

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Manassas, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Manassas, Virginia's basic financial statements and have issued our report thereon dated December 15, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

City of Manassas, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia

December 15, 2014

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited City of Manassas, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Manassas, Virginia's major federal programs for the year ended June 30, 2014. City of Manassas, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Manassas, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Manassas, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Manassas, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of City of Manassas, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Manassas, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Manassas, Virginia's internal control over compliance.

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

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

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

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

CITY OF MANASSAS, VIRGINIA

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

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Catalogue	Pass-through Entity Identifying Number	Total Federal Expenditures
Department of Agriculture:			
Pass through payments: Virginia Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	10553-301-10	\$ 580,077
National School Lunch Program - Food Donations	10.555	00-571	207,956
National School Lunch Program	10.555	10555-301-10	1,757,625
			1,965,581
Summer Food Service Program for Children	10.559	10559-301-10	64,763
Total Child Nutrition Cluster:			2,610,421
Pass through payments: Virginia Department of Social Services			
State Administrative Matching Grants for Supplemental Nutritional Assistance Program	10.561	10561-765-10	386,758
Total Department of Agriculture			2,997,179
Department of Housing and Urban Development:			
Pass through payments: VHDA and Prince William County			
Section 8 Housing Assistance Payments Program	14.195	14195-165-10	165,718
Total Department of Housing and Urban Development			165,718
Department of Education:			
Pass through payments: Virginia Department of Education			
Title I Grants to Local Educational Agencies	84.010	84010-197-10	925,075
Special Education Cluster (IDEA):			
Special Education: Grants to States	84.027	84027-197-10	1,212,395
Special Education: Preschool Grants	84.173	84173-197-10	29,559
			1,241,954
Career and Technical Education: Basic Grants to States	84.048	84048-197-10	102,843
English Language Acquisition State Grants	84.365	84365-197-10	299,001
Improving Teacher Quality State Grants	84.367	84367-197-10	287,795
Total Department of Education			2,856,668

CITY OF MANASSAS, VIRGINIA

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

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Catalogue	Pass-through Entity Identifying Number	Total Federal Expenditures
Department of Health and Human Services:			
Pass through payments: Virginia Department of Social Services			
Promoting Safe and Stable Families	93.556	93556-765-10	20,771
Temporary Assistance for Needy Families	93.558	93558-765-10	248,594
Refugee and Entrant Assistance: State Administered Programs	93.566	93566-765-10	6,816
Low-Income Home Energy Assistance	93.568	93568-765-10	20,191
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	93596-765-10	38,772
Chafee Education and Training Vouchers Program (ETV)	93.599	93599-765-10	717
Stephanie Tubbs Jones Child Welfare Services Program	93.645	93645-765-10	1,789
Foster Care: Title IV-E	93.658	93658-765-10	251,538
Adoption Assistance	93.659	93659-765-10	53,268
Social Services Block Grant	93.667	93667-765-10	227,201
Chafee Foster Care Independence Program	93.674	93674-765-10	1,908
Children's Health Insurance Program	93.767	93767-765-10	11,624
Medical Assistance Program	93.778	93778-765-10	342,139
Total Department of Health and Human Services			1,225,328
Department of Homeland Security:			
Direct payments:			
Assistance to Firefighters Grant	97.044	N/A	153,846
Pass through payments: Department of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	97036-127-10	26,704
Emergency Management Performance Grants	97.042	97042-127-10	7,499
Non-Profit Security Program	97.008	97008-127-10	9,385
Emergency Food and Shelter National Board Program	97.024	97021-127-10	3,340
Homeland Security Grant Program	97.067	12UASI596	59,881
Homeland Security Grant Program	97.067	13UASI596	26,892
			86,773
Total Department of Homeland Security			287,547
Department of Justice:			
Direct payments:			
State Criminal Alien Assistance Program	16.606	N/A	83,033
Bulletproof Vest Partnership Program	16.607	N/A	6,188
Edward Byrne Memorial Justice Assistance Program	16.738	N/A	21,177
Pass through payments: Virginia Department of State Police			
Missing Children's Assistance	16.543	16543-156-10	35,279
Total Department of Justice			145,677

CITY OF MANASSAS, VIRGINIA

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

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Catalogue	Pass-through Entity Identifying Number	Total Federal Expenditures
Department of Transportation:			
Federal Aviation Administration:			
Direct payments:			
Airport Improvement Program	20.106	N/A	1,868,582
Pass through payments: Virginia Department of Motor Vehicles			
State and Community Highway Safety	20.600	4369	14,774
Total Department of Transportation			1,883,356
Total Expenditures of Federal Awards			\$ 9,561,473

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

CITY OF MANASSAS, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Manassas, Virginia under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Manassas, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Manassas, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Federal expenditures	\$ 9,561,473
Federal funds which are not subject to single audit in the General Fund and Airport Fund (rental of building for post office, Memorandum of Understanding (MOU), tower rentals at the airport, and interest subsidy).	<u>104,012</u>
Revenue from Federal Government	<u>\$ 9,665,485</u>

Note 5 - Federal Oversight Agency

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

CITY OF MANASSAS, VIRGINIA

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

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported

Type of auditors' report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Section .510 (a) of OMB Circular A-133?	No
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Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster
10.561	State Administrative Matching Grants for Supplemental Nutritional Assistance Program
20.106	Airport Improvement Program
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014 (continued)

Section II - Financial Statement Findings

2014-001 - Donated Capital Assets:

Criteria:

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

Condition:

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

Cause and Context of Condition:

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

Effect of Condition:

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

Recommendation:

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

Management's Response:

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

Section III - Federal Award Findings and Questioned Costs

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

CITY OF MANASSAS, VIRGINIA

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

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

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