

# **City of Manassas, Virginia Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016**



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**CITY OF MANASSAS, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016**



**PREPARED BY:**  
**CITY OF MANASSAS, VIRGINIA**  
**FINANCE DEPARTMENT**

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**CITY OF MANASSAS, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**CITY OF MANASSAS, VIRGINIA**

**CITY COUNCIL**

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

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

Sheryl L. Bass  
Ian T. Lovejoy

**CITY MANAGER**

William Patrick Pate

**MANASSAS CITY PUBLIC SCHOOLS  
SCHOOL BOARD**

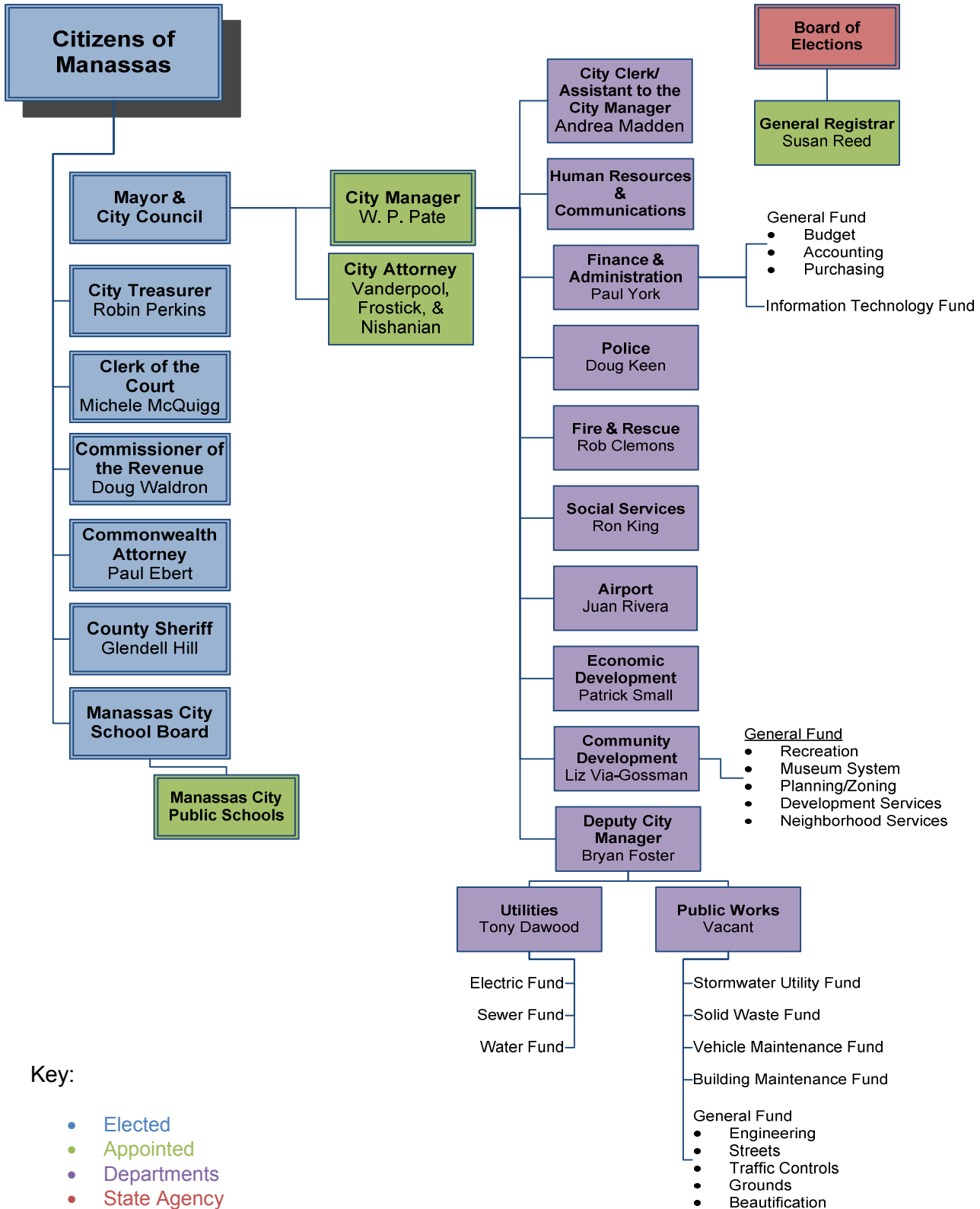
Tim Demeria, Chair  
Scott M. Albrecht, Vice Chair  
Arthur P. Bushnell  
Kristen Kiefer  
Ellen Purdy  
Pamela J. Sebesky  
Sanford S. Williams

**SUPERINTENDENT OF SCHOOLS**

Dr. Catherine B. Magouyrk

# CITY OF MANASSAS, VIRGINIA

## ORGANIZATIONAL CHART





# CITY OF MANASSAS, VIRGINIA

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

MAYOR  
Harry J. Parrish II

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

CITY MANAGER  
W. Patrick Pate

November 29, 2016

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, 2016 is hereby submitted. The Code of the Commonwealth of Virginia requires that all local governments shall be audited annually with a report to the governing body by December 31. This report is published to fulfill that requirement.

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

The City's financial statements have been audited by Brown, Edwards & Company LLP, a firm of licensed certified public accountants. The independent auditor has issued an unmodified ("clean") opinion on the City's financial statements for the fiscal year ended June 30, 2016. 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 41,764 residents located in Northern Virginia within the Washington, D. C. Metropolitan Statistical Area. Surrounded by Prince William County, the City is thirty miles southwest of the nation's capital and encompasses a land area of ten square miles. The City is predominately residential in character and is an educational and government center with associated industrial, commercial and service activities. The Town of Manassas received its charter in 1873 and operated as a town in Prince William County until May 1, 1975, when it became an independent City of the Commonwealth of Virginia.

## **Governmental Organization**

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

The seven City School Board members are also elected at-large for staggered four-year terms. The City Council must, to the extent required by applicable law and is otherwise appropriate, appropriate all funds of the School Board and issue debt to finance school capital projects. The Auditor of Public Accounts for the Commonwealth of Virginia has determined that School Board financial statements must be displayed as discretely presented component units in the comprehensive annual financial reports of the primary governments in the Commonwealth which have responsibility for school systems. The Manassas City School Board does not issue its own financial statements. There are no other entities in the report.

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

The City provides the full range of municipal services including public safety (police, fire, and rescue), highway and streets, health and social services, public improvements, planning and zoning, recreation and cultural services, and general administrative services. The City also operates nine proprietary functions: the electric, water, sewer and stormwater utilities, solid waste collection, a regional airport, a pavilion, a performing arts center, and parking garage. During 2016 the funds for the pavilion, performing arts center and parking garage were closed.

The City Council and the School Board adopted a joint resolution in February of 2009 committing to budget planning and revenue sharing. Prior to fiscal year 2016, the City transferred 58.5% of its general tax revenues to the Schools annually. In October 2015, a new joint budget agreement was adopted to provide a predictable local revenue source to support education in the City, using the fiscal year 2016 budgeted transfer amount of \$52,808,380 as the base, with 2.625% annual increases through fiscal year 2019. Prior to the fiscal year 2019 budget preparation, a joint committee will be appointed to consider future funding options.



## **Governmental Organization (Continued)**

The annual operating budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit their recommended budgets to the City Manager in 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. The MCPS budget is appropriated and controlled at the total budget level. The City's appropriated budget is legally controlled at the fund level. City Council must approve all transfers between funds. Department directors may make transfers of appropriations within a department and the City Manager may transfer between departments within a fund.

## **Local economy and long-term financial planning**

In 2016, the City continued to show positive signs of recovery from the recent recession. The taxable real estate assessed values for the 2016 tax year (values as of January 1, 2015) increased 4.26% while the average residential assessment increased 5.08% and the average commercial assessment increased 2.74%. The 2016 residential/ commercial assessment ratio is 63.2 / 36.8, a small change from the 2015 ratio of 62.7 / 37.3. Combined general property tax revenues among all classes of properties increased 4.7% in fiscal year 2016. Other tax revenues continue the growth that began in fiscal year 2011. The 2016, meals tax revenues grew 9.5%, sales taxes increased 6.6% and all other local taxes increased 3.6% for the fiscal year. The City's unemployment rate decreased to 3.4% in 2016, well below the national rate of 5.1% and from a high of 7.7% in 2010 during the recession.

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

In August 2015, the City Council adopted new comprehensive financial policies that will ensure City assets and resources are prudently safeguarded and properly accounted for, to manage City finances wisely and to plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities. The City also established a policy to maintain an unassigned general fund balance of between 13% and 15% of operating revenues. At the end of the fiscal year, the unassigned general fund balance was \$15,842,498 which is within the policy guidelines.

## **Awards and acknowledgements**

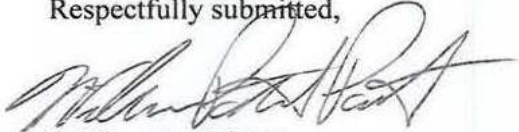
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Manassas for its CAFR for the fiscal year ended June 30, 2015. This was the thirty-third consecutive year that the City has achieved 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, 2016. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,



William Patrick Pate  
City Manager



Paul E. York  
Finance & Administration Director



Government Finance Officers Association

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

Presented to

**City of Manassas  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is fluid and cursive.

Executive Director/CEO

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manassas, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance and should be considered in assessing the results of our audit.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 29, 2016



## CITY OF MANASSAS, VIRGINIA

### Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2016

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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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii-vi of this report. Throughout this section, information is presented about the City, the primary government. We have also included information about the "Total Reporting Unit", which is the total of the City and its 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, 2016 by \$328,809,571 (net position). The Total Reporting Unit's net position invested in capital assets is \$353,220,439 and \$12,724,947 is restricted in its use. The remaining net position, (\$37,135,815) is unrestricted. The deficit in unrestricted balance is primarily due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions in 2015, which resulted in an \$116,874,873 net pension liability for the Total Reporting Unit.
- The assets and deferred outflows of resources for the City exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$328,576,995 (net position). The City's net position invested in capital assets is \$328,628,106, with \$1,491,629 restricted in its use, and the remaining balance of (\$1,542,740) is unrestricted. The deficit in unrestricted net position of the Governmental Activities (\$44,183,664) is the result of the implementation of GASB 68 and bonds issued by the City for MCPS. This debt is reflected as a liability of the City; however, the schools built with the bond proceeds are the assets of MCPS. At year-end, the City has \$60,131,200 of debt outstanding relating to MCPS.
- The unassigned fund balance for the City's general fund at June 30, 2016 was \$15,842,498. This amount is 15% of total general fund operating revenues of \$105,595,719 for fiscal year 2016. The City Council established a new policy in August 2015 to maintain the general fund unassigned fund balance at 13% to 15% of general fund revenues, excluding other financing sources. General fund unassigned fund balance as a percent of general fund revenues is in accordance with the City's Unassigned Fund Balance Policy.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Statements

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



## CITY OF MANASSAS, VIRGINIA

### Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2016

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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 four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Additionally, to assess the overall financial health of the City one must also consider non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

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

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

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

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

##### Fund Financial Statements

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

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

**CITY OF MANASSAS, VIRGINIA**

**Management's Discussion and Analysis  
(UNAUDITED)  
For The Year Ended June 30, 2016**

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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 eighteen 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 seventeen 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 and rescue, Speiden Carper house, and Manassas Landing funds.

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

***Proprietary Funds*** - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water and sewer utilities, solid waste collection, stormwater, regional airport, city pavilion, parking garage 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 maintaining its fleet of vehicles, building and grounds maintenance, and its information technology systems. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

## CITY OF MANASSAS, VIRGINIA

### Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2016

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

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-76 of this report.

**Other Information** - In addition to the basic financial statements, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Schedules of funding progress for the City's defined benefit pension and OPEB plans are provided on pages 77-83 of this report. The combining statements referred to earlier in connection with non-major governmental and enterprise funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 84-101 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 102-111 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 \$15,138,457 in fiscal year 2016 (from the restated beginning net position of \$179,105,220 to \$194,243,677). The increase is primarily due to a \$6,058,906 decrease in long-term debt as a result debt maturities during the year and an increase in cash and investment balances of \$5,948,029. There was also an increase in transfers-in of \$4,975,805 from adding in internal service fund items, but also accounting for transfers of capital assets between the funds. There was also an increase in capital grants of \$1,177,516, largely for transportation improvement projects and an increase in payments from MCPS of \$2,340,524 for debt service for the new Baldwin school project.

The net position of the business-type activities increased \$412,056 in fiscal year 2016 (from the restated beginning net position of \$133,921,262 to \$134,333,318). Program revenues for the electric, water, sewer and stormwater utilities, and airport exceeded expenses by \$5,766,121 and the business activities transferred \$5,469,380 to the governmental activities which are largely the result of the loss on disposal of the enterprise funds capital assets that were closed during the year. In the government wide statements these losses or capital contributions are reclassified as transfers.

The net position of MCPS has decreased \$1,338,641 in fiscal year 2016 (from the restated beginning net position of \$1,571,217 to \$232,576). This change was primarily due to an increase in net pension liability of \$5,447,794.

**CITY OF MANASSAS, VIRGINIA**

**Management's Discussion and Analysis  
(UNAUDITED)  
For The Year Ended June 30, 2016**

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

The following tables summarize the Statement of Net Position for the reporting unit as of June 30, 2016.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>FY 2016</b>	<b>FY 2015 (Restated)</b>	<b>FY 2016</b>	<b>FY 2015 (Restated)</b>	<b>FY 2016</b>	<b>FY 2015 (Restated)</b>
Current assets	\$ 56,364,686	\$ 49,600,572	\$ 60,237,483	\$ 63,896,195	\$ 116,602,169	\$ 113,496,767
Capital assets	253,593,630	253,414,158	115,411,678	115,851,089	369,005,308	369,265,247
Total assets	<u>\$ 309,958,316</u>	<u>\$ 303,014,730</u>	<u>\$ 175,649,161</u>	<u>\$ 179,747,284</u>	<u>\$ 485,607,477</u>	<u>\$ 482,762,014</u>
Deferred outflows of resources	\$ 4,684,775	\$ 4,851,811	\$ 1,969,963	\$ 2,011,043	\$ 6,654,738	\$ 6,862,854
Current liabilities	\$ 8,951,100	\$ 9,390,393	\$ 7,413,461	\$ 9,343,170	\$ 16,364,561	\$ 18,733,563
Long-term liabilities	106,526,368	114,604,066	34,408,423	37,076,757	140,934,791	151,680,823
Total liabilities	<u>\$ 115,477,468</u>	<u>\$ 123,994,459</u>	<u>\$ 41,821,884</u>	<u>\$ 46,419,927</u>	<u>\$ 157,299,352</u>	<u>\$ 170,414,386</u>
Deferred inflows of resources	\$ 4,921,946	\$ 4,766,862	\$ 1,463,922	\$ 1,417,138	\$ 6,385,868	\$ 6,184,000
Net position:						
Net Investment						
in capital assets	\$ 238,106,151	\$ 237,659,136	\$ 90,521,955	\$ 91,017,431	\$ 328,628,106	\$ 328,676,567
Restricted	321,190	961,775	1,170,439	1,116,832	1,491,629	2,078,607
Unrestricted (deficit)	(44,183,664)	(59,515,691)	42,640,924	41,786,999	(1,542,740)	(17,728,692)
Total net position	<u>\$ 194,243,677</u>	<u>\$ 179,105,220</u>	<u>\$ 134,333,318</u>	<u>\$ 133,921,262</u>	<u>\$ 328,576,995</u>	<u>\$ 313,026,482</u>

**CITY OF MANASSAS, VIRGINIA**

**Management's Discussion and Analysis  
(UNAUDITED)  
For The Year Ended June 30, 2016**

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

	MCPS		Total Reporting Unit	
	FY 2016	FY 2015	FY 2016	FY 2015
		Restated		Restated
Current assets	\$ 34,652,041	\$ 61,666,445	\$ 151,254,210	\$ 175,163,212
Capital assets	74,712,929	51,198,837	443,718,237	420,464,084
Total assets	\$ 109,364,970	\$ 112,865,282	\$ 594,972,447	\$ 595,627,296
Deferred outflows of resources	\$ 11,980,685	\$ 11,405,000	\$ 18,635,423	\$ 18,267,854
Current liabilities	\$ 17,051,418	\$ 17,287,026	\$ 33,415,979	\$ 36,020,589
Long-term liabilities	96,823,302	91,678,039	237,758,093	243,358,862
Total liabilities	\$ 113,874,720	\$ 108,965,065	\$ 271,174,072	\$ 279,379,451
Deferred inflows of resources	\$ 7,238,359	\$ 13,734,000	\$ 13,624,227	\$ 19,918,000
Net position:				
Net Investment				
in capital assets	\$ 74,381,016	\$ 50,714,094	\$ 353,220,439	\$ 347,183,884
Restricted	11,233,318	35,840,374	12,724,947	37,918,981
Unrestricted (deficit)	(85,381,758)	(84,983,251)	(37,135,815)	(70,505,166)
Total net position	\$ 232,576	\$ 1,571,217	\$ 328,809,571	\$ 314,597,699

The sum of net investment in capital assets of the primary government and the component unit does not equal net investment in capital assets of the total reporting unit, because the debt related to the component unit is reflected in the primary government's general governmental activities reducing unrestricted net position. The assets are reflected in the component unit as net investment in capital assets. The total reporting unit matches the assets with the debt and reports the net amount of the net investment in capital assets. The total adjustment was \$49,788,683 in FY 2016 and \$32,206,777 in FY 2015

**CITY OF MANASSAS, VIRGINIA**

**Management's Discussion and Analysis  
(UNAUDITED)  
For The Year Ended June 30, 2016**

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

The following tables summarize the changes in net position for the reporting unit for the year ended June 30, 2016.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>FY 2016</b>	<b>FY 2015 (Restated)</b>	<b>FY 2016</b>	<b>FY 2015 (Restated)</b>	<b>FY 2016</b>	<b>FY 2015 (Restated)</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,494,676	\$ 4,122,272	\$ 71,961,174	\$ 79,024,811	\$ 75,455,850	\$ 83,147,083
Operating grants, contributions	7,619,603	7,659,004	126,842	61,649	7,746,445	7,720,653
Capital grants, contributions	3,516,026	2,338,510	2,591,237	6,730,158	6,107,263	9,068,668
General Revenues:						
Property Taxes	76,912,413	73,404,921	-	-	76,912,413	73,404,921
Other Taxes	19,191,954	18,249,638	-	-	19,191,954	18,249,638
Unrestricted grants	8,104,957	8,090,939	-	-	8,104,957	8,090,939
City appropriation to MCPS	-	-	-	-	-	-
Other	11,040,714	7,738,651	115,315	2,007,382	11,156,029	9,746,033
Total revenues	\$ 129,880,343	\$ 121,603,935	\$ 74,794,568	\$ 87,824,000	\$ 204,674,911	\$ 209,427,935
<b>Expenses:</b>						
General government	\$ 9,416,657	\$ 9,713,211	\$ -	\$ -	\$ 9,416,657	\$ 9,713,211
Public safety	29,590,090	29,046,682	-	-	29,590,090	29,046,682
Public works	10,271,259	10,021,004	-	-	10,271,259	10,021,004
Health and welfare	7,803,369	8,226,526	-	-	7,803,369	8,226,526
Culture, rec, development	6,674,897	5,922,737	-	-	6,674,897	5,922,737
Interest on long-term debt	2,895,236	2,652,212	-	-	2,895,236	2,652,212
Bond issuance costs	-	456,903	-	-	-	456,903
Electric	-	-	39,930,487	49,418,170	39,930,487	49,418,170
Water	-	-	7,963,709	6,530,807	7,963,709	6,530,807
Sewer	-	-	13,041,741	12,833,037	13,041,741	12,833,037
Airport	-	-	4,014,417	4,172,683	4,014,417	4,172,683
Solid Waste	-	-	3,346,175	3,400,730	3,346,175	3,400,730
City Square Pavilion	-	-	-	302,350	-	302,350
Candy Factory	-	-	-	198,763	-	198,763
Parking Garage	-	-	-	42,383	-	42,383
Stormwater	-	-	616,603	348,923	616,603	348,923
Education	53,559,758	90,297,919	-	-	53,559,758	90,297,919
Total expenses	\$ 120,211,266	\$ 156,337,194	\$ 68,913,132	\$ 77,247,846	\$ 189,124,398	\$ 233,585,040
Increase (decrease) in net position before transfers	\$ 9,669,077	\$ (34,733,259)	\$ 5,881,436	\$ 10,576,154	\$ 15,550,513	\$ (24,157,105)
Transfers	5,469,380	493,575	(5,469,380)	(493,575)	-	-
Change in net position	\$ 15,138,457	\$ (34,239,684)	\$ 412,056	\$ 10,082,579	\$ 15,550,513	\$ (24,157,105)
Net position beginning, as restated	179,105,220	213,344,904	133,921,262	123,838,683	313,026,482	337,183,587
Net position ending	\$ 194,243,677	\$ 179,105,220	\$ 134,333,318	\$ 133,921,262	\$ 328,576,995	\$ 313,026,482

**CITY OF MANASSAS, VIRGINIA**

**Management's Discussion and Analysis  
(UNAUDITED)  
For The Year Ended June 30, 2016**

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

	<b>MCPS</b>		<b>Total Reporting Unit</b>	
	<b>FY 2016</b>	<b>FY 2015 (Restated)</b>	<b>FY 2016</b>	<b>FY 2015 (Restated)</b>
Program revenues:				
Charges for services	\$ 1,349,713	\$ 1,422,051	\$ 76,805,563	\$ 84,569,134
Operating grants, contributions	52,692,721	51,497,122	60,439,166	59,217,775
Capital grants, contributions	-	-	6,107,263	9,068,668
General Revenues:				
Property Taxes	-	-	76,912,413	73,404,921
Other Taxes	-	-	19,191,954	18,249,638
Unrestricted grants	-	-	8,104,957	8,090,939
City appropriation to MCPS	53,559,758	90,297,919	53,559,758	90,297,919
Other	110,031	41,719	11,266,060	9,787,752
Total revenues	<u>\$ 107,712,223</u>	<u>\$ 143,258,811</u>	<u>\$ 312,387,134</u>	<u>\$ 352,686,746</u>
Expenses:				
General government	\$ -	\$ -	\$ 9,416,657	\$ 9,713,211
Public safety	-	-	29,590,090	29,046,682
Public works	-	-	10,271,259	10,021,004
Health and welfare	-	-	7,803,369	8,226,526
Culture, rec, development	-	-	6,674,897	5,922,737
Interest on long-term debt	-	-	2,895,236	2,652,212
Bond issuance costs	-	-	-	456,903
Electric	-	-	39,930,487	49,418,170
Water	-	-	7,963,709	6,530,807
Sewer	-	-	13,041,741	12,833,037
Airport	-	-	4,014,417	4,172,683
Solid Waste	-	-	3,346,175	3,400,730
City Square Pavilion	-	-	-	302,350
Candy Factory	-	-	-	198,763
Parking Garage	-	-	-	42,383
Stormwater	-	-	616,603	348,923
Education	109,050,864	107,377,192	162,610,622	197,675,111
Total expenses	<u>\$ 109,050,864</u>	<u>\$ 107,377,192</u>	<u>\$ 298,175,262</u>	<u>\$ 340,962,232</u>
Increase (decrease) in net position before transfers	\$ (1,338,641)	\$ 35,881,619	\$ 14,211,872	\$ 11,724,514
Transfers	-	-	-	-
Change in net position	<u>\$ (1,338,641)</u>	<u>\$ 35,881,619</u>	<u>\$ 14,211,872</u>	<u>\$ 11,724,514</u>
Net position beginning, as restated	<u>1,571,217</u>	<u>(34,310,402)</u>	<u>314,597,699</u>	<u>302,873,185</u>
Net position ending	<u>\$ 232,576</u>	<u>\$ 1,571,217</u>	<u>\$ 328,809,571</u>	<u>\$ 314,597,699</u>

# CITY OF MANASSAS, VIRGINIA

## Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2016

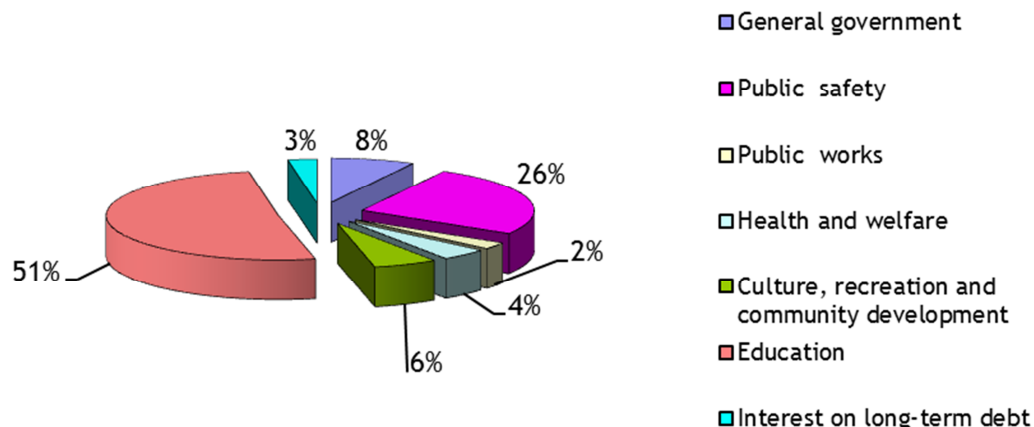
### GOVERNMENT-WIDE FINANCIAL ANALYSIS: (CONTINUED)

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 \$105,580,961, a decrease of \$36,594,786 over last fiscal year. The decrease is primarily due to a reduction in education of \$36,738,161, due to the transfer of bond proceeds totaling \$33,650,000 in FY 2015 to cover the construction costs for a new school. As the table and chart below indicate, education continues to be the City's largest program, with expenses totaling \$53,559,758. The education expense in the governmental activities also reflects the City's local revenue that is appropriated to MCPS. The program revenues of education are recorded in the component unit, MCPS, and therefore are not in the table or chart.

### Governmental Activities Expenses and Program Revenues

	<b>Program Expenses FY 2016</b>	<b>Program Revenues FY 2016</b>	<b>Net Program Cost FY 2016</b>	<b>Net Program Cost FY 2015</b>
General government	\$ 9,416,657	\$ 1,094,316	\$ 8,322,341	\$ 8,546,451
Public safety	29,590,090	2,272,860	27,317,230	26,527,503
Public works	10,271,259	7,694,846	2,576,413	3,508,078
Health and welfare	7,803,369	3,207,416	4,595,953	4,905,398
Culture, recreation and community development	6,674,897	360,867	6,314,030	5,265,813
Education	53,559,758	-	53,559,758	90,297,919
Interest on long-term debt	2,895,236	-	2,895,236	2,652,212
Bond issuance costs	-	-	-	472,373
Total	<u>\$ 120,211,266</u>	<u>\$ 14,630,305</u>	<u>\$ 105,580,961</u>	<u>\$ 142,175,747</u>

### Governmental Activities Net Program Costs





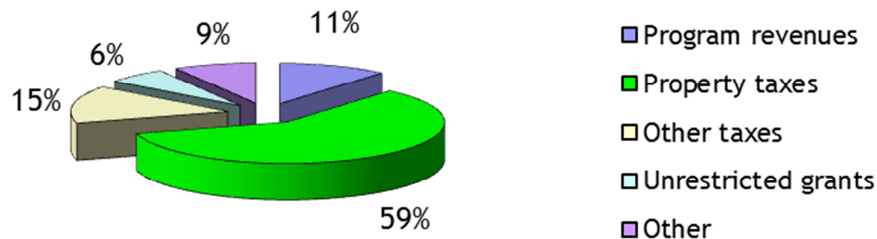
## CITY OF MANASSAS, VIRGINIA

### Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2016

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

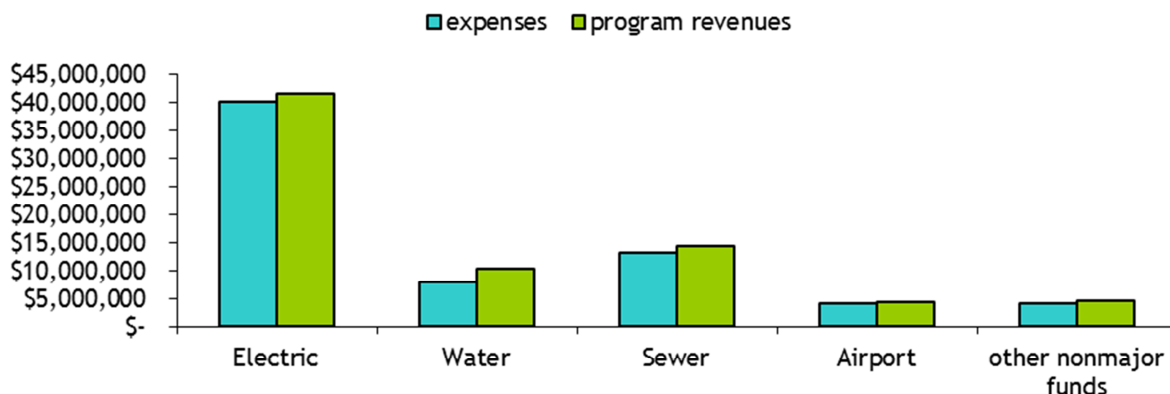
In addition to program revenues of \$14,630,305, there are also general revenues in the governmental activities, which are revenues that are not attributed to any specific program/function. The total general revenues in fiscal year 2016 are \$115,250,038 for total governmental activities revenues of \$129,880,343. Governmental activities revenues in fiscal year 2016 are \$8,276,408 more than fiscal year 2015, due mostly to an increase in property taxes, sales taxes, other local taxes, investment earnings and transfers. The chart below indicates that the property taxes continue to be the largest source of revenue for the governmental activities. Transfers of \$5,469,380 were made to governmental activities from business-type activities for the disposal of capital assets from enterprise funds closed during the year.

#### Governmental Activities Revenues



For the City's business-type activities, total net position increased \$412,056 to \$134,333,318 for the year. The net (expenses)/revenues for all business type activities were positive with program revenues exceeding expenses by \$5,766,121. The cost of all business-type activities in fiscal year 2016 was \$68,913,132. As depicted in the chart below, program revenues of \$74,679,253 offset the cost of doing business. The Airport Fund received capital grants of \$1,762,543 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, 2016**

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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 2016, the City's governmental funds reported combined ending fund balances of \$43,123,987 an increase of \$7,971,073 from fiscal year 2015. The general fund balance increased \$5,065,817 and other governmental fund balances increased \$2,905,256.

The general fund is the main operating fund of the City. At the end of fiscal year 2016 total fund balance of the general fund was \$26,573,270 and the unassigned fund balance \$15,842,498. In August 2015 the City established a new policy to maintain an unassigned general fund balance of between 13% and 15% of general fund operating revenues. The unassigned fund balance represents 15 percent of total general fund revenues of \$105,595,719 for fiscal year 2016. The remainder of fund balance is either nonspendable, restricted, committed or assigned to indicate that it is 1) not in spendable form (\$1,421,998), 2) legally required to be maintained intact, 3) restricted for particular purposes (\$1,618,882), 4) committed for particular purposes (\$6,107,607), or 5) assigned for particular purposes (\$1,582,285).

##### ***Proprietary Funds***

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

The total of net position at the end of fiscal year 2016 for the Electric, Water, Sewer, Airport, and the non-major enterprise funds was \$134,333,318 which is an increase of \$412,056 over the prior year. The \$42,640,924 unrestricted portion of net position increased \$1,584,425 from FY 2015. The remaining \$90,521,955 is invested of capital assets net of related debt, and \$1,170,439 is restricted for capital projects. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## **CITY OF MANASSAS, VIRGINIA**

### **Management's Discussion and Analysis (UNAUDITED) For The Year Ended June 30, 2016**

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

In fiscal year 2016, the City's general fund revenues exceeded the revised revenue budget by \$3,431,521. Expenditures ended the year under the revised budget by \$2,194,179. The net change in general fund balance was \$5,065,817. In October 2015 the City entered into a new revenue sharing agreement with MCPS which provides funding to the schools of \$52,808,380 beginning in FY 2016 and increasing by 2.625% each year through FY 2019. The three year agreement will be reevaluated during the FY 2019 budget process.

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

- Total departmental expenditures were \$2,194,179 less than budget largely related to staff vacancies and a delay in annual street paving projects in the public works department.
- Property tax collections were \$1,151,699 more than budgeted due to increased personal property tax collections of \$800,000.
- Other local taxes exceeded budgeted amounts by \$1,697,123 due to increased sales tax collections of \$705,065 and meals taxes of \$345,988.
- The City also entered into a new funding agreement with the MCPS that provided an additional \$1.4 million in funding to the schools in 2016.
- An additional \$800,000 was placed in the general fund balance committed for capital projects.
- The city entered into a contract with Tyler Technologies for the implementation of a new ERP financial management system.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### ***Capital Assets***

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 is \$369,005,308, a decrease of \$260,811 from June 30, 2015. By far the most significant change in capital assets from the prior year is the \$23,514,092, increase for MCPS as a result of the new Baldwin school project that will be completed in January 2017.

**CITY OF MANASSAS, VIRGINIA**

**Management's Discussion and Analysis  
(UNAUDITED)  
For The Year Ended June 30, 2016**

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

The following tables summarize the capital assets of the City and MCPS. Additional information on the capital assets is found in Note 6 on pages 37-40 of this report.

	<b>Capital Assets FY 2016</b>	<b>Accumulated Depreciation FY 2016</b>	<b>Capital Assets net of Accumulated Depreciation</b>		<b>Net Increase (Decrease) Capital Assets</b>
			<b>FY 2016</b>	<b>FY 2015 (Restated)</b>	
<b>Governmental Activities</b>					
Land	\$ 111,722,083	\$ -	\$ 111,722,083	\$ 111,361,675	\$ 360,408
Construction in progress	2,095,703	-	2,095,703	2,541,497	(445,794)
Buildings and improvements	39,317,252	(27,367,616)	11,949,636	10,819,196	1,130,440
Machinery and equipment	21,490,883	(12,883,329)	8,607,554	7,797,974	809,580
Infrastructure	208,716,193	(89,497,539)	119,218,654	120,893,816	(1,675,162)
Total	<u>\$ 383,342,114</u>	<u>\$ (129,748,484)</u>	<u>\$ 253,593,630</u>	<u>\$ 253,414,158</u>	<u>\$ 179,472</u>
<b>Business-type Activities</b>					
Land	\$ 11,521,721	\$ -	\$ 11,521,721	\$ 11,521,721	\$ -
Construction in progress	8,117,270	-	8,117,270	8,951,141	(833,871)
Buildings and improvements	-	-	-	1,528,172	(1,528,172)
Investment in Plant	223,131,570	(138,711,833)	84,419,737	80,885,356	3,534,381
Machinery and equipment	4,366,340	(3,437,599)	928,741	1,154,858	(226,117)
Purchased capacity	27,153,050	(16,728,841)	10,424,209	11,810,713	(1,386,504)
Total	<u>\$ 274,289,951</u>	<u>\$ (158,878,273)</u>	<u>\$ 115,411,678</u>	<u>\$ 115,851,961</u>	<u>\$ (440,283)</u>
<b>Total Primary Government</b>					
Land	\$ 123,243,804	\$ -	\$ 123,243,804	\$ 122,883,396	\$ 360,408
Construction in progress	10,212,973	-	10,212,973	11,492,638	(1,279,665)
Buildings and improvements	39,317,252	(27,367,616)	11,949,636	12,347,368	(397,732)
Investment in Plant	223,131,570	(138,711,833)	84,419,737	80,885,356	3,534,381
Machinery and equipment	25,857,223	(16,320,928)	9,536,295	8,952,832	583,463
Infrastructure	208,716,193	(89,497,539)	119,218,654	120,893,816	(1,675,162)
Purchased capacity	27,153,050	(16,728,841)	10,424,209	11,810,713	(1,386,504)
Total	<u>\$ 657,632,065</u>	<u>\$ (288,626,757)</u>	<u>\$ 369,005,308</u>	<u>\$ 369,266,119</u>	<u>\$ (260,811)</u>
<b>MCPS</b>					
Land	\$ 2,336,649	\$ -	\$ 2,336,649	\$ 2,336,649	\$ -
Construction in progress	30,555,637	-	30,555,637	9,822,551	20,733,086
Buildings and improvements	135,648,831	(96,558,393)	39,090,438	36,191,242	2,899,196
Machinery and equipment	9,643,945	(6,913,740)	2,730,205	2,848,395	(118,190)
Total	<u>\$ 178,185,062</u>	<u>\$ (103,472,133)</u>	<u>\$ 74,712,929</u>	<u>\$ 51,198,837</u>	<u>\$ 23,514,092</u>

**CITY OF MANASSAS, VIRGINIA**

**Management's Discussion and Analysis  
(UNAUDITED)  
For The Year Ended June 30, 2016**

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

***Long-Term Obligations***

The following tables summarize the long-term debt of the City and MCPS. Additional information on long-term debt is found in Note 8 on pages 42-46 of this report.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2015</b>
		<b>(Restated)</b>		<b>(Restated)</b>		<b>(Restated)</b>
General obligation bonds	\$ 75,818,870	\$ 81,853,720	\$ 23,555,650	\$ 25,541,536	\$ 99,374,520	\$ 107,395,256
Premium on bonds	6,052,910	6,426,296	2,220,863	2,422,165	8,273,773	8,848,461
Capital leases	78,953	156,427	-	-	78,953	156,427
VDOA obligation	-	-	1,568,000	1,568,000	1,568,000	1,568,000
Compensated absences	2,680,612	2,580,451	916,311	882,332	3,596,923	3,462,783
OPEB Obligation payable	3,371,803	3,034,170	649,740	549,146	4,021,543	3,583,316
Net Pension liability	18,523,220	20,557,482	5,497,859	6,111,518	24,021,079	26,669,000
Total	<u>\$ 106,526,368</u>	<u>\$ 114,608,546</u>	<u>\$ 34,408,423</u>	<u>\$ 37,074,697</u>	<u>\$ 140,934,791</u>	<u>\$ 151,683,243</u>

	<b>MCPS</b>		<b>Total Reporting Unit</b>	
	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2015</b>
		<b>(Restated)</b>		<b>(Restated)</b>
General obligation bonds	\$ -	\$ -	\$ 99,374,520	\$ 107,395,256
Premium on bonds	-	-	8,273,773	8,848,461
Capital leases	331,913	484,743	410,866	641,170
VDOA obligation	-	-	1,568,000	1,568,000
Compensated absences	2,046,595	2,102,296	5,643,518	5,565,079
OPEB Obligation payable	1,591,000	1,685,000	5,612,543	5,268,316
Net Pension liability	92,853,794	87,406,000	116,874,873	114,075,000
Total	<u>\$ 96,823,302</u>	<u>\$ 91,678,039</u>	<u>\$ 237,758,093</u>	<u>\$ 243,361,282</u>

The City's long term obligations of \$140,934,791 includes outstanding general obligation bonds of \$99,374,520 with bond premiums of \$8,273,773 is a net decrease of \$8,596,615 from the prior year. This decrease in long term debt was due primarily to general obligation bond principal payments of \$8,020,736, and premium amortization of \$574,688. The City did not issue any new general obligation debt during the year. Capital leases were reduced by principal payments while the OPEB obligation payable and net pension liability decreased by \$2,209,694. The net increase to the MCPS total debt is \$5,145,263, which is primarily the result of an increase in net pension liability.

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

**CITY OF MANASSAS, VIRGINIA**  
**Management's Discussion and Analysis**  
**(UNAUDITED)**  
**For The Year Ended June 30, 2016**

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

*Long-Term Obligations (Continued)*

The Code of the Commonwealth of Virginia, as amended, (Virginia Code) limits the amount of general obligation debt the City may issue to 10 percent of the assessed valuation of the real estate subject to taxation. The assessed valuation of the real estate subject to taxation in the City as of January 1, 2015 was \$4,613,867,300, making the 2016 legal debt limitation of the City \$461,386,730. The City's general obligation debt applicable to the limit is \$99,374,520, leaving a legal debt margin for creation of additional debt of \$362,012,210. Additional information on the City's long-term debt can be found in Note 8 of this report.

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

- The unemployment rate for the City as of June 2016 was 3.4 percent, which is below the state rate (3.7 percent) and the national rate (5.1 percent).
- Real property taxable assessed values increased 4.2 percent in January 2015 (used for fiscal year 2016 tax levies) to \$4,613,867,300, up by \$186,202,600 over the previous year. Real property taxable assessed values increased 2.2 percent in January 2016 (to be used for fiscal year 2017 tax levies) to \$4,714,999,700 up by \$101,132,400 over the previous year.
- The City is projecting assessed values to continue increasing marginally in 2017 and has taken this factor into consideration in the projection of the FY2016/2017 Budget and the development of the FY2017-2018 Budget which is currently underway.
- At June 30, 2016, the general fund unassigned fund balance was \$15,842,498. The City has appropriated \$585,600 of this amount as a funding source in the FY2016/2017 Budget.

**REQUESTS FOR INFORMATION**

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

## **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, 2016**

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Manassas City Public Schools
<b>ASSETS</b>				
Cash and investments (Note 3)	\$ 48,407,875	\$ 47,399,014	\$ 95,806,889	\$ 13,365,888
Cash and investments - restricted (Note 3)	681,444	2,546,016	3,227,460	14,582,358
Receivables, net:				
Taxes, including penalties	2,740,411	-	2,740,411	-
Accounts	127,723	8,698,308	8,826,031	1,880,835
Internal balances	392,000	(392,000)	-	-
Due from other governments (Note 4)	3,911,689	188,069	4,099,758	4,822,960
Prepays	103,544	-	103,544	-
Inventories	-	1,798,076	1,798,076	-
Capital assets: (Note 6)				
Nondepreciable	113,817,786	19,638,991	133,456,777	32,892,286
Depreciable, net	139,775,844	95,772,687	235,548,531	41,820,643
Total assets	309,958,316	175,649,161	485,607,477	109,364,970
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	1,731,959	1,079,213	2,811,172	-
Pension related deferred outflows (Notes 12 and 13)	2,952,816	890,750	3,843,566	11,980,685
Total deferred outflows of resources	4,684,775	1,969,963	6,654,738	11,980,685
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	3,978,278	4,103,883	8,082,161	17,013,816
Deposits	1,651,805	1,485,318	3,137,123	-
Due to other governments (Note 9)	1,866,218	-	1,866,218	-
Accrued interest	1,354,799	412,341	1,767,140	-
Unearned revenues (Note 7)	100,000	1,411,919	1,511,919	37,602
Noncurrent liabilities:				
Net pension liability (Notes 12 and 13)	18,523,220	5,497,859	24,021,079	92,853,794
Due within one year (Note 8)	7,151,286	3,984,102	11,135,388	423,645
Due in more than one year (Note 8)	80,851,862	24,926,462	105,778,324	3,545,863
Total liabilities	115,477,468	41,821,884	157,299,352	113,874,720
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related deferred inflows (Notes 12 and 13)	4,921,946	1,463,922	6,385,868	7,238,359
Total deferred inflows of resources	4,921,946	1,463,922	6,385,868	7,238,359
<b>NET POSITION</b>				
Net investment in capital assets	238,106,151	90,521,955	328,628,106	74,381,016
Restricted for:				
Nonexpendable Cemetery principal	100,000	-	100,000	-
Expendable Cemetery funds	171,190	-	171,190	-
Capital projects	-	1,170,439	1,170,439	11,233,318
Escrow account for capital projects	50,000	-	50,000	-
Unrestricted	(44,183,664)	42,640,924	(1,542,740)	(85,381,758)
Total net position	\$ 194,243,677	\$ 134,333,318	\$ 328,576,995	\$ 232,576

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 9,416,657	\$ 793,509	\$ 300,807	\$ -
Public safety	29,590,090	1,850,687	422,173	-
Public works	10,271,259	502,017	3,720,153	3,472,676
Health and welfare	7,803,369	35,946	3,171,470	-
Culture, recreation and community development	6,674,897	312,517	5,000	43,350
Education	53,559,758	-	-	-
Interest on long-term debt	2,895,236	-	-	-
Total governmental activities	120,211,266	3,494,676	7,619,603	3,516,026
Business-type activities:				
Electric	39,930,487	41,435,005	-	-
Water	7,963,709	9,763,189	-	486,716
Sewer	13,041,741	13,849,101	-	341,978
Airport	4,014,417	2,343,785	99,641	1,762,543
Solid Waste	3,346,175	3,399,806	8,401	-
Stormwater	616,603	1,170,288	18,800	-
Total business-type activities	68,913,132	71,961,174	126,842	2,591,237
Total primary government	\$ 189,124,398	\$ 75,455,850	\$ 7,746,445	\$ 6,107,263
<b>Component unit:</b>				
Manassas City Public Schools	\$ 109,050,864	\$ 1,349,713	\$ 52,692,721	\$ -

General revenues:

Taxes:

Property taxes

Sales taxes

Business license taxes

Meals taxes

Other taxes

Unrestricted grants

Unrestricted investment earnings

Other unrestricted revenues

Gain on sale of capital assets

Payments from component unit

Payments from City

Transfers

Total revenues and transfers

Change in net position

Net position - beginning, as restated (Note 18)

Net position - ending

## Exhibit 2

Net (Expenses) Revenues and Changes in Net Position			
Primary Government		Component Unit	
Governmental Activities	Business-type Activities	Total	MCPS
\$ (8,322,341)		\$ (8,322,341)	
(27,317,230)		(27,317,230)	
(2,576,413)		(2,576,413)	
(4,595,953)		(4,595,953)	
(6,314,030)		(6,314,030)	
(53,559,758)		(53,559,758)	
(2,895,236)		(2,895,236)	
<u>(105,580,961)</u>		<u>(105,580,961)</u>	
	\$ 1,504,518	1,504,518	
	2,286,196	2,286,196	
	1,149,338	1,149,338	
	191,552	191,552	
	62,032	62,032	
	<u>572,485</u>	<u>572,485</u>	
-	<u>5,766,121</u>	<u>5,766,121</u>	
<u>(105,580,961)</u>	<u>5,766,121</u>	<u>(99,814,840)</u>	
			\$ (55,008,430)
76,912,413	-	76,912,413	-
8,055,066	-	8,055,066	-
3,489,525	-	3,489,525	-
3,728,988	-	3,728,988	-
3,918,375	-	3,918,375	-
8,104,957	-	8,104,957	-
411,108	96,549	507,657	110,031
2,986,792	18,766	3,005,558	-
301,414	-	301,414	-
7,341,400	-	7,341,400	-
-	-	-	53,559,758
<u>5,469,380</u>	<u>(5,469,380)</u>	<u>-</u>	<u>-</u>
<u>120,719,418</u>	<u>(5,354,065)</u>	<u>115,365,353</u>	<u>53,669,789</u>
15,138,457	412,056	15,550,513	(1,338,641)
<u>179,105,220</u>	<u>133,921,262</u>	<u>313,026,482</u>	<u>1,571,217</u>
<u>\$ 194,243,677</u>	<u>\$ 134,333,318</u>	<u>\$ 328,576,995</u>	<u>\$ 232,576</u>

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## **FUND FINANCIAL STATEMENTS**

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**CITY OF MANASSAS, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016**

Exhibit 3

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 28,318,701	\$ 16,439,770	\$ 44,758,471
Cash and investments - restricted	50,000	631,444	681,444
Receivables, net:			
Taxes, including penalties	2,555,799	184,612	2,740,411
Accounts	127,723	-	127,723
Prepays	4,060	-	4,060
Due from other governments	2,354,002	1,557,687	3,911,689
Due from other funds (Note 5)	<u>1,417,938</u>	<u>-</u>	<u>1,417,938</u>
Total assets	<u>\$ 34,828,223</u>	<u>\$ 18,813,513</u>	<u>\$ 53,641,736</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 2,557,642	\$ 1,098,805	\$ 3,656,447
Retainage payable	-	9,131	9,131
Deposits	1,651,621	184	1,651,805
Unearned revenue	100,000	-	100,000
Due to other governments	1,866,218	-	1,866,218
Due to other funds	<u>-</u>	<u>1,025,938</u>	<u>1,025,938</u>
Total liabilities	<u>6,175,481</u>	<u>2,134,058</u>	<u>8,309,539</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue (Note 7)	<u>2,079,472</u>	<u>128,738</u>	<u>2,208,210</u>
Total deferred inflows of resources	<u>2,079,472</u>	<u>128,738</u>	<u>2,208,210</u>
<b>FUND BALANCES (Note 17)</b>			
Nonspendable	1,421,998	100,000	1,521,998
Restricted	1,618,882	6,122,285	7,741,167
Committed	6,107,607	10,328,432	16,436,039
Assigned	1,582,285	-	1,582,285
Unassigned	<u>15,842,498</u>	<u>-</u>	<u>15,842,498</u>
Total fund balances	<u>26,573,270</u>	<u>16,550,717</u>	<u>43,123,987</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 34,828,223</u>	<u>\$ 18,813,513</u>	<u>\$ 53,641,736</u>

**CITY OF MANASSAS, VIRGINIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**For the Year Ended June 30, 2016**

Exhibit 4

Total fund balances for governmental funds (Exhibit 3)	\$ 43,123,987
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	250,864,346
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,208,210
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.	4,298,683
Deferred refunding costs are not financial resources and, therefore, are not reported in the funds.	1,731,959
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2016 employer contributions	2,717,483
Pension related deferred inflows	(4,540,353)
Net pension liability	(17,093,001)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported in the funds	
Bonds payable	(75,818,870)
Premium on bonds payable	(6,052,910)
Accrued interest payable	(1,354,799)
Capital leases	(39,847)
Net OPEB obligation	(3,371,803)
Compensated absences	(2,429,408)
Net position of governmental activities	<u>\$ 194,243,677</u>

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

Exhibit 5

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
General property taxes	\$ 68,455,479	\$ 8,315,214	\$ 76,770,693
Other local taxes	19,123,123	-	19,123,123
Permits, fees and licenses	603,585	51,237	654,822
Fines and forfeitures	751,006	-	751,006
Revenues from use of money and property	402,482	3,027	405,509
Charges for services	537,378	729,633	1,267,011
Payment in lieu of debt service	-	7,341,400	7,341,400
Recovered costs	2,230,720	-	2,230,720
Miscellaneous	1,271,405	263,101	1,534,506
Intergovernmental	12,220,541	6,942,290	19,162,831
Total revenues	<u>105,595,719</u>	<u>23,645,902</u>	<u>129,241,621</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	9,009,030	30,411	9,039,441
Public safety	20,784,455	8,325,198	29,109,653
Public works	4,417,303	6,200	4,423,503
Health and welfare	2,491,929	5,445,203	7,937,132
Culture, recreation, and community development	6,085,451	13,218	6,098,669
Education	53,559,758	-	53,559,758
Capital outlay	574,386	6,439,736	7,014,122
Debt service:			
Principal retirement	-	6,073,653	6,073,653
Interest and fiscal charges	-	3,287,943	3,287,943
Total expenditures	<u>96,922,312</u>	<u>29,621,562</u>	<u>126,543,874</u>
Excess (deficiency) of revenues over expenditures	<u>8,673,407</u>	<u>(5,975,660)</u>	<u>2,697,747</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance recoveries	-	121,159	121,159
Transfers in	2,466,880	8,895,049	11,361,929
Transfers out	(6,122,470)	(293,741)	(6,416,211)
Proceeds from sale of capital assets	48,000	158,449	206,449
Total other financing sources (uses)	<u>(3,607,590)</u>	<u>8,880,916</u>	<u>5,273,326</u>
Net change in fund balances	5,065,817	2,905,256	7,971,073
Fund balance - beginning, as restated (Note 18)	<u>21,507,453</u>	<u>13,645,461</u>	<u>35,152,914</u>
Fund balance - ending	<u>\$ 26,573,270</u>	<u>\$ 16,550,717</u>	<u>\$ 43,123,987</u>

**CITY OF MANASSAS, VIRGINIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

Exhibit 6

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 7,971,073
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation \$7,436,593 exceeded capital outlays \$6,909,937 in the current period.	(526,656)
In the Statement of Activities, only the <i>gain or loss</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the <i>cost</i> of the property sold.	(39,781)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	210,550
The transfer of capital assets from governmental activities to an enterprise fund are reported as transfers out the government-wide statement of activities.	(1,455,621)
The transfer of capital assets from enterprise funds to governmental activities are reported as transfers in the government-wide statement of activities.	1,572,421
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Employer pension contributions	2,717,484
Pension expense	(887,548)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Principal repayments	6,073,653
Amortization of bond premium	373,386
Amortization of deferred charge on refunding	(275,546)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(82,545)
Net OPEB obligation	(337,633)
Accrued interest	294,868
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(469,648)
Change in net position of governmental activities	<u>\$ 15,138,457</u>

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**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2016**

Exhibit 7

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 67,303,780	\$ 67,303,780	\$ 68,455,479	\$ 1,151,699
Other local taxes	17,426,000	17,426,000	19,123,123	1,697,123
Permits, fees and licenses	768,600	768,600	603,585	(165,015)
Fines and forfeitures	700,000	700,000	751,006	51,006
Revenues from use of money and property	286,480	286,480	402,482	116,002
Charges for services	562,900	562,900	537,378	(25,522)
Recovered costs	2,230,720	2,230,720	2,230,720	-
Proffers	-	-	415,931	415,931
Miscellaneous	467,410	793,060	855,474	62,414
Intergovernmental:				
Commonwealth:				
PPTRA	3,786,630	3,786,630	3,786,634	4
Communications tax	2,875,000	2,875,000	2,793,148	(81,852)
Highway maintenance	3,684,150	3,684,150	3,720,153	36,003
Other	1,554,750	1,594,750	1,849,931	255,181
Federal	180,000	152,128	70,675	(81,453)
Total revenues	<u>101,826,420</u>	<u>102,164,198</u>	<u>105,595,719</u>	<u>3,431,521</u>
<b>EXPENDITURES</b>				
Departmental:				
City council	684,240	678,040	618,554	59,486
Clerk's office	335,270	336,721	333,820	2,901
City manager	596,220	617,860	554,235	63,625
Electoral board	238,560	253,560	252,232	1,328
Treasurer	748,350	776,350	738,234	38,116
Commissioner of the revenue	1,185,920	1,213,920	1,145,863	68,057
Finance and administration	3,859,430	4,057,202	3,421,352	635,850
Police	14,660,010	14,788,340	14,395,763	392,577
Correction and detention	4,796,000	4,821,545	4,531,777	289,768
Public works	7,189,250	7,661,757	6,701,893	959,864
Economic development	884,370	1,041,778	870,053	171,725
Community development	3,675,250	3,707,022	3,610,540	96,482
Contingency	(273,660)	(585,600)	-	(585,600)
Total departmental expenditures	<u>38,579,210</u>	<u>39,368,495</u>	<u>37,174,316</u>	<u>2,194,179</u>
Shared services	5,014,590	5,014,590	5,014,583	7
Joint services	1,054,300	1,054,300	1,031,155	23,145
Contributions	142,500	142,500	142,500	-
Anticipated Grants/Donations	150,000	58,300	-	58,300
Community Investment	-	49,000	-	49,000
Education	52,808,380	53,559,758	53,559,758	-
Total expenditures	<u>97,748,980</u>	<u>99,246,943</u>	<u>96,922,312</u>	<u>2,324,631</u>
Excess of revenues over expenditures	<u>\$ 4,077,440</u>	<u>\$ 2,917,255</u>	<u>\$ 8,673,407</u>	<u>\$ 5,756,152</u>

Continued

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2016**

Exhibit 7 (Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property	\$ -	\$ -	\$ 48,000	\$ 48,000
Transfers in (Note 5)	1,762,630	1,762,630	2,466,880	704,250
Transfers out (Note 5)	<u>(5,466,070)</u>	<u>(6,488,070)</u>	<u>(6,122,470)</u>	<u>365,600</u>
Total other financing sources (uses)	<u>(3,703,440)</u>	<u>(4,725,440)</u>	<u>(3,607,590)</u>	<u>1,117,850</u>
Net change in fund balances	<u>\$ 374,000</u>	<u>\$ (1,808,185)</u>	5,065,817	<u>\$ 6,874,002</u>
Fund Balance, Beginning, As Restated (Note 18)			<u>21,507,453</u>	
Fund Balance, Ending			<u>\$ 26,573,270</u>	

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2016**

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
<b>ASSETS</b>			
Current assets:			
Cash and investments - unrestricted	\$ 15,375,299	\$ 13,007,748	\$ 13,929,077
Cash and investments - restricted	1,375,577	-	50,000
Accounts receivable, net	5,205,934	1,262,567	1,816,502
Prepays	-	-	-
Due from other governments	-	-	-
Inventories	1,381,919	369,152	47,005
Total current assets	<u>23,338,729</u>	<u>14,639,467</u>	<u>15,842,584</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable	1,858,706	3,405,289	1,803,052
Depreciable, net	<u>20,618,129</u>	<u>29,650,094</u>	<u>17,691,602</u>
Total capital assets, net	<u>22,476,835</u>	<u>33,055,383</u>	<u>19,494,654</u>
Total noncurrent assets	<u>22,476,835</u>	<u>33,055,383</u>	<u>19,494,654</u>
Total assets	<u>45,815,564</u>	<u>47,694,850</u>	<u>35,337,238</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	52,589	892,451
Pension contributions subsequent to the measurement date	<u>453,015</u>	<u>237,923</u>	<u>82,922</u>
Total deferred outflows of resources	<u>453,015</u>	<u>290,512</u>	<u>975,373</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	3,156,015	420,161	108,368
Deposits	1,105,417	227,981	-
Accrued interest	23,835	112,238	250,329
Compensated absences	80,525	29,852	11,320
Bonds payable and other obligations - current	<u>237,661</u>	<u>894,007</u>	<u>902,972</u>
Total current liabilities	<u>4,603,453</u>	<u>1,684,239</u>	<u>1,272,989</u>
Noncurrent liabilities:			
Unearned revenue	-	1,403,869	8,050
Due to other funds	-	-	-
Compensated absences	456,308	169,158	64,146
Net OPEB obligation	353,811	171,022	72,607
Net pension liability	2,908,159	1,437,539	565,528
Bonds payable and other obligations	<u>3,718,111</u>	<u>5,621,609</u>	<u>11,871,633</u>
Total noncurrent liabilities	<u>7,436,389</u>	<u>8,803,197</u>	<u>12,581,964</u>
Total liabilities	<u>12,039,842</u>	<u>10,487,436</u>	<u>13,854,953</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	<u>770,504</u>	<u>383,840</u>	<u>148,736</u>
Total deferred inflows of resources	<u>770,504</u>	<u>383,840</u>	<u>148,736</u>
<b>NET POSITION</b>			
Net investment in capital assets	19,896,640	26,592,356	7,612,500
Restricted for capital projects	-	-	50,000
Unrestricted	<u>13,561,593</u>	<u>10,521,730</u>	<u>14,646,422</u>
Total net position	<u>\$ 33,458,233</u>	<u>\$ 37,114,086</u>	<u>\$ 22,308,922</u>



## Exhibit 8

Business-type Activities- Enterprise Funds			Governmental Activities
Airport Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 4,576,192	\$ 510,698	\$ 47,399,014	\$ 3,649,404
1,120,439	-	2,546,016	-
187,627	225,678	8,698,308	-
-	-	-	99,484
188,069	-	188,069	-
-	-	1,798,076	-
<u>6,072,327</u>	<u>736,376</u>	<u>60,629,483</u>	<u>3,748,888</u>
12,009,701	562,243	19,638,991	-
<u>27,414,662</u>	<u>398,200</u>	<u>95,772,687</u>	<u>2,729,284</u>
<u>39,424,363</u>	<u>960,443</u>	<u>115,411,678</u>	<u>2,729,284</u>
<u>39,424,363</u>	<u>960,443</u>	<u>115,411,678</u>	<u>2,729,284</u>
<u>45,496,690</u>	<u>1,696,819</u>	<u>176,041,161</u>	<u>6,478,172</u>
134,173	-	1,079,213	-
<u>65,332</u>	<u>51,558</u>	<u>890,750</u>	<u>235,333</u>
<u>199,505</u>	<u>51,558</u>	<u>1,969,963</u>	<u>235,333</u>
130,007	289,332	4,103,883	312,700
151,920	-	1,485,318	-
25,939	-	412,341	-
10,773	4,978	137,448	37,681
<u>1,812,014</u>	<u>-</u>	<u>3,846,654</u>	<u>39,106</u>
<u>2,130,653</u>	<u>294,310</u>	<u>9,985,644</u>	<u>389,487</u>
-	-	1,411,919	-
392,000	-	392,000	-
61,044	28,207	778,863	213,523
45,936	6,364	649,740	-
413,590	173,043	5,497,859	1,430,219
<u>2,286,506</u>	<u>-</u>	<u>23,497,859</u>	<u>-</u>
<u>3,199,076</u>	<u>207,614</u>	<u>32,228,240</u>	<u>1,643,742</u>
<u>5,329,729</u>	<u>501,924</u>	<u>42,213,884</u>	<u>2,033,229</u>
<u>109,771</u>	<u>51,071</u>	<u>1,463,922</u>	<u>381,593</u>
<u>109,771</u>	<u>51,071</u>	<u>1,463,922</u>	<u>381,593</u>
35,460,016	960,443	90,521,955	2,690,178
1,120,439	-	1,170,439	-
<u>3,676,240</u>	<u>234,939</u>	<u>42,640,924</u>	<u>1,608,505</u>
<u>\$ 40,256,695</u>	<u>\$ 1,195,382</u>	<u>\$ 134,333,318</u>	<u>\$ 4,298,683</u>

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2016**

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
<b>OPERATING REVENUES</b>			
Charges for services	\$ 38,803,527	\$ 9,532,409	\$ 13,340,594
Connection charges	208,765	230,780	508,507
Total operating revenues	<u>39,012,292</u>	<u>9,763,189</u>	<u>13,849,101</u>
<b>OPERATING EXPENSES</b>			
Personal services	4,579,523	2,504,926	858,863
Contractual services	1,311,483	518,381	256,955
Supplies	604,862	1,077,789	63,892
Internal and other services	1,664,338	1,426,447	615,313
Purchased power	28,039,898	-	-
Contract treatment charges	-	-	9,106,058
Depreciation and amortization	<u>2,520,929</u>	<u>2,224,585</u>	<u>1,687,499</u>
Total operating expenses	<u>38,721,033</u>	<u>7,752,128</u>	<u>12,588,580</u>
Operating income (loss)	<u>291,259</u>	<u>2,011,061</u>	<u>1,260,521</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental grants	-	-	-
Investment earnings	23,231	30,600	32,762
Service reimbursements	2,422,713	-	-
Gain (loss) on sale of capital assets	(691,660)	(1,246)	(31,732)
Other/insurance recoveries	(435,817)	17,447	1,567
Interest expense	<u>(39,299)</u>	<u>(210,335)</u>	<u>(421,429)</u>
Total nonoperating revenues (expenses)	<u>1,279,168</u>	<u>(163,534)</u>	<u>(418,832)</u>
Income (loss) before contributions and transfers	1,570,427	1,847,527	841,689
<b>CAPITAL CONTRIBUTIONS</b>	1,187,238	486,716	341,978
<b>TRANSFERS IN (Note 5)</b>	-	-	-
<b>TRANSFERS OUT (Note 5)</b>	<u>(2,279,453)</u>	<u>(1,833,260)</u>	<u>(967,779)</u>
Change in net position	478,212	500,983	215,888
Total net position - beginning, as restated (Note 18)	<u>32,980,021</u>	<u>36,613,103</u>	<u>22,093,034</u>
Total net position - ending	<u>\$ 33,458,233</u>	<u>\$ 37,114,086</u>	<u>\$ 22,308,922</u>

			Exhibit 9
Business-type Activities- Enterprise Funds			Governmental Activities
Airport Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 2,343,785	\$ 4,570,094	\$ 68,590,409	\$ 6,829,922
-	-	948,052	-
<u>2,343,785</u>	<u>4,570,094</u>	<u>69,538,461</u>	<u>6,829,922</u>
684,673	540,084	9,168,069	2,441,859
292,617	3,113,630	5,493,066	1,187,083
73,237	17,147	1,836,927	1,885,751
412,755	276,332	4,395,185	1,420,749
-	-	28,039,898	-
-	-	9,106,058	-
<u>2,442,316</u>	<u>15,585</u>	<u>8,890,914</u>	<u>907,069</u>
<u>3,905,598</u>	<u>3,962,778</u>	<u>66,930,117</u>	<u>7,842,511</u>
<u>(1,561,813)</u>	<u>607,316</u>	<u>2,608,344</u>	<u>(1,012,589)</u>
99,641	27,201	126,842	-
9,728	228	96,549	5,599
-	-	2,422,713	-
-	(1,572,669)	(2,297,307)	94,965
(2,387)	-	(419,190)	36,979
<u>(106,432)</u>	<u>-</u>	<u>(777,495)</u>	<u>(1,464)</u>
<u>550</u>	<u>(1,545,240)</u>	<u>(847,888)</u>	<u>136,079</u>
<u>(1,561,263)</u>	<u>(937,924)</u>	<u>1,760,456</u>	<u>(876,510)</u>
1,762,543	225,705	4,004,180	-
-	154,785	154,785	406,862
<u>-</u>	<u>(426,873)</u>	<u>(5,507,365)</u>	<u>-</u>
201,280	(984,307)	412,056	(469,648)
<u>40,055,415</u>	<u>2,179,689</u>	<u>133,921,262</u>	<u>4,768,331</u>
<u>\$ 40,256,695</u>	<u>\$ 1,195,382</u>	<u>\$ 134,333,318</u>	<u>\$ 4,298,683</u>

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2016**

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
<b>OPERATING ACTIVITIES</b>			
Cash received from customers and users	\$ 39,538,037	\$ 9,001,292	\$ 13,907,427
Cash paid to suppliers	(30,383,472)	(1,903,380)	(9,498,762)
Cash paid to employees	(4,674,743)	(2,669,562)	(897,293)
Payments for interfund services used	(1,664,338)	(1,426,447)	(615,313)
Other miscellaneous receipts (payments)	<u>(435,817)</u>	<u>17,447</u>	<u>1,567</u>
Net cash provided by (used in) operating activities	<u>2,379,667</u>	<u>3,019,350</u>	<u>2,897,626</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund borrowing	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(2,279,453)	(1,833,260)	(967,779)
Receipts from service reimbursements	2,422,713	-	-
Operating grants received	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>143,260</u>	<u>(1,833,260)</u>	<u>(967,779)</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital grants and contributions received (made)	(42,678)	52,302	200,000
Purchases of capital assets	(3,708,180)	(1,827,554)	(892,180)
Sales of capital assets	200,000	-	-
Principal paid on capital debt	(218,910)	(837,241)	(700,000)
Interest paid on capital debt	<u>(140,429)</u>	<u>(296,893)</u>	<u>(591,771)</u>
Net cash provided by (used in) capital and related financing activities	<u>(3,910,197)</u>	<u>(2,909,386)</u>	<u>(1,983,951)</u>
<b>INVESTING ACTIVITIES</b>			
Investment income	<u>23,231</u>	<u>30,600</u>	<u>32,762</u>
Net cash provided by investing activities	<u>23,231</u>	<u>30,600</u>	<u>32,762</u>
Net increase (decrease) in cash and cash equivalents	(1,364,039)	(1,692,696)	(21,342)
Cash and cash equivalents - beginning of year	<u>18,114,915</u>	<u>14,700,444</u>	<u>14,000,419</u>
Cash and cash equivalents - end of year	<u>\$ 16,750,876</u>	<u>\$ 13,007,748</u>	<u>\$ 13,979,077</u>
<b>CASH AND CASH EQUIVALENTS IS COMPRISED OF THE FOLLOWING:</b>			
Cash and investments - unrestricted	\$ 15,375,299	\$ 13,007,748	\$ 13,929,077
Cash and investments - restricted	<u>1,375,577</u>	<u>-</u>	<u>50,000</u>
Total	<u>\$ 16,750,876</u>	<u>\$ 13,007,748</u>	<u>\$ 13,979,077</u>

			Exhibit 10
Business-type Activities- Enterprise Funds			Governmental Activities
Airport Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 2,359,637	\$ 4,602,786	\$ 69,409,179	\$ 6,829,922
(702,714)	(3,172,192)	(45,660,520)	(3,037,811)
(708,397)	(552,365)	(9,502,360)	(2,544,414)
(412,755)	(276,332)	(4,395,185)	(1,420,749)
(2,387)	-	(419,190)	36,979
533,384	601,897	9,431,924	(136,073)
-	(13,541)	(13,541)	-
-	154,785	154,785	406,862
-	(426,873)	(5,507,365)	-
-	-	2,422,713	-
90,130	27,201	117,331	-
90,130	(258,428)	(2,826,077)	406,862
2,400,449	-	2,610,073	-
(1,626,780)	(714,853)	(8,769,547)	(1,536,463)
-	-	200,000	94,965
(229,735)	-	(1,985,886)	(38,671)
(102,215)	-	(1,131,308)	(1,174)
441,719	(714,853)	(9,076,668)	(1,481,343)
9,728	228	96,549	5,599
9,728	228	96,549	5,599
1,074,961	(371,156)	(2,374,272)	(1,204,955)
4,621,670	881,854	52,319,302	4,854,359
\$ 5,696,631	\$ 510,698	\$ 49,945,030	\$ 3,649,404
\$ 4,576,192	\$ 510,698	\$ 47,399,014	\$ 3,649,404
1,120,439	-	2,546,016	-
\$ 5,696,631	\$ 510,698	\$ 49,945,030	\$ 3,649,404

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2016**

	Business-type Activities- Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>			
<b>TO NET CASH PROVIDED BY (USED IN)</b>			
<b>OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 291,259	\$ 2,011,061	\$ 1,260,521
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,520,929	2,224,585	1,687,499
Pension expense net of employer contributions	(296,959)	(168,357)	(49,775)
Other miscellaneous receipts (payments)	(435,817)	17,447	1,567
(Increase) decrease in:			
Accounts receivable	445,949	(231,549)	58,326
Inventories	307,915	46,559	(4,493)
Prepaid expenses	-	-	-
Increase (decrease) in:			
Unearned revenue		(539,890)	-
Accounts payable and accrued expenses	(651,343)	(328,270)	(51,188)
Customer deposits	79,796	9,542	-
Compensated absences	66,421	(47,951)	(14,088)
Net OPEB obligation	51,517	26,173	9,257
Total adjustments	2,088,408	1,008,289	1,637,105
Net cash provided by (used in) operating activities	\$ 2,379,667	\$ 3,019,350	\$ 2,897,626
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>			
Capital contributions	\$ -	\$ 434,414	\$ 141,978
Capital assets transferred from general government	\$ 1,229,916	\$ -	\$ -
Capitalized interest	\$ 89,739	\$ 45,926	\$ 9,896

Exhibit 10 (Continued)

Business-type Activities- Enterprise Funds			Governmental Activities
Airport Fund	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<u>\$ (1,561,813)</u>	<u>\$ 607,316</u>	<u>\$ 2,608,344</u>	<u>\$ (1,012,589)</u>
2,442,316	15,585	8,890,914	907,069
(43,628)	(55,590)	(614,309)	(165,375)
(2,387)	-	(419,190)	36,979
13,486	32,692	318,904	-
-	-	349,981	-
-	-	-	(10,952)
-	-	(539,890)	-
(326,429)	(31,878)	(1,389,108)	91,180
2,366	-	91,704	-
2,190	27,408	33,980	17,615
7,283	6,364	100,594	-
<u>2,095,197</u>	<u>(5,419)</u>	<u>6,823,580</u>	<u>876,516</u>
<u>\$ 533,384</u>	<u>\$ 601,897</u>	<u>\$ 9,431,924</u>	<u>\$ (136,073)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 576,392</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 225,705</u>	<u>\$ 1,455,621</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,561</u>	<u>\$ -</u>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 1. Summary of Significant Accounting Policies**

**Reporting Entity**

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

The City’s only discretely presented component unit, the Manassas City Public Schools (“MCPS”), is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. MCPS is responsible for elementary and secondary education within the City. MCPS is governed by an elected seven-member School Board. The City is financially accountable for MCPS because the City Council approves MCPS’s budget, levies taxes to support MCPS’s budget and issues debt for MCPS. MCPS has a June 30 year end and does not issue separate financial statements.

**Government-Wide and Fund Financial Statements**

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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



**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

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

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

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

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

*Special revenue funds* account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the Family Services Fund, Family Services Publishing Fund, PEG Fund, Owens Brooke District Fund, Fire Rescue Fund, Merchant Museum Fund, Museum Collections Fund, Museum Publishing Fund, Speiden Carper House Fund, and the Manassas Landing Fund. During 2016, the Family Services Publishing Fund, Museum Collections Fund, Museum Publishing Fund and Manassas Landing Fund were closed.

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

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

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

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

*Enterprise funds* account for operations where the intent of the City is that the cost of provided services to the general public be financed and recovered through user charges. Enterprise funds consist of the Electric, Water and Sewer Funds, which account for the operation of the City's electric distribution service, water distribution service and sewer distribution service. The Airport fund accounts for the activities of the Manassas Regional Airport. These are all considered major funds for financial reporting purposes. The City also has several nonmajor enterprise funds which include Solid Waste, City Square Pavilion, Candy Factory, Parking Garage and Stormwater. During 2016 the Candy Factory Fund, City Square Pavilion Fund and Parking Garage Fund were closed.

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

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

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

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

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

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

*Deposits and Investments*

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

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

The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

*Fair Value Measurements*

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

*Receivables and Payables*

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

*Inventories and Prepaid Items*

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

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

*Property Taxes*

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

*Allowance for Uncollectible Accounts*

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. At year end, the allowance for doubtful accounts is \$460,519 the general fund, \$20,117 in the electric fund, \$6,302 in the water fund, \$9,057 in the sewer fund and \$1,093 in the nonmajor enterprise funds.

*Use of Estimates*

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

*Capital Assets*

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

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

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

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

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

*Compensated Absences*

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

*Long-term Obligations*

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

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

*Fund Balances*

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

The classifications are as follows:

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

*Restricted Amounts*

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

*Minimum Fund Balance Policy*

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). With adoption of its fund balance policy, the City Council formalized their decision not to assign fund balances or grant that authority to any individual. In the general fund, the City strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 13%-15% of the actual GAAP basis operating revenues exclusive of other financing sources.

*Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, 2016 include \$252,349 in the general fund, \$146,778 in the general capital projects fund, \$858,763 in the NVTa capital projects fund, \$6,000 in the stormwater capital projects fund, \$27,750 in the transportation capital projects fund, \$127,279 in the fire rescue fund, \$7,780 in the gateway capital projects fund, \$97,694 in the school operating fund and \$8,414,547 in the school capital projects fund.

*Net Position*

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

*Deferred Outflows and Inflows of Resources*

In addition to assets, the statements that present net position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category. The first is the deferred charge on refunding reported on both the government-wide statement of net position and the proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second consists of pension contributions subsequent to the measurement date. These will be applied to the net pension liability in the next fiscal year. The third results from participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred outflow. The fourth represents differences between expected and actual experience in the pension plan. The last two differences will be recognized in pension expense over a closed five year period.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category. One item occurs only under the modified accrual basis of accounting; this item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second is the net difference between projected and actual earnings on pension plan investments. The third represents differences between expected and actual experience in the pension plan. These differences will be recognized in pension expense over a closed five year period.

*Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Net pension liabilities and deferred outflows and inflows of resources are reported in the proprietary funds and the government-wide fund financial statements.

*MCPS Debt/Capital Asset Reporting*

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



**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 2. Stewardship, Compliance, and Accountability**

**Budgetary Information**

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

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

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

**Note 3. Deposits and Investments**

**Deposits**

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

**Investments**

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

*Credit Risk* - Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), a 2a-7 like pool, and the State Non-Arbitrage Program (SNAP), a pooled investment fund. Both the LGIP and SNAP are not registered with the SEC but are overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the City's position in the pools is the same as the value of the pool shares. The City has no investment policy that would further limit its investment choices.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

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

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

Investment Type	Fair Value	S & P Credit Rating	Weighted Average Maturity*
LGIP	\$ 55,557,964	AAAm	0.08
SNAP	16,243,007	AAAm	0.10
Wells Fargo	30	N/A	N/A
Money Market	72,093	N/A	N/A
Treasury Notes	1,514,318	AA+	2.06
Federal Agency Bonds and Notes	7,811,697	AA+	1.25
Corporate Notes	3,602,801	BBB to AAA	1.88
Commercial Paper	1,296,990	A-1	0.32
Certificates of Deposit	1,032,703	A-1	1.48
Common Stocks	731,337	Various	N/A
Mutual Funds	51,597	Various	N/A
Total investments	<u>\$ 87,914,537</u>		

\* - Average Maturity in Years

Concentration of Credit Risk:

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

Issuer	Percent of Total Portfolio
SNAP	18.48%
LGIP	63.20%
Federal Agency Bonds and Notes	8.89%

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

Fair Value:

The City and MCPS categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City and MCPS have the following recurring fair value measurements as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks/equity securities:				
Consumer Discretionary	\$ 110,482	\$ -	\$ -	\$ 110,482
Consumer Staples	72,234	-	-	72,234
Energy	46,585	-	-	46,585
Financials	160,881	-	-	160,881
Health Care	68,123	-	-	68,123
Industrials	76,056	-	-	76,056
Information Technology	62,248	-	-	62,248
Materials	22,956	-	-	22,956
Real Estate Investment Trusts	32,993	-	-	32,993
Telecommunications Services	19,539	-	-	19,539
Other	59,240	-	-	59,240
Mutual funds	51,597	-	-	51,597
Commercial Paper	-	1,296,990	-	1,296,990
Debt securities:		-	-	-
U.S. Treasury securities	1,514,318	-	-	1,514,318
Federal Agency Bonds and Notes	7,811,697	-	-	7,811,697
Corporate Notes	-	3,602,801	-	3,602,801
	<u>\$ 10,108,949</u>	<u>\$ 4,899,791</u>	<u>\$ -</u>	<u>\$ 15,008,740</u>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

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

	<u>Primary Government</u>	<u>MCPS</u>
Deposits and investments:		
Deposits	\$ 26,734,403	\$ 13,365,888
Investments	72,299,946	14,582,358
Investments held in trust	-	1,032,233
	<u>\$ 99,034,349</u>	<u>\$ 28,980,479</u>
Statement of Net Position:		
Cash and investments	\$ 95,806,889	\$ 13,365,888
Cash and investments - restricted	3,227,460	14,582,358
Fiduciary fund cash and investments	-	1,032,233
	<u>\$ 99,034,349</u>	<u>\$ 28,980,479</u>

Cash and Investments - Restricted:

Restricted cash and investments consist of unspent bond proceeds related to bond issuances, amounts deposited in escrow for the purchase of property and funds restricted for expenditures for cemetery maintenance.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 4. Due from Other Governments**

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

	<u>Primary Government</u>	<u>MCPS</u>
Federal and Commonwealth of Virginia:		
State sales tax	\$ -	\$ 1,338,288
Title VI-B	-	270,696
Title I	-	425,365
Northern Va. Special Education Regional Program	-	1,348,152
VPSA Technology	-	758,175
Other federal and state school funds	-	682,284
Local sales tax	1,506,258	-
Prince William County	346,978	-
Highway construction and transportation funds	1,122,405	-
Welfare grants	366,266	-
Communication tax	456,239	-
Airport grants	54,878	-
Other federal and state funds	246,734	-
	<u>\$ 4,099,758</u>	<u>\$ 4,822,960</u>
Total due from federal and state sources		

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

Interfund balances at June 30, consisted of the following:

**Primary Government**

Due to general fund from:

Non-major governmental funds	\$ 1,025,938
Airport fund	<u>392,000</u>

Total due to general fund from other funds for cash advances	<u>\$ 1,417,938</u>
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In 2008, the general fund lent the airport fund \$1,960,000 to purchase property for the airport expansion projects; the airport fund has made payments to bring the current balance to \$392,000. In 2015, the general fund advanced the NVTA capital projects fund \$1,196,109 from capital reserves, so the NTVA fund could meet the 12.5% C&I equivalency requirement in order to receive the City's 30% funds from NVTA. The NVTA fund has made payments to bring the balance to \$646,109. The remaining balance consists of interfund loans from the general fund to the family services fund and transportation capital projects, which are short term obligations at June 30, 2016

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

	<b>Transfers In</b>				<b>Total Transfers Out</b>
	<b>General Fund</b>	<b>Nonmajor Governmental</b>	<b>Nonmajor Enterprise</b>	<b>Internal Service</b>	
<b>Transfers Out:</b>					
General fund	\$ -	\$ 5,980,417	\$ 142,053	\$ -	\$ 6,122,470
Nonmajor governmental	281,009	-	12,732	-	293,741
Electric fund	910,510	1,201,000	-	167,943	2,279,453
Water fund	580,698	1,033,632	-	218,930	1,833,260
Sewer fund	267,790	680,000	-	19,989	967,779
Nonmajor enterprise	426,873	-	-	-	426,873
	<u>\$ 2,466,880</u>	<u>\$ 8,895,049</u>	<u>\$ 154,785</u>	<u>\$ 406,862</u>	<u>\$ 11,923,576</u>

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 6. Capital Assets**

**Primary Government**

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

<b><u>Governmental Activities</u></b>	<b><u>Beginning Balance, As Restated</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital asset, not being depreciated:				
Land and land rights	\$ 111,361,675	\$ 360,408	\$ -	\$ 111,722,083
Construction in progress	2,541,497	5,677,783	(6,123,577)	2,095,703
Total capital assets not being depreciated	113,903,172	6,038,191	(6,123,577)	113,817,786
Capital assets, being depreciated:				
Buildings and improvements	33,982,407	5,542,540	(207,695)	39,317,252
Machinery and equipment	19,897,452	2,488,188	(894,757)	21,490,883
Infrastructure	205,493,059	3,808,647	(585,513)	208,716,193
Total capital assets being depreciated	259,372,918	11,839,375	(1,687,965)	269,524,328
Less accumulated depreciation for:				
Buildings and improvements	(23,163,211)	(4,377,142)	172,737	(27,367,616)
Machinery and equipment	(12,099,478)	(1,678,608)	894,757	(12,883,329)
Infrastructure	(84,599,243)	(5,478,703)	580,407	(89,497,539)
Total accumulated depreciation	(119,861,932)	(11,534,453)	1,647,901	(129,748,484)
Total capital assets being depreciated, net	139,510,986	304,922	(40,064)	139,775,844
Governmental activities capital assets, net	<u>\$ 253,414,158</u>	<u>\$ 6,343,113</u>	<u>\$ (6,163,641)</u>	<u>\$ 253,593,630</u>

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

Governmental activities:	
General government	\$ 353,281
Public safety	781,053
Public works	5,737,553
Health and welfare	4,804
Culture and recreation	559,902
Internal service funds amounts charged to functions based on usage	<u>907,069</u>
Total depreciation expense – governmental activities	<u>\$ 8,343,662</u>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Primary Government (Continued)**

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

<b><u>Business Activities</u></b>	<b><u>Beginning Balance, As Restated</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital asset, not being depreciated:				
Land and land rights	\$ 11,521,721	\$ -	\$ -	\$ 11,521,721
Construction in progress	8,951,141	8,809,290	(9,643,161)	8,117,270
Total capital assets not being depreciated	20,472,862	8,809,290	(9,643,161)	19,638,991
Capital assets, being depreciated:				
Investment in plant	218,291,459	11,632,447	(6,792,336)	223,131,570
Buildings and improvements	4,652,248	-	(4,652,248)	-
Machinery and equipment	4,630,820	93,457	(357,937)	4,366,340
Purchased capacity	27,153,050	-	-	27,153,050
Total capital assets being depreciated	254,727,577	11,725,904	(11,802,521)	254,650,960
Less accumulated depreciation for:				
Investment in plant	(137,406,104)	(7,173,428)	5,867,699	(138,711,833)
Buildings and improvements	(3,124,076)	-	3,124,076	-
Machinery and equipment	(3,475,962)	(330,981)	369,344	(3,437,599)
Purchased capacity	(15,342,336)	(1,386,505)	-	(16,728,841)
Total accumulated depreciation	(159,348,478)	(8,890,914)	9,361,119	(158,878,273)
Total capital assets being depreciated, net	95,379,099	2,834,990	(2,441,402)	95,772,687
Business-type activities capital assets, net	<u>\$ 115,851,961</u>	<u>\$ 11,644,280</u>	<u>\$ (12,084,563)</u>	<u>\$ 115,411,678</u>

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

Electric fund	\$ 2,520,929
Water fund	2,224,585
Sewer fund	1,687,499
Airport fund	2,442,316
Nonmajor enterprise funds	15,585
Total	<u>\$ 8,890,914</u>



**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Primary Government (Continued)**

Purchased Water Rights and Purchased Capacity:

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

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

Construction Commitments:

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

	<b><u>Total Contracts</u></b>	<b><u>Total Payments</u></b>	<b><u>Future Amounts to be Expended</u></b>
General capital projects	\$ 368,670	\$ 204,648	\$ 164,022
Gateway capital projects	108,535	100,755	7,780
Streets capital projects	2,122,779	1,236,265	886,514
Stormwater management	4,738,987	268,618	4,470,369
Sewer capital projects	13,215	4,638	8,577
Water capital projects	2,233,940	1,308,486	925,454
Electric capital projects	2,841,116	2,559,215	281,901
Airport capital projects	4,311,559	4,173,539	138,020
MCPS capital projects	<u>34,857,845</u>	<u>28,386,043</u>	<u>6,471,802</u>
Total	\$ <u>51,596,646</u>	\$ <u>38,242,207</u>	\$ <u>13,354,439</u>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

<u><b>MCPS</b></u>	<u><b>Beginning Balance</b></u>	<u><b>Increases</b></u>	<u><b>Decreases</b></u>	<u><b>Ending Balance</b></u>
Capital asset, not being depreciated:				
Land and land rights	\$ 2,336,649	\$ -	\$ -	\$ 2,336,649
Construction in progress	9,822,551	26,281,644	(5,548,558)	30,555,637
Total capital assets not being depreciated	12,159,200	26,281,644	(5,548,558)	32,892,286
Capital assets, being depreciated:				
Buildings and improvements	128,388,897	7,325,355	(65,421)	135,648,831
Machinery and equipment	9,755,991	621,804	(733,850)	9,643,945
Total capital assets being depreciated	138,144,888	7,947,159	(799,271)	145,292,776
Less accumulated depreciation for:				
Buildings and improvements	(92,197,655)	(4,378,474)	17,736	(96,558,393)
Machinery and equipment	(6,907,596)	(729,275)	723,131	(6,913,740)
Total accumulated depreciation	(99,105,251)	(5,107,749)	740,867	103,472,133
Total capital assets being depreciated, net	39,039,637	2,839,410	(58,404)	41,820,643
MCPS capital assets, net	<u>\$ 51,198,837</u>	<u>\$ 29,121,054</u>	<u>\$ (5,606,962)</u>	<u>\$ 74,712,929</u>

Depreciation expense of \$5,107,749 was charged to functions/programs of the respective Component Unit MCPS' governmental activities.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 7. Unavailable/Unearned Revenue and Deferred Inflows of Resources**

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

	<u><b>Governmental Funds</b></u>
Deferred property tax revenue, representing uncollected tax billings (General Fund)	\$ 1,705,189
Deferred vehicle license taxes, and other items (General Fund)	<u>374,283</u>
Total deferred inflows of resources for the general fund	<u>2,079,472</u>
Deferred property tax revenue, representing uncollected tax billings (Special Revenue Funds)	<u>128,738</u>
Total deferred inflows of resources	<u>\$ 2,208,210</u>

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

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

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

Unearned revenues in the MCPS School operating fund consists of resources received in advance of revenue recognition due to not yet meeting eligibility requirements.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 8. Long-Term Debt**

**Primary Government**

**Changes in Long-Term Debt**

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

	<b>Beginning Balance, As Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 81,853,720	\$ -	6,034,850	\$ 75,818,870	\$ 6,296,855
Premium on bonds	6,426,296	-	373,386	6,052,910	373,386
Capital leases	156,427	-	77,474	78,953	78,953
Compensated absences	2,580,451	2,587,878	2,487,717	2,680,612	402,092
Net OPEB obligation	3,034,170	337,633	-	3,371,803	-
Governmental activities long-term liabilities	<u>\$ 94,051,064</u>	<u>\$ 2,925,511</u>	<u>8,973,427</u>	<u>\$ 88,003,148</u>	<u>\$ 7,151,286</u>
<b>Business-type Activities:</b>					
General obligation bonds	\$ 25,541,536	\$ -	1,985,886	\$ 23,555,650	\$ 2,076,159
VDOA obligation	1,568,000	-	-	1,568,000	1,568,000
Premium on bonds	2,422,165	-	201,302	2,220,863	202,495
Compensated absences	882,332	800,968	766,989	916,311	137,448
Net OPEB obligation	549,146	100,594	-	649,740	-
Business-type activities long-term liabilities	<u>\$ 30,963,179</u>	<u>\$ 901,562</u>	<u>2,954,177</u>	<u>\$ 28,910,564</u>	<u>\$ 3,984,102</u>
<b>Total Primary Government</b>	<u>\$ 125,014,243</u>	<u>\$ 3,827,073</u>	<u>11,927,604</u>	<u>\$ 116,913,712</u>	<u>\$ 11,135,388</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At June 30, \$251,204 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, the net OPEB obligation and compensated absences are generally liquidated by the general fund.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Primary Government (Continued)**

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

<b><u>MCPS</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
Capital leases	\$ 484,743	\$ -	\$ 152,830	\$ 331,913	\$ 116,656
Compensated absences	2,102,296	571,293	626,994	2,046,595	306,989
Net OPEB obligation	<u>1,685,000</u>	<u>-</u>	<u>94,000</u>	<u>1,591,000</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 4,272,039</u>	<u>\$ 571,293</u>	<u>\$ 873,824</u>	<u>\$ 3,969,508</u>	<u>\$ 423,645</u>

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

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

<b><u>Series</u></b>	<b><u>Maturity date</u></b>	<b><u>Interest rates</u></b>	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
Series 2004 VARF	4/1/2024	5.00%	\$ -	\$ 725,520
Series 2005 A Refunding	1/1/2018	3.50 - 5.25%	2,922,740	417,260
Series 2005 B	7/1/2016	3.25 - 5.00%	980,000	-
Series 2005 C	7/1/2016	5.25 - 5.50%	-	130,000
Series 2007 VML/VACo	8/1/2017	4.25- 5.00%	-	1,505,000
Series 2009 VRA Refunding	10/1/2021	4.13 - 5.13%	-	1,115,000
Series 2010 ABC VML/VACo	2/15/2030	2.00 - 6.07%	1,752,800	2,322,200
Series 2010 D	7/1/2024	2.00 - 5.00%	1,287,750	1,237,250
Series 2010 D Refunding	7/1/2024	2.00 - 5.00%	14,110,000	-
Series 2010 E Refunding	7/1/2017	2.00 - 3.00%	745,780	494,220
Series 2014A	5/1/2034	3.00 - 5.00%	8,983,800	3,616,200
Series 2014B	7/1/2025	2.34%	9,409,000	-
Series 2014C Refunding	7/1/2034	2.00 - 5.00%	2,927,000	10,318,000
Series 2014C	7/1/2034	2.00 - 5.00%	32,700,000	-
Series 2014D Refunding	7/1/2025	0.50 - 3.00%	-	1,675,000
Total general obligation bonds			<u>75,818,870</u>	<u>23,555,650</u>
VDOA obligation	8/1/2016	0.00%	<u>-</u>	<u>1,568,000</u>
Total primary government			<u>\$ 75,818,870</u>	<u>\$ 25,123,650</u>

(Continued)

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Primary Government (Continued)**

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

<b>Fiscal Year Ending June 30</b>	<b>Governmental Activities</b>			
	<b>General Obligation Bonds</b>		<b>Capital Leases</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 6,296,855	\$ 2,884,759	\$ 78,953	1,508
2018	6,339,540	2,648,783	-	-
2019	4,591,155	2,410,510	-	-
2020	4,706,280	2,232,439	-	-
2021	4,789,840	2,056,545	-	-
2022-2026	24,174,715	7,186,048	-	-
2027-2031	13,806,775	3,290,684	-	-
2032-2035	11,113,710	706,904	-	-
	<u>\$ 75,818,870</u>	<u>\$ 23,416,672</u>	<u>\$ 78,953</u>	<u>\$ 1,508</u>

<b>Fiscal Year Ending June 30</b>	<b>Business-Type Activities</b>			
	<b>General Obligation Bonds</b>		<b>Obligations Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 2,076,159	\$ 980,115	\$ 1,568,000	\$ -
2018	2,013,856	891,241	-	-
2019	1,651,692	818,462	-	-
2020	1,702,087	756,681	-	-
2021	1,756,118	694,608	-	-
2022-2026	8,721,224	2,314,462	-	-
2027-2031	4,868,225	547,401	-	-
2032-2035	766,289	53,296	-	-
	<u>\$ 23,555,650</u>	<u>\$ 7,056,266</u>	<u>\$ 1,568,000</u>	<u>\$ -</u>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Primary Government (Continued)**

**Prior Year Issue and Refunding of Debt**

In August 2014, the City issued \$9,515,000 in general obligation public improvement refunding bonds, Series 2014B, with a fixed interest rate of 2.34%. These bonds were issued to complete a partial refunding of Series 2005B bonds in the amount of \$8,790,000. The proceeds were placed in trust with an escrow agent to fund all future debt service payments. As a result, the refunded bonds are considered to be defeased and a portion of the liability has been removed from the City's long-term debt. This refunding was undertaken to reduce total debt service payments over the next 11 years by \$603,415 and to obtain an economic gain of \$527,683.

In November 2014, the City issued \$48,595,000 in general obligation public improvement and refunding bonds, Series 2014C and 2014D with an average interest rate of 0.5-5.0%. These bonds were issued to provide financing for School projects and partial refunding of \$15,460,000 in outstanding bonds Series 2005B, 2005C, 2007B and 2010D. The proceeds were placed in trust with an escrow agent to fund all future debt service payments. As a result, the refunded bonds are considered to be defeased and a portion of the liability has been removed from the City's long-term debt. This refunding was undertaken to reduce total debt service payments over the next 16 years by \$1,455,536 and to obtain an economic gain of \$1,236,299.

Approximately \$4,748,000 remains outstanding at June 30, 2016 related to both the partially defeased bonds above.

**Operating Leases – City and MCPS**

The City and MCPS have various leases for real estate and equipment with non-cancelable lease terms. Total rental expense under operating leases of the City and MCPS for the year ended June 30, 2016 was \$411,266 and \$355,974, respectively. The future minimum lease payment for these leases is as follows:

	<b><u>Primary Government</u></b>	<b><u>MCPS</u></b>
Fiscal Year Ending June 30:		
2017	\$ 400,035	\$ 351,294
2018	375,782	361,833
2019	389,234	372,688
2020	343,383	383,869
2021	351,109	395,385
2022-2025	<u>1,222,399</u>	<u>826,710</u>
Total	<u>\$ 3,081,942</u>	<u>\$ 2,691,779</u>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Primary Government (Continued)**

**Capital Leases – Primary Government and MCPS**

Capital leases for the City and MCPS expire at various dates through 2019. All leases are non-cancelable however, they are contingent upon the City Council appropriating funds for each year's payments.

The assets acquired through capital leases are as follows:

	<b><u>Primary Government</u></b>	<b><u>MCPS</u></b>
Assets:		
Street Sweeper	\$ 155,000	\$ -
Defibrillators	196,568	-
Copiers	-	509,563
Less: Accumulated Depreciation	<u>(250,254)</u>	<u>(147,837)</u>
Total	<b><u>\$ 101,314</u></b>	<b><u>\$ 361,726</u></b>

The following is a schedule of future minimum lease payments, including interest for MCPS capital leases at June 30, 2016:

	<b><u>MCPS</u></b>	
	<b><u>Capital Leases</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2017	\$ 116,656	\$ 15,527
2018	121,228	10,734
2019	<u>94,029</u>	<u>6,163</u>
	<b><u>\$ 331,913</u></b>	<b><u>\$ 34,424</u></b>



**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 9. Contingent Liabilities and Commitments**

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

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

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

The City's agreement with Prince William Manassas Regional Adult Detention Center (PWMRADC) requires periodic true-ups based on actual costs incurred for the City's prisoner day percentage, shared overhead costs and shared repairs. As of year-end, the City's liability (receivable) for these costs for fiscal years 2010, 2011, 2012, 2013, 2014 and 2015 is \$7,436, (\$89,901), \$550,110, \$537,903, \$1,141,929 and (\$289,472), respectively, totaling \$1,858,005. The 2016 amount has not been finalized as of the date of this report, however is expected to reduce the anticipated liability. The City is awaiting final billings from PWMRADC for these years; however, amounts are subject to change for the most recent year based on verification by PWMRADC.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 10. Joint Ventures**

Upper Occoquan Sewage Authority (UOSA)

The UOSA was created under the provisions of the Virginia Water and Sewer Authorities Act to be the single regional entity to construct, finance, and operate the regional sewage treatment facility. UOSA is a joint venture formed on March 3, 1971 by a concurrent resolution of the governing bodies of Fairfax and Prince William Counties and the Cities of Manassas and Manassas Park. The governing body of UOSA is an eight-person Board of Directors consisting of two members appointed to four-year terms by the governing body of each participating jurisdiction. In turn, the UOSA Board adopts an annual operating budget based on projected sewage flows. Each jurisdiction has a percentage share of UOSA's capacity. The City does not recognize an investment in UOSA because the participants do not have an equity interest. The City's percentage share of UOSA's capacity as of June 30, 2016 is 14.24%.

UOSA's current operating costs and annual debt service is funded by each of the participants based on their allocated capacity with certain modifications. UOSA currently has nine Sewage System Revenue Bond issues outstanding: one issued in 1995, one issued in 2007, two issued in 2010, two issued in 2011, two issued in 2013 and one in 2014. The sewer enterprise fund is funding 100 percent of the City's share of the debt issues. As of June 30, 2016, the City's committed share of UOSA's remaining debt service (including interest) is as follows:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,094,552	\$ 1,563,148
2018	1,129,837	1,528,149
2019	1,166,319	1,491,176
2020	1,205,166	1,452,262
2021	1,222,962	1,411,077
2022-2026	7,266,648	6,565,235
2027-2031	8,061,438	5,154,258
2032-2036	9,058,976	3,485,728
2037-2041	10,236,856	1,495,321
2042-2043	<u>1,300,258</u>	<u>76,546</u>
	<u>\$ 41,743,012</u>	<u>\$ 24,222,900</u>

The sewer fund made payments in fiscal year 2016 for its share of UOSA's operating costs and debt service costs of \$6,632,151 and \$2,473,907, 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 2016.

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 10. Joint Ventures (Continued)**

Potomac and Rappahannock Transportation Commission (PRTC)

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

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

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

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

**Note 11. Jointly Governed Organization**

Northern Virginia Transportation Authority (NVTA)

The NVTA was established under the provisions of the Code of Virginia, Title 15.2, Chapter 48.2 with the cities of Alexandria, Fairfax, Manassas, Manassas Park, and Falls Church and the counties of Arlington, Fairfax, Loudoun, and Prince William. The Authority is responsible for long-range transportation planning for regional transportation projects in Northern Virginia and sets regional transportation policies and priorities for regional transportation projects. While the jurisdictions have representatives as members of the governing body of the Authority, the jurisdictions do not have an explicit measurable equity interest in NVTA. Beginning in 2014, House Bill 2313 gave the Authority responsibility over the collection and distribution of certain dedicated taxes for transportation including 1% additional sales tax, 2% additional transient and occupancy tax and 1.5% additional grantor's tax. By law, 30% of these additional revenues are distributed to the jurisdictions provided they implement the commercial and industrial tax of 12.5 cents, or dedicate some other funds towards transportation. The other 70% will be used towards regional transportation projects approved by the Authority and implemented by the jurisdictions. In 2016, the City received \$1,506,966 of these taxes.

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

**Plan Description**

All full-time, salaried permanent employees of the City and MCPS (Non-professional employees) , (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>.

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

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

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Plan Description (Continued)**

**Plan 1 (Continued)**

- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service, for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
- **Disability Coverage** for members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Plan Description (Continued)**

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

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Plan Description (Continued)**

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

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Vesting –**
  - **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
  - **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
  - **Defined Benefit Component:** See definition under Plan 1.
  - **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation –** Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier –** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age –**
  - **Defined Benefit Component:** Same as Plan 2, however, not applicable for hazardous duty employees.
  - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.



**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

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

**Employees Covered by Benefit Terms**

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>City</u>	<u>MCPS Non-Professional</u>
Inactive members or their beneficiaries currently receiving benefits	219	66
Inactive members:		
Vested inactive members	72	18
Non-vested inactive members	131	45
Inactive members active elsewhere in VRS	92	34
Total inactive members	295	97
Active members	436	147
Total covered employees	950	310

(Continued)

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Contributions**

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

The City's contractually required contribution rate for the year ended June 30, 2016 was 13.14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

The contractually required contribution rate for MCPS (Non-professional) for the year ended June 30, 2016 was 7.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$3,843,566 and \$3,680,000 for the years ended June 30, 2016 and June 30, 2015, respectively. Contributions to the pension plan from MCPS (Non-professional) were \$293,120 and \$329,000 for the years ended June 30, 2016 and June 30, 2015, respectively.

**Net Pension Liability**

The political subdivision's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Actuarial Assumptions**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.50%
General Employees - Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees - Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Public Safety Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) increase in rates of withdrawal, and reduce rates of salary increase by 0.25% per year.

**Long-Term Expected Rate of Return**

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Long-Term Expected Rate of Return (Continued)**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**Changes in Net Pension Liability - City**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2014	\$ 128,113,530	\$ 101,444,530	\$ 26,669,000
Changes for the year:			
Service cost	3,146,516	-	3,146,516
Interest	8,777,037	-	8,777,037
Differences between expected and actual experience	(4,724,636)	-	(4,724,636)
Contributions – employer	-	3,837,337	(3,837,337)
Contributions – employee	-	1,424,567	(1,424,567)
Net investment income	-	4,649,051	(4,649,051)
Benefit payments, including refunds of employee contributions	(5,454,561)	(5,454,561)	-
Administrative expenses	-	(62,878)	62,878
Other changes	-	(1,239)	1,239
Net changes	1,744,356	4,392,277	(2,647,921)
Balances at June 30, 2015	\$ 129,857,886	\$ 105,836,807	\$ 24,021,079

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2014	\$ 15,263,431	\$ 14,485,431	\$ 778,000
Changes for the year:			
Service cost	444,147	-	444,147
Interest	1,046,485	-	1,046,485
Differences between expected and actual experience	348,312	-	348,312
Contributions – employer	-	327,770	(327,770)
Contributions – employee	-	210,271	(210,271)
Net investment income	-	662,902	(662,902)
Benefit payments, including refunds of employee contributions	(627,286)	(627,286)	-
Administrative expenses	-	(9,037)	9,037
Other changes	-	244	(244)
Net changes	1,211,658	564,864	646,794
Balances at June 30, 2015	\$ 16,475,089	\$ 15,050,295	\$ 1,424,794

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

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

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
City's net pension liability	\$ 42,086,428	\$ 24,021,079	\$ 9,143,346
Component Unit:			
MCPS (Non-professional)			
net pension liability (asset)	\$ 3,725,352	\$ 1,424,794	\$ (474,112)

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

For the year ended June 30, 2016, the City recognized pension expense of \$1,390,583. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 3,701,988
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,683,880
Employer contributions subsequent to the measurement date	3,843,566	-
Total	<u>\$ 3,843,566</u>	<u>\$ 6,385,868</u>

For the year ended June 30, 2016, MCPS (Non-professional) recognized pension expense of \$216,309. At June 30, 2016, MCPS (Non-professional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 261,016	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	380,359
Employer contributions subsequent to the measurement date	293,120	-
Total	<u>\$ 554,136</u>	<u>\$ 380,359</u>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

The \$3,843,566 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2017	\$ (2,080,146)
2018	(2,080,146)
2019	(2,080,146)
2020	(145,430)
2021	-
Total	\$ <u>(6,385,868)</u>

The \$293,120 reported as deferred outflows of resources related to pensions resulting from MCPS (Non-professional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2017	\$ (62,667)
2018	(62,667)
2019	(63,541)
2020	69,532
2021	-
Total	\$ <u>(119,343)</u>

**Payables to the Pension Plan**

At June 30, 2016, approximately \$325,000 was payable by the City to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.



**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

***Plan Description***

All full-time, salaried permanent (professional) employees of Virginia school divisions, including MCPS, (the “School Division”), are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is a multiple employer cost-sharing plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

Prior to the adoption of GASB Statement No. 68 in fiscal year 2015, Virginia local school divisions were required to disclose information about their contributions to the teacher cost-sharing plan, but not report a proportionate share of the plan’s net pension liability. Upon adoption of the new pension standards in 2015, the School Division now reports its proportionate share of the plan’s net pension liability as well as certain other deferred inflows and/or outflows as disclosed below.

Plan participants are covered under three different benefit structures – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in Note 12.

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division’s contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The School Division’s allocated portion of this contribution was \$1,401,000 and is included with operations grants and contributions in the statement of activities. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer.

The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the school division were \$7,608,549 and \$7,570,000 for the years ended June 30, 2016 and June 30, 2015, respectively.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

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

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

At June 30, 2016, the school division reported a liability of \$91,429,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.73% as compared to 0.72% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$7,696,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,259,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,599,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,818,000	-
Employer contributions subsequent to the measurement date	7,608,549	-
Total	<u>\$ 11,426,549</u>	<u>\$ 6,858,000</u>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

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

The \$7,608,549 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2017	\$ (1,479,000)
2018	(1,479,000)
2019	(1,479,000)
2020	1,414,000
2021	(17,000)
Total	<u>\$ (3,040,000)</u>

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

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

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School division's proportionate share of the VRS teacher employee retirement plan net pension liability	<u>\$ 133,796,935</u>	<u>\$ 91,429,000</u>	<u>\$ 56,550,307</u>

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 13. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

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

***Payables to the Pension Plan***

At June 30, 2016, approximately \$1,154,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll for the Teacher Cost Sharing Pool and MCPS (Non-professional) employees.

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

**Plan Description**

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

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

**Funding Policy and Annual Benefit Contribution**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute actuarial percentage of their annual reported compensation of the VRS for the retiree health insurance credit. The City and MCPS (non-professional employees) have assumed this contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for 2016 was 0.16% of annual covered payroll. The MCPS contribution rate for 2016 was 0.26% of annual covered payroll of non-professional employees.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

Actuarial Methods and Assumptions

The required contributions for the City and MCPS (non-professional employees) were determined as part of an actuarial valuation performed as of June 30, 2015 using the entry age normal cost method. The actuarial assumptions at June 30, 2015 included (a) 7.00% investment rate of return, and (b) a projected payroll growth rate of 3.00%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City and the MCPS (non-professional) assets are equal to the market value of the assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2015 was 20-29 years.

**Three-Year Trend Information**  
**City**

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2016	\$ 43,632	100%	\$ -
June 30, 2015	\$ 43,865	100%	\$ -
June 30, 2014	\$ 51,035	100%	\$ -

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

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2016	\$ 10,497	100%	\$ -
June 30, 2015	\$ 10,971	100%	\$ -
June 30, 2014	\$ 13,868	100%	\$ -

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

Funding Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the VRS health insurance credit program was 53.31% and 66.51% funded. The actuarial liability for the City and MCPS (non-professional employees) benefits were \$947,158 and \$254,113 respectively, and the actuarial value of assets was \$504,900 and \$169,011, resulting in an unfunded actuarial liability (UAAL) of \$442,258 and \$85,102 for the City and the MCPS (non-professional employees). The covered payroll (annual payroll of active employees covered by the plan) was \$27,442,938 and \$4,233,134 and ratio of the UAAL to the covered payroll was 1.61% and 2.01% for the City and the MCPS (non-professional employees).

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

**Note 15. Other Post-Employment Benefits – Health Insurance**

Plan Description

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

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 15. Other Post-Employment Benefits – Health Insurance (Continued)**

Plan Description (Continued)

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

The City and MCPS have elected not to pre-fund OPEB liabilities. The City and MCPS are required to recognize the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the OPEB cost for the year, the amount actually contributed to the plan, and the changes in net OPEB obligation for the healthcare benefits:

	<u>City</u>	<u>MCPS</u>
Annual required contribution	\$ 772,600	\$ 228,000
Interest on net OPEB obligation	125,416	67,000
Adjustment to annual required contribution	<u>(185,289)</u>	<u>(88,000)</u>
Annual OPEB cost	712,727	207,000
Contributions made	<u>(274,500)</u>	<u>(301,000)</u>
Increase (decrease) in net OPEB obligation	438,227	(94,000)
Net OPEB obligation – beginning of year, restated	<u>3,583,316</u>	<u>1,685,000</u>
Net OPEB obligation – end of year	<u><u>\$ 4,021,543</u></u>	<u><u>\$ 1,591,000</u></u>

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

Trend Information

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

<b>City:</b>		<b>Percentage of Annual OPEB Cost Contributed</b>		<b>Net OPEB Obligation</b>	
<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>				
June 30, 2016	\$ 712,727	38.51%		\$ 4,021,543	
June 30, 2015	\$ 677,679	33.22%		\$ 3,583,316	
June 30, 2014	\$ 385,030	38.01%		\$ 3,130,737	

<b>MCPS:</b>		<b>Percentage of Annual OPEB Cost Contributed</b>		<b>Net OPEB Obligation</b>	
<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>				
June 30, 2016	\$ 207,000	145.41%		\$ 1,591,000	
June 30, 2015	\$ 189,000	179.37%		\$ 1,685,000	
June 30, 2014	\$ 193,000	161.14%		\$ 1,835,000	

Funding Status and Funding Progress

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

	<b>City</b>	<b>MCPS</b>
Actuarial Accrued Liability (AAL)	\$ 6,905,500	\$ 2,625,000
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 6,905,500	2,625,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-%	-%
Covered Payroll (Active Plan Members)	\$ 27,733,600	57,686,171
UAAL as a Percentage of Covered Payroll	24.90%	4.50%

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



**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

Actuarial Methods and Assumptions

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

	<u>City</u>	<u>MCPS</u>
Actuarial Valuation Date	June 30, 2015	July 1, 2015
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Closed
Amortization Period	30 years	30 years
Years Remaining	21 years	22 years
Asset Valuation Method	N/A	Market Value of Assets
Actuarial Assumptions:		
Investment Rate of Return	3.50%	4.00%
Payroll Growth Rate	3.00%	3.00%
Healthcare Cost Trend Rate	6.50%	5.00%
Initial	6.50%	5.00%
Ultimate	4.50%	4.60%

**Note 16. Risk Management**

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

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 17. Fund Balances**

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>
Nonspendable:		
Cemetery fund principal	\$ -	\$ 100,000
Prepays	4,060	-
Long term advances due from other funds	1,417,938	-
Total nonspendable	1,421,998	100,000
Restricted for:		
Police E-Summons program	69,666	-
Proffers for development	607,804	-
Storm water management	558,496	-
Developer deposits for future projects	382,916	-
Bond proceeds and escrows not yet spent	-	360,254
Communication systems	-	479,354
Fire and rescue system	-	3,462,405
Road maintenance	-	194,916
Museum system	-	1,386,115
Debt service	-	68,051
Cemetery maintenance	-	171,190
Total restricted	1,618,882	6,122,285
Committed to:		
Capital reserve	4,534,823	-
Community development	647,325	-
Employee benefits	918,000	-
Museum system	7,459	-
Capital projects	-	10,328,432
Total committed	6,107,607	10,328,432
Assigned to:		
Authorized positions	585,600	-
Subsequent year appropriation	996,685	-
Total assigned	1,582,285	-
Unassigned	15,842,498	-
Total fund balance	\$ 26,573,270	\$ 16,550,717

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 18. Prior Period Adjustment**

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

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>General Fund</u>	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Internal Service Funds</u>
Net Position, July 1, 2015, as previously reported	\$179,146,881	\$131,984,919	\$ 21,507,394	\$ 32,854,866	\$ 35,081,886	\$ 21,813,063	\$ 4,777,530
Various capital asset and depreciation errors	(57,131)	1,217,703	-	(605,925)	1,532,201	291,427	(9,199)
To correct utility unbilled receivable amounts	-	730,500	-	730,500	-	-	-
To correct debt, bond premiums and accrued interest	<u>15,470</u>	<u>(11,860)</u>	<u>59</u>	<u>580</u>	<u>(984)</u>	<u>(11,456)</u>	<u>-</u>
Net Position, July 1, 2015, as restated	<u>\$179,105,220</u>	<u>\$133,921,262</u>	<u>\$ 21,507,453</u>	<u>\$ 32,980,021</u>	<u>\$ 36,613,103</u>	<u>\$ 22,093,034</u>	<u>\$ 4,768,331</u>

	<u>MCPS School Operating Fund</u>	<u>MCPS School Capital Projects Fund</u>	<u>MCPS School Food Service Fund</u>
Net Position, July 1, 2015, as previously reported	\$ 5,894,899	\$ 37,033,739	\$ 1,450,781
To reallocate revenue sharing amounts and capital lease payments	<u>(143,584)</u>	<u>143,200</u>	<u>384</u>
Net Position, July 1, 2015, as restated	<u>\$ 5,751,315</u>	<u>\$ 37,176,939</u>	<u>\$ 1,451,165</u>

**Note 19. Major Customer**

The City has one major sewer and water customer. For the current year in the Sewer Fund, this customer accounted for approximately 19% of total revenues. For the current year in the Water Fund, this customer accounted for approximately 24% of total revenues.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 20. Subsequent Events**

Subsequent to year end, the City entered into two purchase agreements for land for approximately \$3.2 million and \$1.8 million, respectively.

Additionally, subsequent to year end, the City received funding in the amount of \$2,010,000, to repay the land bridge grant debt in the Airport Fund. The City also issued bonds in August 2016 in the aggregate principal amount not to exceed \$28 million for certain public improvement projects and an additional amount not to exceed \$15 million to refund certain existing debt.

**Note 21. New Accounting Standards**

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

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

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 30, 2017.

**CITY OF MANASSAS, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 21. New Accounting Standards (Continued)**

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement will be effective for the year ending June 30, 2017.

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

**CITY OF MANASSAS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 21. New Accounting Standards (Continued)**

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

**CITY - OTHER POST-EMPLOYMENT BENEFITS - HEALTH CARE INSURANCE**

Exhibit 11

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	\$ -	\$ 3,893,700	\$ 3,893,700	0.0%	\$ 24,650,600	15.8%
June 30, 2013	-	3,791,600	3,791,600	0.0%	26,666,600	14.2%
June 30, 2015	-	6,905,500	6,905,500	0.0%	27,733,600	24.9%

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

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2012	-	6,298,000	6,298,000	0.0%	56,524,389	11.1%
June 30, 2014	-	2,578,000	2,578,000	0.0%	57,686,171	4.5%
June 30, 2015	-	2,625,000	2,625,000	0.0%	57,686,171	4.6%

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

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	430,739	859,592	428,853	50.1%	27,187,083	1.6%
June 30, 2014	495,235	914,962	419,727	54.1%	26,454,349	1.6%
June 30, 2015	504,900	947,158	442,258	53.3%	27,442,938	1.6%

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

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	138,059	229,718	91,659	60.1%	4,333,644	2.1%
June 30, 2014	162,959	241,742	78,783	67.4%	4,317,567	1.8%
June 30, 2015	169,011	254,113	85,102	66.5%	4,233,134	2.0%

## CITY OF MANASSAS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**June 30, 2016**

	<b>Primary Government</b>	
	<b>Plan Year</b>	
	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>		
Service cost	\$ 3,146,516	\$ 3,172,984
Interest on total pension liability	8,777,037	8,352,384
Benefit payments, including refunds of employee contributions	(5,454,561)	(5,463,217)
Difference between actual and expected experience	(4,724,636)	-
Net change in total pension liability	1,744,356	6,062,151
<b>Total pension liability - beginning</b>	<u>128,113,530</u>	<u>122,051,379</u>
<b>Total pension liability - ending</b>	<u><u>\$ 129,857,886</u></u>	<u><u>\$ 128,113,530</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 3,837,337	\$ 3,549,681
Contributions - employee	1,424,567	1,357,566
Net investment income	4,649,051	13,881,967
Benefit payments, including refunds of employee contributions	(5,454,561)	(5,463,217)
Administrative expenses	(62,878)	(74,624)
Other changes	(1,239)	985
Net change in plan fiduciary net position	4,392,277	13,252,358
<b>Plan fiduciary net position - beginning</b>	<u>101,444,530</u>	<u>88,192,172</u>
<b>Plan fiduciary net position - ending</b>	<u><u>\$ 105,836,807</u></u>	<u><u>\$ 101,444,530</u></u>
<b>Net pension liability - ending</b>	<u><u>\$ 24,021,079</u></u>	<u><u>\$ 26,669,000</u></u>
Plan fiduciary net position as a percentage of total pension liability	<u>82%</u>	<u>79%</u>
Covered employee payroll	<u><u>\$ 27,994,452</u></u>	<u><u>\$ 28,181,695</u></u>
Net pension liability as a percentage of covered employee payroll	<u>86%</u>	<u>95%</u>

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

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

## CITY OF MANASSAS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**June 30, 2016**

	<b>MCPS - Nonprofessional Employees</b>	
	<b>Plan Year</b>	
	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>		
Service cost	\$ 444,147	\$ 448,462
Interest on total pension liability	1,046,485	986,400
Benefit payments, including refunds of employee contributions	(627,286)	(525,710)
Difference between actual and expected experience	348,312	-
Net change in total pension liability	1,211,658	909,152
<b>Total pension liability - beginning</b>	<b>15,263,431</b>	<b>14,354,279</b>
<b>Total pension liability - ending</b>	<b>\$ 16,475,089</b>	<b>\$ 15,263,431</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 327,770	\$ 371,110
Contributions - employee	210,271	213,775
Net investment income	662,902	1,971,754
Benefit payments, including refunds of employee contributions	(627,286)	(525,710)
Administrative expenses	(9,037)	(10,484)
Other changes	244	(280)
Net change in plan fiduciary net position	564,864	2,020,165
<b>Plan fiduciary net position - beginning</b>	<b>14,485,431</b>	<b>12,465,266</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 15,050,295</b>	<b>\$ 14,485,431</b>
<b>Net pension liability - ending</b>	<b>\$ 1,424,794</b>	<b>\$ 778,000</b>
Plan fiduciary net position as a percentage of total pension liability	91%	95%
Covered employee payroll	\$ 4,211,076	\$ 4,279,686
Net pension liability as a percentage of covered employee payroll	34%	18%

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

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

## CITY OF MANASSAS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**June 30, 2016**

<b>Fiscal Year Ended June 30</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Primary Government</b>					
2016	\$ 3,843,566	\$ 3,843,566	\$ -	\$ 28,400,292	13.53%
2015	3,680,000	3,680,000	-	27,994,452	13.15%
<b>MCPS - Nonprofessional Employees</b>					
2016	\$ 293,120	\$ 293,120	\$ -	\$ 3,782,730	7.75%
2015	329,000	329,000	-	4,211,076	7.81%

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

## CITY OF MANASSAS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**VRS TEACHER RETIREMENT PLAN**  
**June 30, 2016**

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

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

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

## CITY OF MANASSAS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**VRS TEACHER RETIREMENT PLAN**  
**June 30, 2016**

<b>Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2016	\$ 7,608,549	\$ 7,608,549	\$ -	\$ 54,849,789	13.87%
2015	7,570,000	7,570,000	-	52,454,673	14.43%

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

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

## CITY OF MANASSAS, VIRGINIA

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

#### Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

#### Note 2. Changes of Assumptions

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

Largest 10 – Non-LEOS:

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

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

Teacher cost-sharing pool

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

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

**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. The City closed this fund during 2016.

**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. The City closed this fund during 2016.

**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. The City closed this fund during 2016.

**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. The City closed this fund during 2016.

### CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

### **PERMANENT FUND**

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

**CITY OF MANASSAS, VIRGINIA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2016**

Exhibit 17

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Permanent Cemetery Maintenance Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 5,806,994	\$ 10,561,226	\$ 71,550	\$ -	\$ 16,439,770
Cash and investments - restricted	-	360,254	-	271,190	631,444
Receivables, net:					
Taxes	184,612	-	-	-	184,612
Due from other governments	<u>435,283</u>	<u>1,122,404</u>	<u>-</u>	<u>-</u>	<u>1,557,687</u>
 Total assets	 <u>\$ 6,426,889</u>	 <u>\$ 12,043,884</u>	 <u>\$ 71,550</u>	 <u>\$ 271,190</u>	 <u>\$ 18,813,513</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 756,422	\$ 338,884	3,499	\$ -	\$ 1,098,805
Retainage payable	-	9,131	-	-	9,131
Deposits	184	-	-	-	184
Due to other funds	<u>18,755</u>	<u>1,007,183</u>	<u>-</u>	<u>-</u>	<u>1,025,938</u>
 Total liabilities	 <u>775,361</u>	 <u>1,355,198</u>	 <u>3,499</u>	 <u>-</u>	 <u>2,134,058</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable/unearned revenue	<u>128,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,738</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	100,000	100,000
Restricted	5,522,790	360,254	68,051	171,190	6,122,285
Committed	<u>-</u>	<u>10,328,432</u>	<u>-</u>	<u>-</u>	<u>10,328,432</u>
 Total fund balances	 <u>5,522,790</u>	 <u>10,688,686</u>	 <u>68,051</u>	 <u>271,190</u>	 <u>16,550,717</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 6,426,889</u>	 <u>\$ 12,043,884</u>	 <u>\$ 71,550</u>	 <u>\$ 271,190</u>	 <u>\$ 18,813,513</u>

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

Exhibit 18

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Permanent Cemetery Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
General property taxes	\$ 8,315,214	\$ -	\$ -	\$ -	\$ 8,315,214
Permits, fees and licenses	51,237	-	-	-	51,237
Revenues from use of money and property	2,422	190	-	415	3,027
Charges for services	720,633	-	-	9,000	729,633
Payment in lieu of debt service	-	-	7,341,400	-	7,341,400
Miscellaneous	186,751	76,350	-	-	263,101
Intergovernmental	3,477,214	3,465,076	-	-	6,942,290
Total revenues	<u>12,753,471</u>	<u>3,541,616</u>	<u>7,341,400</u>	<u>9,415</u>	<u>23,645,902</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	11,707	18,704	-	-	30,411
Public safety	8,325,198	-	-	-	8,325,198
Public works	6,200	-	-	-	6,200
Health and welfare	5,445,203	-	-	-	5,445,203
Cultural, recreation, and community development	13,218	-	-	-	13,218
Capital outlay	561,982	5,877,754	-	-	6,439,736
Debt service:					
Principal	39,093	-	6,034,560	-	6,073,653
Interest and fiscal charges	1,524	-	3,286,419	-	3,287,943
Total expenditures	<u>14,404,125</u>	<u>5,896,458</u>	<u>9,320,979</u>	<u>-</u>	<u>29,621,562</u>
Excess (deficiency) of revenues over expenditures	<u>(1,650,654)</u>	<u>(2,354,842)</u>	<u>(1,979,579)</u>	<u>9,415</u>	<u>(5,975,660)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance recoveries	-	121,159	-	-	121,159
Transfers in	2,241,419	4,606,000	2,047,630	-	8,895,049
Transfers out	(281,008)	(12,733)	-	-	(293,741)
Proceeds from sale of capital assets	158,449	-	-	-	158,449
Total other financing sources (uses)	<u>2,118,860</u>	<u>4,714,426</u>	<u>2,047,630</u>	<u>-</u>	<u>8,880,916</u>
Net change in fund balances	468,206	2,359,584	68,051	9,415	2,905,256
Fund balance - beginning	<u>5,054,584</u>	<u>8,329,102</u>	<u>-</u>	<u>261,775</u>	<u>13,645,461</u>
Fund balance - ending	<u>\$ 5,522,790</u>	<u>\$ 10,688,686</u>	<u>\$ 68,051</u>	<u>\$ 271,190</u>	<u>\$ 16,550,717</u>

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**CITY OF MANASSAS, VIRGINIA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2016**

	Family Services Fund	Family Services Publishing Fund	PEG Fund	Owens Brooke District Fund	Fire Rescue Fund
<b>ASSETS</b>					
Cash and investments	\$ -	\$ -	\$ 479,354	\$ 195,179	\$ 3,745,387
Receivables, net					
Taxes	-	-	-	311	184,301
Due from other governments	<u>366,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,017</u>
Total assets	<u>\$ 366,266</u>	<u>\$ -</u>	<u>\$ 479,354</u>	<u>\$ 195,490</u>	<u>\$ 3,998,705</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 347,327	\$ -	\$ -	\$ 263	\$ 407,873
Deposits	184	-	-	-	-
Due to other funds	<u>18,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>366,266</u>	<u>-</u>	<u>-</u>	<u>263</u>	<u>407,873</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable/unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>311</u>	<u>128,427</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>311</u>	<u>128,427</u>
<b>FUND BALANCES</b>					
Restricted	<u>-</u>	<u>-</u>	<u>479,354</u>	<u>194,916</u>	<u>3,462,405</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>479,354</u>	<u>194,916</u>	<u>3,462,405</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 366,266</u>	<u>\$ -</u>	<u>\$ 479,354</u>	<u>\$ 195,490</u>	<u>\$ 3,998,705</u>



Merchant Museum Fund	Museum Collections Fund	Museum Publishing Fund	Speiden Carper House Fund	Manassas Landing Fund	Total
\$ 995,756	\$ -	\$ -	\$ 391,318	\$ -	\$ 5,806,994
-	-	-	-	-	184,612
-	-	-	-	-	435,283
<u>\$ 995,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,318</u>	<u>\$ -</u>	<u>\$ 6,426,889</u>
\$ -	\$ -	\$ -	\$ 959	\$ -	\$ 756,422
-	-	-	-	-	184
-	-	-	-	-	18,755
-	-	-	959	-	775,361
-	-	-	-	-	128,738
-	-	-	-	-	128,738
<u>995,756</u>	<u>-</u>	<u>-</u>	<u>390,359</u>	<u>-</u>	<u>5,522,790</u>
<u>995,756</u>	<u>-</u>	<u>-</u>	<u>390,359</u>	<u>-</u>	<u>5,522,790</u>
<u>\$ 995,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,318</u>	<u>\$ -</u>	<u>\$ 6,426,889</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, 2016**

	Family Services Fund	Family Services Publishing Fund	PEG Fund	Owens Brooke District Fund	Fire Rescue Fund
<b>REVENUES</b>					
General property taxes	\$ -	\$ -	\$ -	\$ 40,022	\$ 8,275,192
Permits, fees and licenses	-	-	-	-	51,237
Revenues from use of money and property	-	-	-	273	-
Charges for services	35,946	-	-	-	684,687
Miscellaneous	-	-	158,700	-	11,326
Intergovernmental	3,171,470	-	-	-	305,744
Total revenues	<u>3,207,416</u>	<u>-</u>	<u>158,700</u>	<u>40,295</u>	<u>9,328,186</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	-	-	11,707	-	-
Public safety	-	-	-	-	8,325,198
Public works	-	-	-	6,200	-
Health and welfare	5,445,203	-	-	-	-
Cultural, recreation, and community development	-	-	-	-	-
Capital outlay	-	-	265,775	-	296,207
Debt service:					
Principal	-	-	-	-	39,093
Interest and fiscal charges	-	-	-	-	1,524
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>5,445,203</u>	<u>-</u>	<u>277,482</u>	<u>6,200</u>	<u>8,662,022</u>
Excess (deficiency) of revenues over expenditures	<u>(2,237,787)</u>	<u>-</u>	<u>(118,782)</u>	<u>34,095</u>	<u>666,164</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,237,787	-	-	-	-
Transfers out	-	(56,719)	-	-	-
Proceeds from sale of capital assets	-	-	-	-	158,449
Total other financing sources (uses)	<u>2,237,787</u>	<u>(56,719)</u>	<u>-</u>	<u>-</u>	<u>158,449</u>
Net change in fund balances	-	(56,719)	(118,782)	34,095	824,613
Fund balance - beginning	<u>-</u>	<u>56,719</u>	<u>598,136</u>	<u>160,821</u>	<u>2,637,792</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 479,354</u>	<u>\$ 194,916</u>	<u>\$ 3,462,405</u>

Merchant Museum Fund	Museum Collections Fund	Museum Publishing Fund	Speiden Carper House Fund	Manassas Landing Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,315,214
-	-	-	-	-	51,237
1,535	-	-	614	-	2,422
-	-	-	-	-	720,633
16,725	-	-	-	-	186,751
-	-	-	-	-	3,477,214
<u>18,260</u>	<u>-</u>	<u>-</u>	<u>614</u>	<u>-</u>	<u>12,753,471</u>
-	-	-	-	-	11,707
-	-	-	-	-	8,325,198
-	-	-	-	-	6,200
-	-	-	-	-	5,445,203
-	-	-	13,218	-	13,218
-	-	-	-	-	561,982
-	-	-	-	-	39,093
-	-	-	-	-	1,524
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>13,218</u>	<u>-</u>	<u>14,404,125</u>
<u>18,260</u>	<u>-</u>	<u>-</u>	<u>(12,604)</u>	<u>-</u>	<u>(1,650,654)</u>
-	-	3,632	-	-	2,241,419
-	(12,359)	-	-	(211,930)	(281,008)
-	-	-	-	-	158,449
<u>-</u>	<u>(12,359)</u>	<u>3,632</u>	<u>-</u>	<u>(211,930)</u>	<u>2,118,860</u>
18,260	(12,359)	3,632	(12,604)	(211,930)	468,206
<u>977,496</u>	<u>12,359</u>	<u>(3,632)</u>	<u>402,963</u>	<u>211,930</u>	<u>5,054,584</u>
<u>\$ 995,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 390,359</u>	<u>\$ -</u>	<u>\$ 5,522,790</u>

**CITY OF MANASSAS, VIRGINIA  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS  
June 30, 2016**

Exhibit 21

	General Capital Projects Fund	Gateway Capital Projects Fund	Transportation Capital Projects Fund	Stormwater Capital Projects Fund	NVTA Capital Projects Fund	Total
<b>ASSETS</b>						
Cash and investments	\$ 2,315,692	\$ 49,151	\$ -	\$ 72,620	\$ 8,123,763	\$ 10,561,226
Cash and investments - restricted	-	-	-	-	360,254	360,254
Due from other governments	-	-	671,921	-	450,483	1,122,404
Total assets	<u>\$ 2,315,692</u>	<u>\$ 49,151</u>	<u>\$ 671,921</u>	<u>\$ 72,620</u>	<u>\$ 8,934,500</u>	<u>\$ 12,043,884</u>
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 109,882	\$ 750	\$ 3,437	\$ -	\$ 224,815	\$ 338,884
Retainage payable	2,190	-	-	-	6,941	9,131
Due to other funds	-	-	361,074	-	646,109	1,007,183
Total liabilities	<u>112,072</u>	<u>750</u>	<u>364,511</u>	<u>-</u>	<u>877,865</u>	<u>1,355,198</u>
<b>FUND BALANCES</b>						
Restricted:						
Bond proceeds not yet spent	-	-	-	-	360,254	360,254
Committed	<u>2,203,620</u>	<u>48,401</u>	<u>307,410</u>	<u>72,620</u>	<u>7,696,381</u>	<u>10,328,432</u>
Total fund balances	<u>2,203,620</u>	<u>48,401</u>	<u>307,410</u>	<u>72,620</u>	<u>8,056,635</u>	<u>10,688,686</u>
Total liabilities and fund balances	<u>\$ 2,315,692</u>	<u>\$ 49,151</u>	<u>\$ 671,921</u>	<u>\$ 72,620</u>	<u>\$ 8,934,500</u>	<u>\$ 12,043,884</u>

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**For the Year Ended June 30, 2016**

Exhibit 22

	General Capital Projects Fund	Gateway Capital Projects Fund	Transportation Capital Projects Fund	Stormwater Capital Projects Fund	NVTA Capital Projects Fund	Total
<b>REVENUES</b>						
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ -	\$ 190	\$ 190
Miscellaneous	43,350	-	-	-	33,000	76,350
Intergovernmental	-	-	1,198,083	-	2,266,993	3,465,076
Total revenues	<u>43,350</u>	<u>-</u>	<u>1,198,083</u>	<u>-</u>	<u>2,300,183</u>	<u>3,541,616</u>
<b>EXPENDITURES</b>						
Current:						
General government administration	-	-	-	-	18,704	18,704
Capital outlay	<u>1,414,563</u>	<u>37,186</u>	<u>1,503,641</u>	<u>697,548</u>	<u>2,224,816</u>	<u>5,877,754</u>
Total expenditures	<u>1,414,563</u>	<u>37,186</u>	<u>1,503,641</u>	<u>697,548</u>	<u>2,243,520</u>	<u>5,896,458</u>
Excess (deficiency) of revenues over expenditures	<u>(1,371,213)</u>	<u>(37,186)</u>	<u>(305,558)</u>	<u>(697,548)</u>	<u>56,663</u>	<u>(2,354,842)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Insurance recoveries	121,159	-	-	-	-	121,159
Transfers in	1,465,000	-	320,000	-	2,821,000	4,606,000
Transfers out	-	-	-	(12,733)	-	(12,733)
Total other financing sources (uses)	<u>1,586,159</u>	<u>-</u>	<u>320,000</u>	<u>(12,733)</u>	<u>2,821,000</u>	<u>4,714,426</u>
Net change in fund balances	214,946	(37,186)	14,442	(710,281)	2,877,663	2,359,584
Fund balance - beginning	<u>1,988,674</u>	<u>85,587</u>	<u>292,968</u>	<u>782,901</u>	<u>5,178,972</u>	<u>8,329,102</u>
Fund balance - ending	<u>\$ 2,203,620</u>	<u>\$ 48,401</u>	<u>\$ 307,410</u>	<u>\$ 72,620</u>	<u>\$ 8,056,635</u>	<u>\$ 10,688,686</u>

## **NONMAJOR ENTERPRISE FUNDS**

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

**City Square Pavilion Fund** - to account for and report the operations and maintenance of the Loy E. Harris Pavilion. The City closed this fund during 2016.

**Candy Factory Fund** - to account for and report the operation and maintenance of a performing arts center. The City closed this fund during 2016.

**Parking Garage Fund** - to account for and report the operation of parking service. The City closed this fund during 2016.

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

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**June 30, 2016**

Exhibit 23

	Solid Waste Fund	City Square Pavilion Fund	Candy Factory Fund	Parking Garage Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 193,575	\$ -	\$ -	\$ -	\$ 317,123	\$ 510,698
Accounts receivable, net	188,009	-	-	-	37,669	225,678
Total current assets	381,584	-	-	-	354,792	736,376
Noncurrent assets:						
Capital assets:						
Nondepreciable	-	-	-	-	562,243	562,243
Depreciable, net	38,889	-	-	-	359,311	398,200
Total capital assets, net	38,889	-	-	-	921,554	960,443
Total assets	420,473	-	-	-	1,276,346	1,696,819
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension contributions subsequent to the measurement date	13,522	-	-	-	38,036	51,558
Total deferred outflows of resources	13,522	-	-	-	38,036	51,558
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued expenses	256,478	-	-	-	32,854	289,332
Compensated absences	1,087	-	-	-	3,891	4,978
Total current liabilities	257,565	-	-	-	36,745	294,310
Noncurrent liabilities:						
Compensated absences	6,161	-	-	-	22,046	28,207
Net OPEB obligation	1,531	-	-	-	4,833	6,364
Net pension liability	93,157	-	-	-	79,886	173,043
Total noncurrent liabilities	100,849	-	-	-	106,765	207,614
Total liabilities	358,414	-	-	-	143,510	501,924
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension related deferred inflows	24,473	-	-	-	26,598	51,071
Total deferred inflows of resources	24,473	-	-	-	26,598	51,071
<b>NET POSITION</b>						
Net investment in capital assets	38,889	-	-	-	921,554	960,443
Unrestricted	12,219	-	-	-	222,720	234,939
Total net position	\$ 51,108	\$ -	\$ -	\$ -	\$ 1,144,274	\$ 1,195,382

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2016**

Exhibit 24

	Solid Waste Fund	City Square Pavilion Fund	Candy Factory Fund	Parking Garage Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES</b>						
Charges for services	\$ 3,399,806	\$ -	\$ -	\$ -	\$ 1,170,288	\$ 4,570,094
Total operating revenues	<u>3,399,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,170,288</u>	<u>4,570,094</u>
<b>OPERATING EXPENSES</b>						
Personal services	158,922	-	-	-	381,162	540,084
Contractual services	2,996,861	-	-	-	116,769	3,113,630
Supplies	8,400	-	-	-	8,747	17,147
Internal and other services	178,797	-	-	-	97,535	276,332
Depreciation and amortization	3,195	-	-	-	12,390	15,585
Total operating expenses	<u>3,346,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>616,603</u>	<u>3,962,778</u>
Operating income	<u>53,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>553,685</u>	<u>607,316</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Intergovernmental grants	8,401	-	-	-	18,800	27,201
Investment earnings	228	-	-	-	-	228
Loss on disposal of capital assets	-	(633,849)	(894,573)	(44,247)	-	(1,572,669)
Total nonoperating revenues (expenses)	<u>8,629</u>	<u>(633,849)</u>	<u>(894,573)</u>	<u>(44,247)</u>	<u>18,800</u>	<u>(1,545,240)</u>
Income (loss) before transfers	62,260	(633,849)	(894,573)	(44,247)	572,485	(937,924)
<b>CAPITAL CONTRIBUTIONS</b>	-	-	-	-	225,705	225,705
<b>TRANSFERS IN</b>	-	-	-	42,053	112,732	154,785
<b>TRANSFERS OUT</b>	<u>-</u>	<u>(232,041)</u>	<u>(194,832)</u>	<u>-</u>	<u>-</u>	<u>(426,873)</u>
Change in net position	62,260	(865,890)	(1,089,405)	(2,194)	910,922	(984,307)
Total net position (deficit) - beginning	<u>(11,152)</u>	<u>865,890</u>	<u>1,089,405</u>	<u>2,194</u>	<u>233,352</u>	<u>2,179,689</u>
Total net position - ending	<u>\$ 51,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,144,274</u>	<u>\$ 1,195,382</u>



**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2016**

Exhibit 25

	Solid Waste Fund	City Square Pavilion Fund	Candy Factory Fund	Parking Garage Fund	Stormwater Fund	Total Nonmajor Enterprise Funds
<b>OPERATING ACTIVITIES</b>						
Cash received from customers and users	\$ 3,415,757	\$ -	\$ -	\$ -	\$ 1,187,029	\$ 4,602,786
Cash paid to suppliers	(3,008,271)	-	-	(29,212)	(134,709)	(3,172,192)
Cash paid to employees	(162,281)	-	-	-	(390,084)	(552,365)
Payments for interfund services used	(178,797)	-	-	-	(97,535)	(276,332)
Net cash provided by (used in) operating activities	66,408	-	-	(29,212)	564,701	601,897
<b>NONCAPITAL FINANCING ACTIVITIES</b>						
Interfund borrowing	-	(700)	-	(12,841)	-	(13,541)
Transfers from other funds	-	-	-	42,053	112,732	154,785
Transfers to other funds	-	(232,041)	(194,832)	-	-	(426,873)
Operating grants received	8,401	-	-	-	18,800	27,201
Net cash provided by (used in) noncapital financing activities	8,401	(232,741)	(194,832)	29,212	131,532	(258,428)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of capital assets	(6,614)	-	-	-	(708,239)	(714,853)
Net cash used in capital and related financing activities	(6,614)	-	-	-	(708,239)	(714,853)
<b>INVESTING ACTIVITIES</b>						
Investment income	228	-	-	-	-	228
Net cash provided by investing activities	228	-	-	-	-	228
Net increase (decrease) in cash and cash equivalents	68,423	(232,741)	(194,832)	-	(12,006)	(371,156)
Cash and cash equivalents - beginning of year	125,152	232,741	194,832	-	329,129	881,854
Cash and cash equivalents - end of year	\$ 193,575	\$ -	\$ -	\$ -	\$ 317,123	\$ 510,698
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>						
Operating income	\$ 53,631	\$ -	\$ -	\$ -	\$ 553,685	\$ 607,316
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Depreciation and amortization	3,195	-	-	-	12,390	15,585
Pension expense net of employer contributions	(7,987)	-	-	-	(47,603)	(55,590)
(Increase) decrease in:						
Accounts receivable	15,951	-	-	-	16,741	32,692
Increase (decrease) in:						
Accounts payable and accrued expenses	(1,384)	-	-	(29,212)	(1,282)	(31,878)
Compensated absences	1,471	-	-	-	25,937	27,408
Net OPEB obligation	1,531	-	-	-	4,833	6,364
Total adjustments	12,777	-	-	(29,212)	11,016	(5,419)
Net cash provided by (used in) operating activities	\$ 66,408	\$ -	\$ -	\$ (29,212)	\$ 564,701	\$ 601,897
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>						
Capital assets transferred from general government	\$ -	\$ -	\$ -	\$ -	\$ 225,705	\$ 225,705

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## **INTERNAL SERVICE FUNDS**

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

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

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

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2016**

Exhibit 26

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 414,099	\$ 843,879	\$ 2,391,426	\$ 3,649,404
Prepaid expenses	<u>-</u>	<u>-</u>	<u>99,484</u>	<u>99,484</u>
Total current assets	<u>414,099</u>	<u>843,879</u>	<u>2,490,910</u>	<u>3,748,888</u>
Noncurrent assets:				
Capital assets:				
Depreciable, net	<u>43,630</u>	<u>2,310,218</u>	<u>375,436</u>	<u>2,729,284</u>
Total assets	<u>457,729</u>	<u>3,154,097</u>	<u>2,866,346</u>	<u>6,478,172</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contributions subsequent to the measurement date	<u>43,651</u>	<u>73,393</u>	<u>118,289</u>	<u>235,333</u>
Total deferred outflows of resources	<u>43,651</u>	<u>73,393</u>	<u>118,289</u>	<u>235,333</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	84,534	96,230	131,936	312,700
Compensated absences	5,946	13,179	18,556	37,681
Capital lease obligation	<u>-</u>	<u>39,106</u>	<u>-</u>	<u>39,106</u>
Total current liabilities	<u>90,480</u>	<u>148,515</u>	<u>150,492</u>	<u>389,487</u>
Noncurrent liabilities:				
Compensated absences	33,691	74,679	105,153	213,523
Net pension liability	<u>270,249</u>	<u>453,777</u>	<u>706,193</u>	<u>1,430,219</u>
Total noncurrent liabilities	<u>303,940</u>	<u>528,456</u>	<u>811,346</u>	<u>1,643,742</u>
Total liabilities	<u>394,420</u>	<u>676,971</u>	<u>961,838</u>	<u>2,033,229</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related deferred inflows	<u>71,931</u>	<u>120,801</u>	<u>188,861</u>	<u>381,593</u>
Total deferred inflows of resources	<u>71,931</u>	<u>120,801</u>	<u>188,861</u>	<u>381,593</u>
<b>NET POSITION</b>				
Net investment in capital assets	43,630	2,271,112	375,436	2,690,178
Unrestricted	<u>(8,601)</u>	<u>158,606</u>	<u>1,458,500</u>	<u>1,608,505</u>
Total net position	<u>\$ 35,029</u>	<u>\$ 2,429,718</u>	<u>\$ 1,833,936</u>	<u>\$ 4,298,683</u>

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2016**

Exhibit 27

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,469,240	\$ 2,667,459	\$ 2,693,223	\$ 6,829,922
Total operating revenues	<u>1,469,240</u>	<u>2,667,459</u>	<u>2,693,223</u>	<u>6,829,922</u>
<b>OPERATING EXPENSES</b>				
Personal services	463,172	732,700	1,245,987	2,441,859
Contractual services	314,363	141,900	730,820	1,187,083
Supplies	64,082	809,131	1,012,538	1,885,751
Internal and other services	489,706	591,508	339,535	1,420,749
Depreciation and amortization	4,030	770,688	132,351	907,069
Total operating expenses	<u>1,335,353</u>	<u>3,045,927</u>	<u>3,461,231</u>	<u>7,842,511</u>
Operating income (loss)	<u>133,887</u>	<u>(378,468)</u>	<u>(768,008)</u>	<u>(1,012,589)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	569	858	4,172	5,599
Gain on sale of capital assets	-	94,965	-	94,965
Other/insurance recoveries	-	27,991	8,988	36,979
Interest expense	-	(1,464)	-	(1,464)
Total nonoperating revenues (expenses)	<u>569</u>	<u>122,350</u>	<u>13,160</u>	<u>136,079</u>
Income (loss) before transfers	<u>134,456</u>	<u>(256,118)</u>	<u>(754,848)</u>	<u>(876,510)</u>
<b>TRANSFERS IN</b>	<u>-</u>	<u>406,862</u>	<u>-</u>	<u>406,862</u>
Change in net position	134,456	150,744	(754,848)	(469,648)
Total net position (deficit) - beginning, as restated	<u>(99,427)</u>	<u>2,278,974</u>	<u>2,588,784</u>	<u>4,768,331</u>
Total net position - ending	<u>\$ 35,029</u>	<u>\$ 2,429,718</u>	<u>\$ 1,833,936</u>	<u>\$ 4,298,683</u>

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2016**

Exhibit 28

	Building Maintenance Fund	Vehicle Maintenance Fund	Information Technology Fund	Total
<b>OPERATING ACTIVITIES</b>				
Cash received from customers and users	\$ 1,469,240	\$ 2,667,459	\$ 2,693,223	\$ 6,829,922
Cash paid to suppliers	(357,007)	(928,637)	(1,752,167)	(3,037,811)
Cash paid to employees	(488,449)	(769,248)	(1,286,717)	(2,544,414)
Payments for interfund services used	(489,706)	(591,508)	(339,535)	(1,420,749)
Other miscellaneous receipts	-	27,991	8,988	36,979
Net cash provided by (used in) operating activities	<u>134,078</u>	<u>406,057</u>	<u>(676,208)</u>	<u>(136,073)</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	-	406,862	-	406,862
Net cash provided by noncapital financing activities	<u>-</u>	<u>406,862</u>	<u>-</u>	<u>406,862</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(27,930)	(1,174,520)	(334,013)	(1,536,463)
Proceeds from sale of capital assets	-	94,965	-	94,965
Principal paid on capital leases	-	(38,671)	-	(38,671)
Interest paid on capital leases	-	(1,174)	-	(1,174)
Net cash used in capital and related financing activities	<u>(27,930)</u>	<u>(1,119,400)</u>	<u>(334,013)</u>	<u>(1,481,343)</u>
<b>INVESTING ACTIVITIES</b>				
Investment income	569	858	4,172	5,599
Net cash provided by investing activities	<u>569</u>	<u>858</u>	<u>4,172</u>	<u>5,599</u>
Net increase (decrease) in cash and cash equivalents	106,717	(305,623)	(1,006,049)	(1,204,955)
Cash and cash equivalents - beginning of year	<u>307,382</u>	<u>1,149,502</u>	<u>3,397,475</u>	<u>4,854,359</u>
Cash and cash equivalents - end of year	<u>\$ 414,099</u>	<u>\$ 843,879</u>	<u>\$ 2,391,426</u>	<u>\$ 3,649,404</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 133,887	\$ (378,468)	\$ (768,008)	\$ (1,012,589)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,030	770,688	132,351	907,069
Pension expense net of employer contributions	(29,989)	(50,508)	(84,878)	(165,375)
Other miscellaneous receipts	-	27,991	8,988	36,979
(Increase) decrease in:				
Prepaid expenses	-	-	(10,952)	(10,952)
Increase (decrease) in:				
Accounts payable and accrued expenses	29,506	32,812	28,862	91,180
Compensated absences	(3,356)	3,542	17,429	17,615
Total adjustments	<u>191</u>	<u>784,525</u>	<u>91,800</u>	<u>876,516</u>
Net cash provided by (used in) operating activities	<u>\$ 134,078</u>	<u>\$ 406,057</u>	<u>\$ (676,208)</u>	<u>\$ (136,073)</u>

## **DISCRETELY PRESENTED COMPONENT UNIT – MANASSAS CITY PUBLIC SCHOOLS**

### **MAJOR GOVERNMENTAL FUNDS**

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

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

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

### **FIDUCIARY FUNDS**

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

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

**CITY OF MANASSAS, VIRGINIA  
BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNIT - MCPS  
GOVERNMENTAL FUNDS  
June 30, 2016**

Exhibit 29

	School Operating Fund	School Capital Projects Fund	School Food Service Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 11,384,955	\$ 104,706	\$ 1,876,227	\$ 13,365,888
Cash and investments - restricted	-	14,582,358	-	14,582,358
Accounts receivable	1,877,008	-	3,827	1,880,835
Due from other governments	<u>4,662,012</u>	<u>-</u>	<u>160,948</u>	<u>4,822,960</u>
Total assets	<u>\$ 17,923,975</u>	<u>\$ 14,687,064</u>	<u>\$ 2,041,002</u>	<u>\$ 34,652,041</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 13,379,245	\$ 1,982,356	\$ 285,531	\$ 15,647,132
Retainage payable	-	1,366,684	-	1,366,684
Unearned revenues	<u>37,602</u>	<u>-</u>	<u>-</u>	<u>37,602</u>
Total liabilities	<u>13,416,847</u>	<u>3,349,040</u>	<u>285,531</u>	<u>17,051,418</u>
<b>FUND BALANCES</b>				
Restricted for capital projects	-	11,233,318	-	11,233,318
Assigned	<u>4,507,128</u>	<u>104,706</u>	<u>1,755,471</u>	<u>6,367,305</u>
Total fund balances	<u>4,507,128</u>	<u>11,338,024</u>	<u>1,755,471</u>	<u>17,600,623</u>
Total liabilities and fund balances	<u>\$ 17,923,975</u>	<u>\$ 14,687,064</u>	<u>\$ 2,041,002</u>	<u>\$ 34,652,041</u>



**CITY OF MANASSAS, VIRGINIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNIT - MCPS**  
**For the Year Ended June 30, 2016**

Exhibit 30

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Total fund balances for governmental funds (Exhibit 29)	\$ 17,600,623
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	74,712,929
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.	
Capital leases	(331,913)
Net OPEB obligation	(1,591,000)
Compensated absences	(2,046,595)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Pension related deferred outflows	11,980,685
Pension related deferred inflows	(7,238,359)
Net pension liability	<u>(92,853,794)</u>
Net position of governmental activities	<u>\$ 232,576</u>

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**DISCRETELY PRESENTED COMPONENT UNIT - MCPS**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

Exhibit 31

	School Operating Fund	School Capital Projects Fund	School Food Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Revenues from use of money and property	\$ 19,041	\$ 90,990	\$ -	\$ 110,031
Charges for services	511,300	-	838,413	1,349,713
Intergovernmental revenues:				
Local	51,103,620	2,456,138	-	53,559,758
Commonwealth	46,781,869	-	101,089	46,882,958
Federal	2,978,562	-	2,831,201	5,809,763
Total revenues	<u>101,394,392</u>	<u>2,547,128</u>	<u>3,770,703</u>	<u>107,712,223</u>
<b>EXPENDITURES</b>				
Current:				
Education	95,128,820	-	3,466,397	98,595,217
Capital outlay	-	28,386,043	-	28,386,043
Payment in lieu of debt service	7,341,400	-	-	7,341,400
Debt service:				
Principal retirement	152,830	-	-	152,830
Interest and other fiscal charges	15,529	-	-	15,529
Total expenditures	<u>102,638,579</u>	<u>28,386,043</u>	<u>3,466,397</u>	<u>134,491,019</u>
Excess (deficiency) of revenues over expenditures	<u>(1,244,187)</u>	<u>(25,838,915)</u>	<u>304,306</u>	<u>(26,778,796)</u>
Net change in fund balances	(1,244,187)	(25,838,915)	304,306	(26,778,796)
Fund balances - beginning, as restated	<u>5,751,315</u>	<u>37,176,939</u>	<u>1,451,165</u>	<u>44,379,419</u>
Fund balances - ending	<u>\$ 4,507,128</u>	<u>\$ 11,338,024</u>	<u>\$ 1,755,471</u>	<u>\$ 17,600,623</u>

**CITY OF MANASSAS, VIRGINIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**DISCRETELY PRESENTED COMPONENT UNIT - MCPS**  
**For the Year Ended June 30, 2016**

Exhibit 32

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Net change in fund balances - total governmental funds (Exhibit 31)	\$	(26,778,796)
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Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Governmental funds reported capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$28,680,245) exceeded depreciation (\$5,107,749) in the current period.		23,572,496
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In the statement of activities, only the <i>gain or loss</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the <i>cost</i> of the property sold.		(58,404)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Capital lease payments		152,830

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Compensated absences		55,701
Net OPEB obligation		94,000

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions		7,901,669
Special contribution by State to VRS Teacher Retirement Plan		1,401,000
Pension expense		(7,679,137)

Change in net position of governmental activities	\$	(1,338,641)
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**CITY OF MANASSAS, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**DISCRETELY PRESENTED COMPONENT UNIT - MCPS**  
**For the Year Ended June 30, 2016**

Exhibit 33

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 19,041	\$ 19,041
Charges for services	568,286	568,286	511,300	(56,986)
Intergovernmental:				
Local	50,929,380	50,929,380	51,103,620	174,240
Commonwealth	47,130,870	47,230,870	46,781,869	(449,001)
Federal	3,421,667	3,421,667	2,978,562	(443,105)
Total revenues	<u>102,050,203</u>	<u>102,150,203</u>	<u>101,394,392</u>	<u>(755,811)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	73,759,657	73,605,689	72,495,879	1,109,810
Administration, attendance, and health	4,930,822	4,906,120	4,717,044	189,076
Pupil transportation	3,657,188	3,660,598	3,466,904	193,694
Operation and maintenance	7,990,938	7,977,052	7,922,474	54,578
Technology	5,340,826	6,467,609	6,122,791	344,818
Facilities	389,505	414,271	403,728	10,543
Capital lease payment	-	-	168,359	(168,359)
Payment in lieu of debt service	7,382,368	7,509,759	7,341,400	168,359
Contingency	918,876	832,776	-	832,776
Total expenditures	<u>104,370,180</u>	<u>105,373,874</u>	<u>102,638,579</u>	<u>2,735,295</u>
Excess (deficiency) of revenues over expenditures	<u>(2,319,977)</u>	<u>(3,223,671)</u>	<u>(1,244,187)</u>	<u>1,979,484</u>
Net change in fund balances	<u>\$ (2,319,977)</u>	<u>\$ (3,223,671)</u>	<u>(1,244,187)</u>	<u>\$ 1,979,484</u>
Fund Balance, Beginning, As Restated			<u>5,751,315</u>	
Fund Balance, Ending			<u>\$ 4,507,128</u>	

**CITY OF MANASSAS, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**DISCRETELY PRESENTED COMPONENT UNIT - MCPS**  
**For the Year Ended June 30, 2016**

Exhibit 34

	School Food Service Fund			
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 1,017,000	\$ 1,017,000	\$ 838,413	\$ (178,587)
Intergovernmental:				
Commonwealth	90,000	90,000	101,089	11,089
Federal	<u>2,770,000</u>	<u>2,770,000</u>	<u>2,831,201</u>	<u>61,201</u>
Total revenues	<u>3,877,000</u>	<u>3,877,000</u>	<u>3,770,703</u>	<u>(106,297)</u>
<b>EXPENDITURES</b>				
Current:				
Food services	<u>4,262,826</u>	<u>4,337,469</u>	<u>3,466,397</u>	<u>871,072</u>
Total expenditures	<u>4,262,826</u>	<u>4,337,469</u>	<u>3,466,397</u>	<u>871,072</u>
Excess (deficiency) of revenues over expenditures	<u>(385,826)</u>	<u>(460,469)</u>	<u>304,306</u>	<u>764,775</u>
Net change in fund balances	<u>\$ (385,826)</u>	<u>\$ (460,469)</u>	<u>304,306</u>	<u>\$ 764,775</u>
Fund Balance, Beginning			<u>1,451,165</u>	
Fund Balance, Ending			<u>\$ 1,755,471</u>	

**CITY OF MANASSAS, VIRGINIA**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**DISCRETELY PRESENTED COMPONENT UNIT - MCPS**  
**SCHOOL ACTIVITY FUNDS**  
**June 30, 2016**

Exhibit 35

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>ASSETS</b>				
Cash:				
Osbourn High School	\$ 393,008	\$ 591,035	\$ 627,379	\$ 356,664
Grace E. Metz Middle School	46,934	94,368	94,313	46,989
Mayfield Intermediate School	42,427	64,837	54,241	53,023
Baldwin Elementary School	12,340	54,191	52,193	14,338
Jennie Dean Elementary School	21,942	54,529	48,767	27,704
R.C. Haydon Elementary School	21,610	47,015	40,406	28,219
George C. Round Elementary School	44,208	24,215	27,455	40,968
Weems Elementary School	26,414	44,257	51,014	19,657
	<u>\$ 608,883</u>	<u>\$ 974,447</u>	<u>\$ 995,768</u>	<u>\$ 587,562</u>
Total assets	<u>\$ 608,883</u>	<u>\$ 974,447</u>	<u>\$ 995,768</u>	<u>\$ 587,562</u>
<b>LIABILITIES</b>				
Amounts held for student activity funds	<u>\$ 608,883</u>	<u>\$ 974,447</u>	<u>\$ 995,768</u>	<u>\$ 587,562</u>

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNIT - MCPS**  
**PRIVATE-PURPOSE TRUST FUNDS**  
**June 30, 2016**

Exhibit 36

	Nancy Lyons Scholarship Fund	E. Shreve Brent Scholarship Fund	Total
<b>ASSETS</b>			
Cash and investments	\$ 79,734	\$ 952,499	\$ 1,032,233
<b>NET POSITION</b>			
Held in trust	\$ 79,734	\$ 952,499	\$ 1,032,233

**CITY OF MANASSAS, VIRGINIA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**DISCRETELY PRESENTED COMPONENT UNIT - MCPS**  
**PRIVATE-PURPOSE TRUST FUNDS**  
**For the Year Ended June 30, 2016**

Exhibit 37

	Nancy Lyons Scholarship Fund	E. Shreve Brent Scholarship Fund	Total
<b>ADDITIONS</b>			
Investment earnings (losses)	\$ (5,606)	\$ (2,829)	\$ (8,435)
Total additions	(5,606)	(2,829)	(8,435)
 Change in net position	 (5,606)	 (2,829)	 (8,435)
Net position - beginning	85,340	955,328	1,040,668
Net position - ending	\$ 79,734	\$ 952,499	\$ 1,032,233



## **SUPPLEMENTAL DATA**

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## STATISTICAL SECTION

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

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

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

## CITY OF MANASSAS, VIRGINIA

Table 1

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental activities					
Net investment in capital assets	\$ 183,920,923	\$ 184,501,768	\$ 188,286,143	\$ 187,167,835	\$ 187,046,616
Restricted	3,755,019	3,171,524	2,837,832	1,905,999	4,863,154
Unrestricted	(26,811,818)	(19,420,422)	(19,205,279)	(16,284,557)	(13,758,457)
Total governmental activities net position	<u>\$ 160,864,124</u>	<u>\$ 168,252,870</u>	<u>\$ 171,918,696</u>	<u>\$ 172,789,277</u>	<u>\$ 178,151,313</u>
Business-type activities					
Invested in capital assets,					
Net investment in capital assets	\$ 62,407,803	\$ 72,380,276	\$ 70,188,507	\$ 76,572,357	\$ 74,485,176
Restricted	2,521,141	343,478	354,727	54,724	3,060,310
Unrestricted	24,797,184	24,896,047	28,630,117	34,206,399	45,688,265
Total business-type activities net position	<u>\$ 89,726,128</u>	<u>\$ 97,619,801</u>	<u>\$ 99,173,351</u>	<u>\$ 110,833,480</u>	<u>\$ 123,233,751</u>
Total primary government					
Net investment in capital assets	\$ 246,328,726	\$ 256,882,044	\$ 258,474,650	\$ 263,740,192	\$ 261,531,792
Restricted	6,276,160	3,515,002	3,192,559	1,960,723	7,923,464
Unrestricted	(2,014,634)	5,475,625	9,424,838	17,921,842	31,929,808
Total primary government net position	<u>\$ 250,590,252</u>	<u>\$ 265,872,671</u>	<u>\$ 271,092,047</u>	<u>\$ 283,622,757</u>	<u>\$ 301,385,064</u>
Component unit - Manassas City Public Schools					
Net investment in capital assets	\$ 63,715,611	\$ 61,416,111	\$ 57,277,879	\$ 53,900,305	\$ 51,214,420
Restricted	1,527,377	-	-	-	-
Unrestricted	6,525,451	4,637,838	3,007,722	3,785,225	4,788,337
Total component unit net position	<u>\$ 71,768,439</u>	<u>\$ 66,053,949</u>	<u>\$ 60,285,601</u>	<u>\$ 57,685,530</u>	<u>\$ 56,002,757</u>
Total reporting unit					
Net investment in capital assets	\$ 256,220,662	\$ 268,562,880	\$ 270,383,099	\$ 274,972,222	\$ 273,768,712
Restricted	7,803,537	3,515,002	3,192,559	1,960,723	8,023,464
Unrestricted	58,334,492	59,848,738	57,801,990	64,375,342	75,595,645
Total reporting unit net position	<u>\$ 322,358,691</u>	<u>\$ 331,926,620</u>	<u>\$ 331,377,648</u>	<u>\$ 341,308,287</u>	<u>\$ 357,387,821</u>

Source: City of Manassas Comprehensive Annual Financial Report

Notes: Fiscal years 2006 through 2015 are presented as restated.

The sum of Net investment in capital assets of the primary government and the component unit does not equal Net investment in capital assets of the total reporting unit, because the debt related to the component unit is reflected in the primary government's general governmental activities reducing Unrestricted net position. The assets are reflected in the component unit as Net investment in capital assets. The total reporting unit matches the assets with the debt and reports the net amount of the Net investment in capital assets. The total adjustment was \$49,788,683 in FY 2016, \$32,206,777 in FY 2015, \$31,994,500 in FY 2014, \$31,994,500 in FY 2013, \$35,382,000 in FY 2012, \$38,977,500 in FY 2011, \$42,668,275 in FY 2010, \$45,369,430 in FY 2009, \$49,735,275 in FY 2008 and \$53,823,675 in FY 2007.

## CITY OF MANASSAS, VIRGINIA

Table 1

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

<b>Fiscal Year</b>				
<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
\$ 190,610,490	\$ 192,612,544	\$ 239,215,472	\$ 237,659,136	\$ 238,106,151
681,134	100,000	100,000	961,775	321,190
(5,238,442)	(2,884,806)	(2,607,237)	(59,515,691)	(44,183,664)
<b>\$ 186,053,182</b>	<b>\$ 189,827,738</b>	<b>\$ 236,708,235</b>	<b>\$ 179,105,220</b>	<b>\$ 194,243,677</b>
\$ 82,091,882	\$ 88,046,880	\$ 86,301,566	\$ 91,017,431	\$ 90,521,955
-	-	-	1,116,832	1,170,439
51,375,758	51,403,397	44,362,216	41,786,999	42,640,924
<b>\$ 133,467,640</b>	<b>\$ 139,450,277</b>	<b>\$ 130,663,782</b>	<b>\$ 133,921,262</b>	<b>\$ 134,333,318</b>
\$ 272,702,372	\$ 280,659,424	\$ 325,517,038	\$ 328,676,567	\$ 328,628,106
681,134	100,000	100,000	2,078,607	1,491,629
46,137,316	48,518,591	41,754,979	(17,728,692)	(1,542,740)
<b>\$ 319,520,822</b>	<b>\$ 329,278,015</b>	<b>\$ 367,372,017</b>	<b>\$ 313,026,482</b>	<b>\$ 328,576,995</b>
\$ 49,095,596	\$ 46,206,590	\$ 46,519,834	\$ 50,714,094	\$ 74,381,016
-	-	3,535,677	35,840,374	11,233,318
4,598,515	4,343,729	5,504,087	(84,983,251)	(85,381,758)
<b>\$ 53,694,111</b>	<b>\$ 50,550,319</b>	<b>\$ 55,559,598</b>	<b>\$ 1,571,217</b>	<b>\$ 232,576</b>
\$ 286,415,968	\$ 294,871,514	\$ 340,042,372	\$ 347,183,884	\$ 353,220,439
681,134	100,000	3,635,677	37,918,981	12,724,947
86,117,831	84,856,820	79,253,566	(70,505,166)	(37,135,815)
<b>\$ 373,214,933</b>	<b>\$ 379,828,334</b>	<b>\$ 422,931,615</b>	<b>\$ 314,597,699</b>	<b>\$ 328,809,571</b>

## CITY OF MANASSAS, VIRGINIA

Table 2, Page 1 of 4

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

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Expenses</b>					
Governmental activities:					
General government	\$ 7,995,896	\$ 8,485,619	\$ 8,600,672	\$ 8,473,478	\$ 8,411,567
Public safety	20,773,741	22,315,459	24,236,806	24,539,618	24,460,979
Public works	10,195,139	10,338,179	9,796,492	9,405,335	8,435,069
Health and welfare	8,730,682	8,657,439	8,435,426	7,973,696	7,490,361
Culture, recreation, development	6,510,141	5,842,629	6,499,227	6,138,833	6,731,424
Education	48,102,935	48,443,875	48,924,698	47,592,844	47,123,718
Interest on long term debt	3,461,780	3,009,189	2,785,179	2,605,659	2,758,789
Bond issuance costs	-	-	-	-	-
Total governmental activities	105,770,314	107,092,389	109,278,500	106,729,463	105,411,907
Business-type activities:					
Electric	55,128,224	59,507,858	61,712,947	51,914,838	59,998,016
Water	7,667,438	7,417,192	7,397,777	6,989,962	6,849,916
Sewer	9,370,635	11,477,209	12,009,823	12,138,037	11,976,128
Airport	2,510,742	2,790,729	3,390,014	3,392,717	3,369,665
Solid Waste	2,655,728	2,656,126	2,815,686	2,868,737	2,957,779
City Square Pavilion	438,519	425,006	298,683	317,848	370,416
Candy Factory	190,157	177,279	198,440	191,763	199,396
Parking Garage	-	-	-	-	-
Stormwater	-	-	-	-	-
Telecommunications	251,989	327,516	675,703	521,024	-
Total business-type activities	78,213,432	84,778,915	88,499,073	78,334,926	85,721,316
Total primary government	\$ 183,983,746	\$ 191,871,304	\$ 197,777,573	\$ 185,064,389	\$ 191,133,223
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 12,533	\$ 91,197	\$ 124,380	\$ 463,437	\$ 769,067
Public safety	2,176,120	2,181,634	1,776,805	1,909,779	1,755,053
Public works	1,363,215	1,061,618	1,294,376	643,891	865,261
Health and welfare	74,298	64,651	65,900	33,348	38,807
Culture, recreation, development	1,037,388	509,641	392,047	406,412	405,456
Operating grants/contributions	9,110,430	11,438,714	9,192,809	8,804,363	11,968,013
Capital grants/contributions	62,500	-	-	-	-
Total governmental activities	13,836,484	15,347,455	12,846,317	12,261,230	15,801,657
Business-type activities:					
Charges for services:					
Electric	58,233,774	61,160,340	63,332,951	54,968,258	63,213,305
Water	8,599,256	8,893,622	9,232,312	10,301,071	10,760,754
Sewer	10,302,215	10,727,954	11,905,882	12,091,738	14,260,452
Airport	1,734,558	1,862,187	1,929,298	2,080,115	2,134,108
Solid Waste	2,523,788	2,597,354	2,772,014	2,896,323	2,916,356
City Square Pavilion	11,249	11,657	13,354	13,526	16,787
Candy Factory	25,600	32,060	30,609	27,984	30,397
Parking Garage	-	-	-	-	-
Stormwater	-	-	-	-	-
Telecommunications	162,512	197,777	386,666	325,228	-
Operating grants/contributions	102,408	80,563	111,479	1,652,441	289,574
Capital grants/contributions	6,740,435	5,474,062	1,277,198	6,612,727	6,019,525
Total business-type activities	88,435,795	91,037,576	90,991,763	90,969,411	99,641,258
Total primary government	\$ 102,272,279	\$ 106,385,031	\$ 103,838,080	\$ 103,230,641	\$ 115,442,915

## CITY OF MANASSAS, VIRGINIA

Table 2, Page 2 of 4

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

Fiscal Year				
2012	2013	2014	2015	2016
\$ 8,339,202	\$ 8,864,313	\$ 8,889,060	\$ 9,713,211	\$ 9,416,657
25,608,165	28,575,011	28,751,948	29,046,682	29,590,090
8,496,181	8,905,254	10,001,107	10,021,004	10,271,259
7,046,876	7,046,417	7,873,882	8,226,526	7,803,369
5,966,162	5,806,374	5,366,949	5,922,737	6,674,897
48,125,649	48,014,667	57,448,414	90297919	53,559,758
2,421,533	2,170,239	2,144,525	2,652,212	2,895,236
-	-	-	456,903	-
106,003,768	109,382,275	120,475,885	156,337,194	120,211,266
65,718,110	61,360,909	66,181,787	49,418,170	39,930,487
7,330,693	8,276,499	7,745,000	6,530,807	7,963,709
12,091,241	12,392,026	12,618,910	12,833,037	13,041,741
3,505,497	3,563,277	3,548,396	4,172,683	4,014,417
3,058,172	3,117,943	3,191,138	3,400,730	3,346,175
345,831	316,921	328,600	302,350	-
212,488	198,263	198,763	198,763	-
38,409	43,863	40,189	42,383	-
-	-	-	348,923	616,603
-	-	-	-	-
92,300,441	89,269,701	93,852,783	77,247,846	68,913,132
\$ 198,304,209	\$ 198,651,976	\$ 214,328,668	\$ 233,585,040	\$ 189,124,398
\$ 1,458,699	\$ 793,268	\$ 965,601	\$ 794,125	\$ 793,509
1,853,608	1,912,366	1,835,901	2,038,460	1,850,687
1,319,174	1,453,769	965,091	632,645	502,017
41,545	36,150	37,549	35,950	35,946
403,140	436,111	602,636	621,092	312,517
11,780,598	7,851,624	7,568,603	7,659,004	7,619,603
-	211,730	46,562,063	2,338,510	3,516,026
16,856,764	12,695,018	58,537,444	14,119,786	14,630,305
65,345,470	61,766,073	63,967,176	49,504,961	41,435,005
11,839,939	10,721,365	9,680,679	9,145,951	9,763,189
14,508,871	14,588,115	14,174,279	14,000,269	13,849,101
2,292,410	2,330,193	2,388,024	2,411,487	2,343,785
3,002,388	3,125,895	3,164,902	3,297,110	3,399,806
22,920	19,764	23,816	26,482	-
27,464	29,484	27,984	27,984	-
2,331	23,064	30,136	28,292	-
-	-	-	582,275	1,170,288
-	-	-	-	-
151,253	90,738	121,607	61,649	126,842
7,008,212	4,764,229	2,254,331	6,730,158	2,591,237
104,201,258	97,458,920	95,832,934	85,816,618	74,679,253
\$ 121,058,022	\$ 110,153,938	\$ 154,370,378	\$ 99,936,404	\$ 89,309,558

## CITY OF MANASSAS, VIRGINIA

Table 2, Page 3 of 4

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

	2007	2008	2009	2010	2011
<b>Net revenue (expenses)</b>					
Governmental activities	\$ (91,933,830)	\$ (91,744,934)	\$ (96,432,183)	\$ (94,468,233)	\$ (89,610,250)
Business-type activities	10,222,363	6,258,661	2,492,690	12,634,485	13,919,942
Total primary government	<u>\$ (81,711,467)</u>	<u>\$ (85,486,273)</u>	<u>\$ (93,939,493)</u>	<u>\$ (81,833,748)</u>	<u>\$ (75,690,308)</u>
<b>General revenues and other</b>					
Governmental activities:					
Taxes	\$ 79,492,663	\$ 85,077,974	\$ 85,999,880	\$ 77,135,239	\$ 77,640,223
Unrestricted grants	4,082,918	3,993,249	3,933,837	8,117,505	8,204,284
Other	5,963,073	3,149,103	2,991,923	3,252,349	2,594,066
Payment from MCPS	6,827,645	6,287,164	5,774,990	5,637,807	5,410,273
Transfers	792,543	626,190	1,397,379	1,195,914	1,123,440
Total governmental activities	<u>97,158,842</u>	<u>99,133,680</u>	<u>100,098,009</u>	<u>95,338,814</u>	<u>94,972,286</u>
Business-type activities:					
Unrestricted investment earnings	994,381	1,409,308	481,835	115,836	90,745
Other	489,073	851,894	(23,596)	105,722	(486,976)
Transfers	(792,543)	(626,190)	(1,397,379)	(1,195,914)	(1,123,440)
Total business-type activities	<u>690,911</u>	<u>1,635,012</u>	<u>(939,140)</u>	<u>(974,356)</u>	<u>(1,519,671)</u>
Total primary government	<u>\$ 97,849,753</u>	<u>\$ 100,768,692</u>	<u>\$ 99,158,869</u>	<u>\$ 94,364,458</u>	<u>\$ 93,452,615</u>
<b>Changes in Net Position</b>					
Governmental activities	\$ 5,225,012	\$ 7,388,746	\$ 3,665,826	\$ 870,581	\$ 5,362,036
Business-type activities	10,913,274	7,893,673	1,553,550	11,660,129	12,400,271
Total primary government	<u>\$ 16,138,286</u>	<u>\$ 15,282,419</u>	<u>\$ 5,219,376</u>	<u>\$ 12,530,710</u>	<u>\$ 17,762,307</u>

Source: City of Manassas Comprehensive Annual Financial Report

Note: Fiscal years 2003 through 2014 are presented as restated.

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

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

Stormwater utility enterprise fund commenced January 1, 2015.



## CITY OF MANASSAS, VIRGINIA

Table 2, Page 4 of 4

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

<b>Fiscal Year</b>				
<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
\$ (89,147,004)	\$ (96,687,257)	\$ (61,938,441)	\$ (142,217,408)	\$ (105,580,961)
11,900,817	8,189,219	1,980,151	8,568,772	5,766,121
<u>\$ (77,246,187)</u>	<u>\$ (88,498,038)</u>	<u>\$ (59,958,290)</u>	<u>\$ (133,648,636)</u>	<u>\$ (99,814,840)</u>
\$ 79,587,120	\$ 82,026,887	\$ 86,865,855	\$ 91,654,559	\$ 96,104,367
7,926,918	8,052,773	8,159,679	8,090,939	8,104,957
2,362,609	3,080,490	2,911,774	2,737,775	3,699,314
5,263,956	4,913,003	4,792,911	5,000,876	7,341,400
1,908,270	2,388,660	4,679,697	493,575	5,469,380
<u>97,048,873</u>	<u>100,461,813</u>	<u>107,409,916</u>	<u>107,977,724</u>	<u>120,719,418</u>
60,707	73,908	60,294	51,716	96,549
180,635	108,169	194,033	1,955,666	18,766
(1,908,270)	(2,388,660)	(4,679,697)	(493,575)	(5,469,380)
<u>(1,666,928)</u>	<u>(2,206,583)</u>	<u>(4,425,370)</u>	<u>1,513,807</u>	<u>(5,354,065)</u>
<u>\$ 95,381,945</u>	<u>\$ 98,255,230</u>	<u>\$ 102,984,546</u>	<u>\$ 109,491,531</u>	<u>\$ 115,365,353</u>
\$ 7,901,869	\$ 3,774,556	\$ 45,471,475	\$ (34,239,684)	\$ 15,138,457
10,233,889	5,982,636	(2,445,219)	10,082,579	412,056
<u>\$ 18,135,758</u>	<u>\$ 9,757,192</u>	<u>\$ 43,026,256</u>	<u>\$ (24,157,105)</u>	<u>\$ 15,550,513</u>

## CITY OF MANASSAS, VIRGINIA

Table 3

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

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Primary Government:</b>					
Governmental activities:					
General government	\$ 320,434	\$ 422,049	\$ 465,871	\$ 778,728	\$ 1,025,292
Public safety	3,919,782	4,067,101	3,369,305	2,876,241	3,027,236
Public works	4,602,690	6,587,453	5,052,596	4,771,216	7,521,426
Health and welfare	3,888,690	3,761,211	3,566,498	3,428,633	3,317,247
Culture, recreation, development	1,104,888	509,641	392,047	406,412	910,456
Total governmental activities	13,836,484	15,347,455	12,846,317	12,261,230	15,801,657
Business-type activities:					
Electric	60,949,683	61,977,984	63,332,951	54,974,184	64,622,214
Water	8,599,256	8,893,622	9,251,337	10,301,972	13,859,866
Sewer	10,302,215	10,727,954	11,905,882	12,091,738	14,260,452
Airport	5,005,591	5,213,933	2,736,432	9,073,997	3,439,671
Solid waste	2,530,451	2,605,861	2,780,120	2,902,852	2,922,060
Stormwater	-	-	-	-	-
Other business-type activities	199,361	241,494	430,629	366,738	47,184
Total business-type activities	87,586,557	89,660,848	90,437,351	89,711,481	99,151,447
Total primary government	\$ 101,423,041	\$ 105,008,303	\$ 103,283,668	\$ 101,972,711	\$ 114,953,104
<b>Component unit:</b>					
Manassas city public schools	\$ 37,825,783	\$ 39,178,665	\$ 41,451,188	\$ 41,209,426	\$ 41,674,204
Total component unit	\$ 37,825,783	\$ 39,178,665	\$ 41,451,188	\$ 41,209,426	\$ 41,674,204

	Fiscal Year				
	2012	2013	2014	2015	2016
<b>Primary Government:</b>					
Governmental activities:					
General government	\$ 1,718,270	\$ 1,078,275	\$ 1,249,770	\$ 1,109,629	\$ 1,094,316
Public safety	6,681,747	3,450,067	2,415,567	2,519,179	2,272,860
Public works	4,717,284	5,046,339	51,042,204	6,512,926	7,694,846
Health and welfare	3,320,815	2,671,226	3,222,267	3,321,128	3,207,416
Culture, recreation, development	418,648	449,111	607,636	656,924	360,867
Total governmental activities	16,856,764	12,695,018	58,537,444	14,119,786	14,630,305
Business-type activities:					
Electric	65,993,354	61,801,837	63,967,176	49,191,776	41,435,005
Water	16,065,286	10,755,883	9,777,191	9,178,718	10,249,905
Sewer	14,572,682	14,588,115	14,194,383	14,050,269	14,191,079
Airport	4,240,026	7,030,452	4,639,027	8,694,904	4,205,969
Solid waste	3,008,923	3,135,325	3,173,221	3,305,418	3,408,207
Stormwater	-	-	-	582,275	1,189,088
Other business-type activities	52,715	72,312	81,936	82,758	-
Total business-type activities	103,932,986	97,383,924	95,832,934	85,086,118	74,679,253
Total primary government	\$ 120,789,750	\$ 110,078,942	\$ 154,370,378	\$ 99,205,904	\$ 89,309,558
<b>Component unit:</b>					
Manassas city public schools	\$ 45,070,026	\$ 49,018,321	\$ 49,444,533	\$ 52,919,173	\$ 54,042,434
Total component unit	\$ 45,070,026	\$ 49,018,321	\$ 49,444,533	\$ 52,919,173	\$ 54,042,434

Source: City of Manassas Comprehensive Annual Financial Report

## CITY OF MANASSAS, VIRGINIA

Table 4

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

	Fiscal Year			
	2007	2008	2009	2010
Pre-GASB 54 implementation:				
General fund				
Reserved	\$ 3,301,206	\$ 4,498,123	\$ 4,135,238	\$ 4,867,143
Unreserved, designated	2,800,921	3,231,404	2,645,900	2,245,748
Unreserved, undesignated	14,052,538	11,407,179	12,194,000	13,891,163
Total general fund	\$ 20,154,665	\$ 19,136,706	\$ 18,975,138	\$ 21,004,054
All other governmental funds				
Reserved	\$ 7,443,946	\$ 4,920,000	\$ 3,209,641	\$ 2,882,100
Unreserved, reported in:				
Special revenue funds	603,515	1,400,013	1,474,944	1,567,040
Capital projects funds	3,335,098	6,641,066	4,139,318	2,144,276
Total all other governmental funds	\$ 11,382,559	\$ 12,961,079	\$ 8,823,903	\$ 6,593,416

	Fiscal Year					
	2011	2012	2013	2014	2015	2016
Post-GASB 54 implementation:						
General fund						
Nonspendable	\$ 950,239	\$ 1,450,187	\$ 410,693	\$ 395,877	\$ 574,599	\$ 1,421,998
Restricted	2,999,143	2,575,633	2,982,051	2,448,897	2,142,060	1,618,882
Committed	7,505,941	7,033,509	5,234,941	4,978,410	5,535,887	6,107,607
Assigned	-	-	-	-	109,024	1,582,285
Unassigned	11,878,166	12,193,722	12,136,198	12,665,075	13,145,824	15,842,498
Total general fund	\$ 23,333,489	\$ 23,253,051	\$ 20,763,883	\$ 20,488,259	\$ 21,507,394	\$ 26,573,270
All other governmental funds						
Nonspendable:						
Permanent fund principal	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Restricted, reported in:						
Special revenue funds	2,608,460	3,537,436	3,286,743	4,042,312	4,777,208	5,522,790
Capital projects funds	4,863,154	581,134	-	2,769,038	2,231,656	360,254
Debt service fund	-	-	-	-	-	68,051
Permanent fund	83,279	70,543	70,813	156,607	161,775	171,190
Committed, reported in:						
Special revenue funds	205,046	249,146	284,054	320,101	281,008	-
Capital projects funds	225,600	4,114,451	5,380,519	6,692,577	6,097,446	10,328,432
Unassigned	(2,705,080)	(7,589)	(6,064)	(4,482)	(3,632)	-
Total all other governmental funds	\$ 5,380,459	\$ 8,645,121	\$ 9,116,065	\$ 14,076,153	\$ 13,645,461	\$ 16,550,717

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

## CITY OF MANASSAS, VIRGINIA

Table 5

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

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Revenues</b>					
General property taxes	\$ 58,284,664	\$ 62,918,748	\$ 66,747,985	\$ 63,697,942	\$ 62,613,605
Other local taxes	21,237,921	19,687,511	18,355,300	14,897,257	16,045,899
Permits, fees, licenses	885,919	913,331	533,860	923,525	784,597
Fines and forfeitures	633,223	544,266	509,871	521,655	633,285
Use of money and property	2,422,607	1,349,399	544,697	276,216	324,979
Charges for services	1,230,695	1,244,643	1,208,576	1,144,351	1,072,428
Payment in lieu of debt service	6,827,645	6,287,164	5,774,990	5,637,807	5,410,273
Recovered costs	1,519,416	1,593,210	1,656,460	1,973,170	1,973,170
Miscellaneous	2,779,960	1,555,185	1,944,405	1,401,785	1,350,794
Intergovernmental	13,255,848	15,431,962	13,126,646	16,921,868	20,101,400
Total Revenues	109,077,898	111,525,419	110,402,790	107,395,576	110,310,430
<b>Expenditures</b>					
General government administration	7,775,056	8,251,309	8,282,142	8,087,758	8,126,487
Public safety	20,540,744	21,432,111	23,181,421	23,619,295	23,838,881
Public works	5,937,436	5,989,842	5,194,725	5,312,789	4,158,164
Health and welfare	8,666,345	8,594,700	8,416,209	7,976,335	7,458,336
Culture, recreation	6,142,894	5,301,265	6,010,353	5,735,016	6,369,224
Education	48,102,935	48,443,875	48,924,698	47,592,844	47,123,718
Non Departmental					
Capital outlay	7,431,345	4,499,479	7,372,921	4,308,676	8,964,479
Debt service					
Principal retirement	5,721,200	5,448,966	5,256,466	5,285,032	4,827,350
Interest and fiscal charges	3,421,836	3,109,315	2,906,134	2,721,773	2,811,252
Bond Issuance costs	-	-	-	-	-
Total expenditures	113,739,791	111,070,862	115,545,069	110,639,518	113,677,891
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ (4,661,893)	\$ 454,557	\$ (5,142,279)	\$ (3,243,942)	\$ (3,367,461)
<b>Other financing sources (uses)</b>					
Transfers in	4,906,749	4,282,488	5,008,434	10,305,313	4,315,802
Transfers out	(4,268,727)	(4,176,483)	(4,164,899)	(9,530,605)	(3,270,466)
Issuance of debt	1,003,901	-	-	2,200,000	21,539,489
Proceeds from issuance of premium o	-	-	-	67,663	2,553,885
Payment to refunded bond escrow age	-	-	-	-	(20,654,771)
Capital lease	-	-	-	-	-
Other	657,000	-	-	-	-
Total other financing sources (uses)	2,298,923	106,005	843,535	3,042,371	4,483,939
<b>Net change in fund balance</b>	\$ (2,362,970)	\$ 560,562	\$ (4,298,744)	\$ (201,571)	\$ 1,116,478
Debt service as a percentage of noncapital expenditures	8.6%	8.0%	7.5%	7.5%	7.3%

Source: City of Manassas Comprehensive Annual Financial Report

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

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

Table 5

2012	2013	2014	2015	2016
\$ 63,518,398	\$ 64,499,818	\$ 69,152,354	\$ 73,313,910	\$ 76,770,693
16,593,452	17,516,677	17,703,001	17,944,186	19,123,123
779,823	929,999	796,896	944,973	654,822
793,663	803,283	637,403	668,975	751,006
287,212	284,224	286,872	307,417	405,509
1,097,365	1,140,610	1,221,953	1,194,458	1,267,011
5,263,956	4,913,003	4,792,911	5,000,876	7,341,400
1,887,460	1,922,080	1,951,150	2,101,870	2,230,720
2,405,303	2,563,751	2,304,867	1,601,879	1,534,506
19,707,516	16,116,127	18,019,681	18,052,021	19,162,831
112,334,148	110,689,572	116,867,088	121,130,565	129,241,621
8,175,771	8,711,499	8,668,542	9,041,926	9,039,441
25,150,135	28,109,517	28,617,782	28,398,747	29,109,653
3,954,503	4,381,295	4,787,857	4,328,697	4,423,503
7,032,635	7,034,040	7,834,030	8,277,227	7,937,132
5,661,189	5,521,613	5,109,182	5,558,630	6,098,669
48,125,649	48,014,667	51,334,432	90,297,919	53,559,758
5,460,088	5,796,525	7,355,398	5,042,455	7,014,122
5,058,445	4,911,579	4,946,984	5,123,293	6,073,653
2,403,570	2,234,419	2,131,062	2,049,473	3,287,943
-	-	-	472,373	-
111,021,985	114,715,154	120,785,269	158,590,740	126,543,874
\$ 1,312,163	\$ (4,025,582)	\$ (3,918,181)	\$ (37,460,175)	\$ 2,697,747
8,058,273	7,439,151	8,370,750	6,776,635	11,361,929
(6,186,212)	(5,628,361)	(3,812,053)	(6,469,955)	(6,416,211)
-	-	3,814,050	46,101,800	-
-	-	178,380	4,401,863	-
-	-	-	(12,794,921)	-
-	196,568	-	-	-
-	-	51,518	33,196	327,608
1,872,061	2,007,358	8,602,645	38,048,618	5,273,326
\$ 3,184,224	\$ (2,018,224)	\$ 4,684,464	\$ 588,443	\$ 7,971,073
7.1%	6.6%	6.2%	4.7%	7.8%

## CITY OF MANASSAS, VIRGINIA

Table 6

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Real property	\$ 46,144,523	\$ 51,019,031	\$ 54,249,494	\$ 52,749,987	\$ 51,703,328
Personal property	11,076,499	10,677,820	10,934,245	9,322,059	9,133,899
Other	1,063,642	1,221,897	1,564,246	1,625,896	1,776,378
Total property taxes	58,284,664	62,918,748	66,747,985	63,697,942	62,613,605
Sales	8,129,713	7,082,425	6,440,055	6,881,710	7,305,186
Business licenses	3,490,912	3,017,478	2,869,132	2,450,090	2,759,079
Meals	2,682,545	2,640,665	2,547,151	2,423,969	2,584,054
Communications	1,420,444	3,312,500	3,009,702	-	-
Other	5,514,307	3,634,443	3,489,260	3,141,488	3,397,580
Total other local taxes	21,237,921	19,687,511	18,355,300	14,897,257	16,045,899
Total tax revenues	\$ 79,522,585	\$ 82,606,259	\$ 85,103,285	\$ 78,595,199	\$ 78,659,504

	Fiscal Year				
	2012	2013	2014	2015	2016
Real property	\$ 52,321,058	\$ 52,523,333	\$ 56,668,858	\$ 59,628,262	\$ 62,822,691
Personal property	9,475,950	10,375,908	10,749,146	11,819,907	11,931,371
Other	1,721,390	1,600,577	1,734,350	1,865,741	2,016,630
Total property taxes	63,518,398	64,499,818	69,152,354	73,313,910	76,770,692
Sales	7,210,697	7,811,499	7,581,829	7,555,344	8,055,065
Business licenses	2,931,782	2,957,117	3,110,196	3,075,033	3,290,009
Meals	2,894,531	3,094,965	3,315,080	3,406,893	3,728,988
Communications	-	-	-	-	-
Other	3,556,442	3,653,096	3,695,896	3,906,916	4,049,060
Total other local taxes	16,593,452	17,516,677	17,703,001	17,944,186	19,123,122
Total tax revenues	\$ 80,111,850	\$ 82,016,495	\$ 86,855,355	\$ 91,258,096	\$ 95,893,814

Source: City of Manassas Comprehensive Annual Financial Report

Notes: Fiscal year 2006 is presented as restated

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

## CITY OF MANASSAS, VIRGINIA

Table 7

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

Tax Year	Real Property			Total Direct Tax Rate	Real & Personal Property Public Service	Personal Property		Total Assessed & Actual Value	Total Taxable Assessed & Actual Value
	Residential	Commercial	Tax Exempt			Tangible Personal Property	Machinery & Tools		
2007	4,110,384,900	1,552,164,900	864,839,600	0.855	75,516,362	336,796,415	371,201,965	7,310,904,142	6,446,064,542
2008	3,186,424,400	1,796,000,400	854,629,500	1.115	75,911,682	331,905,885	645,106,134	6,889,978,001	6,035,348,501
2009	2,046,404,000	1,712,622,700	852,224,300	1.493	76,628,275	324,807,030	736,201,970	5,748,888,275	4,896,663,975
2010	2,083,619,700	1,508,162,900	771,507,200	1.472	74,741,392	279,309,190	787,112,580	5,504,452,962	4,732,945,762
2011	2,249,477,700	1,547,273,200	795,895,200	0.736	77,741,857	278,268,715	842,460,300	5,791,116,972	4,995,221,772
2012	2,328,941,100	1,583,564,200	764,169,200	1.395	76,551,752	287,608,935	705,817,165	5,746,652,352	4,982,483,152
2013	2,491,207,000	1,613,906,800	678,874,300	1.366	72,399,245	314,472,263	752,309,575	5,923,169,183	5,244,294,883
2014	2,653,025,300	1,533,191,100	680,361,100	1.393	73,142,019	320,210,094	759,133,720	6,019,063,333	5,338,702,233
2015	2,774,454,700	1,653,210,000	707,811,100	1.368	90,146,639	329,700,680	770,440,390	6,325,763,509	5,617,952,409
2016	2,915,314,100	1,698,553,200	750,641,100	1.388	104,485,326	343,870,765	709,057,065	6,521,921,556	5,771,280,456

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

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

Property in the City is reassessed each year.

Tax rates are per \$100 of assessed value.

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

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

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

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

Tax Year 2011 as noted above.

## CITY OF MANASSAS, VIRGINIA

Table 8

**Property Tax Rates  
Last Ten Years**

<b>Tax Year</b>	<b>General</b>	<b>Fire Rescue Levy</b>	<b>Total Direct Real Property</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Aircraft</b>
2007	0.855	-	0.855	3.050	1.900	0.00001
2008	1.015	0.100	1.115	3.250	2.100	0.00001
2009	1.350	0.143	1.493	3.250	2.100	0.00001
2010	1.318	0.154	1.472	3.250	2.100	0.00001
2011	0.659	0.077	0.736	3.250	2.100	0.00001
2012	1.226	0.169	1.395	3.250	2.100	0.00001
2013	1.192	0.174	1.366	3.250	2.100	0.00001
2014	1.211	0.182	1.393	3.250	2.100	0.00001
2015	1.190	0.178	1.368	3.250	2.100	0.00001
2016	1.210	0.178	1.388	3.250	2.100	0.00001

Source: City of Manassas Commissioner of the Revenue

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

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

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

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

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

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

*Go to [www.manassascity.org](http://www.manassascity.org) for more detailed tax rate information*



## CITY OF MANASSAS, VIRGINIA

Table 9

Principal Real Property Taxpayers  
Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Taxable Real Property Assessed Value	Rank	Percentage of Total Taxable Real Property Assessed Value	Taxable Real Property Assessed Value	Rank	Percentage of Total Taxable Real Property Assessed Value
Lockheed Martin	\$ 100,543,400	1	2.2%	\$ 107,447,500	1	1.9%
Micron Technology	98,066,200	2	2.1%	105,385,400	2	1.9%
UDR Wellington Place	62,033,100	3	1.3%	-		0.0%
Battery Heights Associates	53,268,100	4	1.2%	51,943,500	3	0.9%
Prince William Hospital Corp	31,829,500	5	0.7%	33,049,300	5	0.6%
WT/CAP Manassas Courts Apt.	26,634,400	6	0.6%	-		0.0%
Fairfield Village Square	25,348,200	7	0.5%	26,336,700	8	0.5%
Van Metre Barrington Park	23,748,700	8	0.5%	-		0.0%
Wellington Station Owner LLC	22,948,700	9	0.5%	-		0.0%
Liberia Development Corp.	22,365,800	10	0.5%	30,327,900	7	0.5%
AFV Wellington, LLC				44,175,900	4	0.8%
Davis Ford Crossing, LLC				31,226,900	6	0.6%
Signal Hill Two LLC				23,859,300	9	0.4%
Wellington/Hastings				21,196,300	10	0.4%
Totals	\$ 466,786,100		10.1%	\$ 474,948,700		8.5%

Source: City of Manassas Commissioner of the Revenue

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

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

\$5,662,549,800 - 2007

\$4,613,867,300 - 2016

## CITY OF MANASSAS, VIRGINIA

Table 10

Real Property Tax Levies  
Last Ten Years

Tax Year	Total Tax Levy for Tax Year	Fiscal Year for which Tax Levy Applies					
		2007	2008	2009	2010	2011	2012
2007	47,837,204	23,918,602	23,918,602	-	-	-	-
2008	55,042,222	-	27,521,111	27,521,111	-	-	-
2009	55,553,210	-	-	27,776,605	27,776,605	-	-
2010	52,260,980	-	-	-	26,130,490	26,130,490	-
2011	26,008,807	-	-	-	-	26,008,807	-
2012	52,254,647	-	-	-	-	-	52,254,647
2013	52,668,751	-	-	-	-	-	-
2014	56,428,143	-	-	-	-	-	-
2015	59,630,272	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
Total Levy for Fiscal Year		\$ 23,918,602	\$ 51,439,713	\$ 55,297,716	\$ 53,907,095	\$ 52,139,297	\$ 52,254,647

Table 10-a

Real Property Tax Levies and Collections  
Last Ten Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Delinquent Taxes	
		Amount	Percentage of Levy		Amount	Percentage of Levy	Amount	Percentage
2007	\$ 23,918,602	44,456,148	185.86%	2,203,781	\$ 46,659,929	195.08%	\$ 1,607,795	6.72%
2008	51,439,713	50,006,543	97.21%	1,433,097	51,439,640	100.00%	1,837,645	3.57%
2009	55,297,716	53,399,535	96.57%	1,890,429	55,289,964	99.99%	2,525,401	4.57%
2010	53,907,095	51,987,471	96.44%	1,917,515	53,904,986	100.00%	2,472,448	4.59%
2011	52,139,297	50,353,653	96.58%	1,783,990	52,137,643	100.00%	1,785,797	3.43%
2012	52,254,647	50,861,085	97.33%	1,387,711	52,248,796	99.99%	2,321,143	4.44%
2013	52,668,751	51,440,592	97.67%	1,216,673	52,657,265	99.98%	1,919,644	3.64%
2014	56,428,143	55,060,273	97.58%	930,319	55,990,592	99.22%	1,460,048	2.59%
2015	59,630,272	58,540,515	98.17%	772,043	59,312,558	99.47%	1,405,624	2.36%
2016	62,924,270	61,837,236	98.27%	-	61,837,236	98.27%	1,571,417	2.50%

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

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

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

## CITY OF MANASSAS, VIRGINIA

Table 10

Real Property Tax Levies  
Last Ten Years

Fiscal Year for which Tax Levy Applies				Tax Year
2013	2014	2015	2016	
-	-	-	-	2007
-	-	-	-	2008
-	-	-	-	2009
-	-	-	-	2010
-	-	-	-	2011
-	-	-	-	2012
52,668,751	-	-	-	2013
-	56,428,143	-	-	2014
-	-	59,630,272	-	2015
-	-	-	62,924,270	2016
<u>\$ 52,668,751</u>	<u>\$ 56,428,143</u>	<u>\$ 59,630,272</u>	<u>\$ 62,924,270</u>	

Source: City of Manassas Commission of the Revenue

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

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

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

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

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

The taxes for tax year 2011 were due May 2011.

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

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

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

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

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

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

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

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

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

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

## CITY OF MANASSAS, VIRGINIA

Table 11

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	State Literary Loans	Capital Leases	Notes	General Obligation Bonds	Other Obligations			
2007	\$ 69,148,420	\$ 1,418,275	\$ 2,482,029	\$ 1,003,096	\$ 15,735,337	\$ -	\$ 89,787,157	5.59%	\$ 2,578.83
2008	64,252,430	1,116,239	2,227,607	752,925	30,481,425	-	98,830,626	6.07%	2,851.76
2009	59,837,150	814,275	1,841,720	501,949	28,659,250	-	91,654,344	5.48%	2,510.12
2010	57,601,950	512,275	1,483,960	250,973	29,714,312	-	89,563,470	5.12%	2,368.09
2011	56,399,910	225,000	1,150,534	-	30,603,393	-	88,378,837	4.72%	2,245.51
2012	51,881,400	-	828,023	-	28,260,978	-	80,970,401	4.18%	1,987.39
2013	49,370,944	-	659,593	-	26,628,741	-	76,659,278	3.93%	1,837.25
2014	52,403,935	-	401,974	-	27,922,083	-	80,727,992	3.99%	1,918.40
2015	88,280,016	-	156,427	-	27,963,701	1,568,000	117,968,144	n/a	2,824.64
2016	81,871,780	-	78,953	-	25,776,513	1,568,000	109,295,246	n/a	n/a

Source: City of Manassas Comprehensive Annual Financial Report

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

Personal income and population data is found in Table 14.

n/a = not available

## CITY OF MANASSAS, VIRGINIA

Table 12

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

<b>Fiscal Year</b>	<b>Outstanding General Obligation Bonds</b>	<b>Outstanding State Literary Loans</b>	<b>Total Outstanding Bonds Supported by Taxpayers</b>	<b>Percentage of Outstanding Bonds to Total Taxable Assessed and Actual Value of Real Property</b>	<b>Outstanding Bonds Per Capita</b>
2007	\$ 84,883,757	\$ 1,418,275	\$ 86,302,032	1.52%	\$ 2,478.73
2008	94,733,855	1,116,239	95,850,094	1.92%	2,765.76
2009	88,496,400	814,275	89,310,675	2.38%	2,445.93
2010	87,316,262	512,275	87,828,537	2.45%	2,322.22
2011	87,003,303	225,000	87,228,303	2.30%	2,216.28
2012	80,142,378	-	80,142,378	2.05%	1,967.07
2013	75,999,685	-	75,999,685	1.85%	1,821.44
2014	80,326,018	-	80,326,018	1.92%	1,908.84
2015	116,243,717	-	116,243,717	2.63%	2,783.35
2016	107,648,293	-	107,648,293	2.33%	n/a

Source: City of Manassas Comprehensive Annual Financial Report

Notes: Details of the City's outstanding debt can be found in the notes to the financial statements.  
 Taxable Assessed and Actual Value of Real Property is found in Table 7. Calculation excludes tax exempt, public service and personal property.  
 Population data is found in Table 14.  
 General Bonded Debt from Business Type Activities (not repaid with property taxes) is not reflected nor used to calculate a general bonded debt ratio in this table.  
 n/a = not available

## CITY OF MANASSAS, VIRGINIA

Table 13

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt limit	\$ 566,254,980	\$ 498,242,480	\$ 375,902,670	\$ 359,178,260	\$ 379,675,090
Total net debt applicable to limit	86,302,032	95,850,094	89,310,675	87,828,537	87,228,303
Legal debt margin	\$ 479,952,948	\$ 402,392,386	\$ 286,591,995	\$ 271,349,723	\$ 292,446,787
Total net debt applicable to limit as a percent of debt limit	15.24%	19.24%	23.76%	24.45%	22.97%

Source: City of Manassas Comprehensive Annual Financial Report

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

The calculation excludes public service and tax exempt property.

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

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

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

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

## CITY OF MANASSAS, VIRGINIA

Table 13

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

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt limit	\$ 391,250,530	\$ 410,511,380	\$ 418,621,640	\$ 442,766,470	\$ 461,386,730
Total net debt applicable to limit	80,142,378	75,999,685	80,326,018	107,395,256	99,374,520
Legal debt margin	<u>\$ 311,108,152</u>	<u>\$ 334,511,695</u>	<u>\$ 338,295,622</u>	<u>\$ 335,371,214</u>	<u>\$ 362,012,210</u>
Total net debt applicable to limit as a percent of debt limit	20.48%	18.51%	19.19%	24.26%	21.54%

**Legal Debt Margin Calculation for Fiscal Year 2016**

Real property assessed value January 1, 2015, used for FY2016 (7/1/2015 - 6/30/2016)	\$ 5,364,508,400
Less exempt real property assessed value	<u>(750,641,100)</u>
Total taxable real property assessed value	4,613,867,300
Debt limit (10% of taxable real property assessed value)	461,386,730
Total net debt applicable to limit June 30, 2016	<u>99,374,520</u>
Legal debt margin	<u>\$ 362,012,210</u>

## CITY OF MANASSAS, VIRGINIA

Table 14

Demographic and Economic Statistics  
Last Ten Fiscal Years

Year	Population (1)	Personal Income (2)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2007	34,817	\$ 1,606,630,000	\$ 46,145	6,575	2.9%
2008	34,656	1,628,104,000	46,979	6,474	4.2%
2009	36,514	1,673,437,000	45,830	6,566	7.3%
2010	37,821	1,748,314,000	46,226	6,684	7.0%
2011	39,358	1,872,890,000	47,586	6,936	6.1%
2012	40,742	1,936,386,000	47,528	7,104	5.6%
2013	41,725	1,952,813,000	46,802	7,220	5.4%
2014	42,081	2,020,730,000	48,020	7,218	5.0%
2015	41,764	n/a	n/a	7,442	4.1%
2016	n/a	n/a	n/a	7,678	3.4%

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

Note: n/a = not available



## CITY OF MANASSAS, VIRGINIA

Table 15

Principal Employers  
Current Year and Nine Years Ago

Employer	2015			2006		
	Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
Micron Technology	1,560	1	7.3%	1,186	3	6.0%
Novant Prince William Health System	1,155	2	5.4%	1,400	2	7.0%
Lockheed Martin	1,100	3	5.1%	1,500	1	7.5%
Manassas City Public Schools (FTE)	1,074	4	5.0%	919	4	4.6%
City of Manassas (FTE)	472	5	2.2%	468	5	2.4%
American Disposal Service	450	6	2.1%			
BAE Systems	280	7	1.3%	350	6	1.8%
S.W.I.F.T.	236	8	1.1%	275	8	1.4%
ARS (American Residential Svcs)	193	9	0.9%			
Aurora Flight Sciences	210	10	1.0%	200	10	1.0%
CGI (Oberon Assoc)				275	7	1.4%
Colgan Air				250	9	1.3%
Totals	<u>6,730</u>		<u>31.41%</u>	<u>6,823</u>		<u>34.4%</u>
Total City Employment	21,227					

Source: City of Manassas Economic Development Department

Notes: Calendar year 2015 is the most current year available

FTE - full time equivalents

## CITY OF MANASSAS, VIRGINIA

Table 16

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

<b>Function</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
General Government										
City Clerk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
City Manager	2.00	2.00	2.00	2.00	2.00	2.00	8.00	8.00	10.00	10.00
Voter Registration	2.55	2.55	2.55	2.55	2.05	2.05	2.05	2.05	2.05	2.05
Treasurer	8.00	8.00	7.00	7.00	6.00	6.00	6.00	7.00	7.00	7.00
Commissioner of the Revenue	13.00	13.00	12.00	12.00	11.00	11.00	11.00	11.00	11.00	11.00
Finance and Administration	15.00	15.00	30.00	30.00	30.05	30.55	27.05	27.30	25.30	25.30
Human Resources	8.00	8.00	-	-	-	-	-	-	-	-
Public Safety										
Police	118.50	124.75	122.75	122.75	120.75	127.00	127.00	127.25	127.25	126.50
Fire	8.00	-	-	-	-	-	-	-	-	-
Rescue	17.00	-	-	-	-	-	-	-	-	-
Fire and Rescue	-	34.00	46.00	46.00	46.00	59.00	60.00	60.00	60.00	60.00
Public Works	77.00	74.00	61.00	52.00	48.50	49.50	49.50	50.50	50.50	51.50
Culture, Recreation, Development										
Recreation and parks	24.90	22.40	-	-	-	-	-	-	-	-
Museum System	10.50	9.50	8.50	8.50	4.50	5.50	6.50	6.50	6.50	6.50
Community Development	7.00	10.00	28.25	28.25	26.25	28.25	27.25	27.25	27.25	27.25
Economic Development	-	-	-	-	-	-	-	2.50	2.50	2.50
Health and Human Services										
Family Services	35.23	35.99	36.49	36.49	37.11	36.11	37.48	37.48	37.48	37.48
Utilities										
Sewer	14.00	14.00	13.00	13.00	11.00	11.00	11.00	11.00	11.00	11.00
Water	30.00	29.00	28.00	28.00	27.50	27.50	27.50	27.50	27.50	27.50
Electric	57.00	56.00	56.00	56.00	54.00	54.00	54.00	54.00	54.00	54.00
Airport	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Solid Waste	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Stormwater	-	-	-	-	-	-	-	-	-	-
Vehicle Maintenance	9.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Information Technology	10.00	10.00	-	-	-	-	-	-	-	-
Total primary government	<u>476.68</u>	<u>486.19</u>	<u>472.54</u>	<u>463.54</u>	<u>445.71</u>	<u>468.46</u>	<u>473.33</u>	<u>478.33</u>	<u>478.33</u>	<u>478.58</u>

Source: City of Manassas Annual Operating Budget

## CITY OF MANASSAS, VIRGINIA

Table 17

Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Business licenses issued	3,400	3,500	3,600	3,150	2,700	2,600	2,600	2,600	2,600	2,775
Property returns processed	33,300	34,500	33,500	32,000	31,500	31,500	32,500	35,000	34,000	37,081
Public Safety										
Traffic citations	8,162	8,000	8,000	6,000	5,500	5,500	6,750	8,500	8,400	6,000
Criminal arrests	3,063	3,063	3,200	3,200	3,000	2,500	2,500	2,775	3,000	2,000
Police calls for service	66,000	66,000	67,000	67,000	65,000	60,000	60,000	61,000	63,000	55,000
Public Works										
Site plans reviewed	50	45	35	45	20	20	30	40	55	64
Building permits issued	780	665	650	465	400	400	450	500	570	476
Fire inspections	500	800	800	800	1,200	1,400	1,200	1,000	1,200	1,800
Acres mowed	357	361	361	361	361	365	365	365	365	365
Culture, Recreation, Development										
Existing businesses assisted	70	100	100	50	30	15	15	8	n/a	n/a
Health and Human Services										
Family services										
Customers served	35,000	36,500	43,500	60,000	78,000	75,000	90,300	96,100	121,837	111,941
Section 8 vouchers used	225	280	275	306	302	327	306	306	288	295
Sewer Utility										
Wastewater processed (1)	2.2	2.1	2.2	2.2	2.2	2.2	2.31	2.48	2.39	2.36
Water Utility										
Drinking water produced (1)	4.4	3.5	4.4	4.6	4.5	4.5	4.61	4.70	4.74	4.70
Electric Utility										
Load management savings	\$7.5 M	\$8.1M	\$7.6M	\$7.3M	\$1.5M	\$648K	\$702K	\$731K	\$871K	\$1.2M
Airport										
Total operations (2)	132,000	130,000	115,000	115,073	92,394	86,337	83,180	79,616	79,550	80,000
Based aircraft	415	435	402	405	402	406	423	418	418	418
Information Technology										
Devices supported	658	610	1,324	1,289	1,320	1,325	1,325	1,340	1,340	1,330
Visitors to city website	290,000	300,000	450,000	475,000	990,000	500,000	1,000,000	1,000,000	1,200,000	1,200,000

Source: City of Manassas Annual Operating Budget

Notes: n/a = not available

(1) Billions of gallons per year

(2) Take-offs and landings

## CITY OF MANASSAS, VIRGINIA

Table 18

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
City Hall	1	1	1	1	1	1	1	1	1	1
Town Hall	1	1	1	1	1	1	1	1	1	1
Parking lots (in spaces)	652	652	652	827	827	827	827	827	827	827
Vehicles in fleet	450	427	436	440	441	452	447	446	448	449
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Rescue stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	241	253	253	243	243	244	244	244	245	249
Street lights	2,772	2,790	2,918	2,918	2,952	2,979	2,979	3,062	2,719	3,045
Traffic signals	53	55	53	55	60	58	61	61	62	62
Culture, Recreation, Developme										
Museums	1	1	1	1	1	1	1	1	1	1
Restored historic buildings:										
Railroad Depot	1	1	1	1	1	1	1	1	1	1
Candy Factory	1	1	1	1	1	1	1	1	1	1
Parks	12	12	12	12	12	12	12	12	12	12
Park acreage	194	194	194	194	194	194	194	194	194	194
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	22	22	22	22	22	22	22	22	22	22
Skate parks	1	1	1	1	1	1	1	1	1	1
Outdoor pavilion	1	1	1	1	1	1	1	1	1	1
Sewer Utility										
Sewer main (miles)	125	125	125	125	125	125	115	115	115	142
Storm sewers (miles)	94	94	72	72	72	72	72	72	72	72
Treatment capacity (1)	8	9	9	9	9	9	9	9	9	8.69
Water Utility										
Water connections	10,862	10,506	10,647	10,763	10,911	10,918	10,997	11,104	11,178	11,200
Water mains (miles)	152	152	152	152	152	152	152	152	152	170
Water plant capacity (1)	14	14	14	14	14	14	14	14	14	14
Electric Utility										
Distribution stations	6	6	6	6	6	6	6	6	6	6
Peaking generators	19	19	19	19	19	19	19	20	20	20
Electric capacity (2)	41	41	41	41	41	41	41	40	40	40
Airport										
Airport acreage	885	899	899	899	899	899	899	899	892	892
Number of runways	2	2	2	2	2	2	2	2	2	2

Source: City of Manassas Finance Department and Public Works Department

Notes: (1) Millions of gallons per day

(2) Megawatts

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manassas, Virginia (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2016.

**Internal Control over Financial Reporting**

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Items 2015-002 and 2016-001, which we consider to be material weaknesses.**

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Items 2015-005 through 2015-007.**

### **City of Manassas, Virginia's Responses to Findings**

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

### **Purpose of this Report**

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 29, 2016

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Manassas, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

**In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.**



## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-002. Our opinion on each major federal program is not modified with respect to this matter.

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

## Report on Internal Control Over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 29, 2016

**CITY OF MANASSAS, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2016**

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

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

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

*State Agency Requirements*

Education  
Social Services  
Urban Highway Maintenance  
Stormwater Management Program

**FEDERAL COMPLIANCE MATTERS**

Compliance Supplement for Single Audits of State and Local Governments

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

**CITY OF MANASSAS, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2016**

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

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

<u>Name of Program</u>	<u>CFDA #</u>
Child Nutrition Cluster - School Breakfast Program	10.553
Child Nutrition Cluster - National School Lunch Program	10.555
Child Nutrition Cluster - Summer Food Service Program	10.559
Highway Construction	20.205
Title I – Grants to Local Educational Agencies	84.010

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

**CITY OF MANASSAS, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

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

*Condition:*

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

*Recommendation:*

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

*Management's Response:*

The auditee concurs with this recommendation.

**2016-001: Unbilled Accounts Receivable (Material Weakness)**

*Condition:*

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

*Recommendation:*

We recommend the City ensure a process is in place to capture all potential unbilled receivables related to amounts prior to year-end.

*Management's Response:*

The auditee concurs with this recommendation.

**CITY OF MANASSAS, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016**

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

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

*Condition:*

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

*Recommendation:*

We recommend that as a part of the City's upcoming enterprise software implementation, the City utilize a module that will assist in tracking such federally funded assets.

*Management's Response:*

The auditee concurs with this recommendation.

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

**2015-005: Investment Ratings**

*Condition:*

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

*Recommendation:*

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

*Management's Response:*

The auditee concurs with this recommendation.

**CITY OF MANASSAS, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2016**

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

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

*Condition:*

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

*Recommendation:*

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

*Management's Response:*

The auditee concurs with this recommendation.

**2015-007: Public Accounts**

*Condition:*

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

*Recommendation:*

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

*Management's Response:*

The auditee concurs with this recommendation.

**CITY OF MANASSAS, VIRGINIA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2016**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

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

*Condition:*

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

*Recommendation:*

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

*Current Status:*

We did not detect a similar finding in the current year.

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

*Condition:*

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

*Recommendation:*

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

*Current Status:*

We did not detect a similar finding in the current year.

**CITY OF MANASSAS, VIRGINIA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2016**

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

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

*Condition:*

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

*Recommendation:*

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

*Current Status:*

We did not detect a similar finding in the current year.



**CITY OF MANASSAS, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

<b>Federal Granting Agency/Recipient State Agency/Grant Program</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Identifying Number</b>	<b>Cluster Expenditures</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>				
Pass-through payments:				
Department of Education:				
National School Breakfast Program	10.553	10553-301-10	\$ 631,243	
National School Lunch Program - Food Donations	10.555	00-571	211,934	
National School Lunch Program	10.555	10555-301-10	1,923,743	
Summer Food Service Program for Children	10.559	10559-301-10	64,281	
Total Child Nutrition Cluster				\$ 2,831,201
Department of Social Services:				
State Administration:				
SNAP Cluster				
Matching Grants for Supplemental Nutrition Assistance Program	10.561	N/A		401,208
Total U.S. Department of Agriculture				3,232,409
<b>Department of Environmental Quality</b>				
Pass through payments:				
Historic Data Clean-Up	66.466	16088		18,800
<b>U.S. Department of Housing and Urban Development</b>				
Pass through payments:				
VHDA and Prince William County				
Section 8 Housing Assistance Payments Program	14.195	14195-165-10		186,613
Total U.S. Department of Housing and Urban Development				186,613
<b>U.S. Department of Justice</b>				
Direct payments:				
State Criminal Alien Assistance Program	16.606	N/A		25,545
Bulletproof Vest Partnership Program	16.607	N/A		8,925
Edward Byrne Memorial Justice Assistance Program	16.738	N/A		14,278
Pass through payments:				
Virginia Department of State Police:				
Missing Children's Assistance	16.543	16543-156-10		-
Total U.S. Department of Justice				48,748
<b>U.S. Department of Transportation</b>				
Direct payments:				
Airport Improvement Program	20.106	N/A		1,488,082
Pass-through payments:				
Virginia Department of Transportation				
Highway Planning and Construction	20.205	61448		947,745
Virginia Department of Motor Vehicles				
State and Community Highway Safety Program	20.600	4369		12,210
Total U.S. Department of Transportation				2,448,037
<b>U.S. Department of Education</b>				
Pass-through payments:				
Commonwealth of Virginia Department of Education:				
Title I - Grants to Local Educational Agencies	84.010	84010-197-10		1,179,953
Special Education - Grants to States	84.027	84027-197-10	1,264,842	
Special Education - Preschool Grants	84.173	84173-197-10	29,579	
Total Special Education Cluster:				1,294,421
Career and Technical Education: Basic grants to states	84.048	84048-197-10		110,624
English Language Acquisition Grants	84.365	84365-197-10		260,705
Improving Teacher Quality State Grants	84.367	84367-197-10		132,858
Total U.S. Department of Education				2,978,561
<b>Department of Homeland Security:</b>				
Pass-through Payments:				
Department of Emergency Management:				
Non-Profit Security Program	97.008	97008-127-10		13,270
Emergency Response Team Grant	97.067	15UASI596-02		6,096
Emergency Management Performance Grants	97.042	97042-127-10		5,225
Homeland Security Grant Program	97.067	13UASI596		52,087
Homeland Security Grant Program	97.067	14UASI596		57,696
Total U.S. Department of Homeland Security				134,374

**CITY OF MANASSAS, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**For the Year Ended June 30, 2016**

<b>Federal Granting Agency/Recipient State Agency/Grant Program</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Identifying Number</b>	<b>Cluster Expenditures</b>	<b>Federal Expenditures</b>
<b>Department of Health and Human Services:</b>				
Pass-through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556			\$ 15,213
Temporary Assistance to Needy Families	93.558			225,523
Refugee and Entrant Assistance	93.566			313
Low Income Home Energy Assistance	93.568			21,788
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596			38,991
Child Welfare Services	93.645			1,465
Foster Care - Title IV-E	93.658			245,640
Adoption Assistance	93.659			86,252
Social Service Block Grant	93.667			148,660
Chafee Foster Care Independence Program	93.674			2,314
State Children's Insurance Program	93.767			16,912
Medical Assistance Program	93.778			507,449
				<hr/>
Total U.S. Department of Health and Human Services				1,310,520
				<hr/>
Total Expenditures of Federal Awards				\$ 10,358,062
				<hr/>

**Notes to the Schedule of Expenditures of Federal Awards**

**Note 1: Basis of Presentation**

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

**Note 2: Food Distribution**

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