



CITY OF MANASSAS, VIRGINIA

MAYOR
Harry J. Parrish II

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

CITY MANAGER
W. Patrick Pate

December 15, 2014

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

The Comprehensive Annual Financial Report (CAFR) of the City of Manassas, Virginia, (the City) for the fiscal year ended June 30, 2014 is hereby submitted. The Code of the Commonwealth of Virginia requires that all local governments shall be audited annually with a report to the governing body by December 31. This report is published to fulfill that requirement.

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

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. The independent auditor has issued an unmodified ("clean") opinion on the City's financial statements for the fiscal year ended June 30, 2014. The independent auditor's report is located at the front of the Financial Section of the CAFR.

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

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

Profile of the City

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

Profile of the City (Continued)

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

The City provides the full range of municipal services including public safety (police, fire, and rescue), highway and streets, health and social services, public improvements, planning and zoning, recreation and cultural services, and general administrative services. The City also operates eight proprietary functions: the electric, water and sewer utilities, solid waste collection, a regional airport, a pavilion, a performing arts center, and rental property in Manassas Landing.

The City of Manassas Public Schools (MCPS) is included in this report as a discretely presented component unit. MCPS does not issue its own financial statements; therefore, you will find fund statements for MCPS beginning on page 126. There are no other entities in the report.

The City Council and the School Board adopted a joint resolution in February of 2009 committing to budget planning and revenue sharing. The City transfers 58.5% of its general tax revenues to the Schools annually. Each year both bodies adopt a five-year forecast as required by the joint resolution. When they adopt their annual operating budgets, each will also adopt a Five-Year Capital Improvement Plan consistent with the projected revenues.

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

Local economy and long-term financial planning

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

Local economy and long-term financial planning (Continued)

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

Awards and acknowledgements

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

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

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

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

Respectfully submitted,



William Patrick Pate
City Manager



Paul E. York
Finance & Administration Director

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Government Finance Officers Association

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

Presented to

**City of Manassas
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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

CITY COUNCIL

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

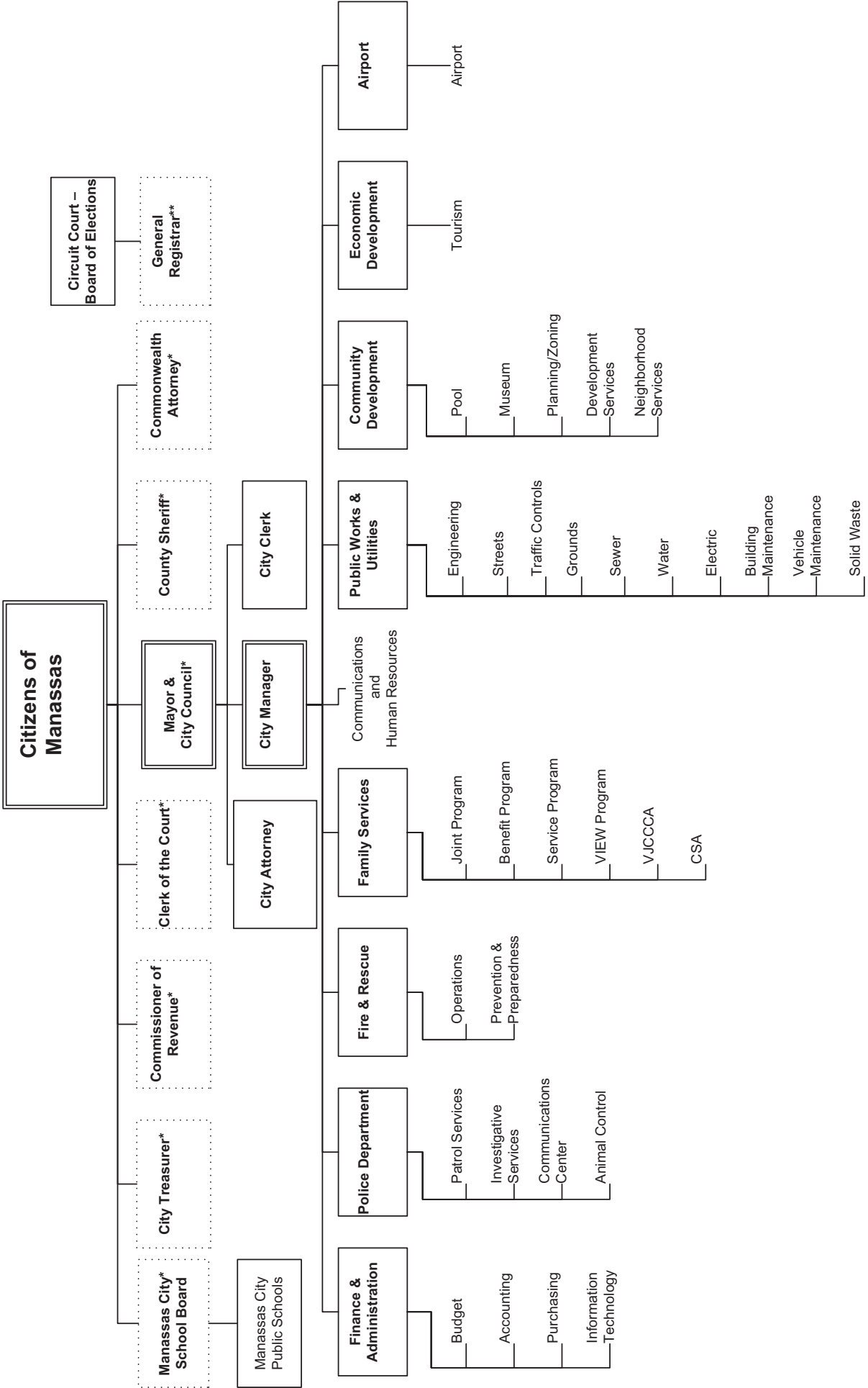
CITY MANAGER
William Patrick Pate

MANASSAS PUBLIC SCHOOLS
SCHOOL BOARD

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

SUPERINTENDENT OF SCHOOLS
Dr. Catherine B. Magouyrk

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Manassas, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manassas, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manassas, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014 on our consideration of the City of Manassas, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Manassas, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
December 15, 2014

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