CITY OF MANASSAS, VIRGINIA

CITY COUNCIL

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

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

Sheryl L. Bass
Ian T. Lovejoy

CITY MANAGER

William Patrick Pate

MANASSAS CITY PUBLIC SCHOOLS

SCHOOL BOARD

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

SUPERINTENDENT OF SCHOOLS

Dr. Catherine B. Magouyrk
December 30, 2015

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

The Comprehensive Annual Financial Report (CAFR) of the City of Manassas, Virginia, (the City) for the fiscal year ended June 30, 2015 is hereby submitted. The Code of the Commonwealth of Virginia requires that all local governments shall be audited annually with a report to the governing body by December 31. This report is published to fulfill that requirement.

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

The City’s financial statements have been audited by Brown, Edwards & Company LLP, a firm of licensed certified public accountants. The independent auditor has issued an unmodified (“clean”) opinion on the City’s financial statements for the fiscal year ended June 30, 2015. The independent auditor’s report is located at the front of the Financial Section of the CAFR.

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

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

Profile of the City

The City of Manassas is a community of approximately 42,081 people located in Northern Virginia within the Washington, D. C. Metropolitan Statistical Area. Surrounded by Prince William County, the City is thirty miles southwest of the nation’s capital and encompasses a land area of ten square miles. The City is predominately residential in character and is an educational and government center with associated industrial, commercial and service activities. The Town of Manassas received its charter in 1873 and operated as a town in Prince William County until May 1, 1975, when it became an independent City of the Commonwealth of Virginia.
The legislative and policy making body of the City is the elected Mayor and a six member City Council, elected at large for staggered four-year terms. The City Council appoints the City Manager who serves as the Chief Administrative Officer. The School Board members are also elected at large for staggered four-year terms. The School Board appoints the Superintendent as the Chief Administrative Officer for the school system. Other elected City officials are the Commissioner of the Revenue and the City Treasurer. Also, elected officials shared with Prince William County are the Commonwealth’s Attorney, Clerk of the Court and Sheriff. The judges of the Circuit Court, General District Court, and the Juvenile and Domestic Relations Courts are appointed by the state legislature.

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

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

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

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

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

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

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

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

Awards and acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Manassas for its CAFR for the fiscal year ended June 30, 2014. This was the thirtieth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City of Manassas also received the GFOA’s Distinguished Budget Presentation Award for its annual budget document dated July 1, 2014. To qualify for the Distinguished Budget Presentation Award, the government’s budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,

William Patrick Pate
City Manager

Paul E. York
Finance & Administration Director
Certificate of Achievement for Excellence in Financial Reporting

Presented to
City of Manassas
Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Jeffrey R. Erwin
Executive Director/CEO
THIS PAGE IS INTENTIONALLY LEFT BLANK.