

FISCAL YEAR

2020



City of Manassas, Virginia



Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2020

CITY OF MANASSAS, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**CITY OF MANASSAS, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**



Prepared By:

**City of Manassas, Virginia
Finance Department**

CITY OF MANASSAS, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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City of Manassas, Virginia

CITY COUNCIL

Harry J. Parrish, II, Mayor
Pamela J. Sebesky, Vice Mayor

Theresa Coates Ellis
Michelle Davis-Younger
Ian T. Lovejoy

Ralph Smith
Mark D. Wolfe

CITY MANAGER

William Patrick Pate

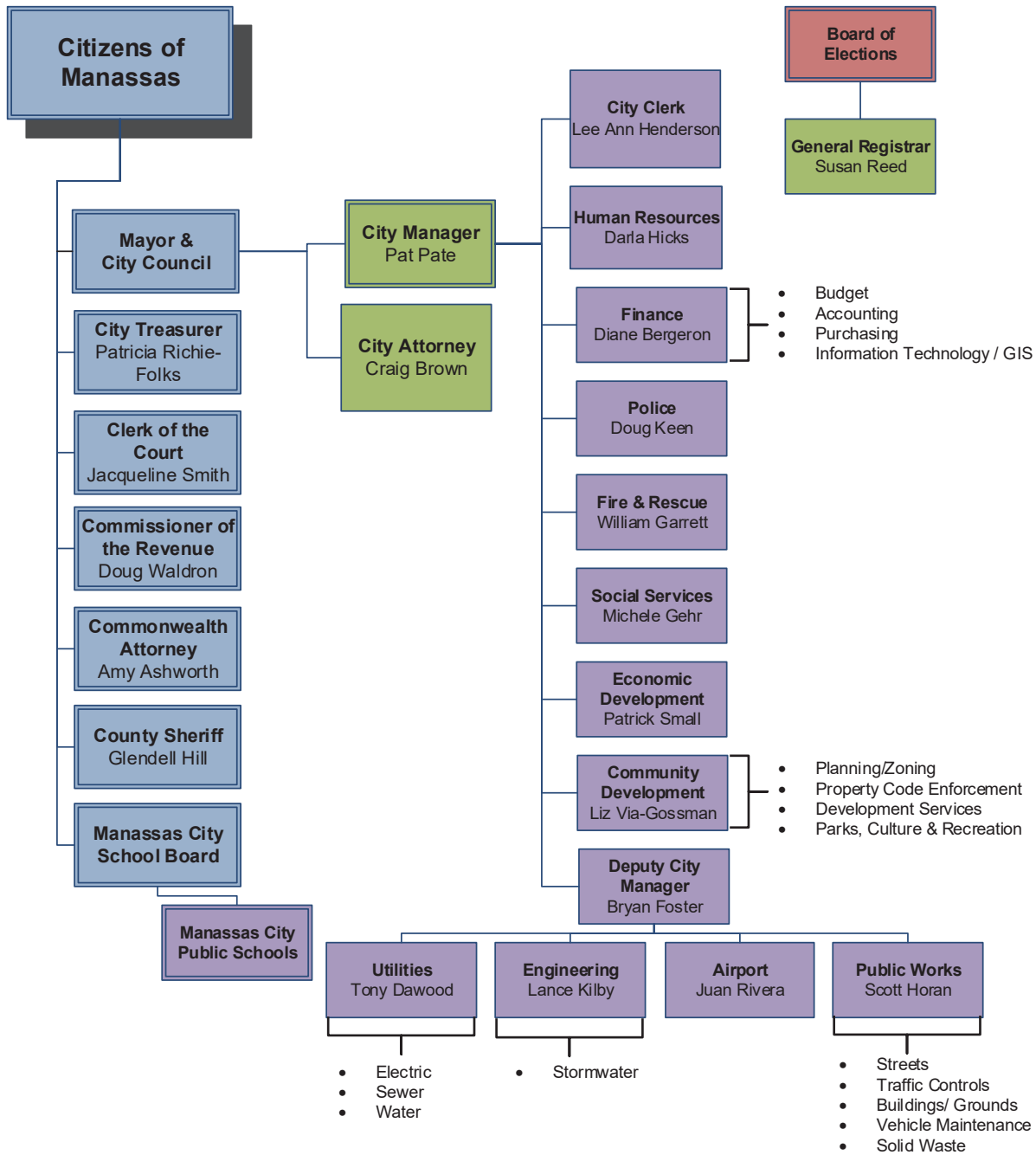
MANASSAS CITY PUBLIC SCHOOLS SCHOOL BOARD

Sanford S. Williams, Chair
Kristen Kiefer, Vice Chair
Scott M. Albrecht
Tim Demeria
Suzanne W. Seaberg
Lisa A. Stevens
Robyn R. Williams

SUPERINTENDENT OF SCHOOLS

Dr. Kevin Newman

CITY ORGANIZATIONAL CHART





December 7, 2020

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, 2020 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, 2020.** 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 41,085 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, 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.

The City Council and the School Board agreed to 3% increase in the annual appropriation for fiscal year 2020, resulting in a budget of \$58,789,475.

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 budget is controlled at the fund level. City Council must approve all transfers between funds greater than \$10,000. 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 2020, the City continued to show steady economic growth until March, when President Trump declared a public health emergency for the COVID-19 global pandemic. The impact to fiscal year 2020 was contained to the fourth quarter, but the pandemic has created significant uncertainty for long-term financial planning. The taxable real estate assessed values for the 2020 tax year (values as of January 1, 2019) increased 3.57% while the average residential assessment increased 5.24% and the average commercial assessment increased 0.48%. The 2020 residential / commercial assessment ratio is 66.0 / 34.0, a small change from the 2019 ratio of 64.9 / 35.1. Combined general property tax revenues among all classes of properties increased 6.6% in fiscal year 2020. Other local tax revenues saw a 9.7% increase in 2020. The 2020 business license tax increased 9.0%, local recordation taxes increased 40% and sales taxes increased 15.3%. Sales taxes increased in part due to a change in State code effective July 1, 2019, requiring certain businesses to collect sales and use tax on internet sales. The City's Northern Virginia Transportation Authority (NVTA) revenue allocation began excluding grantor tax during fiscal year 2019, which has resulted in a 308% increase in local revenues designated as NVTA recordation tax in 2020. Due to the COVID-19 pandemic, meals taxes decreased 4%. Further evidence of the economic impact of the pandemic can be seen in the City's unemployment rate, which increased to 8.8% in June 2020; however, this rate was well below the national rate of 11.2%.

In April 2019, Standard & Poor's affirmed the City's general obligation bond rating of AAA with a stable outlook and Moody's affirmed their Aa1 bond rating for the City.

Relevant Financial Policies and Major Initiatives

In August 2015, the City Council 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 June 2017, the City's fund balance policy was modified to maintain an unassigned general fund balance of 15% of the greater of current year actual or next year budgeted general fund operating revenues. This policy was further amended at the end of fiscal year 2020 due to the global pandemic, to allow for an increased general fund unassigned fund balance at City Staff's discretion. **At the end of the fiscal year, the unassigned general fund balance was \$26,370,748, 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 public safety and transportation and utility infrastructure improvements. The projects include Fire and Rescue Station #21, a new Public Safety Facility with Grant Ave street improvements, Water and Sewer infrastructure improvements, a purchase of 500,000 gallons per day of additional Sewer capacity, Route 28 widening, and Sudley Road widening.

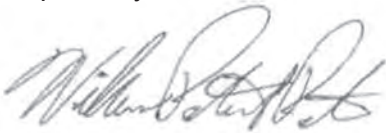
Awards and Acknowledgements

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, 2019. This was the thirty-seventh 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, 2019. 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 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



Diane V. Bergeron
Finance 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, 2019

Christopher P. Morill

Executive Director/CEO