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Engagement Summary

• You engaged us to perform a financial statement audit for the year ended June 30, 2022.

• The audit was subject to:
  • Auditing standards generally accepted in the United States of America
  • The *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts (APA)
  • The standards for financial audits contained in the *Government Auditing Standards* issued by the Comptroller General
  • The provisions of the Uniform Guidance
Audit and Attestation Results

• We expressed an unmodified opinion the financial statements as of and for the year ended June 30, 2022

• Internal Control over Financial Reporting and on Compliance – No Material Weaknesses or Significant Deficiencies Reported

• Compliance for Each Major Program and on Internal Control over Compliance (Uniform Guidance) – No Material Weaknesses or Significant Deficiencies Reported
Communication Items

- Communication with Those Charged with Governance
- Management letter
The level of unassigned fund balance is an indication of the amount of unexpended and available resources the government has at a given point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls, or other unexpected needs.
The level of unassigned fund balance is an indication of the amount of unexpended and available resources the government has at a given point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls, or other unexpected needs.
The table above details the governmental activities expenses and program revenues showing the net cost by program/function.
Governmental and Business-Type Activities Analysis

Governmental Activities Revenue

<table>
<thead>
<tr>
<th>Types of Revenues</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Revenues</td>
<td>20.5%</td>
<td>$36,426,398</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>56.0%</td>
<td>$99,681,923</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>15.9%</td>
<td>$28,208,309</td>
</tr>
<tr>
<td>Unrestricted Grants</td>
<td>4.3%</td>
<td>$7,635,256</td>
</tr>
<tr>
<td>Other</td>
<td>3.2%</td>
<td>$5,760,201</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$177,712,087</strong></td>
</tr>
</tbody>
</table>
Governmental and Business-Type Activities Analysis

Business-type Activities Expenses and Revenue

<table>
<thead>
<tr>
<th>Program</th>
<th>Expenses</th>
<th>Program Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric</td>
<td>$39,445,854</td>
<td>$45,638,048</td>
</tr>
<tr>
<td>Water</td>
<td>10,734,745</td>
<td>12,096,211</td>
</tr>
<tr>
<td>Sewer</td>
<td>15,085,095</td>
<td>16,946,011</td>
</tr>
<tr>
<td>Airport</td>
<td>4,789,597</td>
<td>5,062,386</td>
</tr>
<tr>
<td>Stormwater</td>
<td>2,130,035</td>
<td>2,206,915</td>
</tr>
<tr>
<td>Other Nonmajor Funds</td>
<td>3,520,097</td>
<td>3,624,933</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$75,705,423</strong></td>
<td><strong>$85,574,504</strong></td>
</tr>
</tbody>
</table>
Sales tax, meals tax and other local tax growth is a measure of the state of the local economy by comparing revenue collected in the prior year to the current year.
Beginning in fiscal year 2022, the local transfer to MCPS no longer includes debt service funding, as this is now being accounted for in the City’s debt service fund. The total amount transferred to the City’s debt service fund for MCPS’ current and future debt service in fiscal year 2022 is $6,082,905.
Net position includes all assets of the City except for fiduciary funds held for the benefit of others and component units. It is measured as the difference between total assets, including capital assets, deferred outflows of resources, total liabilities, including long-term debt and deferred inflows of resources.

For 2022, total net position increased by $52.7 million or 11.1% from the prior year. This increase is primarily a result of increases in other local taxes and increases in operating and capital grants.
The assets to liabilities ratio measures the extent to which the government has funded its assets with debt and other liabilities. The higher the percentage, the more equity the government has in its assets.
Capital Asset Condition – Primary Government
How much useful life is remaining in the City’s capital assets?

The capital asset condition ratio compares depreciable capital asset cost to accumulated depreciation to determine the overall percentage of useful life remaining. A low percentage could indicate an upcoming need to replace a significant amount of capital assets.
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