

**ECONOMIC DEVELOPMENT AUTHORITY
OF STAFFORD COUNTY, VIRGINIA**

FINANCIAL STATEMENTS

June 30, 2020

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MEMBERS

Joel Griffin, Chairman

Donald H. Newlin, Vice-Chairman

Howard Owen, Treasurer

Danielle Davis

John F. Rowley III (Jack)

Marlon Wilson

Heather Hagerman

Charles W. Payne, Jr., Esquire, Counsel

John Holden, Secretary

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Members
Economic Development Authority
of Stafford County, Virginia
Stafford, Virginia

As management of the Economic Development Authority of Stafford County, Virginia, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Economic Development Authority of Stafford County, Virginia for the fiscal year ending June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information presented in the financial statements and notes to the financial statements.

Financial Highlights

The Authority's assets exceeded its liabilities by \$2,707,621 for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$3,210,110.

The unreserved net position balance of \$2,281,938 and \$ 1,687,416 represent the portion available to maintain the Authority's continuing operations as of June 30, 2020 and 2019 respectively.

The Authority sold off 204 Thompson Avenue and used those proceeds, in part, to fund a COVID-19 grant program. Net position decreased by \$502,489 from \$3,210,110 to \$2,707,621 for June 30, 2020.

The following represents the Authority's financial position for the years ended June 30, 2020 and 2019:

SUMMARY OF NET POSITION

	<u>2020</u>	<u>2019</u>
Current assets	\$ 1,350,461	\$ 581,850
Non-current assets - capital assets	1,387,085	2,679,504
Total Assets	\$ 2,737,546	\$ 3,261,354
Current liabilities	\$ 7,925	\$ 17,382
Other liabilities	22,000	33,862
Total Liabilities	\$ 29,925	\$ 51,244
Net Position:		
Invested in capital assets	\$ 404,013	\$ 1,464,359
Unrestricted	2,281,938	1,687,416
Restricted	21,670	58,335
Total Net Position	\$ 2,707,621	\$ 3,210,110

SUMMARY OF CHANGES IN NET POSITION

		<u>2020</u>	<u>2019</u>
		<u>Amount</u>	<u>Amount</u>
REVENUES			
Tech center revenue			
Rental property revenue	\$	28,427	57,172
Billboard fees	\$	0	6,912
Sponsorship revenue	\$	1,500	6,500
Bond issuance fees	\$	5,050	5,667
GO Virginia Grant	\$	50,000	
CARES Act Funds	\$	457,000	
Total Revenues		541,977	76,251
EXPENSES			
Business appreciation event	\$	0	14,897
Local industry assistance	\$	228,896	80,813
Administration and marketing	\$	2,617	4,813
Professional fees	\$	33,704	21,796
Rental property expenses	\$	63,855	73,471
Bank and service fees	\$	2,600	35
Grants		452,434	
Total Expenses		784,106	195,825
OPERATING INCOME (LOSS)		(242,129)	(119,574)

CAPITAL ASSETS

The Authority's capital assets as of June 30, 2020, totaled \$404,013 (net of accumulated depreciation of \$0). This investment in capital assets includes land in Centreport. During FY2020, the Authority sold off its 204 Thompson Avenue property.

Capital project expenditures incurred during FY20 include the following:

There were no capital project expenditures during FY20.

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Acquisitions are generally and historically secured as excess Stafford County property at no cost. Additional information on the Authority's capital assets can be found in Note 1 of the accompanying notes.

Overview of the Financial Statement

The Authority's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

Following the Management's Discussion and Analysis are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The *Statement of Net Position* presents information on all the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial position.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Authority's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The *Statements of Cash Flows* relates to the cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income. In the fiscal year ended June 30, 2020 cash increased by \$263,530, mainly due to the sale of 204 Thompson.

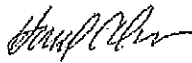
Overall, in FY2020 (and FY2019), the Authority converted long-held property (capital) assets to cash assets, putting properties into taxable position for Stafford County. In FY2020, the additional cash assets were put to use to support business needs in reaction to the economic contraction due to the Coronavirus outbreak.

Economic Factors

- The Authority did not hold its annual Business Appreciation event but will in the future in addition to new "program events" to encourage business networking and expansions. This includes expanding business entrepreneurial development programs that were put on hold and have now been revised during FY2021 and into FY2022.
- The Authority has current pledges of up to \$750,000 in funds to support the establishment of a Germanna Community College campus in Stafford County. This was revised due to Coronavirus to be \$150,000 per year for five years. This pledge is associated with the sale of Parcel 38-29, an undeveloped tract of land approximately 14.75 acres in size which is located along US Route 1 near the Stafford Regional Airport. That sale was made in FY2019 and the pledge has since been memorialized in an MOU.
- While the Authority does not approve a budget for operations, budgetary controls and expenditure tracking has been reported monthly to the Board of Directors. A new budgeting process is being developed that will be fully integrated into the financial reporting system in FY2022.
- In FY2020, the County transferred to the EDA a vacant lot in the Centreport area for redevelopment or sale. When that sale is complete the EDA will pay the County \$30,000 for expenses the County had on wetland mitigation on the site.
- At the outset of the Coronavirus outbreak and "shutdown" the Authority cashed a CD and established a business grant program, expending \$457,000 during FY2020. Near the end of FY2020 and at the start of FY2021 the County was developing its desires for business assistance using CARES Act Funds that were ultimately transferred to the EDA in FY2020 that reimbursed the EDA for its grant program and for a series of additional grant programs.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Authority's office in Stafford, Virginia.



Treasurer

Economic Development Authority of Stafford County, Virginia

Robert T. Bishop, CPA
Elaine F. Farmer, CPA

Harry B. F. Franklin, Jr., CPA
Harry D. Dickinson, Ph.D., CPA



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INDEPENDENT AUDITORS' REPORT

The Members
Economic Development Authority
of Stafford County, Virginia
Stafford, Virginia

We have audited the financial statements of the Economic Development Authority of Stafford County, Virginia as of June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Economic Development Authority of Stafford County, Virginia, as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2021, on our consideration of the Economic Development Authority of Stafford County, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Economic Development Authority of Stafford County, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Economic Development Authority of Stafford County, Virginia's internal control over financial reporting and compliance.


Certified Public Accountants

Fredericksburg, Virginia
February 10, 2021

Robert T. Bishop, CPA
Elaine F. Farmer, CPA

Harry B. F. Franklin, Jr., CPA
Harry D. Dickinson, Ph.D., CPA



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**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***

The Members
Economic Development Authority
of Stafford County, Virginia
Stafford, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Economic Development Authority of Stafford County, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Economic Development Authority of Stafford County, Virginia's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

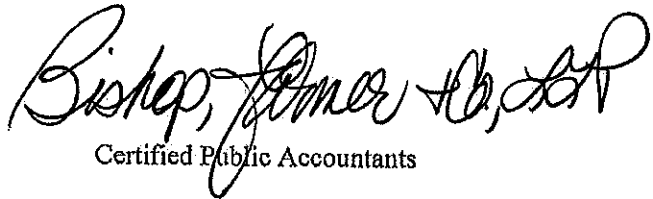
Compliance and Other Matters

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As part of obtaining reasonable assurance about whether the Economic Development Authority of Stafford County, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

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.


Certified Public Accountants

Fredericksburg, Virginia
February 10, 2021

ECONOMIC DEVELOPMENT AUTHORITY OF STAFFORD COUNTY, VIRGINIA

STATEMENTS OF NET POSITION

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
UNRESTRICTED CURRENT ASSETS		
Cash and cash equivalents	\$ 800,445	\$ 500,250
Other assets	12,132	14,543
Note receivable - current portion	9,214	8,722
GO VA grant receivable	50,000	
CARES Act funds receivable	<u>457,000</u>	<u> </u>
Total Unrestricted Current Assets	\$ <u>1,328,791</u>	\$ <u>523,515</u>
RESTRICTED CURRENT ASSETS		
Cash held for pledges	\$ <u>21,670</u>	\$ <u>58,335</u>
Total Restricted Current Assets	\$ <u>21,670</u>	\$ <u>58,335</u>
Total Current Assets	\$ <u>1,350,461</u>	\$ <u>581,850</u>
NONCURRENT ASSETS		
Land held for sale	\$ 404,013	\$
Property assets, net of accumulated depreciation		1,464,359
Note receivable noncurrent portion	437,064	446,278
Certificates of deposit	<u>546,008</u>	<u>768,867</u>
Total Noncurrent Assets	\$ <u>1,387,085</u>	\$ <u>2,679,504</u>
Total Assets	\$ <u>2,737,546</u>	\$ <u>3,261,354</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 7,925	\$ 17,382
Other liabilities	<u>22,000</u>	<u>33,862</u>
Total Current Liabilities	\$ <u>29,925</u>	\$ <u>51,244</u>
NET POSITION		
Net investment in capital assets	\$ 404,013	\$ 1,464,359
Unrestricted	2,281,938	1,687,416
Restricted	<u>21,670</u>	<u>58,335</u>
Total Net Position	\$ <u>2,707,621</u>	\$ <u>3,210,110</u>
Total Liabilities and Net Position	\$ <u>2,737,546</u>	\$ <u>3,261,354</u>

See Notes to Financial Statements.

ECONOMIC DEVELOPMENT AUTHORITY OF STAFFORD COUNTY, VIRGINIA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Rental property revenue	\$ 28,427	\$ 57,172
Billboard fees		6,912
Sponsorship for business appreciation event	1,500	6,500
Bond issuance fees	5,050	5,667
Grant revenue	50,000	
CARES Act funds	<u>457,000</u>	<u> </u>
Total Operating Revenues	\$ <u>541,977</u>	\$ <u>76,251</u>
OPERATING EXPENSES		
Business appreciation event	\$	\$ 14,897
Local industry assistance	228,896	80,813
Administration and marketing	2,617	4,813
Professional fees	33,704	21,796
Rental property expenses	63,855	73,471
Bank and service fees	2,600	35
Grants	<u>452,434</u>	<u> </u>
Total Operating Expenses	\$ <u>784,106</u>	\$ <u>195,825</u>
Operating Income (Loss)	\$ (242,129)	\$ (119,574)
NON-OPERATING REVENUE (EXPENSE)		
Realized gain (loss) on investment	7,717	
Unrealized gain (loss) on investment	27,140	19,515
Interest income	49,870	26,093
Gain (loss) on sale of property	(745,087)	193,991
Property contribution from County	<u>400,000</u>	<u> </u>
Total Non-Operating Revenue (Expense)	\$ <u>(260,360)</u>	\$ <u>239,599</u>
Change in Net Position	\$ (502,489)	\$ 120,025
NET POSITION, Beginning of Year	<u>3,210,110</u>	<u>3,090,085</u>
NET POSITION, End of Year	\$ <u>2,707,621</u>	\$ <u>3,210,110</u>

See Notes to Financial Statements.

ECONOMIC DEVELOPMENT AUTHORITY OF STAFFORD COUNTY, VIRGINIA

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from insurance claim	\$ 7,234	\$ 25,870
Cash received from contributions	3,000	5,000
Cash received from bond issuance	5,050	5,666
Cash received from rental activities	29,669	54,812
Cash received as security deposits		1,684
Cash received from interest income	48,751	24,824
Cash paid to vendors and suppliers	(126,654)	(98,630)
Cash paid for contributions	(228,896)	(80,813)
Cash paid for grants	<u>(452,434)</u>	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ <u>(714,280)</u>	\$ <u>(61,587)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received from sale of property	\$ 714,165	\$ 155,075
Purchase of property and equipment		(191,204)
Cash received from note payments	5,928	
Cash received for certificates of deposit	<u>257,717</u>	
Net Cash Provided By (Used In) Capital and Related Financing Activities	\$ <u>977,810</u>	\$ <u>(36,129)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ <u>263,530</u>	\$ <u>(97,716)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>558,585</u>	<u>656,301</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>822,115</u></u>	\$ <u><u>558,585</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (shortage) of revenues over expenses	\$ (502,489)	\$ 120,025
Adjustments to reconcile excess (shortage) of revenues over expenses to net cash provided by (used in) operating activities:		
Depreciation	33,504	36,521
Changes in assets and liabilities:		
(Increase) decrease in capital assets	1,026,841	215,309
(Increase) decrease in accounts receivable	(2,457)	(5,693)
(Increase) decrease in GO VA grant receivable	(50,000)	
(Increase) decrease in CARES Act funds receivable	(457,000)	
(Increase) decrease in prepaid expenses	4,868	(6,343)
(Increase) decrease in investment account	222,860	(19,515)
(Increase) decrease in note receivable	8,722	(455,000)
Increase (decrease) in accounts payable	(9,457)	11,524
Increase (decrease) in other liabilities	<u>(11,862)</u>	<u>5,456</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ <u><u>263,530</u></u>	\$ <u><u>(97,716)</u></u>

See Notes to Financial Statements.

ECONOMIC DEVELOPMENT AUTHORITY OF STAFFORD COUNTY, VIRGINIA**NOTES TO FINANCIAL STATEMENTS****1. ORGANIZATION, ENTITY ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES****Organization and Activities**

The Economic Development Authority of Stafford County, Virginia, formerly Industrial Development Authority of Stafford County, Virginia, was created as a political subdivision of the Commonwealth of Virginia by ordinance of the governing body of Stafford County on June 10, 1970, pursuant to the provisions of the Economic Development and Revenue Bond Act (Chapter 33, Section 15.1-1373, et seq., of the Code of Virginia (1950), as amended. The Authority is governed by seven directors appointed by the Board of Supervisors of Stafford County, Virginia. It is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Virginia.

Significant Accounting Policies**Proprietary Fund Type**

Proprietary funds account for operations that are financed in a manner similar to private business enterprises. The proprietary fund measurement focus is upon determination of net income and financial position.

Basis of Accounting

The Authority uses the accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred, not when cash is collected or paid.

The Authority differentiates operating revenue and expenses from nonoperating revenue and expenses. Operating revenue and expenses are the result of the Authority providing services and goods in conjunction with its principal and ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates based on management's knowledge and experience. A material estimate that is particularly susceptible to change in the near term is the useful life of assets over which costs are recovered. The current depreciation expense is calculated using the straight-line method with a recovery period of 30 years. This is based on management's estimate and actual results could differ from those estimates.

Property Assets

Capital assets are reported at cost or fair market value at time of donation or purchase. Buildings are depreciated using the straight-line method over a useful life of 30 years.

ECONOMIC DEVELOPMENT AUTHORITY OF STAFFORD COUNTY, VIRGINIA**NOTES TO FINANCIAL STATEMENTS**

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1. ORGANIZATION, ENTITY ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**Net Position**

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding obligation related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related obligation are also included in this component of net position.

2. CASH AND CASH EQUIVALENTS

Investments that are highly liquid with an initial maturity of three months or less are considered to be cash and cash equivalents on the accompanying statements of net position and statements of cash flows.

Cash equivalents are held by Stifel in a money market account and are insured up to \$250,000. At June 30, 2020 and 2019, the Authority had funds in excess of FDIC insurance.

3. CERTIFICATES OF DEPOSIT

Certificates of deposits totaling \$546,008 are included on the accompanying financial statements. The certificates bear interest ranging from 1.30 percent to 3.35 percent and have maturities ranging from 48 to 60 months. An investment policy has been adopted by the Authority which states that the funds of the Authority can only be invested in AAA-rated debt instruments or federally insured certificates of deposit.

4. GO VA GRANTS AND CARES ACT FUNDS RECEIVABLE

As of June 30, 2020, the Authority reported on the statements of net position, GO VA grant and CARES Act funds receivables in the amounts of \$50,000 and \$457,000, respectively. The corresponding revenue is reported in FY20. The Authority has no further requirements to meet in order to receive this funding.

5. NOTE RECEIVABLE - PROPERTY SALE

In June 2019, the Authority sold 14.75 acres identified as 1318 Jefferson Davis Highway, Stafford County, Virginia, Parcel A for \$650,000. A gain of \$191,991 was recorded on the sale in FY19. The sale included execution of a promissory note in the amount of \$455,000. The note bears interest of 5.5 percent per annum and is payable in 84 monthly payments of \$2,794.10. The note is being amortized over a 25-year period and matures June 1, 2026. The note can be paid before maturity without a premium or penalty. The note is secured by a Purchase Money Deed of Trust and security interest on property located in Stafford County, including any improvements, and other personal property.

The note balance as of June 30, 2020 totals \$446,278 with the current portion of the note reported as \$9,214 and long-term portion reported as \$437,064. Accrued interest on the note in the amount of \$2,045 has been reported as of June 30, 2020 and is included in the statements of net position in the other assets account.

ECONOMIC DEVELOPMENT AUTHORITY OF STAFFORD COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Page 3

5. NOTE RECEIVABLE - PROPERTY SALE (Continued)

The receivable will be collected over the following schedule:

<u>Year Ended</u>	<u>Amount</u>
FY21	\$ 9,214
FY22	9,734
FY23	10,283
FY24	10,863
FY25	11,475
FY26	<u>394,709</u>
Total	\$ <u>446,278</u>

6. PROPERTY ASSETS

As of June 30, 2019, the Authority held a warehouse property located at 204 Thompson Avenue operating as a rental facility with a recorded value of \$1,464,359. The property is a 33,755 square foot warehouse with twelve rental units. This property had been conveyed to the Authority by Stafford County on April 19, 2017 in lieu of an annual appropriation. At the time of the transfer, the property was valued at \$1,263,600. Improvements have been made to this property during the period owned by the Authority including the purchase in FY18 of additional land adjacent to the warehouse utilized as a parking lot.

In April 2020, the Authority sold the warehouse property for the amount of \$775,000 and recorded a loss on the sale in the amount of \$745,087 recognized in FY20.

Prior to the sale of the property in April 2020, rental revenue and expenses for 204 Thompson Avenue for the years ended June 30, 2020 and June 30, 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Rental revenue	\$ 28,427	\$ 57,172
Rental expenses	<u>(63,855)</u>	<u>(73,471)</u>
Net rental income (loss)	\$ <u>(35,428)</u>	\$ <u>(16,299)</u>

Depreciation expense included in rental expenses totaled \$33,504 and \$36,521 for the years ended June 30, 2020 and 2019, respectively.

In November 2019, the Authority entered into a Memorandum of Understanding (MOU) with the Board of Supervisors of Stafford County to transfer to the Authority property located along Centreport Parkway. This property is a 10.601 acres tract containing 3.75 acres of developable land which is vacant and zoned for industrial use. The value determined at the date of transfer and recorded on the books and records of the Authority is \$404,013. Stafford County paid \$30,000 to remedy erosion control conditions prior to the property transfer. The Authority will repay Stafford County for these costs once the land is sold.

ECONOMIC DEVELOPMENT AUTHORITY OF STAFFORD COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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6. PROPERTY ASSETS (Continued)

The change in property assets is as follows:

	<u>Balance June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
NON-DEPRECIABLE				
Land held for sale	\$	\$ 404,013	\$	\$ 404,013
Warehouse Land	<u>287,046</u>	<u> </u>	<u>(287,046)</u>	<u> </u>
Total	\$ <u>287,046</u>	\$ <u>404,013</u>	\$ <u>(287,046)</u>	\$ <u>404,013</u>
DEPRECIABLE				
Warehouse building	\$ <u>1,254,766</u>	\$ <u> </u>	\$ <u>(1,254,766)</u>	\$ <u> </u>
Total	\$ <u>1,541,812</u>	\$ <u>404,013</u>	\$ <u>(1,541,812)</u>	\$ <u>404,013</u>
LESS ACCUMULATED DEPRECIATION				
	\$ <u>(77,453)</u>	\$ <u>(33,504)</u>	\$ <u>110,957</u>	\$ <u> </u>
PROPERTY ASSETS, NET	\$ <u>1,464,359</u>	\$ <u>370,509</u>	\$ <u>(1,430,855)</u>	\$ <u>404,013</u>

7. PLEDGES, COMMITMENTS AND RESTRICTED NET POSITION

PLEDGES:	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Adventure Brewing	\$ 21,670	\$ 43,335
University of Mary Washington	<u> </u>	<u>15,000</u>
Total Pledges and Restricted Net Position	\$ <u>21,670</u>	\$ <u>58,335</u>

In February 2019, the Authority pledged to reimburse up to \$65,000 to Adventure Brewing for equipment relocation costs to their Stafford site. The incentive amount is payable in three annual installments of \$21,665 over a three-period term. During fiscal years 2020 and 2019, \$21,665 of the pledged amount was paid each year. As of June 30, 2020, the amount of \$21,670 remains of the pledge.

In FY20, the Authority completed its pledge to University of Mary Washington with the final payment of \$15,000 to support the University's GO Virginia grant project to establish a cybersecurity certification program. The Authority has also agreed to provide the University with in-kind marketing support at an estimated value of \$5,000. This commitment will be fulfilled in FY21.

The Authority pledged to Germanna Community College a matching grant pursuant to a resolution signed in March 2011. The funding for the pledge was expected from the sale of land owned by the Authority. The original matching pledge was \$1,000,000.

In FY 2019, the designated land was sold and in December 2019, the pledge was modified with the following provisions:

Pledge Amount:	\$150,000 a year for 5 years
Purpose:	Expansion of the Barbara J. Fried Center

ECONOMIC DEVELOPMENT AUTHORITY OF STAFFORD COUNTY, VIRGINIA**NOTES TO FINANCIAL STATEMENTS****Page 5****7. PLEDGES, COMMITMENTS AND RESTRICTED NET POSITION (Continued)**

Funding for the expansion project did not commence in FY20. In September 2020, the Authority entered into a Memorandum of Understanding (MOU) with Germanna Community College concerning various aspects of the project. The MOU provides that the first payment to be made by the Authority will commence once the College provides the Authority project cost information, program expansion plans and confirmation of project approvals. As of February 10, 2021, the financial statement date, the Authority has not received information from the College to move forward with the first pledge payment.

8. REVENUE BONDS

In November 2010, the Authority approved to issue in 2011 up to \$30,000,000 in tax-exempt bonds for Mary Washington Healthcare. The bonds were settled in August 2011. The bonds financed improvements and equipment at Mary Washington Hospital at the cost of \$24,400,000 and at Stafford Hospital in the amount of \$5,600,000. This is a joint bond issuance with the City of Fredericksburg, Virginia. The total management fee is one tenth of one percent of the overall issuance and is prorated to the City of Fredericksburg and Stafford County. The Authority is to receive a total management fee of \$87,869 over the course of the 27-year bond with the final management payment due in July 2037.

In August 2013, the Authority approved a resolution to refinance the bonds. The bond refinance did not change the fees payable to the Authority. The Authority collected fees totaling \$5,050 and \$5,667 for the years ending June 30, 2020 and June 30, 2019, respectively.

In March 2016, the Authority approved a onetime management fee of \$900,000 for the 2016 series of Mary Washington Healthcare Bonds. These fees along with a \$1,000 application fee were received by the Authority in June 2016. The series 2016 bonds of up to \$130 million were used to retire the outstanding series 2006 bonds of \$112.3 million. The final maturity of the 2016 bonds is scheduled to be in December 2037.

9. STAFFORD EDA LOAN PROGRAM

In July 2019, the Stafford Economic Development Authority Loan Program was approved and authorized by the Board to enter into a Memorandum of Understanding (MOU) with the Rappahannock Economic Development Corporation (REDCO), Virginia Community Capital (VCC), and the University of Mary Washington Small Business Development Center (UMWSBDC) to manage the Stafford EDA Loan Program. The purpose of the program is to encourage expansion of new and existing business in Stafford County. The Authority, REDCO, and VCC will work in coordination and collaboration to accept loan applications, review, underwrite, close and service loans for approval by the EDA Loan Committee.

In November 2019, the Authority transferred \$100,000 to VCC for the loan program. In addition, the Authority entered into a MOU with REDCO, VCC and UMWSBDC. Under the agreement, REDCO will provide loan underwriting services and VCC will provide loan servicing. UMWSBDC will be available as requested by the Authority to provide small business counseling to potential loan clients.

The loan program currently offers three loan types available to qualified borrowers: Business Growth Loans, Micro Loans and COVID-19 Loans.

In July 2020, the Authority entered into the first loan agreement under this program.

ECONOMIC DEVELOPMENT AUTHORITY OF STAFFORD COUNTY, VIRGINIA**NOTES TO FINANCIAL STATEMENTS**

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10. RELATED PARTIES

Stafford County provides administrative support to the Authority. The amount of the support has not been quantified and is not reported in the Statements of Revenue, Expenses and Changes in Net Position.

In addition, pursuant to a Memorandum of Understanding signed in December 2017, Stafford County began performing bookkeeping services for the Authority. A financial value has not been assigned to these services and they are not reported in the statements of revenue, expenses and changes in net position.

In October 2020, the Authority entered into a monthly bookkeeping contract with another party and will not be utilizing the County's bookkeeping services. The bookkeeping contract extends through June 2021.

Various Board Members of the Authority provide services to the Authority in the normal course of business.

11. ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued statements which are not yet effective. Statement No.95. *Postponement of the Effective Dates of Certain Authoritative Guidance due to the COVID-19 pandemic* has delayed implementation dates of the various statements. Management of the Authority has not determined the effects, if any, of the new GASB statement on prospective financial statements

12. SUBSEQUENT EVENTS**COVID-19 RELIEF PROGRAMS AND FUNDING:**

Stafford County authorized CARES Act funding for various relief programs totaling \$2,482,000 to be administered by the Authority. In FY20, the Authority granted \$457,000 of its own funds for COVID-19 relief. Subsequent to June 30, 2020, the County transferred \$2,036,000 of the authorized CARES Act funds to the Authority. These funds were used to reimburse the Authority for the previous grants and for the establishment of new various grant programs including Stay in Stafford Business Grant, Sleep in Stafford Business Grant, Safe in Stafford Business Grant, and Critical Tourism Asset grants. All grants were geared toward assistance to area businesses affected by COVID-19. In addition, the Authority provided tech training program grants and broadband grants from the County CARES Act funds. In January 2021, funds remaining from CARES Act funding not utilized in the amount of \$36,000 was returned to Stafford County.

MARKETING CONTRACT:

In July 2020, the authority entered into a one-year marketing contract with a monthly fee of \$6,417.

ECONOMIC DEVELOPMENT AUTHORITY OF STAFFORD COUNTY, VIRGINIA**NOTES TO FINANCIAL STATEMENTS****13. SUBSEQUENT EVENTS (Continued)****PROPERTY SALE:**

In July 2020, the Authority agreed to sell the Centreport property for the amount of \$549,380. The settlement date is anticipated by the end of February 2021. The Authority will hold a note in the amount of \$304,000. As agreed, the Authority will reimburse Stafford County \$30,000 for costs funded by the County for correcting land erosion.

CORONAVIRUS PANDEMIC:

In December 2019, a novel strain of Coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern”. The extent of the impact of COVID-19 on the Authority’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, which is uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Authority’s financial condition or results of operations is uncertain.

Management has evaluated subsequent events through February 10, 2021, the date which the financial statements were available for issue.