392,026
Airport	-	-	3,548,396	3,563,277
Solid Waste	-	-	3,191,138	3,117,943
City Square Pavilion	-	-	328,600	316,921
Candy Factory	-	-	198,763	198,263
Parking Garage	-	-	40,189	43,863
Education	101,888,455	100,186,265	159,336,869	148,200,932
Total expenses	<u>\$ 101,888,455</u>	<u>\$ 100,186,265</u>	<u>\$ 316,217,123</u>	<u>\$ 298,838,241</u>
Increase (decrease) in net position before transfers	\$ 5,009,279	\$ (3,143,792)	\$ 48,035,535	\$ 6,613,400
Transfers	-	-	-	-
Change in net position	<u>\$ 5,009,279</u>	<u>\$ (3,143,792)</u>	<u>\$ 48,035,535</u>	<u>\$ 6,613,400</u>
Net position beginning	50,550,319	53,694,111	379,828,334	373,214,934
Net position ending	<u>\$ 55,559,598</u>	<u>\$ 50,550,319</u>	<u>\$ 427,863,869</u>	<u>\$ 379,828,334</u>

CITY OF MANASSAS, VIRGINIA

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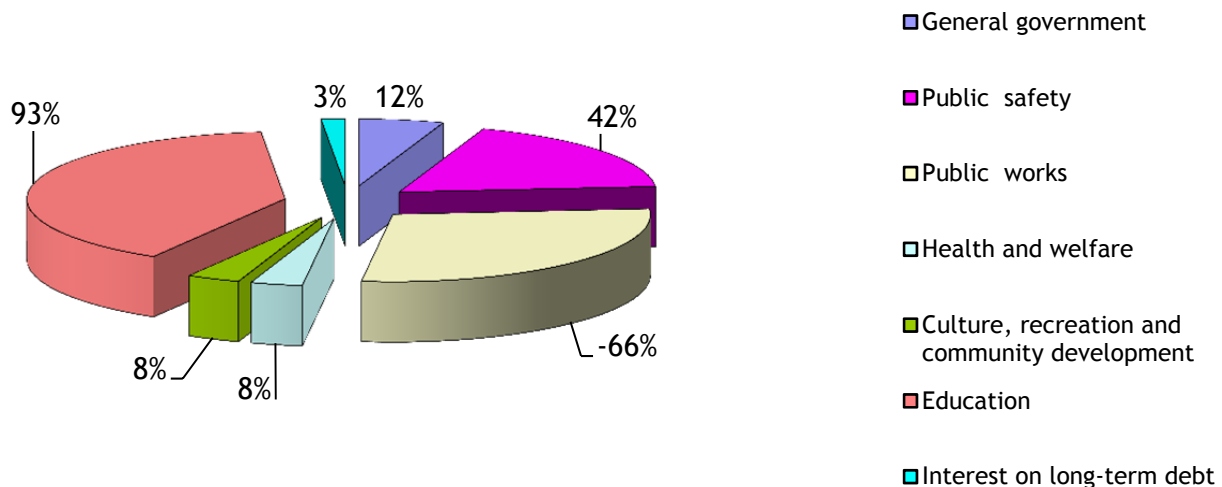
GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

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 \$61,938,441, a decrease of \$34,748,816 over last fiscal year. The decrease is primarily due to revenues from \$44,270,664 in donated infrastructure and land assets received in public works, offset by an increase in education. As the table and chart below indicate, education continues to be the City's largest program with expenses totaling \$57,448,414, which includes \$6,113,982 of bonds issued in 2014. The education expense in the governmental activities also reflects the City's local revenue that is appropriated to MCPS. The program revenues of education are recorded in the component unit, MCPS, and therefore are not in the table or chart.

Governmental Activities Expenses and Program Revenues

	Program Expenses FY 2014	Program Revenues FY 2014	Net Program Cost FY 2014	Net Program Cost FY 2013
General government	\$ 8,889,060	\$ 1,249,770	\$ 7,639,290	\$ 7,786,038
Public safety	28,751,948	2,415,567	26,336,381	25,124,944
Public works	10,001,107	51,042,204	(41,041,097)	3,858,915
Health and welfare	7,873,882	3,222,267	4,651,615	4,375,191
Culture, recreation and community development	5,366,949	607,636	4,759,313	5,357,263
Education	57,448,414	-	57,448,414	48,014,667
Interest on long-term debt	2,144,525	-	2,144,525	2,170,239
Total	<u>\$ 120,475,885</u>	<u>\$ 58,537,444</u>	<u>\$ 61,938,441</u>	<u>\$ 96,687,257</u>

Governmental Activities Net Program Costs



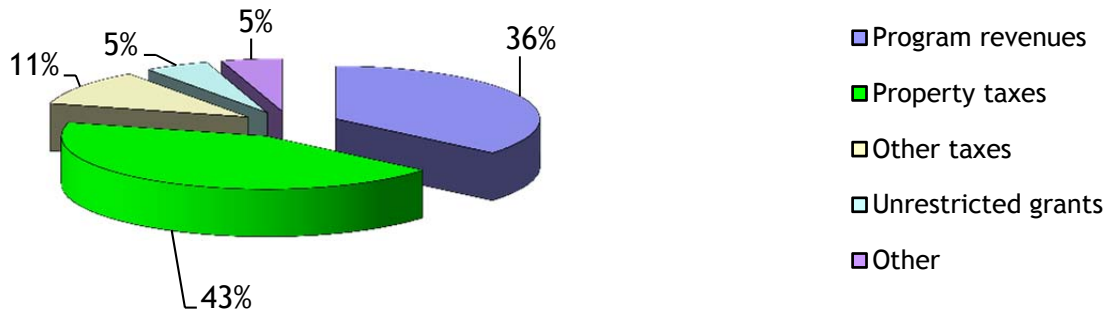
CITY OF MANASSAS, VIRGINIA

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

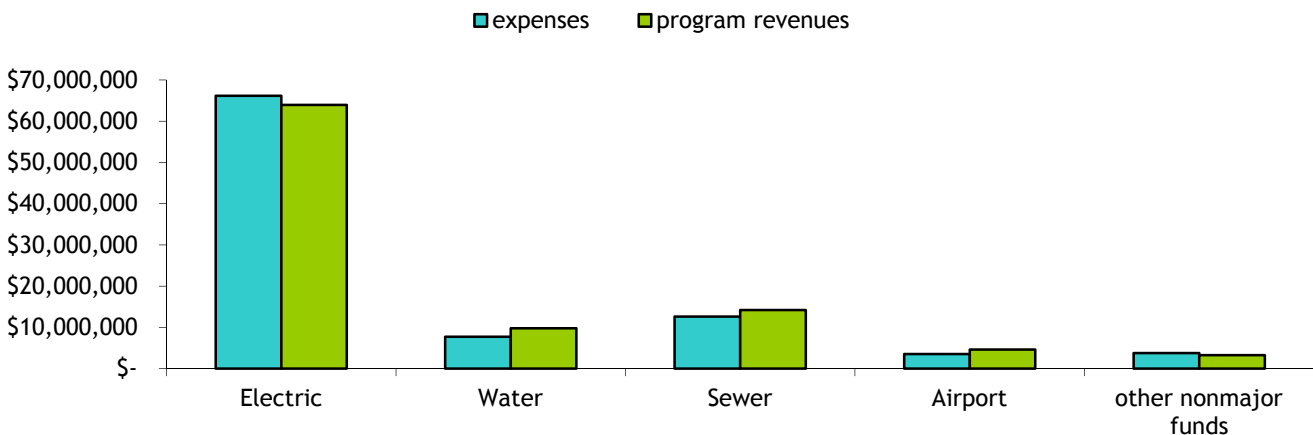
In addition to program revenues of \$58,537,444, there are also general revenues in the governmental activities, which are revenues that are not attributed to any specific program/function. The total general revenues in fiscal year 2014 are \$102,730,219 for total governmental activities revenues of \$161,267,663. General revenues in fiscal year 2014 are \$4,657,066 more than fiscal year 2013, due mostly to an increase in property taxes. 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 2014 was \$93,852,783. As depicted in the chart below, program revenues of \$95,832,934 offset the cost of doing business. The Airport Fund received capital grants of \$2,169,489 that are reflected as revenues.

Business-type Activities Expenses and Program Revenues



## CITY OF MANASSAS, VIRGINIA

### Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2014

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#### FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

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

##### *Governmental Funds*

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

At the end of fiscal year 2014, the City's governmental funds reported combined ending fund balances of \$34,564,412, an increase of \$4,684,464 from fiscal year 2013. The increase is a net of the \$4,960,088 increase in non-major funds and a \$275,624 reduction in the general fund. The majority of this increase is due to proceeds from the 2014 bond issue which are restricted or committed for capital projects.

The general fund is the main operating fund of the City. At the end of fiscal year 2014, the unassigned fund balance of the general fund was \$12,665,075 while total fund balance was \$20,488,259. 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 12.6 percent of total general fund expenditures of \$100,737,212, while total fund balance represents 20.3 percent of those expenditures. The unassigned fund balance represents 12.4 percent of total general fund revenues of \$102,165,063 for fiscal year 2014. City Council's policy is to maintain the general fund unassigned fund balance at 13 percent of general fund revenues excluding payment in lieu of debt services from MCPS of \$4,792,911. The unassigned fund balance meets the City Council's policy of 13 percent.

##### *Proprietary Funds*

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

The total of net positions at the end of fiscal year 2014 in the Electric, Water, Sewer, Airport, and the non-major funds are \$38,210,156; \$36,186,739; \$22,298,006; \$37,798,794; and \$2,511,363, respectively. The increase or (decrease) in total net position for the Electric, Water, Sewer, Airport, and the non-major funds are (\$4,876,368); \$846,564; \$717,144; \$1,217,022, and (\$349,581), respectively. Only 34.5% of the total net positions of these funds are unrestricted in its use. The remaining 65.5% is invested of capital assets, net of related debt. The unrestricted net positions(deficit) at the end of fiscal year 2014 in the Electric, Water, Sewer, Airport, and the non-major funds are \$18,075,465; \$14,123,262; \$14,423,762; (\$32,959); and \$703,565, 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 2014, the City's general fund revenues exceeded the revised revenue budget by \$1,643,796. Expenditures ended the year under the revised budget by \$398,220. 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.

CITY OF MANASSAS, VIRGINIA

Management's Discussion and Analysis  
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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, 2014 is \$370,033,938, an increase of \$46,105,121 from June 30, 2013. The net increase in the governmental activities assets of \$45,990,311 is primarily due to increases in land and infrastructure values, although there are increases in all categories. The increase in capital assets was largely a result of the capture and recording of donated infrastructure and land assets totaling \$44,270,664. The net increase of \$114,810 in the business-type capital assets is due primarily to increased investment in plant values partially offset by declines in the categories of construction in progress, 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 62-64 of this report

	Capital Assets FY 2014	Accumulated Depreciation FY 2014	Capital Assets net of Accumulated Depreciation FY 2014	FY 2013	Net Increase (Decrease) Capital Assets
<b>Governmental Activities</b>					
Land	\$ 111,361,675	\$ -	\$ 111,361,675	\$ 93,282,122	\$ 18,079,553
Buildings and improvements	32,073,189	(22,727,204)	9,345,985	7,554,977	1,791,008
Machinery and equipment	15,200,367	(11,312,580)	3,887,787	2,815,811	1,071,976
Construction in progress	8,071,929	-	8,071,929	6,213,293	1,858,636
Infrastructure	201,998,530	(79,422,399)	122,576,131	99,386,993	23,189,138
Total	<u>\$ 368,705,690</u>	<u>\$ (113,462,183)</u>	<u>\$ 255,243,507</u>	<u>\$ 209,253,196</u>	<u>\$ 45,990,311</u>
<b>Business-type Activities</b>					
Land	\$ 9,468,637	\$ -	\$ 9,468,637	\$ 9,468,637	\$ -
Buildings and improvements	4,652,249	(2,891,464)	1,760,785	1,993,397	(232,612)
Investment in Plant	186,235,645	(132,536,790)	53,698,855	49,705,861	3,992,994
Machinery and equipment	4,123,115	(3,321,479)	801,636	794,781	6,855
Purchased capacity	27,153,049	(13,955,830)	13,197,219	14,583,725	(1,386,506)
Construction in progress	35,863,299	-	35,863,299	38,129,220	(2,265,921)
Total	<u>\$ 267,495,994</u>	<u>\$ (152,705,563)</u>	<u>\$ 114,790,431</u>	<u>\$ 114,675,621</u>	<u>\$ 114,810</u>
<b>Total Primary Government</b>					
Land	\$ 120,830,312	\$ -	\$ 120,830,312	\$ 102,750,759	\$ 18,079,553
Buildings and improvements	36,725,438	(25,618,668)	11,106,770	9,548,374	1,558,396
Investment in Plant	186,235,645	(132,536,790)	53,698,855	49,705,861	3,992,994
Machinery and equipment	19,323,482	(14,634,059)	4,689,423	3,610,592	1,078,831
Purchased capacity	27,153,049	(13,955,830)	13,197,219	14,583,725	(1,386,506)
Construction in progress	43,935,228	-	43,935,228	44,342,513	(407,285)
Infrastructure	201,998,530	(79,422,399)	122,576,131	99,386,993	23,189,138
Total	<u>\$ 636,201,684</u>	<u>\$ (266,167,746)</u>	<u>\$ 370,033,938</u>	<u>\$ 323,928,817</u>	<u>\$ 46,105,121</u>
<b>MCPS</b>					
Land	\$ 2,336,649	\$ -	\$ 2,336,649	\$ 2,336,649	\$ -
Construction in progress	3,623,117	-	3,623,117	176,854	3,446,263
Buildings and improvements	126,917,877	(88,198,516)	38,719,361	41,536,868	(2,817,507)
Machinery and equipment	8,880,807	(6,841,104)	2,039,703	2,507,625	(467,922)
Total	<u>\$ 141,758,450</u>	<u>\$ (95,039,620)</u>	<u>\$ 46,718,830</u>	<u>\$ 46,557,996</u>	<u>\$ 160,834</u>

CITY OF MANASSAS, VIRGINIA

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CAPITAL ASSET AND DEBT ADMINISTRATION: (CONTINUED)

*Long-Term Obligations*

The following tables summarize the long-term debt of the City and MCPS. Additional information on long-term debt is found in Note 10 on pages 67-70 of this report.

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
General obligation bonds	\$ 52,403,935	\$ 47,334,820	\$ 27,922,083	\$ 25,873,516	\$ 80,326,018	\$ 73,208,336
Premium on bonds	2,379,240	2,036,124	898,878	755,225	3,278,118	2,791,349
Capital leases	401,974	659,593	-	-	401,974	659,593
Compensated absences	2,472,354	2,589,286	901,877	917,704	3,374,231	3,506,990
OPEB Obligation payable	3,207,793	3,023,000	534,515	482,000	3,742,308	3,505,000
Total	<u>\$ 60,865,296</u>	<u>\$ 55,642,823</u>	<u>\$ 30,257,353</u>	<u>\$ 28,028,445</u>	<u>\$ 91,122,649</u>	<u>\$ 83,671,268</u>

	MCPS		Total Reporting Unit	
	FY 2014	FY 2013	FY 2014	FY 2013
General obligation bonds	\$ -	\$ -	\$ 80,326,018	\$ 73,208,336
Premium on bonds	-	-	3,278,118	2,791,349
Capital leases	198,996	351,406	600,970	1,010,999
Compensated absences	2,030,403	1,972,519	5,404,634	5,479,509
OPEB Obligation payable	1,835,000	1,953,000	5,577,308	5,458,000
Total	<u>\$ 4,064,399</u>	<u>\$ 4,276,925</u>	<u>\$ 95,187,048</u>	<u>\$ 87,948,193</u>

The City's total debt of \$91,122,649 is a net increase of \$7,451,381. This was due primarily to the issuance of General Obligation Public Improvement Bonds in March 2014 totaling \$13,525,000, offset by general obligation bond principal payments of \$6,407,318 in fiscal year 2014. Capital leases were reduced by principal payments while the OPEB obligation payable increased by \$237,308. The net decrease to the MCPS total debt is \$212,526, which is primarily the net result of a \$152,410 decrease in the outstanding capital leases and a decrease of \$118,000 to the OPEB obligation.

On March 11, 2014, Standard & Poor's upgraded the City's AA bond rating to AA+ and assigned a stable outlook. On March 6, 2014, Moody's affirmed the City's Aa1 bond rating stating it reflects the City's satisfactory financial position with adequate reserves, moderately-sized tax base showing signs of recovery following significant declines and above-average socio-economic indicators. 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 was \$4,105,113,800, making the 2014 legal debt limitation of the City \$410,511,380. The City's general obligation debt applicable to the limit is \$80,326,018, leaving a legal debt margin of \$330,185,362. Additional information on the City's long-term debt can be found in Note 10 on pages 67-70 of this report.



CITY OF MANASSAS, VIRGINIA  
Management's Discussion and Analysis  
(UNAUDITED)  
For The Year Ended June 30, 2014

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#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The unemployment rate for the City as of June 2014 was 4.8 percent, which is below the state rate (5.4 percent) and the national rate (6.1 percent).
- Real property taxable assessed values increased 4.9 percent in January 2013 (used for fiscal year 2014 tax levies) to \$4,105,113,800, up by \$192,608,500 over the previous calendar year. Real property taxable assessed values increased 7.9 percent in January 2014 (to be used for fiscal year 2015 tax levies) to \$4,427,664,700, up by \$322,550,900 over the previous calendar year. The City is projecting assessed values to continue increasing marginally in 2015 and has taken this factor into consideration in the projection of the FY2014-2015 Budget and the development of the FY2015-2016 Budget which is currently underway.

#### REQUESTS FOR INFORMATION

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

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## **BASIC FINANCIAL STATEMENTS**

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## **Government-wide Financial Statements**

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## CITY OF MANASSAS, VIRGINIA

## Statement of Net Position

June 30, 2014

	Governmental Activities	Business- type Activities	Total Primary Government	Component Unit Manassas City Public Schools	Total Reporting Unit
<b>Assets</b>					
Cash and investments	\$ 41,469,094	\$ 46,696,625	\$ 88,165,719	\$ 18,006,659	\$ 106,172,378
Cash and investments - restricted	2,869,038	3,742,494	6,611,532	3,535,677	10,147,209
Receivables	2,422,130	12,748,398	15,170,528	1,804,316	16,974,844
Internal balances	392,447	(392,447)	-	-	-
Due from other governments	3,019,544	920,831	3,940,375	4,016,710	7,957,085
Inventory and other assets	-	2,076,558	2,076,558	-	2,076,558
Capital assets not being depreciated:					
Land and land rights	111,361,675	9,468,637	120,830,312	2,336,649	123,166,961
Construction in progress	8,071,929	35,863,299	43,935,228	3,623,117	47,558,345
Capital assets net of accumulated depreciation:					
Buildings and improvements	9,345,985	1,760,785	11,106,770	38,719,361	49,826,131
Investment in plant	-	53,698,855	53,698,855	-	53,698,855
Machinery and equipment	3,887,787	801,636	4,689,423	2,039,703	6,729,126
Infrastructure	122,576,131	-	122,576,131	-	122,576,131
Purchased capacity	-	13,197,219	13,197,219	-	13,197,219
<b>Total assets</b>	<b>305,415,760</b>	<b>180,582,890</b>	<b>485,998,650</b>	<b>74,082,192</b>	<b>560,080,842</b>
<b>Deferred outflows of resources</b>					
Deferred charge on refunding	1,255,846	-	1,255,846	-	1,255,846
<b>Liabilities</b>					
Payables	6,737,676	10,148,998	16,886,674	14,458,195	31,344,869
Accrued interest payable	1,014,192	506,810	1,521,002	-	1,521,002
Due to other governments	2,371,708	-	2,371,708	-	2,371,708
Unearned revenues	383,521	2,664,671	3,048,192	-	3,048,192
Long term liabilities:					
Due within one year	5,531,815	2,010,628	7,542,443	462,983	8,005,426
Due in more than one year	55,333,481	28,246,725	83,580,206	3,601,416	87,181,622
<b>Total liabilities</b>	<b>71,372,393</b>	<b>43,577,832</b>	<b>114,950,225</b>	<b>18,522,594</b>	<b>133,472,819</b>
<b>Net position</b>					
Net investment in capital assets	238,505,517	89,711,963	328,217,480	46,519,834	340,315,039 A
Restricted for:					
Capital projects	-	-	-	3,535,677	3,535,677
Nonexpendable Cemetery Principal	100,000	-	100,000	-	100,000
Unrestricted (deficit)	(3,306,304)	47,293,095	43,986,791	5,504,087	83,913,153 A
<b>Total net position</b>	<b>\$ 235,299,213</b>	<b>\$ 137,005,058</b>	<b>\$ 372,304,271</b>	<b>\$ 55,559,598</b>	<b>\$ 427,863,869</b>

A. The sum of the columns does not equal the Total Reporting Unit column by a difference of \$34,422,275 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, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	Capital
		Services	Grants and Contributions	Grants and Contributions
Primary government:				
Governmental activities:				
General government administration	\$ 8,889,060	\$ 965,601	\$ 284,169	\$ -
Public safety	28,751,948	1,835,901	579,666	-
Public works	10,001,107	965,091	3,515,050	46,562,063
Health and welfare	7,873,882	37,549	3,184,718	-
Culture, recreation, and community development	5,366,949	602,636	5,000	-
Education	57,448,414	-	-	-
Interest on long term debt	2,144,525	-	-	-
Total governmental activities	<u>120,475,885</u>	<u>4,406,778</u>	<u>7,568,603</u>	<u>46,562,063</u>
Business-type activities:				
Electric	66,181,787	63,967,176	-	-
Water	7,745,000	9,680,679	31,774	64,738
Sewer	12,618,910	14,174,279	-	20,104
Airport	3,548,396	2,388,024	81,514	2,169,489
Solid waste	3,191,138	3,164,902	8,319	-
City Square Pavilion	328,600	23,816	-	-
Candy Factory	198,763	27,984	-	-
Parking Garage	40,189	30,136	-	-
Total business-type activities	<u>93,852,783</u>	<u>93,456,996</u>	<u>121,607</u>	<u>2,254,331</u>
Total primary government	<u>\$ 214,328,668</u>	<u>\$ 97,863,774</u>	<u>\$ 7,690,210</u>	<u>\$ 48,816,394</u>
Component unit:				
Manassas City Public Schools	101,888,455	1,444,671	47,999,862	-
Total component unit	<u>\$ 101,888,455</u>	<u>\$ 1,444,671</u>	<u>\$ 47,999,862</u>	<u>\$ -</u>
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				
Gain (loss) on sale of capital assets				
Payment from component unit				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
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
\$ (7,639,290)	\$ -	\$ (7,639,290)	\$ -	\$ (7,639,290)
(26,336,381)	-	(26,336,381)	-	(26,336,381)
41,041,097	-	41,041,097	-	41,041,097
(4,651,615)	-	(4,651,615)	-	(4,651,615)
(4,759,313)	-	(4,759,313)	-	(4,759,313)
(57,448,414)	-	(57,448,414)	-	(57,448,414)
(2,144,525)	-	(2,144,525)	-	(2,144,525)
(61,938,441)	-	(61,938,441)	-	(61,938,441)
-	(2,214,611)	(2,214,611)	-	(2,214,611)
-	2,032,191	2,032,191	-	2,032,191
-	1,575,473	1,575,473	-	1,575,473
-	1,090,631	1,090,631	-	1,090,631
-	(17,917)	(17,917)	-	(17,917)
-	(304,784)	(304,784)	-	(304,784)
-	(170,779)	(170,779)	-	(170,779)
-	(10,053)	(10,053)	-	(10,053)
-	1,980,151	1,980,151	-	1,980,151
(61,938,441)	1,980,151	(59,958,290)	-	(59,958,290)
-	-	-	(52,443,922)	(52,443,922)
-	-	-	(52,443,922)	(52,443,922)
69,162,854	-	69,162,854	-	69,162,854
7,581,829	-	7,581,829	-	7,581,829
3,323,121	-	3,323,121	-	3,323,121
3,315,080	-	3,315,080	-	3,315,080
3,482,971	-	3,482,971	-	3,482,971
8,159,679	-	8,159,679	-	8,159,679
286,872	60,294	347,166	4,787	351,953
2,505,491	194,033	2,699,524	-	2,699,524
-	-	-	57,448,414	57,448,414
119,411	-	119,411	-	119,411
4,792,911	-	4,792,911	-	4,792,911
4,679,697	(4,679,697)	-	-	-
107,409,916	(4,425,370)	102,984,546	57,453,201	160,437,747
45,471,475	(2,445,219)	43,026,256	5,009,279	48,035,535
189,827,738	139,450,277	329,278,015	50,550,319	379,828,334
\$ 235,299,213	\$ 137,005,058	\$ 372,304,271	\$ 55,559,598	\$ 427,863,869

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## **Fund Financial Statements**

## CITY OF MANASSAS, VIRGINIA

Exhibit C

Balance Sheet  
Governmental Funds  
June 30, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 24,542,012	\$ 11,944,081	\$ 36,486,093
Cash and investments - restricted	-	2,869,038	2,869,038
Receivables (net of allowances for uncollectibles):			
Taxes receivable	2,005,422	160,561	2,165,983
Accounts receivable	220,189	35,958	256,147
Due from other governments	1,914,654	1,104,890	3,019,544
Advances to other funds	395,877	-	395,877
<b>Total assets</b>	<b>\$ 29,078,154</b>	<b>\$ 16,114,528</b>	<b>\$ 45,192,682</b>
<b>Liabilities</b>			
Liabilities:			
Accounts payable	\$ 2,355,479	\$ 1,788,312	\$ 4,143,791
Retainage payable	-	107,753	107,753
Deposits	2,176,182	11,105	2,187,287
Due to other governments	2,201,292	-	2,201,292
Unearned revenues	383,521	-	383,521
Advances from other funds	-	3,430	3,430
<b>Total liabilities</b>	<b>7,116,474</b>	<b>1,910,600</b>	<b>9,027,074</b>
<b>Deferred inflows of resources</b>			
Unavailable revenue - property tax	\$ 1,473,421	\$ 127,775	1,601,196
<b>Fund balances:</b>			
Nonspendable:			
Long term advances to other funds	395,877	-	395,877
Permanent fund principal	-	100,000	100,000
Restricted:			
Communication systems	-	456,334	456,334
Road maintenance	-	124,460	124,460
Fire rescue system	-	2,096,154	2,096,154
Museum system	-	1,365,364	1,365,364
Bond proceeds for capital projects	-	2,769,038	2,769,038
Cemetery maintenance	-	156,607	156,607
Proffers and developer contributions for capital projects	2,448,897	-	2,448,897
Committed:			
Social services programs	-	56,653	56,653
Museum system	-	11,514	11,514
Economic development	657,000	251,934	908,934
Capital projects	-	6,692,577	6,692,577
Capital Reserve Fund	2,518,149	-	2,518,149
OPEB liability	918,000	-	918,000
General government	885,261	-	885,261
Unassigned	12,665,075	(4,482)	12,660,593
<b>Total fund balances</b>	<b>20,488,259</b>	<b>14,076,153</b>	<b>34,564,412</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 29,078,154</b>	<b>\$ 16,114,528</b>	<b>\$ 45,192,682</b>

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, 2014

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Total fund balances for governmental funds	\$ 34,564,412
--	---------------

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	\$ 111,361,675	
Construction in progress	8,071,929	
Buildings and improvements, net of accumulated depreciation	9,276,364	
Infrastructure, net of accumulated depreciation	122,576,131	
Machinery and equipment, net of accumulated depreciation	<u>1,990,005</u>	
Total capital assets		253,276,104

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	1,601,196
--	-----------

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	\$ 4,983,001	
Capital assets	10,362,367	
Less accumulated depreciation	(8,394,964)	
Liabilities	<u>(653,490)</u>	6,296,914

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	\$ (1,014,192)	
Deferred charge on refunding	1,255,846	
Bonds payable	(52,403,935)	
Premium on long-term debt, net of accumulated amortization	(2,379,240)	
Claims payable	(170,416)	
Capital lease	<u>(286,819)</u>	(54,998,756)
Compensated absences (not reported as fund liabilities)		(2,232,864)
Net OPEB obligation (not reported as fund liabilities)		<u>(3,207,793)</u>

Total net position of governmental activities	<u>\$ 235,299,213</u>
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The accompanying notes to financial statements are an integral part of this statement.

## CITY OF MANASSAS, VIRGINIA

Exhibit D

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
General property taxes	\$ 61,550,224	\$ 7,602,130	\$ 69,152,354
Other local taxes	17,703,001	-	17,703,001
Permits, fees and licenses	796,896	-	796,896
Fines and forfeitures	637,403	-	637,403
Use of money and property	70,552	216,320	286,872
Charges for services	533,152	688,801	1,221,953
Payment in lieu of debt service	4,792,911	-	4,792,911
Recovered costs	1,951,150	-	1,951,150
Miscellaneous	1,983,540	321,327	2,304,867
Intergovernmental	12,146,234	5,873,447	18,019,681
Total revenues	102,165,063	14,702,025	116,867,088
<b>Expenditures</b>			
Current:			
General government administration	8,638,415	30,127	8,668,542
Public safety	20,632,121	7,985,661	28,617,782
Public works	4,766,522	21,335	4,787,857
Health and welfare	2,325,967	5,508,063	7,834,030
Culture, recreation, and community development	5,093,746	15,436	5,109,182
Education	51,334,432	-	51,334,432
Capital outlay	980,780	6,374,618	7,355,398
Debt service:			
Principal retirement of capital lease	334,114	38,660	372,774
Interest and fees on capital lease	23,227	1,956	25,183
Principal retirement	4,574,210	-	4,574,210
Interest and fees on long term debt	2,033,678	72,201	2,105,879
Total expenditures	100,737,212	20,048,057	120,785,269
Excess (deficiency) of revenues over (under) expenditures	1,427,851	(5,346,032)	(3,918,181)
<b>Other financing sources (uses)</b>			
Transfers in	1,891,360	6,479,390	8,370,750
Transfers out	(3,646,353)	(165,700)	(3,812,053)
Issuance of bonds	-	3,814,050	3,814,050
Premium on bonds issued	-	178,380	178,380
Sale of land and building	51,518	-	51,518
Total other financing sources (uses)	(1,703,475)	10,306,120	8,602,645
Net change in fund balances	(275,624)	4,960,088	4,684,464
Fund balance - beginning	20,763,883	9,116,065	29,879,948
Fund balance - ending	\$ 20,488,259	\$ 14,076,153	\$ 34,564,412

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, 2014

Net change in fund balances - total governmental funds (Exhibit D) \$ 4,684,464

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	\$ 7,355,399	
Depreciation	(6,099,399)	1,256,000

Donations of capital assets received during the period 44,270,664

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.

10,500

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.

Bond proceeds	\$ (10,106,412)	
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	4,574,210	
Capital leases	372,774	(5,178,996)

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	\$ 123,680	
Net OPEB obligation	(184,793)	
Accrued interest payable	6,104	(55,009)

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. 483,852

Change in net position of governmental activities \$ 45,471,475

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

## CITY OF MANASSAS, VIRGINIA

Exhibit E

Page 1 of 2

Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2014

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues:				
From local sources:				
Taxes:				
Property	\$ 60,064,940	\$ 60,064,940	\$ 61,550,224	\$ 1,485,284
Other local	17,401,570	17,401,570	17,703,001	301,431
Permits, fees and licenses	840,650	840,650	796,896	(43,754)
Fines and forfeitures	630,050	630,050	637,403	7,353
Use of money and property:				
Interest	50,000	50,000	66,448	16,448
Interest from bond proceeds	-	-	4,104	4,104
Charges for services	573,150	582,607	533,152	(49,455)
Payment in lieu of debt service	4,792,910	4,792,910	4,792,911	1
Recovered cost	1,951,150	1,951,150	1,951,150	-
Proffers	-	1,358,000	882,565	(475,435)
Miscellaneous	378,840	866,499	1,100,975	234,476
Total from local sources	<u>86,683,260</u>	<u>88,538,376</u>	<u>90,018,829</u>	<u>1,480,453</u>
Intergovernmental:				
From the Commonwealth of Virginia				
PPTRA	3,786,630	3,786,630	3,786,634	4
Communications tax	3,060,000	3,060,000	2,903,730	(156,270)
Highway maintenance	3,482,260	3,482,260	3,481,582	(678)
Other	1,444,800	1,449,667	1,751,681	302,014
From the Federal government	10,000	204,334	222,607	18,273
Total intergovernmental	<u>11,783,690</u>	<u>11,982,891</u>	<u>12,146,234</u>	<u>163,343</u>
Total revenues	<u>98,466,950</u>	<u>100,521,267</u>	<u>102,165,063</u>	<u>1,643,796</u>
Expenditures:				
Departmental:				
City council	647,690	513,385	584,239	(70,854)
Clerk's office	288,290	314,799	294,595	20,204
City manager	491,090	515,090	491,281	23,809
Electoral board	267,070	309,070	289,795	19,275
Treasurer	695,750	714,020	690,845	23,175
Commissioner of the revenue	1,196,940	1,146,890	1,108,304	38,586
Finance and administration	3,409,260	3,386,433	3,086,989	299,444
Police	13,887,110	14,402,477	14,248,084	154,393
Correction and detention	3,181,140	4,475,731	4,609,049	(133,318)
Public works	7,146,410	7,791,316	7,606,014	185,302
Community development	3,764,350	4,021,731	3,558,152	463,579
Total departmental expenditures	<u>\$ 34,975,100</u>	<u>\$ 37,590,942</u>	<u>\$ 36,567,347</u>	<u>\$ 1,023,595</u>

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



Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2014

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Expenditures (continued):				
Debt service:				
Principal retirement - general	\$ 1,552,650	\$ 1,552,650	\$ 1,506,824	\$ 45,826
Principal retirement - schools	3,401,500	3,401,500	3,401,500	-
Interest and fees on long-term debt - general	629,630	629,630	665,494	(35,864)
Interest and fees on long-term debt - schools	1,391,410	1,391,410	1,391,411	(1)
Total debt service	<u>6,975,190</u>	<u>6,975,190</u>	<u>6,965,229</u>	<u>9,961</u>
Shared services	4,674,010	4,699,010	4,699,006	4
Joint services	1,036,550	1,036,550	1,018,698	17,852
Contributions	142,500	152,500	152,500	-
Education	49,323,240	50,681,240	51,334,432	(653,192)
Total expenditures	<u>97,126,590</u>	<u>101,135,432</u>	<u>100,737,212</u>	<u>398,220</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,340,360</u>	<u>(614,165)</u>	<u>1,427,851</u>	<u>2,042,016</u>
Other financing sources (uses):				
Transfers in	1,866,360	1,891,360	1,891,360	-
Transfers out	(3,044,740)	(3,676,545)	(3,646,353)	30,192
Sale of land and building		-	51,518	51,518
Total other financing sources (uses)	<u>(1,178,380)</u>	<u>(1,785,185)</u>	<u>(1,703,475)</u>	<u>81,710</u>
Net change in fund balance	<u>\$ 161,980</u>	<u>\$ (2,399,350)</u>	<u>(275,624)</u>	<u>\$ 2,123,726</u>
Fund balance, beginning			<u>20,763,883</u>	
Fund balance, ending			<u>\$ 20,488,259</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, 2014

	Electric	Water	Sewer
<b>Assets</b>			
Current assets:			
Equity in pooled cash and investments - unrestricted	\$ 15,194,918	\$ 16,044,255	\$ 12,551,791
Equity in pooled cash and investments - restricted	3,742,494	-	-
Accounts receivable (net of allowance for uncollectibles)	8,654,056	1,271,163	2,315,154
Due from other governments	-	-	-
Inventory	1,606,802	422,118	47,638
Total current assets	<u>29,198,270</u>	<u>17,737,536</u>	<u>14,914,583</u>
Noncurrent assets:			
Capital assets:			
Land and land rights	220,630	1,453,840	1,698,365
Buildings and improvements	-	-	-
Investment in plant	72,769,117	39,215,695	19,464,756
Machinery and equipment	3,110,027	441,733	81,637
Construction in progress	5,616,868	12,009,544	3,099,590
Purchased capacity	-	9,553,340	17,599,709
Less accumulated depreciation	(60,925,796)	(32,444,261)	(20,599,932)
Total noncurrent assets	<u>20,790,846</u>	<u>30,229,891</u>	<u>21,344,125</u>
Total assets	<u>49,989,116</u>	<u>47,967,427</u>	<u>36,258,708</u>
<b>Liabilities and net position</b>			
Current liabilities:			
Accounts payable	5,536,805	403,894	63,183
Retainage payable	12,940	5,139	-
Deposits	968,667	210,397	-
Accrued interest payable	39,444	140,825	271,458
Compensated absences - current	79,104	34,509	12,761
Bonds payable - current	204,535	820,050	665,000
Capital lease obligations - current	-	-	-
Total current liabilities	<u>6,841,495</u>	<u>1,614,814</u>	<u>1,012,402</u>
Noncurrent liabilities:			
Unearned revenue	-	2,483,649	8,050
Advance from other funds	-	-	-
Compensated absences - net of current	448,257	195,554	72,314
Net OPEB obligations - net of current	295,095	140,307	63,055
Bonds payable - net of current	4,194,113	7,346,364	12,804,881
Capital lease obligations - net of current	-	-	-
Total noncurrent liabilities	<u>4,937,465</u>	<u>10,165,874</u>	<u>12,948,300</u>
Total liabilities	<u>11,778,960</u>	<u>11,780,688</u>	<u>13,960,702</u>
Net position:			
Net investment in capital assets	20,134,691	22,063,477	7,874,244
Unrestricted	18,075,465	14,123,262	14,423,762
Total net position	<u>\$ 38,210,156</u>	<u>\$ 36,186,739</u>	<u>\$ 22,298,006</u>

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

## Exhibit F

Airport	Other Nonmajor Enterprise	Total Enterprise	Internal Service Funds
\$ 2,262,019	\$ 643,642	\$ 46,696,625	\$ 4,983,001
-	-	3,742,494	-
175,995	332,030	12,748,398	-
920,831	-	920,831	-
-	-	2,076,558	-
<u>3,358,845</u>	<u>975,672</u>	<u>66,184,906</u>	<u>4,983,001</u>
6,095,802	-	9,468,637	-
-	4,652,249	4,652,249	278,484
54,786,077	-	186,235,645	-
378,756	110,962	4,123,115	10,083,883
15,137,297	-	35,863,299	-
-	-	27,153,049	-
(35,780,161)	(2,955,413)	(152,705,563)	(8,394,965)
<u>40,617,771</u>	<u>1,807,798</u>	<u>114,790,431</u>	<u>1,967,402</u>
<u>43,976,616</u>	<u>2,783,470</u>	<u>180,975,337</u>	<u>6,950,403</u>
1,670,232	268,412	7,942,526	298,845
344,987	-	363,066	-
663,892	450	1,843,406	-
55,083	-	506,810	-
8,487	420	135,281	35,924
185,762	-	1,875,347	-
-	-	-	37,669
<u>2,928,443</u>	<u>269,282</u>	<u>12,666,436</u>	<u>372,438</u>
172,972	-	2,664,671	-
392,000	447	392,447	-
48,093	2,378	766,596	203,566
36,058	-	534,515	-
2,600,256	-	26,945,614	-
-	-	-	77,486
<u>3,249,379</u>	<u>2,825</u>	<u>31,303,843</u>	<u>281,052</u>
<u>6,177,822</u>	<u>272,107</u>	<u>43,970,279</u>	<u>653,490</u>
37,831,753	1,807,798	89,711,963	1,852,247
(32,959)	703,565	47,293,095	4,444,666
<u>\$ 37,798,794</u>	<u>\$ 2,511,363</u>	<u>\$ 137,005,058</u>	<u>\$ 6,296,913</u>

## CITY OF MANASSAS, VIRGINIA

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2014

	Electric	Water	Sewer
Operating revenues			
Charges for services	\$ 61,541,286	\$ 8,917,469	\$ 12,712,297
Connection charges	191,225	763,210	1,461,982
Total operating revenues	<u>61,732,511</u>	<u>9,680,679</u>	<u>14,174,279</u>
Operating expenses			
Personal services	4,956,863	2,426,968	1,002,411
Contractual services	836,717	347,500	134,133
Supplies	1,223,870	1,405,042	129,448
Internal and other services	1,733,012	1,384,156	620,521
Purchased power	55,077,081	-	-
Contract treatment charges	-	-	8,539,783
Depreciation and amortization	2,236,751	1,808,162	1,538,733
Total operating expenses	<u>66,064,294</u>	<u>7,371,828</u>	<u>11,965,029</u>
Operating income (loss)	<u>(4,331,783)</u>	<u>2,308,851</u>	<u>2,209,250</u>
Nonoperating revenue (expense)			
Intergovernmental grants	-	31,774	-
Interest revenue	22,114	20,986	13,986
Service reimbursements	2,234,665	-	-
Gain (loss) on sale of capital assets	-	-	-
Other	10,656	21,467	38,275
Interest expense	(43,782)	(373,172)	(653,881)
Total nonoperating revenue (expense)	<u>2,223,653</u>	<u>(298,945)</u>	<u>(601,620)</u>
Income (loss) before transfers and contributions	(2,108,130)	2,009,906	1,607,630
Transfers in	-	-	-
Transfers out	(2,694,527)	(1,228,080)	(910,590)
Capital Contributions (return)	<u>(73,711)</u>	<u>64,738</u>	<u>20,104</u>
Change in net position	(4,876,368)	846,564	717,144
Total net position - beginning, as restated	<u>43,086,524</u>	<u>35,340,175</u>	<u>21,580,862</u>
Total net position - ending	<u>\$ 38,210,156</u>	<u>\$ 36,186,739</u>	<u>\$ 22,298,006</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
\$ 2,388,024	\$ 3,246,838	\$ 88,805,914	\$ 7,075,799
-	-	2,416,417	-
2,388,024	3,246,838	91,222,331	7,075,799
705,545	180,846	9,272,633	2,346,189
325,566	2,998,465	4,642,381	911,018
72,371	10,302	2,841,033	1,633,769
388,857	333,698	4,460,244	1,261,555
-	-	55,077,081	-
-	-	8,539,783	-
1,883,185	235,379	7,702,210	677,413
3,375,524	3,758,690	92,535,365	6,829,944
(987,500)	(511,852)	(1,313,034)	245,855
81,514	8,319	121,607	-
2,756	452	60,294	6,378
-	-	2,234,665	-
-	-	-	67,893
123,635	-	194,033	42,726
(172,872)	-	(1,243,707)	-
35,033	8,771	1,366,892	116,997
(952,467)	(503,081)	53,858	362,852
-	186,000	186,000	121,000
-	(32,500)	(4,865,697)	-
2,169,489	-	2,180,620	-
1,217,022	(349,581)	(2,445,219)	483,852
36,581,772	2,860,944	139,450,277	5,813,061
\$ 37,798,794	\$ 2,511,363	\$ 137,005,058	\$ 6,296,913

## CITY OF MANASSAS, VIRGINIA

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2014

	Electric	Water	Sewer
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 61,357,454	\$ 8,963,353	\$ 14,084,908
Other miscellaneous receipts (expenses)	10,656	21,467	38,275
Payments to other funds	-	-	-
Payments to suppliers	(57,098,225)	(2,160,353)	(8,810,878)
Payments to employees	(4,943,060)	(2,409,220)	(981,472)
Payments for interfund services used	(1,315,182)	(904,485)	(629,251)
Net cash provided by (used for) operating activities	<u>(1,988,357)</u>	<u>3,510,762</u>	<u>3,701,582</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers from other funds	-	-	-
Transfers to other funds	(2,694,527)	(1,228,080)	(910,590)
Receipts from service reimbursements	2,234,665	-	-
Operating grants received	-	31,774	-
Net cash provided by (used for) noncapital financing activities	<u>(459,862)</u>	<u>(1,196,306)</u>	<u>(910,590)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital grants and contributions received	(73,711)	64,738	20,104
Sale of capital assets	-	-	-
Bonds issued	3,881,675	-	-
Principal paid on capital debt	(81,010)	(814,780)	(635,000)
Interest paid on capital debt	(43,782)	(373,172)	(653,881)
Purchases of capital assets	(1,559,500)	(2,098,554)	(1,680,973)
Net cash provided by (used for) capital and related financing activities	<u>2,123,672</u>	<u>(3,221,768)</u>	<u>(2,949,750)</u>
<b>Cash Flows from Investing Activities</b>			
Interest revenue	22,114	20,986	13,986
Net cash provided by investing activities	<u>22,114</u>	<u>20,986</u>	<u>13,986</u>
Net increase (decrease) in cash and cash equivalents	<u>(302,433)</u>	<u>(886,326)</u>	<u>(144,772)</u>
Cash and cash equivalents, beginning	19,239,845	16,930,581	12,696,563
Cash and cash equivalents (including restricted), ending	<u>\$ 18,937,412</u>	<u>\$ 16,044,255</u>	<u>\$ 12,551,791</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (4,331,783)	\$ 2,308,851	\$ 2,209,250
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	2,236,751	1,808,162	1,538,733
Other miscellaneous receipts (expenses)	10,656	21,467	38,275
(Increase) decrease in accounts receivable	(572,515)	98,317	(55,533)
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in inventories	217,830	80,991	(8,224)
(Increase) decrease in advance to other funds	-	-	-
Increase (decrease) in net OPEB obligation	29,495	13,307	5,655
Increase (decrease) in unearned revenue	194,313	(822,338)	(33,837)
Increase (decrease) in customer deposits	3,145	6,695	-
Increase (decrease) in accounts payable	223,141	(5,520)	4,786
Increase (decrease) in compensated absences	610	830	2,477
Total adjustments	<u>2,343,426</u>	<u>1,201,911</u>	<u>1,492,332</u>
Net cash provided by (used for) operating activities	<u>\$ (1,988,357)</u>	<u>\$ 3,510,762</u>	<u>\$ 3,701,582</u>

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

## Exhibit H

Airport	Other Nonmajor Enterprise	Total Enterprise	Internal Service Funds
\$ 2,148,343	\$ 3,250,768	\$ 89,804,826	\$ 7,075,799
123,635	447	194,480	42,726
-	-	-	-
(585,355)	(3,048,888)	(71,703,699)	(3,119,150)
(707,164)	(197,153)	(9,238,069)	(2,333,578)
(210,253)	(291,276)	(3,350,447)	(669,030)
769,206	(286,102)	5,707,091	996,767
-	186,000	186,000	121,000
-	(32,500)	(4,865,697)	-
-	-	2,234,665	-
81,514	8,319	121,607	-
81,514	161,819	(2,323,425)	121,000
2,169,489	-	2,180,620	-
-	-	-	67,893
-	-	3,881,675	-
(302,318)	-	(1,833,108)	(39,845)
(172,872)	-	(1,243,707)	-
(1,752,348)	-	(7,091,375)	(986,061)
(58,049)	-	(4,105,895)	(958,013)
2,756	452	60,294	6,378
2,756	452	60,294	6,378
795,427	(123,831)	(661,935)	166,132
1,466,592	767,473	51,101,054	4,816,869
\$ 2,262,019	\$ 643,642	\$ 50,439,119	\$ 4,983,001
\$ (987,500)	\$ (511,852)	\$ (1,313,034)	\$ 245,855
1,883,185	235,379	7,702,210	677,413
123,635	-	194,033	42,726
15,727	3,931	(510,073)	-
(871,563)	-	(871,563)	-
-	-	290,597	-
-	447	447	-
4,058	-	52,515	-
(15,661)	-	(677,523)	-
631,816	-	641,656	-
(10,869)	2,117	213,655	24,025
(3,622)	(16,124)	(15,829)	6,748
1,756,706	225,750	7,020,125	750,912
\$ 769,206	\$ (286,102)	\$ 5,707,091	\$ 996,767

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## CITY OF MANASSAS, VIRGINIA

### Notes to the Financial Statements June 30, 2014

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#### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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##### **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)**

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**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.

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.

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

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

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.

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. \$4,103 of interest earned on invested bond proceeds 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance restricted 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.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**E. Receivables and Payables: (Continued)**

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, 2014 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)

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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 are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

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)**

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**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, 2014, the general fund estimated uncollectible taxes receivable in the amount of \$445,516. The electric, water, sewer, and solid waste funds estimated uncollectible accounts receivable in the amounts of \$42,045, \$6,203, \$11,632, and \$1,668 respectively. Accordingly, actual results could differ from these estimates.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**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.

**NOTE 2—STEWARDSHIP, COMPLIANCE, and ACCOUNTABILITY:**

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**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.

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 \$4,640,647 in fiscal year 2014, which included \$367,745 of outstanding encumbrances at June 30, 2013. Appropriations to MCPS are legally controlled at the total appropriation level.



**NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY: (CONTINUED)**

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**B. Deficit Fund Equity**

The museum publishing fund had a deficit fund balance in the amount of \$4,482 as of June 30, 2014. 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:**

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**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.

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, 2014, 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.

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements  
June 30, 2014 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

**Deposits and Investments: (Continued)**

**Concentration of Credit Risk** - The City places no limit on the amount the City may invest in any one issuer. Eighty-three percent (82.7%) 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.

As of June 30, 2014, the reporting unit had the following deposits and investments:

<b>Deposits and investments</b>	<b>Years to maturity</b>	<b>Fair value</b>
<b>Primary government:</b>		
U.S. government agency obligations	1-5	\$ 2,987,814
Local Government Investment Pool	N/A	62,334,412
Virginia State Non-Arbitrage Program	N/A	6,515,635
Wells Fargo VML 2010 Bond	N/A	8
Deposits and cash equivalents	N/A	22,939,382
Total primary government		\$ 94,777,251
<b>MCPS:</b>		
Virginia State Non-Arbitrage Program	N/A	\$ 3,535,677
Deposits and cash equivalents	N/A	18,006,659
Total MCPS		21,542,336
Total reporting unit		\$ 116,319,587

## CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements  
June 30, 2014 (Continued)

## NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

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).

## NOTE 4—RECEIVABLES:

Receivables at June 30, 2014, for the City’s individual major funds, nonmajor and other funds, and the component unit MCPS consist of the following:

Funds:	Taxes	Accounts	Gross receivables	Less: allowance for uncollectibles	Net total receivables
General	\$ 2,450,938	\$ 220,189	\$ 2,671,127	\$ (445,516)	\$ 2,225,611
Nonmajor governmental	160,561	35,958	196,519	-	196,519
Electric	-	8,696,101	8,696,101	(42,045)	8,654,056
Water	-	1,277,366	1,277,366	(6,203)	1,271,163
Sewer	-	2,326,786	2,326,786	(11,632)	2,315,154
Airport	-	175,995	175,995	-	175,995
Nonmajor business-type	-	333,698	333,698	(1,668)	332,030
Total primary government	<u>\$ 2,611,499</u>	<u>\$ 13,066,093</u>	<u>\$ 15,677,592</u>	<u>\$ (507,064)</u>	<u>\$ 15,170,528</u>
MCPS	<u>\$ -</u>	<u>\$ 1,804,316</u>	<u>\$ 1,804,316</u>	<u>\$ -</u>	<u>\$ 1,804,316</u>

## Due from other governments:

Due to:	Federal	State	Local	Total
General	\$ 32,691	\$ 1,830,632	\$ 51,331	\$ 1,914,654
Nonmajor governmental	620,420	223,584	260,886	1,104,890
Airport	920,831	-	-	920,831
Total primary government	<u>\$ 1,573,942</u>	<u>\$ 2,054,216</u>	<u>\$ 312,217</u>	<u>\$ 3,940,375</u>
MCPS	<u>\$ 1,233,901</u>	<u>\$ 2,782,809</u>	<u>\$ -</u>	<u>\$ 4,016,710</u>

## CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements  
June 30, 2014 (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, 2014:

	June 30, 2013 As Restated	Additions	Deletions	June 30, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land and land rights	\$ 93,282,122	\$ 18,079,553	\$ -	\$ 111,361,675
Construction in progress	6,213,293	5,189,368	(3,330,732)	8,071,929
Total capital assets not being depreciated	\$ 99,495,415	\$ 23,268,921	\$ (3,330,732)	\$ 119,433,604
Capital assets, being depreciated:				
Buildings and improvements	\$ 29,492,670	\$ 2,580,519	\$ -	\$ 32,073,189
Machinery and equipment	14,222,210	1,862,155	(883,998)	15,200,367
Infrastructure	174,084,272	28,386,260	(472,002)	201,998,530
Total capital assets being depreciated	\$ 217,799,152	\$ 32,828,934	\$ (1,356,000)	\$ 249,272,086
Accumulated depreciation:				
Buildings and improvements	\$ (21,937,693)	\$ (789,511)	\$ -	\$ (22,727,204)
Machinery and Equipment	(11,406,399)	(790,179)	883,998	(11,312,580)
Infrastructure	(74,697,279)	(5,197,122)	472,002	(79,422,399)
Total accumulated depreciation	\$ (108,041,371)	\$ (6,776,812)	\$ 1,356,000	\$ (113,462,183)
Total capital assets being depreciated, net	\$ 109,757,781	\$ 26,052,122	\$ -	\$ 135,809,903
Governmental activities capital assets, net	\$ 209,253,196	\$ 49,321,043	\$ (3,330,732)	\$ 255,243,507
Business-type activities:				
Capital assets, not being depreciated:				
Land and land rights	\$ 9,468,637	\$ -	\$ -	\$ 9,468,637
Construction in progress	38,129,220	7,408,348	(9,674,269)	35,863,299
Total capital assets not being depreciated	\$ 47,597,857	\$ 7,408,348	\$ (9,674,269)	\$ 45,331,936
Capital assets, being depreciated:				
Investment in plant	\$ 178,958,858	\$ 9,722,494	\$ (2,445,707)	\$ 186,235,645
Buildings and improvements	4,652,249	-	-	4,652,249
Machinery and equipment	6,655,235	360,447	(2,892,567)	4,123,115
Purchased Capacity	27,153,049	-	-	27,153,049
Total capital assets being depreciated	\$ 217,419,391	\$ 10,082,941	\$ (5,338,274)	\$ 222,164,058
Accumulated depreciation:				
Investment in plant	\$ (129,252,997)	\$ (5,729,500)	\$ 2,445,707	\$ (132,536,790)
Buildings and improvements	(2,658,852)	(232,612)	-	(2,891,464)
Machinery and equipment	(5,860,454)	(353,592)	2,892,567	(3,321,479)
Purchased Capacity	(12,569,324)	(1,386,506)	-	(13,955,830)
Total accumulated depreciation	\$ (150,341,627)	\$ (7,702,210)	\$ 5,338,274	\$ (152,705,563)
Total capital assets being depreciated, net	\$ 67,077,764	\$ 2,380,731	\$ -	\$ 69,458,495
Business-type activities capital assets, net	\$ 114,675,621	\$ 9,789,079	\$ (9,674,269)	\$ 114,790,431
Total primary government	\$ 323,928,817	\$ 59,110,122	\$ (13,005,001)	\$ 370,033,938

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements  
June 30, 2014 (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, 2014:

	June 30, 2013	Additions	Deletions	June 30, 2014
Capital assets, not being depreciated:				
Land and land rights	\$ 2,336,649	\$ -	\$ -	\$ 2,336,649
Construction in progress	176,854	3,623,117	(176,854)	3,623,117
Total capital assets not being depreciated	<u>\$ 2,513,503</u>	<u>\$ 3,623,117</u>	<u>\$ (176,854)</u>	<u>\$ 5,959,766</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 125,787,706	\$ 1,130,171	\$ -	\$ 126,917,877
Machinery and equipment	9,144,846	177,660	(441,699)	8,880,807
Total capital assets being depreciated	<u>\$ 134,932,552</u>	<u>\$ 1,307,831</u>	<u>\$ (441,699)</u>	<u>\$ 135,798,684</u>
Accumulated depreciation:				
Buildings and improvements	\$ (84,250,838)	\$ (3,947,678)	\$ -	\$ (88,198,516)
Machinery and equipment	(6,637,221)	(645,582)	441,699	(6,841,104)
Total accumulated depreciation	<u>\$ (90,888,059)</u>	<u>\$ (4,593,260)</u>	<u>\$ 441,699</u>	<u>\$ (95,039,620)</u>
Total capital assets being depreciated, net	<u>\$ 44,044,493</u>	<u>\$ (3,285,429)</u>	<u>\$ -</u>	<u>\$ 40,759,064</u>
MCPS capital assets, net	<u>\$ 46,557,996</u>	<u>\$ 337,688</u>	<u>\$ (176,854)</u>	<u>\$ 46,718,830</u>

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

Governmental activities:	
General Government Administration	\$ 331,397
Public Safety	215,452
Public Works	5,277,726
Health and Welfare	7,449
Culture and Recreation	267,375
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	677,413
Total depreciation expense - governmental activities	<u>\$ 6,776,812</u>
Business-type activities:	
Electric	\$ 2,236,751
Water	1,808,162
Sewer	1,538,733
Airport	1,883,185
City Square Pavilion	104,850
Candy Factory	127,763
Parking Garage	2,766
Total depreciation expense - business-type activities	<u>\$ 7,702,210</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, 2014 (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, 2014 are as follows:

Receivable Fund	Advances from/to other funds	
	Payable Fund	Amount
General	Museum Publishing	\$ 4,482
General	Transportation Capital Projects Fund	(1,052)
General	Parking Garage	447
General	Airport	392,000
Total		<u>\$ 395,877</u>

In 2008, the general fund lent the airport fund \$1,960,000 to purchase property for airport expansion projects. The Airport fund has made payments to bring the balance to the amount in the table. The inter-fund loans from the general fund to the Parking Garage Fund, Transportation Capital Projects Fund and Museum Publishing Fund are all short term obligations at June 30, 2014.

The primary purpose of inter-fund transfers is to provide funding for operations and capital projects. The inter-fund transfers for the fiscal year 2014 are as follows:

Transfers out	Transfers in				Total Transfers Out
	General Fund	Nonmajor Governmental	Enterprise	Internal Service	
General fund	\$ -	\$ 3,460,353	\$ 186,000	\$ -	\$ 3,646,353
Nonmajor governmental	165,700	-	-	-	165,700
Electric fund	910,490	1,724,037	-	60,000	2,694,527
Water fund	590,080	620,000	-	18,000	1,228,080
Sewer fund	217,590	650,000	-	43,000	910,590
Nonmajor Enterprise	7,500	25,000	-	-	32,500
Total transfers in	<u>\$ 1,891,360</u>	<u>\$ 6,479,390</u>	<u>\$ 186,000</u>	<u>\$ 121,000</u>	<u>\$ 8,677,750</u>

## CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements  
June 30, 2014 (Continued)

## NOTE 7—PAYABLES:

Payables at June 30, 2014, for the City and MCPS consist of the following:

	Accounts	Retainages	Accrued Payroll and Related Liabilities	Deposits	Total Payables
General fund	\$ 996,141	\$ -	\$ 1,359,338	\$ 2,176,182	\$ 4,531,661
Nonmajor governmental funds	1,491,970	107,753	296,342	11,105	1,907,170
Electric fund	5,359,928	12,940	176,877	968,667	6,518,412
Water fund	317,523	5,139	86,371	210,397	619,430
Sewer fund	16,638	-	46,545		63,183
Airport fund	1,646,928	344,987	23,304	663,892	2,679,111
Nonmajor enterprise funds	265,240	-	3,172	450	268,862
Internal service funds	216,234	-	82,611	-	298,845
Total primary government	<u>\$ 10,310,602</u>	<u>\$ 470,819</u>	<u>\$ 2,074,560</u>	<u>\$ 4,030,693</u>	<u>\$ 16,886,674</u>
MCPS	<u>\$ 4,246,316</u>	<u>\$ -</u>	<u>\$ 10,211,879</u>	<u>\$ -</u>	<u>\$ 14,458,195</u>
Total reporting unit	<u>\$ 14,556,918</u>	<u>\$ 470,819</u>	<u>\$ 12,286,439</u>	<u>\$ 4,030,693</u>	<u>\$ 31,344,869</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, 2014, 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	\$ 1,473,421
Vehicle license taxes, bank franchise taxes receivable, and other items	383,521
Nonmajor governmental funds	
Property taxes receivable	127,775
Total	<u>\$ 1,984,717</u>

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements  
June 30, 2014 (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, 2014 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	\$ 383,521	\$ -
Water fund		
Prepaid connection fees	-	1,650
Water capacity sold to Prince William County Service Authority	-	1,514,683
Water capacity sold to City of Manassas Park	-	967,316
Sewer fund		
Prepaid connection fees	-	8,050
Airport Fund		
Leases and rentals	-	172,972
Total unearned revenues	\$ 383,521	\$ 2,664,671

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. In June 2014, the City bought back 0.2 MGD of water capacity from Manassas Park for the unamortized cost of \$265,625. 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, 2014 was \$343,709. The future minimum lease payments for these leases are as follows:

Fiscal year Ending June 30	Governmental Activities
2015	\$ 363,404
2016	340,869
2017	353,196
2018	366,070
2019	379,522
2020-2025	1,916,081
Total minimum lease payments	\$ 3,719,142



CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements  
June 30, 2014 (Continued)

NOTE 9—LEASES: (CONTINUED)

B. Capital

Capital leases for the City and MCPS expire at various dates through 2017. All leases are non-cancelable; however, they are contingent upon the City Council appropriating funds for each year's payments.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>MCPS</u>
Assets:		
Animal Shelter	\$ 3,079,522	\$ -
Street Sweeper	155,000	-
Defibrillators	196,568	-
Telephone System	-	1,110,719
Less: Accumulated depreciation	(1,649,388)	(369,348)
Total	<u>\$ 1,781,702</u>	<u>\$ 741,371</u>

The following is a schedule of future minimum lease payments for capital leases at June 30, 2014:

<u>Fiscal year Ending June 30</u>	<u>Governmental Activities</u>	<u>MCPS</u>
2015	\$ 261,772	\$ 163,870
2016	80,461	40,967
2017	80,461	-
Total minimum lease payments	\$ <u>422,694</u>	\$ <u>204,837</u>
Less-amount representing interest	(20,720)	(5,841)
Present value of future minimum lease payments	<u>\$ 401,974</u>	<u>\$ 198,996</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, 2014, are summarized on the next page.

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements  
June 30, 2014 (Continued)

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

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

General obligation bonds outstanding as of June 30, 2014, are detailed below:

Purpose	Series	Interest rates	Amount
Governmental activities - public improvements	Series 2005 A Refunding	3.50 - 5.25%	\$ 121,890
Governmental activities - public improvements	Series 2005 B	3.25 - 5.00%	8,214,000
Governmental activities - public improvements	Series 2010 ABC VML/VACo	2.00 - 6.07%	1,937,700
Governmental activities - public improvements	Series 2010 D	2.00 - 5.00%	2,435,250
Governmental activities - public improvements	Series 2010 E Refunding	2.00 - 3.00%	1,458,770
Governmental activities - public improvements	Series 2014A	3.00 - 5.00%	3,814,050
Governmental activities - school facilities	Series 2004	3.00 - 5.00%	1,600,000
Governmental activities - school facilities	Series 2005 A Refunding	3.50 - 5.25%	5,732,000
Governmental activities - school facilities	Series 2005 B	3.25 - 5.00%	5,476,000
Governmental activities - school facilities	Series 2010 D Refunding	2.00 - 5.00%	15,785,000
Governmental activities - school facilities	Series 2014A	3.00 - 5.00%	5,829,275
Total general obligation bonds for governmental activities			\$ 52,403,935
Total governmental activities			\$ 52,403,935
Business-type activities - sewer system	Series 2007 VML/VACo	4.25 - 5.00%	\$ 13,030,000
Business-type activities - electric system	Series 2010 E Refunding	2.00 - 3.00%	322,660
Business-type activities - electric system	Series 2014A	3.00 - 5.00%	3,881,675
Business-type activities - water system	Series 2005 A Refunding	3.50 - 5.25%	926,110
Business-type activities - water system	Series 2009 VRA Refunding	4.13 - 5.13%	1,425,000
Business-type activities - water system	Series 2010 ABC VML/VACo	2.00 - 6.07%	2,567,300
Business-type activities - water system	Series 2010 D	2.00 - 5.00%	2,339,750
Business-type activities - water system	Series 2010 E Refunding	2.00 - 3.00%	643,570
Business-type activities - airport system	Series 2004 VARF	5.00%	876,018
Business-type activities - airport system	Series 2005 C	5.25 - 5.50%	1,910,000
Total general obligation bonds for business-type activities			\$ 27,922,083
Total primary government			\$ 80,326,018

General Obligation bonds outstanding as of June 30, 2014 are totaled by series below:

Series	Interest rates	Amount
Series 2004	3.00 - 5.00%	\$ 1,600,000
Series 2004 VARF	5.00%	876,018
Series 2005 A Refunding	3.50 - 5.25%	6,780,000
Series 2005 B	3.25 - 5.00%	13,690,000
Series 2005 C	5.25 - 5.50%	1,910,000
Series 2007 VML/VACo	4.25 - 5.00%	13,030,000
Series 2009 VRA Refunding	4.13 - 5.13%	1,425,000
Series 2010 ABC VML/VACo	2.00 - 6.07%	4,505,000
Series 2010 D	2.00 - 5.00%	4,775,000
Series 2010 D Refunding	2.00 - 5.00%	15,785,000
Series 2010 E Refunding	2.00 - 3.00%	2,425,000
Series 2014A	3.00 - 5.00%	13,525,000
Total		\$ 80,326,018

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements  
June 30, 2014 (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 is as follows:

Fiscal Year Ending June 30	Governmental activities		Business-type activities		Total Primary Government	
	General Obligations Bonds		General Obligations Bonds		General Obligations Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 4,915,415	\$ 2,192,740	\$ 1,875,347	\$ 1,289,439	\$ 6,790,762	\$ 3,482,179
2016	4,978,560	1,959,694	1,955,823	1,196,938	6,934,383	3,156,632
2017	5,035,305	1,765,208	2,037,883	1,110,820	7,073,188	2,876,028
2018	5,040,280	1,566,701	1,976,909	1,018,633	7,017,189	2,585,334
2019	3,259,605	1,366,661	1,651,788	933,586	4,911,393	2,300,247
2020-2024	17,274,205	4,545,740	8,954,897	3,389,721	26,229,102	7,935,461
2025-2029	8,386,585	1,256,287	7,753,415	1,200,038	16,140,000	2,456,325
2030-2034	3,513,980	343,005	1,716,021	154,852	5,230,001	497,857
Total	\$ 52,403,935	\$ 14,996,036	\$ 27,922,083	\$ 10,294,027	\$ 80,326,018	\$ 25,290,063

B. Changes in Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	June 30, 2013	Issuances/ Additions	Retirements/ Reductions	June 30, 2014	Due Within One Year
<b>Primary Government</b>					
Governmental activities:					
General obligation bonds payable	\$ 47,334,820	\$ 9,643,325	\$ (4,574,210)	\$ 52,403,935	\$ 4,915,415
Premium on bonds	2,036,124	463,087	(119,971)	2,379,240	-
Capital leases	659,593	155,000	(412,619)	401,974	245,547
Compensated absences	2,589,286	2,281,125	(2,398,057)	2,472,354	370,853
Net OPEB obligation	3,023,000	298,748	(113,955)	3,207,793	-
Total governmental activities	\$ 55,642,823	\$ 12,841,285	\$ (7,618,812)	\$ 60,865,296	\$ 5,531,815
Business-type activities:					
General obligation bonds	\$ 25,873,516	\$ 3,881,675	\$ (1,833,108)	\$ 27,922,083	\$ 1,875,347
Premium on bonds	755,225	194,313	(50,660)	898,878	-
Compensated absences	917,704	723,626	(739,453)	901,877	135,281
Net OPEB obligation	482,000	84,899	(32,384)	534,515	-
Total business-type activities	\$ 28,028,445	\$ 4,884,513	\$ (2,655,605)	\$ 30,257,353	\$ 2,010,628
<b>Total Primary Government</b>	<b>\$ 83,671,268</b>	<b>\$ 17,725,798</b>	<b>\$ (10,274,417)</b>	<b>\$ 91,122,649</b>	<b>\$ 7,542,443</b>
<b>MCPS</b>					
Capital leases	\$ 351,406	\$ -	\$ (152,410)	\$ 198,996	\$ 158,423
Compensated absences	1,972,519	1,251,316	(1,193,432)	2,030,403	304,560
Net OPEB obligation	1,953,000	193,000	(311,000)	1,835,000	-
<b>Total MCPS</b>	<b>\$ 4,276,925</b>	<b>\$ 1,444,316</b>	<b>\$ (1,656,842)</b>	<b>\$ 4,064,399</b>	<b>\$ 462,983</b>

**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 \$239,490 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, 2014. 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	\$ 4,903,573	\$ 876,592
Gateway capital projects	25,615	6,000
Streets capital projects	1,433,298	1,045,269
Storm water management	208,087	90,753
Water capital projects	10,917,747	646,639
Electric capital projects	1,867,546	872,421
Airport capital projects	9,584,563	4,679,621
Total	<u>\$ 28,940,429</u>	<u>\$ 8,217,295</u>

The Radio Replacement project is a significant project in the general capital projects fund. This project is funded with general fund revenues. 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, 2014 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 eleven Sewage System Revenue Bond issues outstanding: one issued in 1995, one issued in 2003, one issued in 2004, two issued in 2007, two issued in 2010, two issued in 2011, and two issued in 2013. The sewer enterprise fund is funding 100 percent of the City's share of the debt issues. As of June 30, 2014, the City's committed share of UOSA's remaining debt service (including interest) is as follows:

<u>Fiscal year</u>				
<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2015	\$ 1,007,967	\$ 1,728,466	\$ 2,736,433	
2016	1,054,192	1,690,616	2,744,808	
2017	1,094,552	1,650,028	2,744,580	
2018	1,129,837	1,615,029	2,744,866	
2019	1,166,319	1,578,056	2,744,375	
2020-2024	6,461,084	7,344,561	13,805,645	
2025-2029	8,001,417	6,272,066	14,273,483	
2030-2034	8,821,958	4,588,653	13,410,611	
2035-2039	9,912,190	2,617,646	12,529,836	
2020-2043	5,564,726	471,661	6,036,387	
Total	<u>\$ 44,214,242</u>	<u>\$ 29,556,782</u>	<u>\$ 73,771,024</u>	

The sewer fund made payments in fiscal year 2014 for its share of UOSA's operating costs and debt service costs of \$5,935,168 and \$2,604,615, 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 2014.

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 June 19, 1986, to account for a 2.1% fuel tax authorized by the Commonwealth of Virginia. The PRTC, a joint venture with the contiguous jurisdictions of Prince William 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.

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements  
June 30, 2014 (Continued)

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NOTE 12—JOINT VENTURES: (CONTINUED)

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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	11.77%
Spotsylvania County	2	11.77%
Manassas	1	5.88%
Manassas Park	1	5.88%
Fredericksburg	1	5.88%
Commonwealth House	2	11.77%
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:

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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—PENSION PLAN:**

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**A. Plan Description**

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to 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.

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

<b>VRS – PLAN 1</b>
---------------------

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.



NOTE 14—PENSION PLAN: (CONTINUED)

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A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)
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5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

NOTE 14—PENSION PLAN: (CONTINUED)

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A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)
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13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.
14. **Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
  - The member retires on disability.
  - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
  - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
  - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

NOTE 14—PENSION PLAN: (CONTINUED)

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A. Plan Description: (Continued)

**VRS – PLAN 1 (CONTINUED)**

17. **Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

**VRS – PLAN 2**

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1—Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1— Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1—Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1—Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

NOTE 14—PENSION PLAN: (CONTINUED)

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A. Plan Description: (Continued)

VRS – PLAN 2 (CONTINUED)
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9. **Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

10. **Normal Retirement Age** - Normal Social Security retirement age.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

14. **Eligibility** - Same as VRS Plan 1—Refer to Section 14.

15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1—Refer to Section 15.

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

NOTE 14—PENSION PLAN: (CONTINUED)

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A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN
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1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
  - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
  - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
  - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
  - State employees\*
  - School division employees
  - Political subdivision employees\*
  - Judges appointed or elected to an original term on or after January 1, 2014
  - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014
3. **\*Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
  - Members of the State Police Officers’ Retirement System (SPORS)
  - Members of the Virginia Law Officers’ Retirement System (VaLORS)
  - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

NOTE 14—PENSION PLAN: (CONTINUED)

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A. Plan Description: (Continued)

<b>HYBRID RETIREMENT PLAN (CONTINUED)</b>
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3. **Non-Eligible Members (Continued)**

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

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

5. **Creditable Service**

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. **Vesting**

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

**NOTE 14—PENSION PLAN: (CONTINUED)**

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**A. Plan Description: (Continued)**

<b>HYBRID RETIREMENT PLAN (CONTINUED)</b>
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**6. Vesting (Continued)**

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

**7. Calculating the Benefit**

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

**8. Average Final Compensation** - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

**9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

**10. Normal Retirement Age**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**11. Earliest Unreduced Retirement Eligibility**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**NOTE 14—PENSION PLAN: (CONTINUED)**

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**A. Plan Description: (Continued)**

<b>HYBRID RETIREMENT PLAN (CONTINUED)</b>
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**12. Earliest Reduced Retirement Eligibility**

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**13. Cost-of-Living Adjustment (COLA) in Retirement**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

**14. Eligibility** - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

**15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

**16. Disability Coverage** - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**17. Purchase of Prior Service**

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

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/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.



## NOTE 14—PENSION PLAN: (CONTINUED)

**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 2014 were 13.14% and 8.68% of annual covered payroll, respectively.

The MCPS's contributions for professional employees were \$5,298,350, \$4,956,555, and \$2,992,586 to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013 and 2012. The contribution rates for 2014, 2013 and 2012 were 11.66%, 11.66% and 6.33% respectively.

**C. Annual Pension Cost**

For fiscal year 2014, the City's annual pension cost of \$3,543,452 was equal to the City's required and actual contributions.

For fiscal year 2014, MCPS's annual pension cost for the non-professional employees was \$371,111 which was equal to the MCPS's required and actual contributions.

<u>Fiscal Year Ending June 30</u>	<u>Annual Pension Cost (1)</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
City:			
2012	\$ 2,447,214	100%	\$ -
2013	3,609,685	100%	-
2014	3,543,452	100%	-
MCPS - School Professional:			
2012	\$ 2,992,586	100%	\$ -
2013	4,956,556	100%	-
2014	5,298,350	100%	-
MCPS - School Non-professional:			
2012	\$ 307,062	100%	\$ -
2013	349,778	100%	-
2014	371,111	100%	-

(1) Employer portion only

**NOTE 14—PENSION PLAN: (CONTINUED)**

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**C. Annual Pension Cost: (Continued)**

The FY 2014 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, 2013, the most recent actuarial valuation date, the City's plan was 68.70% funded. The actuarial accrued liability for benefits was \$122,051,379, and the actuarial value of assets was \$83,851,467, resulting in an unfunded actuarial accrued liability (UAAL) of \$38,199,912. The covered payroll (annual payroll of active employees covered by the plan) was \$27,339,629, and ratio of the UAAL to the covered payroll was 139.72%.

As of June 30, 2013, the most recent actuarial valuation date, the City School Board's plan was 82.5% funded. The actuarial accrued liability for benefits was \$14,354,279, and the actuarial value of assets was \$11,851,742, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,502,537. The covered payroll (annual payroll of active employees covered by the plan) was \$4,333,644, and ratio of the UAAL to the covered payroll was 57.75%.

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:**

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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. An employee who retires from MCPS with an unreduced VRS retirement is allowed to remain on MCPS's healthcare policy until eligible for Medicare. Retirees are responsible for the full cost of the monthly premium. MCPS pays 40% of the monthly premium for eligible retirees who retired prior to July 1, 2013 with at least fifteen (15) years of service. There are no benefits after the retiree attains age sixty-five (65). There is no provision for deferral of benefits for employees who separate from MCPS employment without retiring.

**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, 2014 the date of the last actuarial valuation.

(1) Number of Participants	
c. Active Employees	757
d. Retirees (Pre-Medicare)	53
(2) Active Statistics	
e. Average Age	44.59
f. Average Service	10.08
(3) Inactive Statistics - Average Age	60.96

**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	\$ 421,000	\$ 209,000
Interest on net OPEB obligation	123,696	78,000
Adjustment to annual required contribution	(161,049)	(94,000)
Annual OPEB cost (expense)	\$ 383,647	\$ 193,000
Contributions made	(146,339)	(311,000)
Increase in net OPEB obligation	\$ 237,308	\$ (118,000)
Net OPEB obligation-beginning of year	3,505,000	1,953,000
Net OPEB obligation-end of year	<u>\$ 3,742,308</u>	<u>\$ 1,835,000</u>

CITY OF MANASSAS, VIRGINIA

Notes to the Financial Statements  
June 30, 2014 (Continued)

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 2014 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<b>City:</b>			
June 30, 2014	\$ 383,647	38.14%	\$ 3,742,308
June 30, 2013	348,000	45.40%	3,505,000
June 30, 2012	348,000	45.40%	3,315,000
<b>MCPS:</b>			
June 30, 2014	\$ 193,000	161.14%	\$ 1,835,000
June 30, 2013	691,000	47.03%	1,953,000
June 30, 2012	658,000	45.74%	1,587,000

D. Funded Status and Funding Progress

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

	City	MCPS
Actuarial Valuation Date	June 30, 2013	June 30, 2014
Actuarial Value of Assets	-	-
Actuarial Accrued Liability (AAL)	\$ 3,761,600	\$ 2,578,000
Unfunded ALL (UALL)	\$ 3,791,600	\$ 2,578,000
Funded Ratio	0.0%	0.0%
Covered Payroll	\$ 26,666,600	\$ 57,686,171
UAAL as a % of covered payroll	14.22%	4.47%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future 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.

	<u>City</u>	<u>MCPS</u>
Actuarial Valuation Date	June 30, 2013	June 30, 2014
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll, Open	Closed
Amortization Period	30 years	30 years
Asset Valuation Method	N/A	Market Value of Assets
Actuarial Assumptions:		
Investment Rate of Return	3.5%	4%
Healthcare Cost Trend Rate	6.10%	6.00%
Initial	7.00%	6.00%
Ultimate	5.50%	4.60%

**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:****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 2014 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 2014, the City's contribution of \$51,035 and MCPS's contribution of \$13,868 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 2014 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, 2012 \$	42,398	100.00%	\$ -
June 30, 2013	52,195	100.00%	-
June 30, 2014	51,035	100.00%	-
MCPS:			
June 30, 2012 \$	13,625	100.00%	\$ -
June 30, 2013	12,895	100.00%	-
June 30, 2014	13,868	100.00%	-

**D. Funded Status and Funding Progress**

The funded status of the plans as of June 30, 2013, the most recent actuarial valuation date, is as follows:

	<u>City</u>	<u>MCPS</u>
Actuarial Valuation Date	June 30, 2013	June 30, 2013
Actuarial Accrued Liability (AAL)	\$ 859,592	\$ 229,718
Actuarial Value of Assets	\$ 430,739	\$ 138,059
Unfunded AAL	\$ 428,853	\$ 91,659
Funded Ratio	50.11%	60.10%
Covered Payroll	\$ 27,187,083	\$ 4,333,644
UAAL as a % of covered payroll	1.58%	2.12%

**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.

	<u>City</u>	<u>MCPS</u>
Actuarial Valuation Date	June 30, 2013	June 30, 2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed	Level Percentage of Pay, Closed
Remaining Amortization Period	30 years	30 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, 2014, 2013, and 2012 were \$272,642, \$255,054, and \$283,642, respectively and equaled the required contributions for each year.

**NOTE 17—UPCOMING GASB PRONOUNCEMENTS:**

At June 30, 2014, 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.

**NOTE 18—RESTATEMENT:**

Beginning Net Position was restated as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Net position beginning of year, as previously reported	\$ 179,402,785	\$ 132,869,445
Restatement of capital assets for donated assets	<u>10,424,953</u>	<u>6,580,832</u>
Net position beginning of year, as restated	<u><u>\$ 189,827,738</u></u>	<u><u>\$ 139,450,277</u></u>

## CITY OF MANASSAS, VIRGINIA

### Notes to the Financial Statements June 30, 2014 (Continued)

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#### NOTE 19—SUBSEQUENT EVENTS:

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On August 14, 2014, the City issued General Obligation Public Improvement Refunding Bonds, Series 2014B, in the amount of \$9,515,000. The Bonds will be used to complete a partial refunding of the City's outstanding General Obligation Public Improvement Bonds, Series 2005B.

On November 13, 2014, the City issued General Obligation Public Improvement and Refunding Bonds, Series 2014C, in the amount of \$46,895,000. The Bonds will be used to fund construction of a new elementary school and a partial refunding of the City's outstanding General Obligation Public Improvement Bonds, Series 2005B, a partial refunding of the Industrial Development Authority of Stafford County and the City of Staunton, Virginia (Virginia Municipal League and Virginia Association of Counties) Revenue Bonds, Series 2007B, and a partial refunding of the City's outstanding General Obligation Public Improvement Bonds, Series 2010D.

Also on November 13, 2014, the City issued Taxable General Obligation Public Improvement Refunding Bonds, Series 2014D in the amount of \$1,700,000. The Bonds will be used to refund a portion of the City's outstanding Taxable General Obligation Public Improvement Bonds, Series 2005C.

#### NOTE 20—FINANCIAL STATEMENT ADJUSTMENTS:

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Subsequent to the issuance of the June 30, 2014 Comprehensive Annual Financial Report, the City of Manassas, Virginia identified \$433,115 of receivables for the Highway Planning and Construction Grant which were not recorded as due from other governments. The City also reclassified \$73,281 of governmental revenues from state to federal for the Highway Planning and Construction Grant. In addition, the City identified accounts payable related to the grant program in the amount of \$122,048.

The Schedule of Expenditures of Federal Awards has been revised to reflect the expenditures for the Highway Planning and Construction Grant in the total amount of \$506,395.

Subsequent to the issuance of the June 30, 2014 Comprehensive Annual Financial Report, the City of Manassas, Virginia recorded an adjustment to correct an entry made in the year ended June 30, 2014 for the disposal of fixed assets in the Electric Fund. The original entry removed Investment in Plant and corresponding Accumulated Depreciation in the amount of \$2,804,514 that should have been a disposal of Machinery and Equipment and Accumulated Depreciation in the same amount.

### **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, 2014

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
<b><u>DEFINED BENEFIT PENSION PLAN - VIRGINIA RETIREMENT SYSTEM:</u></b>						
City:						
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%
June 30, 2013	83,851,467	122,051,379	38,199,912	68.70%	27,339,629	139.72%
MCPS Non-professional:						
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%
June 30, 2013	11,851,742	14,354,279	2,502,537	82.57%	4,333,644	57.75%
<b><u>OTHER POSTEMPLOYMENT BENEFITS - HEALTH CARE INSURANCE:</u></b>						
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, 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%
June 30, 2014	-	2,578,000	2,578,000	0.00%	57,686,171	4.47%
<b><u>OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE CREDIT PROGRAM:</u></b>						
City:						
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%
June 30, 2013	430,739	859,592	428,853	50.11%	27,187,083	1.58%
MCPS Non-professional:						
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%
June 30, 2013	138,059	229,718	91,659	60.10%	4,333,644	2.12%

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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.

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

## 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

Exhibit J

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	Combined Special Revenue Funds	Combined Capital Project Funds	Permanent Fund Cemetery Maintenance	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 4,665,699	\$ 7,121,775	\$ 156,607	\$ 11,944,081
Cash and investments - restricted	-	2,769,038	100,000	2,869,038
Receivable (net of allowances for uncollectibles):				
Taxes receivable	160,561	-	-	160,561
Accounts receivable	-	35,958	-	35,958
Due from other governments	410,889	694,001	-	1,104,890
<b>Total assets</b>	<u>\$ 5,237,149</u>	<u>\$ 10,620,772</u>	<u>\$ 256,607</u>	<u>\$ 16,114,528</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 735,856	\$ 1,052,456	\$ -	\$ 1,788,312
Retainage payable	-	107,753	-	107,753
Deposits	11,105	-	-	11,105
Advances from other funds	4,482	(1,052)	-	3,430
<b>Total liabilities</b>	<u>751,443</u>	<u>1,159,157</u>	<u>-</u>	<u>1,910,600</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue - property tax	<u>127,775</u>	<u>-</u>	<u>-</u>	<u>127,775</u>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Permanent fund principal	-	-	100,000	100,000
<b>Restricted:</b>				
Communication systems	456,334	-	-	456,334
Road maintenance	124,460	-	-	124,460
Fire rescue system	2,096,154	-	-	2,096,154
Museum system	1,365,364	-	-	1,365,364
Bond proceeds for capital projects	-	2,769,038	-	2,769,038
Cemetery maintenance	-	-	156,607	156,607
<b>Committed:</b>				
Social services programs	56,653	-	-	56,653
Museum system	11,514	-	-	11,514
Economic development	251,934	-	-	251,934
Capital projects	-	6,692,577	-	6,692,577
Unassigned	(4,482)	-	-	(4,482)
<b>Total fund balances</b>	<u>4,357,931</u>	<u>9,461,615</u>	<u>256,607</u>	<u>14,076,153</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 5,237,149</u>	<u>\$ 10,620,772</u>	<u>\$ 256,607</u>	<u>\$ 16,114,528</u>

## CITY OF MANASSAS, VIRGINIA

Exhibit K

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2014

	Special Revenue Funds	Capital Project Funds	Permanent Fund Cemetery Maintenance	Total Nonmajor Governmental Funds
Revenues				
General property taxes	\$ 7,602,130	\$ -	\$ -	\$ 7,602,130
Use of money and property	215,746	280	294	216,320
Charges for services	603,301	-	85,500	688,801
Miscellaneous	391,823	(70,496)	-	321,327
Intergovernmental	3,582,047	2,291,400	-	5,873,447
Total revenues	<u>12,395,047</u>	<u>2,221,184</u>	<u>85,794</u>	<u>14,702,025</u>
Expenditures				
Current:				
General government administration	20,070	10,057	-	30,127
Public safety	7,985,661	-	-	7,985,661
Public works	21,335	-	-	21,335
Health and welfare	5,508,063	-	-	5,508,063
Culture, recreation, and community development	15,436	-	-	15,436
Capital outlay	242,606	6,132,012	-	6,374,618
Debt service:				
Principal retirement on capital lease	38,660	-	-	38,660
Interest and fees on capital lease	1,956	-	-	1,956
Interest and fees on long term debt	-	72,201	-	72,201
Total expenditures	<u>13,833,787</u>	<u>6,214,270</u>	<u>-</u>	<u>20,048,057</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,438,740)</u>	<u>(3,993,086)</u>	<u>85,794</u>	<u>(5,346,032)</u>
Other financing sources (uses)				
Transfers in	2,397,638	4,081,752	-	6,479,390
Transfers out	(165,700)	-	-	(165,700)
Bonds issued	-	3,814,050	-	3,814,050
Premium on bonds issued	-	178,380	-	178,380
Total other financing sources (uses)	<u>2,231,938</u>	<u>8,074,182</u>	<u>-</u>	<u>10,306,120</u>
Net change in fund balances	793,198	4,081,096	85,794	4,960,088
Fund balances - beginning	<u>3,564,733</u>	<u>5,380,519</u>	<u>170,813</u>	<u>9,116,065</u>
Fund balances - ending	<u>\$ 4,357,931</u>	<u>\$ 9,461,615</u>	<u>\$ 256,607</u>	<u>\$ 14,076,153</u>

## CITY OF MANASSAS, VIRGINIA

Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2014

	Family Services	Family Services Publishing	PEG	Owens Brooke District
	<u>Services</u>	<u>Publishing</u>	<u>PEG</u>	<u>District</u>
<b>Assets</b>				
Cash and investments	\$ 136,607	\$ 56,653	\$ 456,479	\$ 124,707
Receivable (net of allowances for uncollectibles):				
Taxes receivable	-	-	-	-
Due from other governments	349,471	-	-	-
<b>Total assets</b>	<u>486,078</u>	<u>56,653</u>	<u>456,479</u>	<u>124,707</u>
<b>Liabilities</b>				
Liabilities:				
Accounts payable	474,973	-	145	247
Deposits	11,105	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>486,078</u>	<u>-</u>	<u>145</u>	<u>247</u>
Deferred inflows of resources				
Unavailable revenue - property tax	-	-	-	-
<b>Fund balances:</b>				
Restricted:				
Communication systems	-	-	456,334	-
Road maintenance	-	-	-	124,460
Fire rescue system	-	-	-	-
Museum system	-	-	-	-
Committed:				
Social services programs	-	56,653	-	-
Museum system	-	-	-	-
Economic development	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	<u>-</u>	<u>56,653</u>	<u>456,334</u>	<u>124,460</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 486,078</u>	<u>\$ 56,653</u>	<u>\$ 456,479</u>	<u>\$ 124,707</u>

## Exhibit L

Fire Rescue	Merchant Museum	Museum Collections	Museum Publishing	Speiden Carper House	Manassas Landing	Total Nonmajor Special Revenue Funds
\$ 2,262,186	\$ 959,734	\$ 11,514	\$ -	\$ 405,885	\$ 251,934	\$ 4,665,699
160,561	-	-	-	-	-	160,561
61,418	-	-	-	-	-	410,889
<u>2,484,165</u>	<u>959,734</u>	<u>11,514</u>	<u>-</u>	<u>405,885</u>	<u>251,934</u>	<u>5,237,149</u>
260,236	-	-	-	255	-	735,856
-	-	-	-	-	-	11,105
-	-	-	4,482	-	-	4,482
<u>260,236</u>	<u>-</u>	<u>-</u>	<u>4,482</u>	<u>255</u>	<u>-</u>	<u>751,443</u>
127,775	-	-	-	-	-	127,775
-	-	-	-	-	-	456,334
-	-	-	-	-	-	124,460
2,096,154	-	-	-	-	-	2,096,154
-	959,734	-	-	405,630	-	1,365,364
-	-	-	-	-	-	56,653
-	-	11,514	-	-	-	11,514
-	-	-	-	-	251,934	251,934
-	-	-	(4,482)	-	-	(4,482)
<u>2,096,154</u>	<u>959,734</u>	<u>11,514</u>	<u>(4,482)</u>	<u>405,630</u>	<u>251,934</u>	<u>4,357,931</u>
<u>\$ 2,484,165</u>	<u>\$ 959,734</u>	<u>\$ 11,514</u>	<u>\$ -</u>	<u>\$ 405,885</u>	<u>\$ 251,934</u>	<u>\$ 5,237,149</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, 2014

	Family Services	Family Services Publishing	PEG	Owens Brooke District
<b>Revenues</b>				
General property taxes	\$ -	\$ -	\$ -	\$ 40,456
Use of money and property	-	78	-	167
Charges for services	37,549	-	-	-
Miscellaneous	-	-	143,766	-
Intergovernmental	3,164,096	-	-	-
Total revenues	<u>3,201,645</u>	<u>78</u>	<u>143,766</u>	<u>40,623</u>
<b>Expenditures</b>				
Current:				
General government administration	-	-	20,070	-
Public safety	-	-	-	-
Public works	-	-	-	21,335
Health and welfare	5,508,063	-	-	-
Culture, recreation, and community development	-	-	-	-
Capital outlay	-	-	9,550	-
Debt service:				
Principal retirement on capital lease	-	-	-	-
Interest and fees on capital lease	-	-	-	-
Total expenditures	<u>5,508,063</u>	<u>-</u>	<u>29,620</u>	<u>21,335</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,306,418)</u>	<u>78</u>	<u>114,146</u>	<u>19,288</u>
<b>Other financing sources (uses)</b>				
Transfers in	2,306,418	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>2,306,418</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	78	114,146	19,288
Fund balance - beginning	-	56,575	342,188	105,172
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ 56,653</u>	<u>\$ 456,334</u>	<u>\$ 124,460</u>



Fire Rescue	Merchant Museum	Museum Collections	Museum Publishing	Speiden Carper House	Manassas Landing	Total Nonmajor Special Revenue Funds
\$ 7,561,674	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,602,130
-	1,316	16	-	592	213,577	215,746
564,170	-	-	1,582	-	-	603,301
218,482	29,575	-	-	-	-	391,823
417,951	-	-	-	-	-	3,582,047
<u>8,762,277</u>	<u>30,891</u>	<u>16</u>	<u>1,582</u>	<u>592</u>	<u>213,577</u>	<u>12,395,047</u>
-	-	-	-	-	-	20,070
7,985,661	-	-	-	-	-	7,985,661
-	-	-	-	-	-	21,335
-	-	-	-	-	-	5,508,063
-	-	-	-	3,512	11,924	15,436
199,565	-	-	-	33,491	-	242,606
38,660	-	-	-	-	-	38,660
1,956	-	-	-	-	-	1,956
<u>8,225,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,003</u>	<u>11,924</u>	<u>13,833,787</u>
536,435	30,891	16	1,582	(36,411)	201,653	(1,438,740)
91,220	-	-	-	-	-	2,397,638
-	-	-	-	-	(165,700)	(165,700)
<u>91,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(165,700)</u>	<u>2,231,938</u>
627,655	30,891	16	1,582	(36,411)	35,953	793,198
1,468,499	928,843	11,498	(6,064)	442,041	215,981	3,564,733
<u>\$ 2,096,154</u>	<u>\$ 959,734</u>	<u>\$ 11,514</u>	<u>\$ (4,482)</u>	<u>\$ 405,630</u>	<u>\$ 251,934</u>	<u>\$ 4,357,931</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget and Actual  
 Family Services Fund  
 For the Year Ended June 30, 2014

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for services	\$ 39,950	\$ 39,950	\$ 37,549	\$ (2,401)
Intergovernmental	2,961,000	3,161,695	3,164,096	2,401
Total revenues	<u>3,000,950</u>	<u>3,201,645</u>	<u>3,201,645</u>	<u>-</u>
Expenditures				
Health and welfare	5,208,470	5,508,470	5,508,063	407
Total expenditures	<u>5,208,470</u>	<u>5,508,470</u>	<u>5,508,063</u>	<u>407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,207,520)</u>	<u>(2,306,825)</u>	<u>(2,306,418)</u>	<u>407</u>
Other financing sources				
Transfers in	2,207,520	2,306,825	2,306,418	(407)
Total other financing sources	<u>2,207,520</u>	<u>2,306,825</u>	<u>2,306,418</u>	<u>(407)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>	
Fund balance, ending			<u>\$ -</u>	

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
PEG Fund  
For the Year Ended June 30, 2014

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
Miscellaneous	\$ 115,000	\$ 115,000	\$ 143,766	\$ 28,766
Total revenues	<u>115,000</u>	<u>115,000</u>	<u>143,766</u>	<u>28,766</u>
Expenditures				
General government	11,500	19,473	20,070	(597)
Capital outlay	<u>103,500</u>	<u>95,527</u>	<u>9,550</u>	<u>85,977</u>
Total expenditures	<u>115,000</u>	<u>115,000</u>	<u>29,620</u>	<u>85,380</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>114,146</u>	<u>114,146</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>114,146</u>	<u>\$ 114,146</u>
Fund balance, beginning			<u>342,188</u>	
Fund balance, ending			<u>\$ 456,334</u>	

## CITY OF MANASSAS, VIRGINIA

Exhibit P

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget and Actual  
 Owens Brooke District Fund  
 For the Year Ended June 30, 2014

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
General property taxes	\$ 40,200	\$ 40,200	\$ 40,456	\$ 256
Use of money and property	-	-	167	167
Total revenues	<u>40,200</u>	<u>40,200</u>	<u>40,623</u>	<u>423</u>
Expenditures				
Public works	<u>34,580</u>	<u>34,580</u>	<u>21,335</u>	<u>13,245</u>
Total expenditures	<u>34,580</u>	<u>34,580</u>	<u>21,335</u>	<u>13,245</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,620</u>	<u>5,620</u>	<u>19,288</u>	<u>13,668</u>
Net change in fund balances	<u>\$ 5,620</u>	<u>\$ 5,620</u>	<u>19,288</u>	<u>\$ 13,668</u>
Fund balance, beginning			<u>105,172</u>	
Fund balance, ending			<u>\$ 124,460</u>	

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget and Actual  
 Fire Rescue Fund  
 For the Year Ended June 30, 2014

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
General property taxes	\$ 7,500,320	\$ 7,500,320	\$ 7,561,674	\$ 61,354
Charges for services	410,000	410,000	564,170	154,170
Miscellaneous	-	2,192	218,482	216,290
Intergovernmental	274,000	654,567	417,951	(236,616)
Total revenues	<u>8,184,320</u>	<u>8,567,079</u>	<u>8,762,277</u>	<u>195,198</u>
<b>Expenditures</b>				
Public safety	8,039,280	8,640,979	7,985,661	655,318
Capital outlay	495,000	867,709	199,565	668,144
Debt service:				
Principal retirement of capital lease	40,620	40,620	38,660	1,960
Interest and fees on capital lease	-	-	1,956	(1,956)
Total expenditures	<u>8,574,900</u>	<u>9,549,308</u>	<u>8,225,842</u>	<u>1,323,466</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(390,580)</u>	<u>(982,229)</u>	<u>536,435</u>	<u>1,518,664</u>
<b>Other financing sources</b>				
Transfers in	91,220	91,220	91,220	-
Total other financing sources	<u>91,220</u>	<u>91,220</u>	<u>91,220</u>	<u>-</u>
Net change in fund balances	<u>\$ (299,360)</u>	<u>\$ (891,009)</u>	<u>627,655</u>	<u>\$ 1,518,664</u>
Fund balance, beginning			<u>1,468,499</u>	
Fund balance, ending			<u>\$ 2,096,154</u>	

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
Speiden Carper House Fund  
For the Year Ended June 30, 2014

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
Use of money and property	\$ 500	\$ 500	\$ 592	\$ 92
Total revenues	<u>500</u>	<u>500</u>	<u>592</u>	<u>92</u>
Expenditures				
Culture, recreation, and community development	4,000	4,000	3,512	488
Capital outlay	-	35,000	33,491	1,509
Total expenditures	<u>4,000</u>	<u>39,000</u>	<u>37,003</u>	<u>1,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,500)</u>	<u>(38,500)</u>	<u>(36,411)</u>	<u>2,089</u>
Net change in fund balances	<u>\$ (3,500)</u>	<u>\$ (38,500)</u>	<u>(36,411)</u>	<u>\$ 2,089</u>
Fund balance, beginning			<u>442,041</u>	
Fund balance, ending			<u>\$ 405,630</u>	

Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
Manassas Landing Fund  
For the Year Ended June 30, 2014

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
Use of money and property	\$ 213,580	\$ 213,580	\$ 213,577	\$ (3)
Total revenues	<u>213,580</u>	<u>213,580</u>	<u>213,577</u>	<u>(3)</u>
Expenditures				
Culture, recreation, and community developmen	<u>47,880</u>	<u>47,880</u>	<u>11,924</u>	<u>35,956</u>
Total expenditures	<u>47,880</u>	<u>47,880</u>	<u>11,924</u>	<u>35,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>165,700</u>	<u>165,700</u>	<u>201,653</u>	<u>35,953</u>
Other financing sources (uses)				
Transfers out	<u>(165,700)</u>	<u>(165,700)</u>	<u>(165,700)</u>	<u>-</u>
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>35,953</u>	<u>\$ 35,953</u>
Fund balance, beginning			<u>215,981</u>	
Fund balance, ending			<u>\$ 251,934</u>	

## CITY OF MANASSAS, VIRGINIA

Exhibit T

Combining Balance Sheet  
Nonmajor Capital Project Funds  
June 30, 2014

	General Capital Projects	Gateway Capital Projects	Transportation Capital Projects	Storm Water Management Capital Projects	NVTA Capital Projects	Total Nonmajor Capital Project Funds
<b>Assets</b>						
Cash and investments	\$ 2,996,097	\$144,161	\$ 177,816	\$ 153,902	\$3,649,799	\$ 7,121,775
Cash and investments - restricted	-	-	86,091	962,240	1,720,707	2,769,038
Accounts receivable	-	-	35,958	-	-	35,958
Due from other governments	-	-	408,106	-	285,895	694,001
<b>Total assets</b>	<b>\$ 2,996,097</b>	<b>\$144,161</b>	<b>\$ 707,971</b>	<b>\$ 1,116,142</b>	<b>\$5,656,401</b>	<b>\$ 10,620,772</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 857,998	\$ -	\$ 124,608	\$ 37,247	\$ 32,603	\$ 1,052,456
Retainage payable	56,472	-	51,281	-	-	107,753
Advances from other funds	-	-	(1,052)	-	-	(1,052)
<b>Total liabilities</b>	<b>914,470</b>	<b>-</b>	<b>174,837</b>	<b>37,247</b>	<b>32,603</b>	<b>1,159,157</b>
<b>Fund balances:</b>						
<b>Restricted:</b>						
Bond proceeds for capital projects	-	-	86,091	962,240	1,720,707	2,769,038
<b>Committed:</b>						
Capital projects	2,081,627	144,161	447,043	116,655	3,903,091	6,692,577
<b>Total fund balances</b>	<b>2,081,627</b>	<b>144,161</b>	<b>533,134</b>	<b>1,078,895</b>	<b>5,623,798</b>	<b>9,461,615</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,996,097</b>	<b>\$144,161</b>	<b>\$ 707,971</b>	<b>\$ 1,116,142</b>	<b>\$5,656,401</b>	<b>\$ 10,620,772</b>



Combining Statement of Revenues, Expenditures and Changes in  
Fund Balances  
Nonmajor Capital Project Funds  
For the Year Ended June 30, 2014

	General Capital Projects	Gateway Capital Projects	Transportation Capital Projects	Storm Water Management Capital Projects	NVTA Capital Projects	Total Nonmajor Capital Project Funds
Revenues						
Use of money and property	\$ -	\$ -	\$ -	\$ -	\$ 280	\$ 280
Miscellaneous	-	-	(70,496)	-	-	(70,496)
Intergovernmental	-	-	724,906	-	1,566,494	2,291,400
Total revenues	-	-	654,410	-	1,566,774	2,221,184
Expenditures						
General government administration	-	-	-	-	10,057	10,057
Capital outlay	3,145,091	20,000	1,706,971	69,219	1,190,731	6,132,012
Debt service:						
Interest and fees on long term debt	-	-	17,867	18,059	36,275	72,201
Total expenditures	3,145,091	20,000	1,724,838	87,278	1,237,063	6,214,270
Excess (deficiency) of revenues over (under) expenditures	(3,145,091)	(20,000)	(1,070,428)	(87,278)	329,711	(3,993,086)
Other financing sources (uses)						
Transfers in	593,215	-	146,805	53,500	3,288,232	4,081,752
Issuance of bonds	-	-	942,163	952,328	1,919,559	3,814,050
Premium on bonds issued	-	-	45,795	46,289	86,296	178,380
Total other financing sources (uses)	593,215	-	1,134,763	1,052,117	5,294,087	8,074,182
Net change in fund balances	(2,551,876)	(20,000)	64,335	964,839	5,623,798	4,081,096
Fund balance - beginning	4,633,503	164,161	468,799	114,056	-	5,380,519
Fund balance - ending	<u>\$2,081,627</u>	<u>\$ 144,161</u>	<u>\$ 533,134</u>	<u>\$ 1,078,895</u>	<u>\$ 5,623,798</u>	<u>\$ 9,461,615</u>

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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.

## CITY OF MANASSAS, VIRGINIA

Exhibit V

Combining Statement of Net Position  
Nonmajor Enterprise Funds  
June 30, 2014

	Solid Waste	City Square Pavilion	Candy Factory	Parking Garage	Total Nonmajor Enterprise Funds
<b>Assets</b>					
<b>Current assets</b>					
Equity in pooled cash and investments					
- unrestricted	\$ 240,035	\$ 206,259	\$ 197,348	\$ -	\$ 643,642
Accounts receivable					
(net of allowance for uncollectibles)	332,030	-	-	-	332,030
Total current assets	572,065	206,259	197,348	-	975,672
<b>Noncurrent assets</b>					
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	-	(1,414,200)	(1,532,916)	(8,297)	(2,955,413)
Total noncurrent assets	-	738,449	1,022,336	47,013	1,807,798
Total assets	572,065	944,708	1,219,684	47,013	2,783,470
<b>Liabilities and net position</b>					
<b>Current liabilities</b>					
Accounts payable	238,131	-	-	30,281	268,412
Deposits	-	450	-	-	450
Compensated absences-current	420	-	-	-	420
Total current liabilities	238,551	450	-	30,281	269,282
<b>Noncurrent liabilities</b>					
Advance from other funds	-	-	-	447	447
Compensated absences	2,378	-	-	-	2,378
Total noncurrent liabilities	2,378	-	-	447	2,825
Total liabilities	240,929	450	-	30,728	272,107
<b>Net position</b>					
Investment in capital assets	-	738,449	1,022,336	47,013	1,807,798
Unrestricted (deficit)	331,136	205,809	197,348	(30,728)	703,565
Total net position	\$ 331,136	\$ 944,258	\$ 1,219,684	\$ 16,285	\$ 2,511,363

## CITY OF MANASSAS, VIRGINIA

Exhibit W

Combining Statement of Revenues, Expenses, and Changes in Net Position  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2014

	Solid Waste	City Square Pavilion	Candy Factory	Parking Garage	Total Nonmajor Enterprise Funds
Operating revenues					
Charges for services	\$ 3,164,902	\$ 23,816	\$ 27,984	\$ 30,136	\$ 3,246,838
Total operating revenues	<u>3,164,902</u>	<u>23,816</u>	<u>27,984</u>	<u>30,136</u>	<u>3,246,838</u>
Operating expenses					
Personal services	180,846	-	-	-	180,846
Contractual services	2,797,840	164,750	-	35,875	2,998,465
Supplies	10,222	-	-	80	10,302
Internal and other services	202,230	59,000	71,000	1,468	333,698
Depreciation and amortization	-	104,850	127,763	2,766	235,379
Total operating expenses	<u>3,191,138</u>	<u>328,600</u>	<u>198,763</u>	<u>40,189</u>	<u>3,758,690</u>
Operating income (loss)	<u>(26,236)</u>	<u>(304,784)</u>	<u>(170,779)</u>	<u>(10,053)</u>	<u>(511,852)</u>
Nonoperating revenue (expense)					
Intergovernmental grants	8,319	-	-	-	8,319
Interest revenue	452	-	-	-	452
Total nonoperating revenue (expense)	<u>8,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,771</u>
Income (loss) before transfers	(17,465)	(304,784)	(170,779)	(10,053)	(503,081)
Transfers in	-	145,500	40,500	-	186,000
Transfers out	<u>(7,500)</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>(32,500)</u>
Change in net position	(24,965)	(159,284)	(155,279)	(10,053)	(349,581)
Total net position - beginning	<u>356,101</u>	<u>1,103,542</u>	<u>1,374,963</u>	<u>26,338</u>	<u>2,860,944</u>
Total net position - ending	<u>\$ 331,136</u>	<u>\$ 944,258</u>	<u>\$ 1,219,684</u>	<u>\$ 16,285</u>	<u>\$ 2,511,363</u>

## CITY OF MANASSAS, VIRGINIA

Exhibit X

Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2014

	Solid Waste	City Square Pavilion	Candy Factory	Parking Garage	Total Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities</b>					
Receipts from customers and users	\$ 3,168,832	\$ 23,816	\$ 27,984	\$ 30,136	\$ 3,250,768
Other miscellaneous receipts	-	-	-	447	447
Payments to suppliers	(2,807,418)	(164,750)	(40,500)	(36,220)	(3,048,888)
Payments to employees	(197,153)	-	-	-	(197,153)
Payments for interfund services used	(200,308)	(59,000)	(30,500)	(1,468)	(291,276)
Net cash provided by (used for) operating activities	(36,047)	(199,934)	(43,016)	(7,105)	(286,102)
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers from other funds	-	145,500	40,500	-	186,000
Transfers to other funds	(7,500)	-	(25,000)	-	(32,500)
Operating grants received	8,319	-	-	-	8,319
Net cash provided by (used for) noncapital financing activities	819	145,500	15,500	-	161,819
<b>Cash Flows from Investing Activities</b>					
Interest revenue	452	-	-	-	452
Net cash provided by investing activities	452	-	-	-	452
Net increase (decrease) in cash and cash equivalents	(34,776)	(54,434)	(27,516)	(7,105)	(123,831)
Cash and cash equivalents, beginning	274,811	260,693	224,864	7,105	767,473
Cash and cash equivalents, ending	\$ 240,035	\$ 206,259	\$ 197,348	\$ -	\$ 643,642
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ (26,236)	\$ (304,784)	\$ (170,779)	\$ (10,053)	\$ (511,852)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	-	104,850	127,763	2,766	235,379
(Increase) decrease in accounts receivable	3,931	-	-	-	3,931
Increase (decrease) in accounts payable	2,382	-	-	(265)	2,117
Increase (decrease) in compensated absences	(16,124)	-	-	-	(16,124)
Increase (decrease) in advance from other funds	-	-	-	447	447
Total adjustments	(9,811)	104,850	127,763	2,948	225,750
Net cash provided by (used for) operating activities	\$ (36,047)	\$ (199,934)	\$ (43,016)	\$ (7,105)	\$ (286,102)

## 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.

## CITY OF MANASSAS, VIRGINIA

Exhibit Y

Combining Statement of Net Position  
Internal Service Funds  
June 30, 2014

	Building Maintenance	Vehicle Maintenance	Information Technology	Total Internal Service Funds
<b>Assets</b>				
Current assets				
Equity in pooled cash and investments - unrestricted	\$ 327,737	\$ 1,429,329	\$ 3,225,935	\$ 4,983,001
Total current assets	<u>327,737</u>	<u>1,429,329</u>	<u>3,225,935</u>	<u>4,983,001</u>
Noncurrent assets				
Capital assets:				
Buildings and improvements	-	278,484	-	278,484
Machinery and equipment	15,181	9,067,910	1,000,792	10,083,883
Less accumulated depreciation	<u>(3,036)</u>	<u>(7,598,642)</u>	<u>(793,287)</u>	<u>(8,394,965)</u>
Total noncurrent assets	<u>12,145</u>	<u>1,747,752</u>	<u>207,505</u>	<u>1,967,402</u>
Total assets	<u>339,882</u>	<u>3,177,081</u>	<u>3,433,440</u>	<u>6,950,403</u>
<b>Liabilities and net position</b>				
Current liabilities				
Accounts payable	77,255	75,631	145,959	298,845
Compensated absences - current	5,927	12,540	17,457	35,924
Capital lease obligations - current	<u>-</u>	<u>37,669</u>	<u>-</u>	<u>37,669</u>
Total current liabilities	<u>83,182</u>	<u>125,840</u>	<u>163,416</u>	<u>372,438</u>
Noncurrent liabilities				
Compensated absences	33,586	71,059	98,921	203,566
Capital lease obligations	<u>-</u>	<u>77,486</u>	<u>-</u>	<u>77,486</u>
Total noncurrent liabilities	<u>33,586</u>	<u>148,545</u>	<u>98,921</u>	<u>281,052</u>
Total liabilities	<u>116,768</u>	<u>274,385</u>	<u>262,337</u>	<u>653,490</u>
Net position				
Net investment in capital assets	12,145	1,632,597	207,505	1,852,247
Unrestricted	<u>210,969</u>	<u>1,270,099</u>	<u>2,963,598</u>	<u>4,444,666</u>
Total net position	<u>\$ 223,114</u>	<u>\$ 2,902,696</u>	<u>\$ 3,171,103</u>	<u>\$ 6,296,913</u>



## CITY OF MANASSAS, VIRGINIA

Exhibit Z

Combining Statement of Revenues, Expenses, and Changes in Net Position  
Internal Service Funds  
For the Year Ended June 30, 2014

	Building Maintenance	Vehicle Maintenance	Information Technology	Total Internal Service Funds
Operating revenues				
Charges for services	\$ 1,275,963	\$ 3,121,976	\$ 2,677,860	\$ 7,075,799
Total operating revenues	<u>1,275,963</u>	<u>3,121,976</u>	<u>2,677,860</u>	<u>7,075,799</u>
Operating expenses				
Personal services	464,341	723,758	1,158,090	2,346,189
Contractual services	304,344	114,314	492,360	911,018
Supplies	85,087	1,245,896	302,786	1,633,769
Internal and other services	473,596	461,264	326,695	1,261,555
Depreciation and amortization	1,518	611,713	64,182	677,413
Total operating expenses	<u>1,328,886</u>	<u>3,156,945</u>	<u>2,344,113</u>	<u>6,829,944</u>
Operating income (loss)	<u>(52,923)</u>	<u>(34,969)</u>	<u>333,747</u>	<u>245,855</u>
Nonoperating revenue (expense)				
Interest revenue	534	1,635	4,209	6,378
Gain (loss) on sale of capital assets	-	67,893	-	67,893
Other	-	36,874	5,852	42,726
Total nonoperating revenue (expense)	<u>534</u>	<u>106,402</u>	<u>10,061</u>	<u>116,997</u>
Income (loss) before transfers	<u>(52,389)</u>	<u>71,433</u>	<u>343,808</u>	<u>362,852</u>
Transfers in	<u>-</u>	<u>121,000</u>	<u>-</u>	<u>121,000</u>
Change in net position	<u>(52,389)</u>	<u>192,433</u>	<u>343,808</u>	<u>483,852</u>
Total net position - beginning	<u>275,503</u>	<u>2,710,263</u>	<u>2,827,295</u>	<u>5,813,061</u>
Total net position - ending	<u>\$ 223,114</u>	<u>\$ 2,902,696</u>	<u>\$ 3,171,103</u>	<u>\$ 6,296,913</u>

## CITY OF MANASSAS, VIRGINIA

Exhibit AA

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2014

	Building Maintenance	Vehicle Maintenance	Information Technology	Total Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers and users	\$ 1,275,963	\$ 3,121,976	\$ 2,677,860	\$ 7,075,799
Other miscellaneous receipts	-	36,874	5,852	42,726
Payments to suppliers	(693,470)	(1,535,705)	(889,975)	(3,119,150)
Payments to employees	(467,168)	(720,702)	(1,145,708)	(2,333,578)
Payments for interfund services used	(144,456)	(293,882)	(230,692)	(669,030)
Net cash provided by (used for) operating activities	(29,131)	608,561	417,337	996,767
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from other funds	-	121,000	-	121,000
Net cash provided by (used for) noncapital financing activities	-	121,000	-	121,000
<b>Cash Flows from Capital and Related Financing Activities</b>				
Sale of capital assets	-	67,893	-	67,893
Principal paid on capital leases	-	(39,845)	-	(39,845)
Purchases of capital assets	-	(837,527)	(148,534)	(986,061)
Net cash provided by (used for) capital and related financing activities	-	(809,479)	(148,534)	(958,013)
<b>Cash Flows from Investing Activities</b>				
Interest received	534	1,635	4,209	6,378
Net cash provided by investing activities	534	1,635	4,209	6,378
Net increase (decrease) in cash and cash equivalents	(28,597)	(78,283)	273,012	166,132
Cash and cash equivalents, beginning	356,334	1,507,612	2,952,923	4,816,869
Cash and cash equivalents, ending	\$ 327,737	\$ 1,429,329	\$ 3,225,935	\$ 4,983,001
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (52,923)	\$ (34,969)	\$ 333,747	\$ 245,855
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	1,518	611,713	64,182	677,413
Other miscellaneous receipts	-	36,874	5,852	42,726
Increase (decrease) in accounts payable	25,841	(7,805)	5,989	24,025
Increase (decrease) in compensated absences	(3,567)	2,748	7,567	6,748
Total adjustments	23,792	643,530	83,590	750,912
Net cash provided by (used for) operating activities	\$ (29,131)	\$ 608,561	\$ 417,337	\$ 996,767

# 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 and other capital improvements.

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

## FIDUCIARY FUNDS

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

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

## CITY OF MANASSAS, VIRGINIA

Exhibit AB

Balance Sheet  
 Manassas City Public Schools Component Unit  
 June 30, 2014

	Operating	Capital Projects	Food Service	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 14,901,769	\$ 1,582,446	\$ 1,522,444	\$ 18,006,659
Cash and investments - restricted	-	3,535,677	-	3,535,677
Accounts receivable	1,798,741	-	5,575	1,804,316
Due from other governments	3,834,048	-	182,662	4,016,710
<b>Total assets</b>	<b>\$ 20,534,558</b>	<b>\$ 5,118,123</b>	<b>\$ 1,710,681</b>	<b>\$ 27,363,362</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 13,526,314	\$ 671,935	\$ 259,946	\$ 14,458,195
<b>Total liabilities</b>	<b>13,526,314</b>	<b>671,935</b>	<b>259,946</b>	<b>14,458,195</b>
<b>Fund balances:</b>				
<b>Restricted:</b>				
Capital Projects	-	3,535,677	-	3,535,677
<b>Committed:</b>				
Instruction	500,000	-	-	500,000
Operations and maintenance	150,000	-	-	150,000
Capital Projects	-	910,511	-	910,511
Technology	942,612	-	-	942,612
Food service	-	-	1,450,735	1,450,735
Unassigned	5,415,632	-	-	5,415,632
<b>Total fund balances</b>	<b>7,008,244</b>	<b>4,446,188</b>	<b>1,450,735</b>	<b>12,905,167</b>
<b>Total liabilities and fund balances</b>	<b>\$ 20,534,558</b>	<b>\$ 5,118,123</b>	<b>\$ 1,710,681</b>	<b>\$ 27,363,362</b>

## 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, 2014

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Total fund balances for governmental funds	\$	12,905,167
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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	\$	2,336,649	
Construction in progress		3,623,117	
Buildings and improvements, net of accumulated depreciation		38,719,361	
Machinery and equipment, net of accumulated depreciation		<u>2,039,703</u>	
Total capital assets			46,718,830

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 leases		(198,996)	
Net OPEB obligation not reported as fund liabilities		(1,835,000)	
Compensated absences not reported as fund liabilities		<u>(2,030,403)</u>	
Total net position of governmental activities	\$	<u><u>55,559,598</u></u>	

## CITY OF MANASSAS, VIRGINIA

Exhibit AC

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Manassas City Public Schools Component Unit  
 For the Year Ended June 30, 2014

	Operating	Capital Projects	Food Service	Total Governmental Funds
<b>Revenues</b>				
Use of money and property	\$ 4,787	\$ -	\$ -	\$ 4,787
Charges for services	498,630	-	946,041	1,444,671
Intergovernmental:				
From the City of Manassas	48,060,576	3,273,856	-	51,334,432
From the Commonwealth	42,443,654	-	89,117	42,532,771
From the Federal government	2,856,669	-	2,610,422	5,467,091
Total revenues	<u>93,864,316</u>	<u>3,273,856</u>	<u>3,645,580</u>	<u>100,783,752</u>
<b>Expenditures</b>				
Current:				
Education	89,023,284	-	3,333,955	92,357,239
Capital outlay	32,515	4,804,713	-	4,837,228
Payment in lieu of debt service	4,792,911	-	-	4,792,911
Debt Service:				
Principal retirement	152,410	-	-	152,410
Interest and fees on long term debt	11,460	110,567	-	122,027
Total expenditures	<u>94,012,580</u>	<u>4,915,280</u>	<u>3,333,955</u>	<u>102,261,815</u>
Excess (deficiency) of revenues over (under) expenditures	(148,264)	(1,641,424)	311,625	(1,478,063)
<b>Other financing sources (uses)</b>				
Operating transfers in	26,370	-	-	26,370
Operating transfers out	-	(26,370)	-	(26,370)
Issuance of bonds	-	5,829,275	-	5,829,275
Premium on bonds issued	-	284,707	-	284,707
Total other financing sources (uses)	<u>26,370</u>	<u>6,087,612</u>	<u>-</u>	<u>6,113,982</u>
Net change in fund balances	(121,894)	4,446,188	311,625	4,635,919
Fund balance - beginning	<u>7,130,138</u>	<u>-</u>	<u>1,139,110</u>	<u>8,269,248</u>
Fund balance - ending	<u>\$ 7,008,244</u>	<u>\$ 4,446,188</u>	<u>\$ 1,450,735</u>	<u>\$ 12,905,167</u>

## CITY OF MANASSAS, VIRGINIA

## Manassas City Public Schools - Component Unit

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2014

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Net change in fund balances - total governmental funds	\$	4,635,919
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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 capital outlays exceeded depreciation in the current period.

160,834
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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		152,410
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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		118,000
Compensated absences		(57,884)
		<hr/>

Change in net position of governmental activities (Exhibit B)	\$	<u><u>5,009,279</u></u>
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## CITY OF MANASSAS, VIRGINIA

Exhibit AD

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 Manassas City Public Schools Operating Fund  
 For the Year Ended June 30, 2014

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Use of money and property	\$ -	\$ -	\$ 4,787	\$ 4,787
Charges for services	442,242	442,242	498,630	56,388
Intergovernmental:				
From the City of Manassas	48,410,530	48,410,530	48,060,576	(349,954)
From the Commonwealth	42,847,368	43,107,368	42,443,654	(663,714)
From the Federal government	3,143,724	3,350,181	2,856,669	(493,512)
Total revenues	<u>94,843,864</u>	<u>95,310,321</u>	<u>93,864,316</u>	<u>(1,446,005)</u>
<b>Expenditures</b>				
Education:				
Instruction	69,513,228	70,520,232	69,803,481	716,751
Administration, attendance, and health	4,626,205	4,605,741	4,372,043	233,698
Pupil transportation	3,288,368	3,324,740	3,323,389	1,351
Operation and maintenance	7,785,188	7,639,878	7,470,866	169,012
Technology	4,029,582	5,218,646	3,785,377	1,433,269
Facilities	310,000	310,000	300,643	9,357
Capital lease payment	163,870	163,870	163,870	-
Payment in lieu of debt service	4,792,911	4,792,911	4,792,911	-
Contingency	407,956	200,150	-	200,150
Total expenditures	<u>94,917,308</u>	<u>96,776,168</u>	<u>94,012,580</u>	<u>2,763,588</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(73,444)</u>	<u>(1,465,847)</u>	<u>(148,264)</u>	<u>1,317,583</u>
Other financing sources (uses)				
Transfers in	-	-	26,370	26,370
Transfers out	(9,908)	-	-	-
Total other financing sources (uses)	<u>(9,908)</u>	<u>-</u>	<u>26,370</u>	<u>26,370</u>
Net change in fund balances	<u>\$ (83,352)</u>	<u>\$ (1,465,847)</u>	<u>(121,894)</u>	<u>\$ 1,343,953</u>
Fund balances, beginning			7,130,138	
Fund balances, ending			<u>\$ 7,008,244</u>	



## CITY OF MANASSAS, VIRGINIA

Exhibit AE

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 Manassas City Public Schools Food Service  
 For the Year Ended June 30, 2014

	Adopted Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for services	\$ 1,153,258	\$ 1,153,258	\$ 946,041	\$ (207,217)
Intergovernmental:				
From the Commonwealth	89,913	89,913	89,117	(796)
From the Federal government	2,458,147	2,458,147	2,610,422	152,275
Total revenues	<u>3,701,318</u>	<u>3,701,318</u>	<u>3,645,580</u>	<u>(55,738)</u>
Expenditures				
Food services	<u>3,701,318</u>	<u>3,701,318</u>	<u>3,333,955</u>	<u>367,363</u>
Total expenditures	<u>3,701,318</u>	<u>3,701,318</u>	<u>3,333,955</u>	<u>367,363</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	311,625	<u>\$ 311,625</u>
Fund balances, beginning			<u>1,139,110</u>	
Fund balances, ending			<u>\$ 1,450,735</u>	

## CITY OF MANASSAS, VIRGINIA

Exhibit AF

## Combining Statement of Fiduciary Net Position - Fiduciary Funds

## Manassas City Public Schools

June 30, 2014

	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	\$ 101,171	\$ 927,926	\$ 1,029,097	\$ 686,440
Total assets	101,171	927,926	1,029,097	686,440
Liabilities and net position				
Liabilities				
Amount held for student activity	-	-	-	686,440
Total liabilities	-	-	-	686,440
Total net position	\$ 101,171	\$ 927,926	\$ 1,029,097	\$ -

## CITY OF MANASSAS, VIRGINIA

Exhibit AG

Combining Statement of Revenues, Expenses, and Changes in Net Position  
 Manassas City Public Schools - Private-Purpose Trust Funds  
 For the Year Ended June 30, 2014

	Nancy Lyons Scholarship Fund	E. Shreve Brent Scholarship Fund	Total Private - Purpose Trust Funds
Revenue			
Interest revenue	\$ 9,447	\$ 132,856	\$ 142,303
Total revenue	9,447	132,856	142,303
Expenses			
Scholarship distributions	8,000	10,000	18,000
Total expenses	8,000	10,000	18,000
Change in net position	1,447	122,856	124,303
Total net position - beginning	99,724	805,070	904,794
Total net position - ending	\$ 101,171	\$ 927,926	\$ 1,029,097

## CITY OF MANASSAS, VIRGINIA

Exhibit AH

Statement of Changes in Assets and Liabilities  
 Manassas City Public Schools - Agency Fund  
 For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Assets</b>				
Cash with fiscal agent:				
Osbourn Senior High School	\$ 443,130	\$ 625,433	\$ (636,808)	\$ 431,755
Grace E. Metz Middle School	70,631	116,671	(128,528)	58,774
Mayfield Intermediate School	42,236	76,198	(77,376)	41,058
Baldwin Elementary School	15,443	42,457	(42,253)	15,647
George C. Round Elementary School	97,043	13,955	(43,809)	67,189
Jennie Dean Elementary School	19,287	47,683	(46,241)	20,729
R. C. Haydon Elementary School	14,475	50,992	(42,449)	23,018
Weems Elementary School	17,030	85,736	(74,496)	28,270
<b>Total assets</b>	<u>\$ 719,275</u>	<u>\$ 1,059,125</u>	<u>\$ (1,091,960)</u>	<u>\$ 686,440</u>
<b>Liabilities</b>				
Amounts held for student activity funds	<u>\$ 719,275</u>	<u>\$ 1,059,125</u>	<u>\$ (1,091,960)</u>	<u>\$ 686,440</u>

## 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.	136-145
<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.	146-153
<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.	154-157
<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.	158-159
<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.	160-162

## CITY OF MANASSAS, VIRGINIA

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Governmental activities					
Invested in capital assets, net of related debt	\$ 191,205,860	\$ 180,129,887	\$ 183,920,923	\$184,501,768	\$ 188,286,143
Restricted	2,979,454	3,526,589	3,755,019	3,171,524	2,837,832
Unrestricted	(38,491,950)	(28,017,364)	(26,811,818)	(19,420,422)	(19,205,279)
Total governmental activities net position	<u>\$ 155,693,364</u>	<u>\$ 155,639,112</u>	<u>\$ 160,864,124</u>	<u>\$168,252,870</u>	<u>\$ 171,918,696</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 60,644,477	\$ 56,113,682	\$ 62,407,803	\$72,380,276	\$ 70,188,507
Restricted	73,772	2,776,842	2,521,141	343,478	354,727
Unrestricted	15,618,679	19,922,330	24,797,184	24,896,047	28,630,117
Total business-type activities net position	<u>\$ 76,336,928</u>	<u>\$ 78,812,854</u>	<u>\$ 89,726,128</u>	<u>\$97,619,801</u>	<u>\$ 99,173,351</u>
Total primary government					
Invested in capital assets, net of related debt	\$ 251,850,337	\$ 236,243,569	\$ 246,328,726	\$256,882,044	\$ 258,474,650
Restricted	3,053,226	6,303,431	6,276,160	3,515,002	3,192,559
Unrestricted	(22,873,271)	(8,095,034)	(2,014,634)	5,475,625	9,424,838
Total primary government net position	<u>\$ 232,030,292</u>	<u>\$ 234,451,966</u>	<u>\$ 250,590,252</u>	<u>\$265,872,671</u>	<u>\$ 271,092,047</u>
Component unit - Manassas City Public Schools					
Invested in capital assets, net of related debt	\$ 39,307,732	\$ 55,118,374	\$ 63,715,611	\$61,416,111	\$ 57,277,879
Restricted	23,590,699	12,857,469	1,527,377	-	-
Unrestricted	6,715,495	8,464,659	6,525,451	4,637,838	3,007,722
Total component unit net position	<u>\$ 69,613,926</u>	<u>\$ 76,440,502</u>	<u>\$ 71,768,439</u>	<u>\$66,053,949</u>	<u>\$ 60,285,601</u>
Total reporting unit					
Invested in capital assets, net of related debt	\$ 237,113,304	\$ 233,749,468	\$ 256,220,662	\$268,562,880	\$ 270,383,099
Restricted	26,643,925	19,160,900	7,803,537	3,515,002	3,192,559
Unrestricted	37,886,989	57,982,100	58,334,492	59,848,738	57,801,990
Total reporting unit net position	<u>\$ 301,644,218</u>	<u>\$ 310,892,468</u>	<u>\$ 322,358,691</u>	<u>\$331,926,620</u>	<u>\$ 331,377,648</u>

Source: City of Manassas Comprehensive Annual Financial Report

Notes: Fiscal years 2005 through 2013 are presented as restated.

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

Table I

Fiscal Year				
2010	2011	2012	2013	2014
\$ 187,167,835	\$ 187,046,616	\$ 190,610,490	\$ 192,612,544	\$ 238,505,517
1,905,999	4,863,154	681,134	100,000	100,000
(16,284,557)	(13,758,457)	(5,238,442)	(2,884,806)	(3,306,304)
<u>\$ 172,789,277</u>	<u>\$ 178,151,313</u>	<u>\$ 186,053,182</u>	<u>\$ 189,827,738</u>	<u>\$ 235,299,213</u>
\$ 76,572,357	\$ 74,485,176	\$ 82,091,882	\$ 88,046,880	\$ 89,711,963
54,724	3,060,310	-	-	-
34,206,399	45,688,265	51,375,758	51,403,397	47,293,095
<u>\$ 110,833,480</u>	<u>\$ 123,233,751</u>	<u>\$ 133,467,640</u>	<u>\$ 139,450,277</u>	<u>\$ 137,005,058</u>
\$ 263,740,192	\$ 261,531,792	\$ 272,702,372	\$ 280,659,424	\$ 328,217,480
1,960,723	7,923,464	681,134	100,000	100,000
17,921,842	31,929,808	46,137,316	48,518,591	43,986,791
<u>\$ 283,622,757</u>	<u>\$ 301,385,064</u>	<u>\$ 319,520,822</u>	<u>\$ 329,278,015</u>	<u>\$ 372,304,271</u>
\$ 53,900,305	\$ 51,214,420	\$ 49,095,596	\$ 46,206,590	\$ 46,519,834
-	-	-	-	3,535,677
3,785,225	4,788,337	4,598,515	4,343,729	5,504,087
<u>\$ 57,685,530</u>	<u>\$ 56,002,757</u>	<u>\$ 53,694,111</u>	<u>\$ 50,550,319</u>	<u>\$ 55,559,598</u>
\$ 274,972,222	\$ 273,768,712	\$ 286,415,968	\$ 294,871,514	\$ 340,315,039
1,960,723	8,023,464	681,134	100,000	3,635,677
64,375,342	75,595,645	86,117,831	84,856,820	83,913,153
<u>\$ 341,308,287</u>	<u>\$ 357,387,821</u>	<u>\$ 373,214,933</u>	<u>\$ 379,828,334</u>	<u>\$ 427,863,869</u>

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Expenses					
Governmental activities:					
General government	\$ 12,003,385	\$ 10,153,438	\$ 7,995,896	\$ 8,485,619	\$ 8,600,672
Public safety	12,380,077	16,543,855	20,773,741	22,315,459	24,236,806
Public works	8,902,082	9,161,689	10,195,139	10,338,179	9,796,492
Health and welfare	7,490,618	7,692,521	8,730,682	8,657,439	8,435,426
Culture, recreation, development	6,528,971	8,720,514	6,510,141	5,842,629	6,499,227
Education	40,655,630	53,604,226	48,102,935	48,443,875	48,924,698
Interest on long term debt	4,203,926	1,841,298	3,461,780	3,009,189	2,785,179
Total governmental activities	<u>92,164,689</u>	<u>107,717,541</u>	<u>105,770,314</u>	<u>107,092,389</u>	<u>109,278,500</u>
Business-type activities:					
Electric	39,764,875	50,258,549	55,128,224	59,507,858	61,712,947
Water	6,533,128	6,823,570	7,667,438	7,417,192	7,397,777
Sewer	8,009,816	8,504,190	9,370,635	11,477,209	12,009,823
Airport	2,491,573	2,497,631	2,510,742	2,790,729	3,390,014
Solid Waste	2,082,633	2,570,552	2,655,728	2,656,126	2,815,686
City Square Pavilion	402,890	423,748	438,519	425,006	298,683
Candy Factory	190,437	168,020	190,157	177,279	198,440
Parking Garage	-	-	-	-	-
Telecommunications	419,246	395,351	251,989	327,516	675,703
Total business-type activities	<u>59,894,598</u>	<u>71,641,611</u>	<u>78,213,432</u>	<u>84,778,915</u>	<u>88,499,073</u>
Total primary government	<u>\$ 152,059,287</u>	<u>\$ 179,359,152</u>	<u>\$ 183,983,746</u>	<u>\$ 191,871,304</u>	<u>\$ 197,777,573</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 463,425	\$ 484,100	\$ 12,533	\$ 91,197	\$ 124,380
Public safety	574,992	611,576	2,176,120	2,181,634	1,776,805
Public works	793,893	962,075	1,363,215	1,061,618	1,294,376
Health and welfare	74,150	54,619	74,298	64,651	65,900
Culture, recreation, development	620,753	436,225	1,037,388	509,641	392,047
Operating grants/contributions	7,168,447	9,427,043	9,110,430	11,438,714	9,192,809
Capital grants/contributions	6,943,882	663,245	62,500	-	-
Total governmental activities	<u>16,639,542</u>	<u>12,638,883</u>	<u>13,836,484</u>	<u>15,347,455</u>	<u>12,846,317</u>
Business-type activities:					
Charges for services:					
Electric	40,603,688	51,499,542	58,233,774	61,160,340	63,332,951
Water	6,130,480	6,991,660	8,599,256	8,893,622	9,232,312
Sewer	8,047,309	9,189,046	10,302,215	10,727,954	11,905,882
Airport	1,312,948	1,565,442	1,734,558	1,862,187	1,929,298
Solid Waste	2,026,906	2,527,764	2,523,788	2,597,354	2,772,014
City Square Pavilion	8,332	9,748	11,249	11,657	13,354
Candy Factory	30,375	28,750	25,600	32,060	30,609
Parking Garage	-	-	-	-	-
Telecommunications	-	165,160	162,512	197,777	386,666
Operating grants/contributions	98,000	128,598	102,408	80,563	111,479
Capital grants/contributions	2,804,960	1,843,256	6,740,435	5,474,062	1,277,198
Total business-type activities	<u>61,062,998</u>	<u>73,948,966</u>	<u>88,435,795</u>	<u>91,037,576</u>	<u>90,991,763</u>
Total primary government	<u>\$ 77,702,540</u>	<u>\$ 86,587,849</u>	<u>\$ 102,272,279</u>	<u>\$ 106,385,031</u>	<u>\$ 103,838,080</u>



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

Fiscal Year				
2010	2011	2012	2013	2014
\$ 8,473,478	\$ 8,411,567	\$ 8,339,202	\$ 8,864,313	\$ 8,889,060
24,539,618	24,460,979	25,608,165	28,575,011	28,751,948
9,405,335	8,435,069	8,496,181	8,905,254	10,001,107
7,973,696	7,490,361	7,046,876	7,046,417	7,873,882
6,138,833	6,731,424	5,966,162	5,806,374	5,366,949
47,592,844	47,123,718	48,125,649	48,014,667	57,448,414
2,605,659	2,758,789	2,421,533	2,170,239	2,144,525
106,729,463	105,411,907	106,003,768	109,382,275	120,475,885
51,914,838	59,998,016	65,718,110	61,360,909	66,181,787
6,989,962	6,849,916	7,330,693	8,276,499	7,745,000
12,138,037	11,976,128	12,091,241	12,392,026	12,618,910
3,392,717	3,369,665	3,505,497	3,563,277	3,548,396
2,868,737	2,957,779	3,058,172	3,117,943	3,191,138
317,848	370,416	345,831	316,921	328,600
191,763	199,396	212,488	198,263	198,763
-	-	38,409	43,863	40,189
521,024	-	-	-	-
78,334,926	85,721,316	92,300,441	89,269,701	93,852,783
\$ 185,064,389	\$ 191,133,223	\$ 198,304,209	\$ 198,651,976	\$ 214,328,668
\$ 463,437	\$ 769,067	\$ 1,458,699	\$ 793,268	\$ 965,601
1,909,779	1,755,053	1,853,608	1,912,366	1,835,901
643,891	865,261	1,319,174	1,453,769	965,091
33,348	38,807	41,545	36,150	37,549
406,412	405,456	403,140	436,111	602,636
8,804,363	11,968,013	11,780,598	7,851,624	7,568,603
-	-	-	211,730	46,562,063
12,261,230	15,801,657	16,856,764	12,695,018	58,537,444
54,968,258	63,213,305	65,345,470	61,766,073	63,967,176
10,301,071	10,760,754	11,839,939	10,721,365	9,680,679
12,091,738	14,260,452	14,508,871	14,588,115	14,174,279
2,080,115	2,134,108	2,292,410	2,330,193	2,388,024
2,896,323	2,916,356	3,002,388	3,125,895	3,164,902
13,526	16,787	22,920	19,764	23,816
27,984	30,397	27,464	29,484	27,984
-	-	2,331	23,064	30,136
325,228	-	-	-	-
1,652,441	289,574	151,253	90,738	121,607
6,612,727	6,019,525	7,008,212	4,764,229	2,254,331
90,969,411	99,641,258	104,201,258	97,458,920	95,832,934
\$ 103,230,641	\$ 115,442,915	\$ 121,058,022	\$ 110,153,938	\$ 154,370,378

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Net revenue (expenses)					
Governmental activities	\$ (75,525,147)	\$ (95,078,658)	\$ (91,933,830)	\$ (91,744,934)	\$ (96,432,183)
Business-type activities	1,168,400	2,307,355	10,222,363	6,258,661	2,492,690
Total primary government	<u>\$ (74,356,747)</u>	<u>\$ (92,771,303)</u>	<u>\$ (81,711,467)</u>	<u>\$ (85,486,273)</u>	<u>\$ (93,939,493)</u>
General revenues and other					
Governmental activities:					
Taxes	\$ 70,223,318	\$ 77,135,694	\$ 79,492,663	\$ 85,077,974	\$ 85,999,880
Unrestricted grants	5,007,216	5,473,873	4,082,918	3,993,249	3,933,837
Other	4,609,063	5,086,545	5,963,073	3,149,103	2,991,923
Payment from MCPS	5,013,427	6,357,895	6,827,645	6,287,164	5,774,990
Transfers	1,024,476	970,399	792,543	626,190	1,397,379
Total governmental activities	<u>85,877,500</u>	<u>95,024,406</u>	<u>97,158,842</u>	<u>99,133,680</u>	<u>100,098,009</u>
Business-type activities:					
Unrestricted investment earnings	210,961	527,565	994,381	1,409,308	481,835
Other	645,394	611,405	489,073	851,894	(23,596)
Transfers	(1,024,476)	(970,399)	(792,543)	(626,190)	(1,397,379)
Total business-type activities	<u>(168,121)</u>	<u>168,571</u>	<u>690,911</u>	<u>1,635,012</u>	<u>(939,140)</u>
Total primary government	<u>\$ 85,709,379</u>	<u>\$ 95,192,977</u>	<u>\$ 97,849,753</u>	<u>\$ 100,768,692</u>	<u>\$ 99,158,869</u>
Changes in Net Position					
Governmental activities	\$ 10,352,353	\$ (54,252)	\$ 5,225,012	\$ 7,388,746	\$ 3,665,826
Business-type activities	1,000,279	2,475,926	10,913,274	7,893,673	1,553,550
Total primary government	<u>\$ 11,352,632</u>	<u>\$ 2,421,674</u>	<u>\$ 16,138,286</u>	<u>\$ 15,282,419</u>	<u>\$ 5,219,376</u>

Source: City of Manassas Comprehensive Annual Financial Report

Note: Fiscal years 2005 through 2013 are presented as restated.

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

Fiscal Year				
2010	2011	2012	2013	2014
\$ (94,468,233)	\$ (89,610,250)	\$ (89,147,004)	\$ (96,687,257)	\$ (61,938,441)
12,634,485	13,919,942	11,900,817	8,189,219	1,980,151
<u>\$ (81,833,748)</u>	<u>\$ (75,690,308)</u>	<u>\$ (77,246,187)</u>	<u>\$ (88,498,038)</u>	<u>\$ (59,958,290)</u>
\$ 77,135,239	\$ 77,640,223	\$ 79,587,120	\$ 82,026,887	\$ 86,865,855
8,117,505	8,204,284	7,926,918	8,052,773	8,159,679
3,252,349	2,594,066	2,362,609	3,080,490	2,911,774
5,637,807	5,410,273	5,263,956	4,913,003	4,792,911
1,195,914	1,123,440	1,908,270	2,388,660	4,679,697
<u>95,338,814</u>	<u>94,972,286</u>	<u>97,048,873</u>	<u>100,461,813</u>	<u>107,409,916</u>
115,836	90,745	60,707	73,908	60,294
105,722	(486,976)	180,635	108,169	194,033
(1,195,914)	(1,123,440)	(1,908,270)	(2,388,660)	(4,679,697)
<u>(974,356)</u>	<u>(1,519,671)</u>	<u>(1,666,928)</u>	<u>(2,206,583)</u>	<u>(4,425,370)</u>
<u>\$ 94,364,458</u>	<u>\$ 93,452,615</u>	<u>\$ 95,381,945</u>	<u>\$ 98,255,230</u>	<u>\$ 102,984,546</u>
\$ 870,581	\$ 5,362,036	\$ 7,901,869	\$ 3,774,556	\$ 45,471,475
11,660,129	12,400,271	10,233,889	5,982,636	(2,445,219)
<u>\$ 12,530,710</u>	<u>\$ 17,762,307</u>	<u>\$ 18,135,758</u>	<u>\$ 9,757,192</u>	<u>\$ 43,026,256</u>

## CITY OF MANASSAS, VIRGINIA

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

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Revenues</b>					
General property taxes	\$ 51,071,595	\$ 55,014,389	\$ 58,284,664	\$ 62,918,748	\$ 66,747,985
Other local taxes	19,029,984	21,849,580	21,237,921	19,687,511	18,355,300
Permits, fees, licenses	857,920	1,012,373	885,919	913,331	533,860
Fines and forfeitures	716,186	718,507	633,223	544,266	509,871
Use of money	1,019,451	2,384,694	2,422,607	1,349,399	544,697
Charges for services	953,107	817,715	1,230,695	1,244,643	1,208,576
Payment in lieu of debt service	5,013,427	6,247,895	6,827,645	6,287,164	5,774,990
Recovered costs	1,446,650	1,416,630	1,519,416	1,593,210	1,656,460
Miscellaneous	995,818	1,305,566	2,779,960	1,555,185	1,944,405
Intergovernmental	12,207,474	15,564,161	13,255,848	15,431,962	13,126,646
<b>Total Revenues</b>	<b>93,311,612</b>	<b>106,331,510</b>	<b>109,077,898</b>	<b>111,525,419</b>	<b>110,402,790</b>
<b>Expenditures</b>					
General government	9,674,647	7,458,300	7,775,056	8,251,309	8,282,142
Public safety	11,774,629	19,644,976	20,540,744	21,432,111	23,181,421
Public works	2,247,149	4,590,352	5,937,436	5,989,842	5,194,725
Health and welfare	7,482,705	7,791,229	8,666,345	8,594,700	8,416,209
Culture, recreation	4,658,628	7,603,100	6,142,894	5,301,265	6,010,353
Education	40,655,630	44,804,226	48,102,935	48,443,875	48,924,698
Education-School Facilities	-	8,800,000	-	-	-
<b>Non Departmental</b>					
Capital outlay	14,594,541	4,713,826	7,431,345	4,499,479	7,372,921
Debt service					
Principal	4,029,388	5,354,711	5,721,200	5,448,966	5,256,466
Interest	2,495,993	2,820,087	3,421,836	3,109,315	2,906,134
<b>Total expenditures</b>	<b>97,613,309</b>	<b>113,580,807</b>	<b>113,739,791</b>	<b>111,070,862</b>	<b>115,545,069</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (4,301,697)</b>	<b>\$ (7,249,297)</b>	<b>\$ (4,661,893)</b>	<b>\$ 454,557</b>	<b>\$ (5,142,279)</b>
<b>Other financing sources (uses)</b>					
Transfers in	5,008,320	5,682,391	4,906,749	4,282,488	5,008,434
Transfers out	(4,223,358)	(4,950,636)	(4,268,727)	(4,176,483)	(4,164,899)
Bonds issued	-	20,000,000	1,003,901	-	-
Refunded Bonds issued					
Capital lease	2,989,089	-	-	-	-
Other	1,624,388	266,172	657,000	-	-
<b>Total other financing sources (uses)</b>	<b>5,398,439</b>	<b>20,997,927</b>	<b>2,298,923</b>	<b>106,005</b>	<b>843,535</b>
<b>Net change in fund balance</b>	<b>\$ 1,096,742</b>	<b>\$ 13,748,630</b>	<b>\$ (2,362,970)</b>	<b>\$ 560,562</b>	<b>\$ (4,298,744)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>7.9%</b>	<b>7.5%</b>	<b>8.6%</b>	<b>8.0%</b>	<b>7.5%</b>

Source: City of Manassas Comprehensive Annual Financial Report

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

Table III

2010	2011	2012	2013	2014
\$ 63,697,942	\$ 62,613,605	\$ 63,518,398	\$ 64,499,818	\$ 69,152,354
14,897,257	16,045,899	16,593,452	17,516,677	17,703,001
923,525	784,597	779,823	929,999	796,896
521,655	633,285	793,663	803,283	637,403
276,216	324,979	287,212	284,224	286,872
1,144,351	1,072,428	1,097,365	1,140,610	1,221,953
5,637,807	5,410,273	5,263,956	4,913,003	4,792,911
1,973,170	1,973,170	1,887,460	1,922,080	1,951,150
1,401,785	1,350,794	2,405,303	2,563,751	2,304,867
16,921,868	20,101,400	19,707,516	16,116,127	18,019,681
107,395,576	110,310,430	112,334,148	110,689,572	116,867,088
8,087,758	8,126,487	8,175,771	8,711,499	8,668,542
23,619,295	23,838,881	25,150,135	28,109,517	28,617,782
5,312,789	4,158,164	3,954,503	4,381,295	4,787,857
7,976,335	7,458,336	7,032,635	7,034,040	7,834,030
5,735,016	6,369,224	5,661,189	5,521,613	5,109,182
47,592,844	47,123,718	48,125,649	48,014,667	51,334,432
4,308,676	8,964,479	5,460,088	5,796,525	7,355,398
5,285,032	4,827,350	5,058,445	4,911,579	4,946,984
2,721,773	2,811,252	2,403,570	2,234,419	2,131,062
110,639,518	113,677,891	111,021,985	114,715,154	120,785,269
\$ (3,243,942)	\$ (3,367,461)	\$ 1,312,163	\$ (4,025,582)	\$ (3,918,181)
10,305,313	4,315,802	8,058,273	7,439,151	8,370,750
(9,530,605)	(3,270,466)	(6,186,212)	(5,628,361)	(3,812,053)
2,200,000	3,128,162	-	-	3,992,430
-	310,441	-	-	-
-	-	-	196,568	-
67,663	-	-	-	51,518
3,042,371	4,483,939	1,872,061	2,007,358	8,602,645
\$ (201,571)	\$ 1,116,478	\$ 3,184,224	\$ (2,018,224)	\$ 4,684,464
7.5%	7.3%	7.1%	6.6%	6.2%

## CITY OF MANASSAS, VIRGINIA

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

	Fiscal Year				
	2005	2006	2007	2008	2009
General fund					
Reserved	\$ 2,817,354	\$ 3,076,613	\$ 3,301,206	\$ 4,498,123	\$ 4,135,238
Unreserved, designated	1,271,573	1,342,139	2,800,921	3,231,404	2,645,900
Unreserved, undesignated	13,443,449	14,910,285	14,052,538	11,407,179	12,194,000
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 17,532,376</u>	<u>\$ 19,329,037</u>	<u>\$ 20,154,665</u>	<u>\$ 19,136,706</u>	<u>\$ 18,975,138</u>
All other governmental funds					
Reserved	\$ 688,593	\$ 10,009,929	\$ 7,443,946	\$ 4,920,000	\$ 3,209,641
Unreserved, reported in:					
Special revenue funds	192,526	243,956	603,515	1,400,013	1,474,944
Capital projects funds	1,738,068	4,317,271	3,335,098	6,641,066	4,139,318
Nonspendable:					
Permanent fund principal					
Restricted, reported in:					
Special revenue funds					
Capital projects funds	-	-	-	-	-
Permanent fund					
Committed, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 2,619,187</u>	<u>\$ 14,571,156</u>	<u>\$ 11,382,559</u>	<u>\$ 12,961,079</u>	<u>\$ 8,823,903</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				
2010	2011	2012	2013	2014
\$ 4,867,143	\$ -	\$ -	\$ -	\$ -
2,245,748	-	-	-	-
13,891,163	-	-	-	-
-	950,239	1,450,187	410,693	395,877
-	2,999,143	2,575,633	2,982,051	2,448,897
-	7,505,941	7,033,509	5,234,941	4,978,410
-	11,878,166	12,193,722	12,136,198	12,665,075
<u>\$ 21,004,054</u>	<u>\$ 23,333,489</u>	<u>\$ 23,253,051</u>	<u>\$ 20,763,883</u>	<u>\$ 20,488,259</u>
\$ 2,882,100	\$ -	\$ -	\$ -	\$ -
1,567,040	-	-	-	-
2,144,276	-	-	-	-
	100,000	100,000	100,000	100,000
	2,608,460	3,537,436	3,286,743	4,042,312
-	4,863,154	581,134	-	2,769,038
	83,279	70,543	70,813	156,607
-	205,046	249,146	284,054	320,101
-	225,600	4,114,451	5,380,519	6,692,577
-	(2,705,080)	(7,589)	(6,064)	(4,482)
<u>\$ 6,593,416</u>	<u>\$ 5,380,459</u>	<u>\$ 8,645,121</u>	<u>\$ 9,116,065</u>	<u>\$ 14,076,153</u>

CITY OF MANASSAS, VIRGINIA

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Real property	\$ 40,602,696	\$ 43,604,988	\$ 46,144,523	\$ 51,019,031	\$ 54,249,494
Personal property	9,228,275	10,300,880	11,076,499	10,677,820	10,934,245
Other	1,240,624	1,108,520	1,063,642	1,221,897	1,564,246
Total property taxes	<u>51,071,595</u>	<u>55,014,389</u>	<u>58,284,664</u>	<u>62,918,748</u>	<u>66,747,985</u>
Sales	6,989,980	7,778,776	8,129,713	7,082,425	6,440,055
Business licenses	2,700,753	3,029,004	3,490,912	3,017,478	2,869,132
Meals	2,583,398	2,596,486	2,682,545	2,640,665	2,547,151
Communications	-	-	1,420,444	3,312,500	3,009,702
Other	6,775,853	7,779,707	5,514,307	3,634,443	3,489,260
Total other local taxes	<u>19,049,984</u>	<u>21,183,973</u>	<u>21,237,921</u>	<u>19,687,511</u>	<u>18,355,300</u>
Total tax revenues	<u><u>\$ 70,121,579</u></u>	<u><u>\$ 76,198,362</u></u>	<u><u>\$ 79,522,585</u></u>	<u><u>\$ 82,606,259</u></u>	<u><u>\$ 85,103,285</u></u>

Source: City of Manassas Comprehensive Annual Financial Report

Notes: Fiscal year 2006 is presented as restated

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



Table V

Fiscal Year				
2010	2011	2012	2013	2014
\$ 52,749,987	\$ 51,703,328	\$ 52,321,058	\$ 52,523,333	\$ 56,668,858
9,322,059	9,133,899	9,475,950	10,375,908	10,749,146
1,625,896	1,776,378	1,721,390	1,600,577	1,734,350
63,697,942	62,613,605	63,518,398	64,499,818	69,152,354
6,881,710	7,305,186	7,210,697	7,811,499	7,581,829
2,450,090	2,759,079	2,931,782	2,957,117	3,110,196
2,423,969	2,584,054	2,894,531	3,094,965	3,315,080
-	-	-	-	-
3,141,488	3,397,580	3,556,442	3,653,096	3,695,896
14,897,257	16,045,899	16,593,452	17,516,677	17,703,001
\$ 78,595,199	\$ 78,659,504	\$ 80,111,850	\$ 82,016,495	\$ 86,855,355

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

Tax Year	Real Property			Total Direct Tax Rate	Real & Personal Property Public Service	Personal Property		Total Assessed & Actual Value	Total Taxable Assessed & Actual Value
	Residential	Commercial	Tax Exempt			Tangible Personal Property	Machinery & Tools		
2005	\$ 3,022,354,500	\$ 1,228,016,800	\$ 681,487,600	\$ 1.000	\$ 76,027,798	\$ 313,024,370	\$ 238,122,175	\$ 5,559,033,243	\$ 4,877,545,643
2006	4,094,450,400	1,495,603,600	752,934,300	0.815	75,516,362	336,796,415	371,201,965	7,126,503,042	6,373,568,742
2007	4,110,384,900	1,552,164,900	864,839,600	0.855	75,911,682	331,905,885	645,106,134	7,580,313,101	6,715,473,501
2008	3,186,424,400	1,796,000,400	854,629,500	1.115	76,628,275	324,807,030	736,201,970	6,974,691,575	6,120,062,075
2009	2,046,404,000	1,712,622,700	852,224,300	1.493	74,741,392	279,309,190	787,112,580	5,752,414,162	4,900,189,862
2010	2,083,619,700	1,508,162,900	771,507,200	1.472	77,741,857	278,268,715	842,460,300	5,561,760,672	4,790,253,472
2011	2,083,619,700	1,508,162,900	771,507,200	0.736	77,741,857	287,608,935	705,817,165	5,434,457,757	4,662,950,557
2012	2,249,477,700	1,547,273,200	795,895,200	1.395	76,551,552	314,472,263	752,309,575	5,735,979,490	4,940,084,290
2013	2,328,941,100	1,583,564,200	764,169,200	1.366	72,399,245	320,210,094	759,133,720	5,828,417,559	5,064,248,359
2014	2,491,207,000	1,613,906,800	678,874,300	1.393	73,142,019	326,670,295	770,440,390	5,954,240,804	5,275,366,504

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

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

Property in the City is reassessed each year.

Tax rates are per \$100 of assessed value.

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

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

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

Real Property is assessed on January 1 preceeding the fiscal year which begins July 1, except for  
Tax Year 2011 as noted above.

## CITY OF MANASSAS, VIRGINIA

Property Tax Rates  
Last Ten Years

Tax Year	General	Fire Rescue Levy	Total Direct Real Property	Personal Property	Machinery and Tools	Aircraft
2005	\$ 1.000	\$ -	\$ 1.000	\$ 3.050	\$ 1.900	\$ 0.00001
2006	0.815	-	0.815	3.050	1.900	0.00001
2007	0.855	-	0.855	3.050	1.900	0.00001
2008	1.015	0.100	1.115	3.250	2.100	0.00001
2009	1.350	0.143	1.493	3.250	2.100	0.00001
2010	1.318	0.154	1.472	3.250	2.100	0.00001
2011	0.659	0.077	0.736	3.250	2.100	0.00001
2012	1.226	0.169	1.395	3.250	2.100	0.00001
2013	1.192	0.174	1.366	3.250	2.100	0.00001
2014	1.211	0.182	1.393	3.250	2.100	0.00001

Source: City of Manassas Commissioner of the Revenue

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

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

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

Principal Real Property Taxpayers  
Current Year and Nine Years Ago

Taxpayer	2014			2005		
	Taxable Real Property Assessed Value	Rank	Percentage of Total Taxable Real Property Assessed Value	Taxable Real Property Assessed Value	Rank	Percentage of Total Taxable Real Property Assessed Value
Lockheed Martin	\$ 96,411,000	1	2.3%	\$ 89,998,600	2	2.1%
Micron Technology	93,340,500	2	2.3%	91,408,800	1	2.2%
UDR Wellington Place	60,421,400	3	1.5%	-		
Battery Heights Associates	51,181,900	4	1.2%	37,394,800	4	0.9%
Prince William Medical Center	31,771,500	5	0.8%	20,558,400	9	0.5%
Verizon South	28,610,756	6	0.7%	39,649,192	3	0.9%
Davis Ford Crossing, LLC	26,499,800	7	0.6%	24,145,700	8	0.6%
Fairfield Village Square	25,757,900	8	0.6%	24,549,300	7	0.6%
Wellington LLC/Edens & Avant	22,846,100	9	0.6%	20,377,700	10	0.5%
Liberia Development Corp	22,681,200	10	0.6%	25,448,000	6	0.6%
AVF Wellington LLC	-			31,966,100	5	0.8%
Totals	<u>\$ 459,522,056</u>		<u>11.2%</u>	<u>\$ 405,496,592</u>		<u>9.7%</u>

Source: City of Manassas Commissioner of Revenue

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

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

\$4,250,371,300 - 2005

\$4,105,113,800 - 2014

Real Property Tax Levies  
Last Ten Years

Tax Year	Total Tax Levy for Tax Year	Fiscal Year for which Tax Levy Applies					
		2005	2006	2007	2008	2009	2010
2004	\$19,667,559	\$ 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	27,521,111	-
2009	55,553,210	-	-	-	-	27,776,605	27,776,605
2010	52,260,980	-	-	-	-	-	26,130,490
2011	26,008,807	-	-	-	-	-	-
2012	52,254,647	-	-	-	-	-	-
2013	52,668,751	-	-	-	-	-	-
2014	56,428,143	-	-	-	-	-	-
Total Levy for Fiscal Year		<u>\$ 40,747,581</u>	<u>\$ 43,813,301</u>	<u>\$46,662,457</u>	<u>\$51,439,713</u>	<u>\$ 55,297,716</u>	<u>\$ 53,907,095</u>

Table IX-a

Real Property Tax Levies and Collections  
Last Ten Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Delinquent Taxes	
		Amount	Percentage		Amount	Percentage	Amount	Percentage
			of Levy			of Levy		of Levy
2005	\$40,747,581	\$ 39,885,372	97.88%	\$ 857,579	\$ 40,742,951	99.99%	\$ 1,544,590	3.79%
2006	43,813,301	42,651,696	97.35%	1,156,183	43,807,879	99.99%	1,497,043	3.42%
2007	46,662,457	44,456,148	95.27%	2,200,019	46,656,167	99.99%	1,607,795	3.45%
2008	51,439,713	50,006,543	97.21%	1,422,885	51,429,428	99.98%	1,837,645	3.57%
2009	55,297,716	53,399,535	96.57%	1,875,131	55,274,666	99.96%	2,525,401	4.57%
2010	53,907,095	51,987,471	96.44%	1,888,628	53,876,099	99.94%	2,472,448	4.59%
2011	52,139,297	50,353,653	96.58%	1,771,274	52,124,927	99.97%	1,785,797	3.43%
2012	52,254,647	50,861,085	97.33%	1,313,289	52,174,374	99.85%	2,321,143	4.44%
2013	52,668,751	51,440,592	97.67%	1,048,442	52,489,034	99.66%	1,919,644	3.64%
2014	56,428,143	55,060,273	97.58%	-	-	-	1,460,048	2.59%

Source: City of Manassas Finance Department

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

Real Property Tax Levies  
Last Ten Years

Fiscal Year for which Tax Levy Applies				Tax Year
2011	2012	2013	2014	
\$ -	\$ -	\$ -	\$ -	2004
-	-	-	-	2005
-	-	-	-	2006
-	-	-	-	2007
-	-	-	-	2008
-	-	-	-	2009
26,130,490	-	-	-	2010
26,008,807	-	-	-	2011
-	52,254,647	-	-	2012
-	-	52,668,751	-	2013
-	-	-	56,428,143	2014
<u>\$ 52,139,297</u>	<u>\$ 52,254,647</u>	<u>\$ 52,668,751</u>	<u>\$ 56,428,143</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 ends June 30.

Beginning with the Tax Year 2012, the two payments for the tax year (December 5 and June 5) are both due in the fiscal year.

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

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

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

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

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

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

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities		Percentage of Personal Income	Per Capita
	General Obligation Bonds	State Literary Loans	Capital Leases	Notes	General Obligation Bonds	Total Primary Government		
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
2014	52,403,935	-	401,974	-	27,922,083	80,727,992	n/a	1,936

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



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
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	1.58%	1,497
2012	51,881,400	-	51,881,400	1.37%	1,328
2013	49,370,944	-	49,370,944	1.26%	1,237
2014	52,403,935	-	52,403,935	1.28%	1,257

Source: City of Manassas Comprehensive Annual Financial Report

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

Taxable Assessed and Actual Value of Real Property is found in Table VI. Calculation excludes tax exempt, public service and personal property.

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

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	Fiscal Year				
	2005	2006	2007	2008	2009
Debt limit	\$ 425,037,130	\$ 559,005,400	\$ 566,254,980	\$ 498,242,480	\$ 375,902,670
Total net debt applicable to limit	78,183,528	93,946,505	86,302,032	95,850,094	89,310,675
Legal debt margin	<u>\$ 346,853,602</u>	<u>\$ 465,058,895</u>	<u>\$ 479,952,948</u>	<u>\$ 402,392,386</u>	<u>\$ 286,591,995</u>
Total net debt applicable to limit as a percent of debt limit	18.39%	16.81%	15.24%	19.24%	23.76%

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.

The calculation excludes public service and tax exempt property.

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

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

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

For the transition, tax year 2011 is a six month tax year and the 2010 real property assessments were used for tax billings at one-half of the 2010 tax rate; therefore, the debt limit is the same in 2010 and 2011.

Table XII

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2010	2011	2012	2013	2014
\$ 359,178,260	\$ 359,178,260	\$ 379,675,090	\$ 391,250,530	\$ 410,511,380
87,828,537	87,228,303	80,142,378	75,999,685	80,326,018
<u>\$ 271,349,723</u>	<u>\$ 271,949,957</u>	<u>\$ 299,532,712</u>	<u>\$ 315,250,845</u>	<u>\$ 330,185,362</u>
24.45%	24.29%	21.11%	19.42%	19.57%

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Legal Debt Margin Calculation for Fiscal Year 2014

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Real property assessed value January 1, 2013, used for FY2014 (7/1/2013 - 6/30/2014)	\$ 4,783,988,100
Less exempt real property assessed value	(678,874,300)
Total taxable real property assessed value	<u>4,105,113,800</u>
Debt limit (10% of taxable real property assessed value)	410,511,380
Total net debt applicable to limit June 30, 2014	80,326,018
Legal debt margin	<u>\$ 330,185,362</u>

Demographic and Economic Statistics  
Last Ten Fiscal Years

Year	Population (1)	Personal Income (2)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2005	37,000	\$ 909,335,859	\$ 24,577	6,736	2.8%
2006	38,066	922,641,965	24,238	6,525	2.6%
2007	38,066	904,067,097	23,750	6,439	2.9%
2008	36,666	918,629,568	25,054	6,152	4.2%
2009	35,883	n/a	n/a	6,610	7.4%
2010	35,648	n/a	n/a	6,500	7.7%
2011	37,821	n/a	n/a	7,104	6.7%
2012	39,060	n/a	n/a	7,014	6.3%
2013	39,902	n/a	n/a	7,109	4.6%
2014 <sup>(b)</sup>	41,705	n/a	n/a	7,242	4.8%

Source: (1) City of Manassas Community Development Department  
 (2) State of Virginia, Department of Taxation  
 (3) Manassas City Public Schools  
 (4) Virginia Employment Commission, Labor Market Information  
 (5) As of June, 2014

Note: n/a = not available

Principal Employers  
Current Year and Seven Years Ago

Employer	2013			2006		
	Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
Micron Technology	1,750	1	7.7%	1,186	3	6.0%
Prince William Medical Center	1,202	2	5.3%	1,400	2	7.0%
Lockheed Martin	1,050	3	4.6%	1,500	1	7.5%
Manassas City Public Schools (FTE)	1,025	4	4.5%	919	4	4.6%
City of Manassas (FTE)	469	5	2.1%	468	5	2.4%
American Disposal Service	375	6	1.7%			
BAE Systems	300	7	1.3%	350	6	1.8%
Aurora Flight Sciences	164	8	0.7%	200	10	1.0%
Battlefield Ford	117	9	0.5%			
CGI (Oberon Assoc)	103	10	0.5%	275	7	1.4%
S.W.I.F.T.				275	8	1.4%
Colgan Air				250	9	1.3%
Totals	<u>6,555</u>		<u>28.9%</u>	<u>6,823</u>		<u>34.4%</u>

Source: City of Manassas Finance Department

Notes: Calendar year 2013 is the most current year available

Information for 2004 (nine years prior) is not available

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

FTE - full time equivalents

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

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
City Clerk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
City Manager	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	8.00	8.00
Voter Registration	2.50	2.55	2.55	2.55	2.55	2.55	2.05	2.05	2.05	2.05
Treasurer	8.00	8.00	8.00	8.00	7.00	7.00	6.00	6.00	6.00	7.00
Commissioner of the Revenue	13.00	13.00	13.00	13.00	12.00	12.00	11.00	11.00	11.00	11.00
Finance and Administration	15.00	15.00	15.00	15.00	30.00	30.00	30.05	30.55	27.05	27.30
Human Resources	8.00	8.00	8.00	8.00	-	-	-	-	-	-
Public Safety										
Police	115.50	117.50	118.50	124.75	122.75	122.75	120.75	127.00	127.00	127.25
Fire	8.00	8.00	8.00	-	-	-	-	-	-	-
Rescue	13.00	15.00	17.00	-	-	-	-	-	-	-
Fire and Rescue	-	-	-	34.00	46.00	46.00	46.00	59.00	60.00	60.00
Public Works	72.00	74.00	77.00	74.00	61.00	52.00	48.50	49.50	49.50	50.50
Culture, Recreation, Development										
Recreation and parks	30.15	24.90	24.90	22.40	-	-	-	-	-	-
Museum System	9.50	10.50	10.50	9.50	8.50	8.50	4.50	5.50	6.50	6.50
Community Development	7.00	7.00	7.00	10.00	28.25	28.25	26.25	28.25	27.25	27.25
Economic Development	-	-	-	-	-	-	-	-	-	2.50
Health and Human Services										
Family Services	34.85	35.10	35.23	35.99	36.49	36.49	37.11	36.11	37.48	37.48
Utilities										
Sewer	15.00	15.00	14.00	14.00	13.00	13.00	11.00	11.00	11.00	11.00
Water	29.00	31.00	30.00	29.00	28.00	28.00	27.50	27.50	27.50	27.50
Electric	57.00	57.00	57.00	56.00	56.00	56.00	54.00	54.00	54.00	54.00
Airport	5.00	5.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00
Solid Waste	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Vehicle Maintenance	9.00	9.00	9.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Information Technology	10.00	10.00	10.00	10.00	-	-	-	-	-	-
Total primary government	<u>467.50</u>	<u>471.55</u>	<u>476.68</u>	<u>486.19</u>	<u>472.54</u>	<u>463.54</u>	<u>445.71</u>	<u>468.46</u>	<u>473.33</u>	<u>478.33</u>

Source: City of Manassas Annual Operating Budget

**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Government</b>										
Business licenses issued	3,232	3,300	3,400	3,500	3,600	3,150	2,700	2,600	2,600	2,600
Property returns processed	31,937	32,700	33,300	34,500	33,500	32,000	31,500	31,500	32,500	35,000
<b>Public Safety</b>										
Traffic citations	7,216	7,700	8,162	8,000	8,000	6,000	5,500	5,500	6,750	8,500
Criminal arrests	2,675	2,890	3,063	3,063	3,200	3,200	3,000	2,500	2,500	2,775
Police calls for service	62,017	66,500	66,000	66,000	67,000	67,000	65,000	60,000	60,000	61,000
<b>Public Works</b>										
Site plans reviewed	55	53	50	45	35	45	20	20	30	40
Building permits issued	724	669	780	665	650	465	400	400	450	500
Fire inspections	434	500	500	800	800	800	1,200	1,400	1,200	1,000
Acres mowed	353	353	357	361	361	361	361	365	365	365
<b>Culture, Recreation, Development</b>										
Pool admissions	9,300	9,500	9,800	8,200	n/a	n/a	n/a	n/a	n/a	n/a
Museum facility visitors	84,630	83,000	84,000	84,000	n/a	n/a	n/a	n/a	n/a	n/a
Zoning complaints	143	300	300	200	n/a	n/a	n/a	n/a	n/a	n/a
Existing businesses assisted	101	70	70	100	100	50	30	15	15	8
<b>Health and Human Services</b>										
Family services										
Customers served	34,500	35,000	35,000	36,500	43,500	60,000	78,000	75,000	90,300	96,100
Section 8 vouchers used	225	225	225	280	275	306	302	327	306	306
<b>Sewer Utility</b>										
Wastewater processed (1)	1.6	1.9	2.2	2.1	2.2	2.2	2.2	2.2	2.31	2.48
<b>Water Utility</b>										
Drinking water produced (1)	3.9	4.2	4.4	3.5	4.4	4.6	4.5	4.5	4.61	4.70
<b>Electric Utility</b>										
Load management savings	\$6.0 M	\$6.0 M	\$7.5 M	\$8.1M	\$7.6M	\$7.3M	\$1.5M	\$648K	\$702K	\$731K
<b>Airport</b>										
Total operations (2)	124,851	132,000	132,000	130,000	115,000	115,073	92,394	86,337	83,180	79,616
Based aircraft	402	415	415	435	402	405	402	406	423	418
<b>Information Technology</b>										
Devices supported	644	651	658	610	1,324	1,289	1,320	1,325	1,325	1,340
Visitors to city website	255,430	289,000	290,000	300,000	450,000	475,000	990,000	500,000	1,000,000	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

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Government</b>										
City Hall	1	1	1	1	1	1	1	1	1	1
Town Hall	1	1	1	1	1	1	1	1	1	1
Parking lots (in spaces)	652	652	652	652	652	827	827	827	827	827
Vehicles in fleet	413	418	450	427	436	440	441	452	447	446
<b>Public Safety</b>										
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
<b>Public Works</b>										
Streets (miles)	241	241	241	253	253	243	243	244	244	244
Street lights	2,853	2,853	2,772	2,790	2,918	2,918	2,952	2,979	2,979	3,062
Traffic signals	49	51	53	55	53	55	60	58	61	61
<b>Culture, Recreation, Development</b>										
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
<b>Sewer Utility</b>										
Sewer main (miles)	112	112	125	125	125	125	125	125	115	115
Storm sewers (miles)	90	92	94	94	72	72	72	72	72	72
Treatment capacity (1)	8	8	8	9	9	9	9	9	9	9
<b>Water Utility</b>										
Water connections	10,871	10,884	10,862	10,506	10,647	10,763	10,911	10,918	10,997	11,104
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
<b>Electric Utility</b>										
Distribution stations	6	6	6	6	6	6	6	6	6	6
Peaking generators	17	17	19	19	19	19	19	19	19	20
Electric capacity (2)	37	37	41	41	41	41	41	41	41	40
<b>Airport</b>										
Airport acreage	885	885	885	899	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 and Public Works Department

Notes: (1) Millions of gallons per day

(2) Megawatts



# 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 unit, each major fund, and the aggregate remaining fund information of City of Manassas, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Manassas, Virginia's basic financial statements and have issued our report thereon dated December 15, 2014.

### 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2014-001).

## 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*.

## City of Manassas, Virginia's Response to Findings

City of Manassas, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Manassas, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia  
December 15, 2014

# 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, 2014. 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, 2014.

## 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 15, 2014, except for the Schedule of Findings and Questioned Costs, as described in the Notes to the Schedule of Expenditures of Federal Awards, as to which the date is September 23, 2015

## CITY OF MANASSAS, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the year ended June 30, 2014

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	\$ 580,077
National School Lunch Program - Food Donations	10.555	00-571	207,956
National School Lunch Program	10.555	10555-301-10	1,757,625 <u>1,965,581</u>
Summer Food Service Program for Children	10.559	10559-301-10	64,763
Total Child Nutrition Cluster:			<u>2,610,421</u>
Pass through payments: Virginia Department of Social Services			
State Administrative Matching Grants for Supplemental Nutritional Assistance Program	10.561	10561-765-10	386,758
Total Department of Agriculture			<u>2,997,179</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	165,718
Total Department of Housing and Urban Development			<u>165,718</u>
Department of Education:			
Pass through payments: Virginia Department of Education			
Title I Grants to Local Educational Agencies	84.010	84010-197-10	925,075
Special Education Cluster (IDEA):			
Special Education: Grants to States	84.027	84027-197-10	1,212,395
Special Education: Preschool Grants	84.173	84173-197-10	29,559 <u>1,241,954</u>
Career and Technical Education: Basic Grants to States	84.048	84048-197-10	102,843
English Language Acquisition State Grants	84.365	84365-197-10	299,001
Improving Teacher Quality State Grants	84.367	84367-197-10	287,795
Total Department of Education			<u>2,856,668</u>

## CITY OF MANASSAS, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the year ended June 30, 2014

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	20,771
Temporary Assistance for Needy Families	93.558	93558-765-10	248,594
Refugee and Entrant Assistance: State Administered Programs	93.566	93566-765-10	6,816
Low-Income Home Energy Assistance	93.568	93568-765-10	20,191
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	93596-765-10	38,772
Chafee Education and Training Vouchers Program (ETV)	93.599	93599-765-10	717
Stephanie Tubbs Jones Child Welfare Services Program	93.645	93645-765-10	1,789
Foster Care: Title IV-E	93.658	93658-765-10	251,538
Adoption Assistance	93.659	93659-765-10	53,268
Social Services Block Grant	93.667	93667-765-10	227,201
Chafee Foster Care Independence Program	93.674	93674-765-10	1,908
Children's Health Insurance Program	93.767	93767-765-10	11,624
Medical Assistance Program	93.778	93778-765-10	342,139
Total Department of Health and Human Services			1,225,328
Department of Homeland Security:			
Direct payments:			
Assistance to Firefighters Grant	97.044	N/A	153,846
Pass through payments: Department of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	97036-127-10	26,704
Emergency Management Performance Grants	97.042	97042-127-10	7,499
Non-Profit Security Program	97.008	97008-127-10	9,385
Emergency Food and Shelter National Board Program	97.024	97021-127-10	3,340
Homeland Security Grant Program	97.067	12UASI596	59,881
Homeland Security Grant Program	97.067	13UASI596	26,892
			86,773
Total Department of Homeland Security			287,547
Department of Justice:			
Direct payments:			
State Criminal Alien Assistance Program	16.606	N/A	83,033
Bulletproof Vest Partnership Program	16.607	N/A	6,188
Edward Byrne Memorial Justice Assistance Program	16.738	N/A	21,177
Pass through payments: Virginia Department of State Police			
Missing Children's Assistance	16.543	16543-156-10	35,279
Total Department of Justice			145,677

## CITY OF MANASSAS, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the year ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Catalogue	Pass-through Entity Identifying Number	Total Federal Expenditures
Department of Transportation:			
Federal Aviation Administration:			
Direct payments:			
Airport Improvement Program	20.106	N/A	1,868,582
Pass through payments: Virginia Department of Motor Vehicles			
State and Community Highway Safety	20.600	4369	14,774
Pass through payments: Virginia Department of Transportation			
Highway Planning and Construction	20.205	82843/102675/ 96719/96721	506,395
Total Department of Transportation			2,389,751
Total Expenditures of Federal Awards			\$ 10,067,868

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, 2014

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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, 2014. 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 Manassas, Virginia.

Note 2 - Summary of Significant Accounting Policies

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.

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	\$ 10,067,868
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), tower rentals at the airport, and interest subsidy).	<u>104,012</u>
Revenue from Federal Government	<u>\$ 10,171,880</u>

Note 5 - Federal Oversight Agency

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

Note 6 - Explanation of Reissued Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs

The previously issued schedule of expenditures of federal awards and schedule of findings and questioned costs were reissued to include federal program CFDA 20.205, Highway Planning and Construction as expenditures of federal awards as a major program.



CITY OF MANASSAS, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014

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Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
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
10.553/10.555/10.559	Child Nutrition Cluster
10.561	State Administrative Matching Grants for Supplemental Nutritional Assistance Program
20.106	Airport Improvement Program
93.778	Medical Assistance Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs	\$302,036
Auditee qualified as low-risk auditee?	Yes

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014 (continued)

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Section II - Financial Statement Findings

2014-001 - Donated Capital Assets:

Criteria:

Accounting principles generally accepted in the United States of America (GAAP) require the City to record capital assets donated to the City at estimated fair market value in the period in which they were received.

Condition:

The City at times receives donated capital assets including but not limited to infrastructure assets. The City had not recorded certain assets donated to the City by developers and the Virginia Department of Transportation in prior fiscal years.

Cause and Context of Condition:

The City has internal control processes set up to capture and record donated assets; however, these controls were not operating effectively causing certain donated assets to not be identified and recorded in prior fiscal years. During the current fiscal year City staff identified the need to record such assets.

Effect of Condition:

The recording of certain capital assets donated to the City in prior fiscal years caused a restatement of beginning net position for the year ended June 30, 2014 (reference Note 18 in the Notes to the Financial Statements).

Recommendation:

We recommend City management continue to develop and refine controls related to the recording of donated capital assets. Communication between departments throughout the City is integral in ensuring that nonfinancial transactions such as contributions of capital assets are properly captured and recorded in the City's financial statements.

Management's Response:

The City will work with the other departments to develop and refine procedures to ensure proper controls are in place related to the recording of donated capital assets and that contributions of capital assets are properly captured and recorded in the City's financial statements.

Section III - Federal Award Findings and Questioned Costs

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

CITY OF MANASSAS, VIRGINIA

Summary Schedule of Prior Year Findings  
Year Ended June 30, 2014

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

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# **CITY OF MANASSAS**

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