

City of Manassas, Virginia

CITY COUNCIL

Michelle Davis-Younger, Mayor
Pamela J. Sebesky, Vice Mayor

Theresa Coates Ellis
Tom Osina
Sonia Vasquez Luna

Ralph J. Smith
Mark D. Wolfe

CITY MANAGER

William Patrick Pate

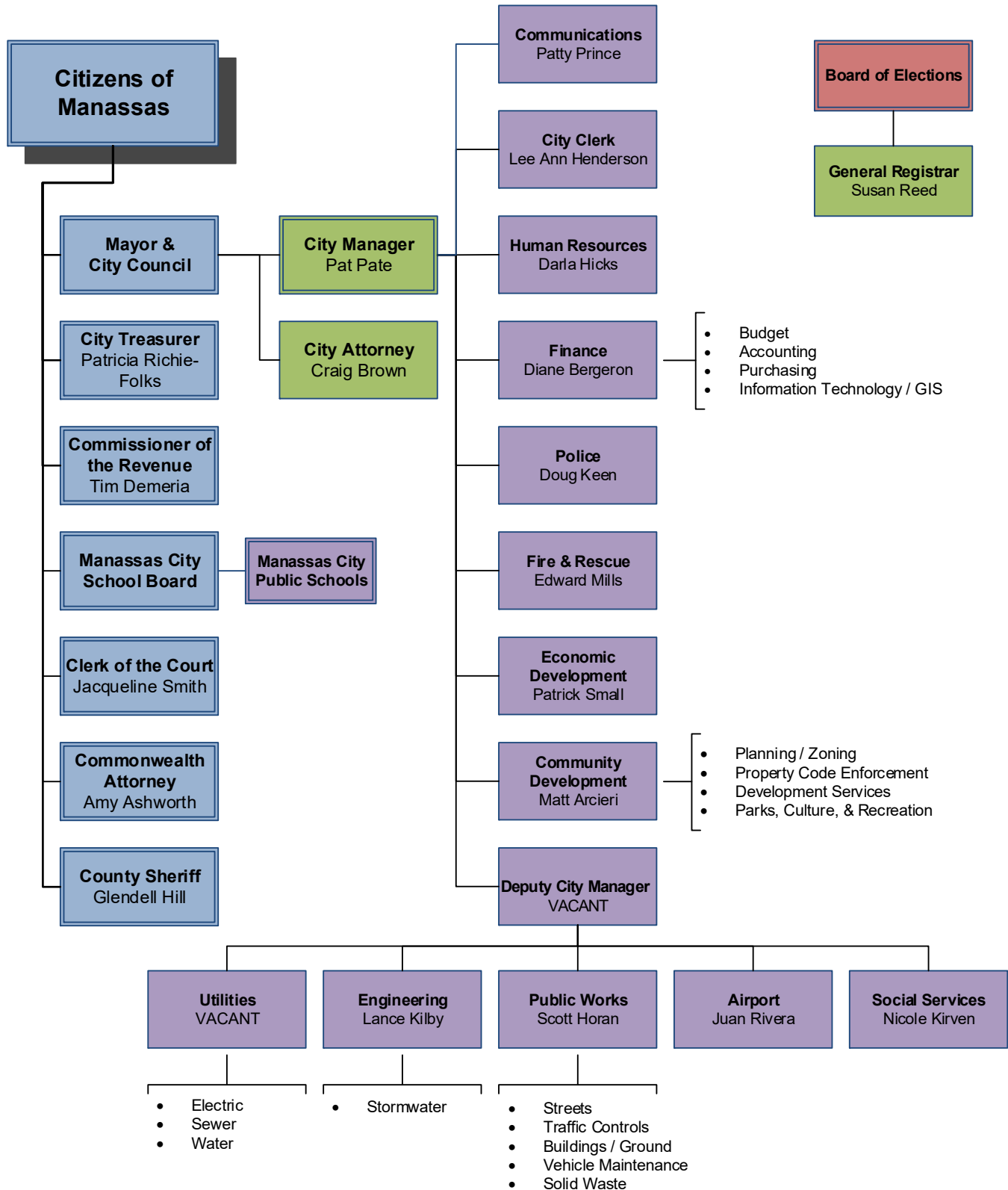
MANASSAS CITY PUBLIC SCHOOLS SCHOOL BOARD

Suzanne W. Seaberg, Chair
Lisa A. Stevens, Vice Chair
Christina Brooks
Sara Brescia
Carl Hollingsworth
Jill Spall
Robyn R. Williams

SUPERINTENDENT OF SCHOOLS

Dr. Kevin Newman

CITY ORGANIZATIONAL CHART





November 21, 2023

Honorable Mayor Davis-Younger, City Council Members and Residents
City of Manassas
Manassas, Virginia:

The Annual Comprehensive Financial Report (ACFR) of the City of Manassas, Virginia, (the City) for the fiscal year ended June 30, 2023, 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 15. 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, 2023.** The independent auditor's report is located at the front of the Financial Section of the ACFR.

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 ACFR.

Profile of the City

The City of Manassas is a community of approximately 42,642 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 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 City is a regional employment and activity center with a strong employment base in advanced manufacturing, technology, defense contracting, and healthcare. Manassas is a transportation, economic, and cultural hub built around a thriving historic downtown established near a strategic railroad junction.

Governmental Organization

The City of Manassas 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 City Treasurer and the Commissioner of the Revenue are constitutional officers elected at-large by the voters. The General Registrar is appointed by the three-member Electoral Board. Elected officials shared with Prince William County and the City of Manassas Park are the Commonwealth's Attorney, Clerk of the Court and Sheriff. The Judges of the Circuit Court, General District Court, and Juvenile and Domestic Relations Court are appointed by the State Legislature.

The seven City School Board members are 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.

The Economic Development Authority (EDA) of the City of Manassas, Virginia, is a political subdivision of the Commonwealth of Virginia that was originally established as The Industrial Development Authority of the Town of Manassas, Virginia in 1972, under the Industrial Development and Revenue Bond Act. In fiscal year 2017, certain criteria were met under Generally Accepted Accounting Principle (GASB) 14, that required the City to report the EDA as a component unit in the comprehensive annual financial reports. There are no other entities in the report.

Operations of the City

The City of Manassas 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 six proprietary functions: the electric, water, sewer and stormwater utilities, solid waste collection, and a regional airport.

In the fiscal year 2023 budget, the City Council included a 3% increase in the annual appropriation for the Schools, resulting in a total budget of \$63,142,300, which includes \$6,140,400 that was placed into debt reserve to fund present and future school capital needs.

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 the December/January timeframe. 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 in the beginning of March. 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. City 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 operating budget is controlled at the fund level and annual Capital Improvement Plan (CIP) budget is controlled at the total annual appropriation level.

Local Economy and Long-term Financial Planning

In fiscal year 2023, the City continued a pattern of economic growth and stability. However, the COVID-19 pandemic, supply chain problems, and increased inflation with economists warning of the potential for a slight recession, have created the need for caution in long-term financial planning.

The taxable real estate assessed values for the 2023 tax year (values as of January 1, 2022) increased 9.65%; the average residential assessment increased 12.1% and the average commercial assessment increased 4.7%. Residential assessment increases were due largely to the strong real estate market brought on by the increase in remote-work, historically low mortgage rates through the beginning of 2022, and the attractiveness of the local market due to business investments in the area, such as the ongoing \$3 billion Micron semiconductor plant improvements. The 2023 residential / commercial assessment ratio is 68.1 / 31.9, a slight increase from the 2022 ratio of 66.6 / 33.4. Combined general property tax revenues among all classes of properties increased 5.8% in fiscal year 2023 (\$5.8 million), due to increased assessments for both real and personal property, despite a drop in the real property tax rate. Other local tax revenues saw a small decrease of 1.2% in 2023 (\$329,019). Recordation taxes were down 40% as mortgage rates rose and home sales slowed, offset primarily by a 5.3% increase in meals tax. Further evidence of the economic stability can be seen in the City's unemployment rate, which decreased from 2.7% in June 2022 to 2.5% in June 2023; this rate is below the national rate of 3.8%.

In May 2021, Standard & Poor's affirmed the City's general obligation bond rating of AAA with a stable outlook and in June 2021, Moody's affirmed their Aa1 bond rating for the City. Bond ratings were updated prior to the issuance of \$52.3 million in general obligation public improvement and refunding bonds just after the close of fiscal year 2021.

Relevant Financial Policies and Major Initiatives

City Council has adopted comprehensive financial policies to 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. Per City policy, one-time revenues and one-time expenditure savings are to be used for non-recurring expenditures rather than ongoing operations. In March 2021, the City's fund balance policy was modified to maintain an unassigned general fund balance of no less than 15% of actual general fund operating revenues; the percentage may be increased at City Staff's discretion.

At the end of the fiscal year, the unassigned general fund balance was \$29,876,172, which represents 20% and is within the policy guidelines.

In order to deliver better services and facilities to the community, the City's five-year capital improvement plan includes several major projects for customer service, culture and recreation and public safety, and transportation mobility and utility infrastructure improvements, and other parks, culture and recreation initiatives. The projects include Grant Avenue street improvements, City Hall renovations, Customer Service enhancements at City facilities, Water, Sewer and Stormwater infrastructure improvements, Sudley Road widening, Mathis Ave improvements, enhancements at Dean Park, new police radios, and continued sidewalk and trail improvements. Several CIP projects were substantially completed during fiscal year 2023, including the new Public Safety Facility, Museum renovation, Rt 28 widening, and Dean Drive extension.

In March 2021 the American Rescue Plan Act (ARPA) became law and established the Coronavirus State and Local Fiscal Recovery Funds. Significant planning by City personnel and City Council has developed a plan for this one-time funding of \$50.6 million over the limited performance period. The CIP budget has utilized ARPA funding primarily on utility infrastructure projects, which are anticipated for completion within the required performance period.

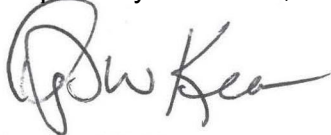
Awards and Acknowledgements

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 ACFR for the fiscal year ended June 30, 2022. This was the fortieth 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 annual comprehensive financial report, 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 ACFR 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, 2022, and dated July 1, 2023. 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. A Distinguished Budget Presentation Award is valid for a period of one year only. We believe our current budget continues to meet the Distinguished Budget Presentation Award Program requirements and we have submitted it to the GFOA to determine its eligibility for another award.

The preparation of this report could not be accomplished without the skill, effort, and dedicated services of the entire staff of the Finance Department, with the effort spearheaded by the Accounting Division. 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 the preparation of the ACFR. We wish to thank all City Departments and the Manassas City Public 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,



Douglas W. Keen
Interim City Manager



Diane V. Bergeron
Assistant City Manager/Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Manassas
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO