

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

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2022



ASSURANCE, TAX & ADVISORY SERVICES

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

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INTRODUCTORY SECTION

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

June 30, 2022

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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Economic Development Authority of Stafford County, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Economic Development Authority of Stafford County, Virginia (Authority), a discretely presented component unit of Stafford County, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Authority, as of and for the year ended June 30, 2021, were audited by other auditors, whose report dated February 21, 2022, expressed an unmodified opinion on those statements. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 November 29, 2022 on our consideration of the Authority'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 solely 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 Authority'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 Authority's internal control over financial reporting and compliance.

YB Marcus, LLP

Harrisonburg, Virginia
November 29, 2022

**Management Discussion and Analysis
Fiscal Year 2022**

The Members
Economic Development Authority of Stafford County, Virginia
Stafford County, 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 end June 30, 2022. 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 \$2,583,025 for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,690,777.

The unrestricted net position balance of \$2,583,025 and \$2,690,777 represent the portion available to maintain the Authority’s continuing operations as of June 30, 2022 and 2021 respectively.

Net position decreased \$107,752 to \$2,583,025 for June 30, 2022.

The following represents the Authority's financial position for the years ended June 30, 2022, and 2021:

Summary of Net Position

Summary of Net Position		
	2021	2022
Current assets	\$ 1,475,010	\$ 1,637,100
Non-current assets - capital assets	\$ 1,236,051	\$ 959,557
Total Assets	\$ 2,711,061	\$ 2,596,657
Long term liabilities	\$ 10,284	\$ 13,632
Other liabilities	\$ 10,000	\$ -
Total Liabilities	\$ 20,284	\$ 13,632
Net Position:		
Unrestricted	\$ 2,690,777	\$ 2,583,025
Total Net Position	\$ 2,690,777	\$ 2,583,025

Summary of Change in Net Position

Summary of Change to Net Position				
	2021		2022	
	Amount	% Totals	Amount	% Totals
REVENUES				
Sponsorship revenue	\$ -	0.00%	\$ 20,500	10.11%
Bond issuance fees	\$ 5,201	0.23%	\$ 11,590	5.71%
Assistance and grants	\$ 2,167,755	94.21%	\$ 155,977	76.91%
Investment income	\$ 30,015	1.30%	\$ 14,739	7.27%
Gain (loss) on property sale	\$ 98,001	4.26%	\$ -	0.00%
Total Revenues	\$ 2,300,972	100%	\$ 202,806	100.00%
EXPENSES				
Local industry assistance	\$ 2,192,119	94.58%	\$ 136,810	44.05%
Administration and marketing	\$ 75,567	3.26%	\$ 132,921	42.80%
Bank and service fee	\$ 1,462	0.06%	\$ 4,905	1.58%
Professional fees	\$ 48,668	2.10%	\$ 35,922	11.57%
Total Expenses	\$ 2,317,816	100.00%	\$ 310,558	100.00%
Change in Net Position	\$ (16,844)		\$ (107,752)	

Overview of the Financial Statement

The Authority is an independent political subdivision of the Commonwealth, with such public and corporate powers as are set forth in this chapter § 15.2 established by Stafford County. The financial statements are reported on accrual basis of accounting. Operating revenue and expenses are distinguished from non-operating revenue and expenses. Examples of operating revenue and expenses include sponsorships and expenses on the Annual Appreciation Reception and other events, whereas non-operating include revenue and expenses on property sales.

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 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, 2022, cash increased by \$161,044 primarily due to the Go Virginia grant.

Economic Factors

The Authority acts in the capacity of the economic development organization, separate from Stafford County government. However, the Authority works to implement the strategic economic development goals of the County as promulgated by the Stafford County Board of Supervisors in their Strategic Plan and the associated Economic Development and Tourism Strategies and Plans.

- Following the Covid-19 Pandemic, in 2022, the Authority reinstated and will continue its annual business appreciation reception (BAR) for local businesses. In 2022, the Authority raised \$15,000 in sponsorship revenues for the event (some of these were previously committed or secured in FY2020 or FY2021). The sponsorships covered approximately 95% of the direct costs of the event. Further, the Authority will continue hosting quarterly networking events for which it will raise sponsorship funds to cover the costs.
- The Authority had pledged and signed an agreement for \$750,000 in matching funds to support the establishment the expansion of the Germanna Community College campus in Stafford County. This commitment was associated with 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. This pledge is documented under an MOU dated September 11, 2022. In October, 2022, Germanna announced its expansion to a new campus on Center Drive in North Stafford. The pledge and commitment will be honored in fiscal year 2023.
- In Fiscal Year 2022, the Authority approved a proposed budget for operations. Budgetary controls and expenditure tracking began in FY2022 and will continue in FY2023, reported quarterly to the Board of Directors.
- The Authority was issued \$2,036,000 in funds from Stafford County in fiscal year 2021 to assist in business recovery due to the Coronavirus Pandemic (so called "CARES Act Funds"). These funds were used to pay back the \$427,000 of EDA funds it granted to businesses in FY2020 and provide the balance as grants to impacted businesses. The balance of the funds, less \$36,000, was granted to impacted businesses through a series of grant programs during the fiscal year.
- The EDA was granted a property in the Centreport Area from Stafford County in 2020 and sold that property in fiscal year 2021. The Virginia Department of Transportation acquired a portion of the lot for \$149,380. The balance of the lot was sold for \$400,000, with the Authority financing the buyer \$304,000 at 4.0% annually and quarterly payments of \$6,762. The note on that property was paid off in FY2022.
- As part of its Go Virginia Grant, spanning fiscal years 2022 and 2023, the EDA has helped establish the Virginia Smart Community Testbed. The Testbed is a location for a statewide program that fosters and encourages new "smart" technologies to improve public infrastructure and public services. Stafford County is a Founding Partner of the Testbed and the EDA has taken on organizational development and ownership in regards to its role in fostering new business in Stafford County. To date, the activities in the Testbed have resulted in supporting over 80 technology-based businesses and has directly resulted in attracting new companies to Stafford County. The EDA secured office equipment and specific supplies for the Testbed through the Grant and a portion of its own financial resources. Additionally, the EDA took on contractual responsibility for the Grant and sub-contracts for a Technology Specialist and contractual work on entrepreneurship with RIoT, LLC. The EDA intends to continue to act in its capacity to sustain the work of the Virginia Smart Community Testbed. The Authority plans to aggressively pursue partnerships and seek grant funding to do so.

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 and generates. The Authority does not receive any direct funding from Stafford County. If you have questions about this report or need additional information, contact the Authority's office in Stafford, Virginia.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Howard Owen". The signature is written in a cursive style with a large initial "H" and "O".

Howard Owen, Treasurer
Economic Development Authority of Stafford County, Virginia

BASIC FINANCIAL STATEMENTS

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

STATEMENTS OF NET POSITION

As of June 30, 2022 with Comparative Totals for June 30, 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,576,979	\$ 1,415,935
Other assets	164	12,218
Notes receivable - current	59,957	46,857
Total current assets	1,637,100	1,475,010
Noncurrent Assets		
Notes receivable - noncurrent	459,557	702,503
Certificates of deposit	500,000	533,548
Total noncurrent assets	959,557	1,236,051
Total assets	2,596,657	2,711,061
LIABILITIES		
Accounts Payable	13,632	10,284
Other Liabilities	-	10,000
Total liabilities	13,632	20,284
NET POSITION		
Unrestricted	2,583,025	2,690,777
Total net position	\$ 2,583,025	\$ 2,690,777

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

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2022 with Comparative Total for the
Year Ended June 30, 2021**

	2022	2021
Revenues:		
Operating revenue:		
Sponsorship revenue	\$ 20,500	\$ -
Bond issuance and loan fees	11,590	5,201
Total operating revenues	32,090	5,201
Expenses:		
Operating expenses:		
Local industry assistance and grants	136,810	2,192,119
Administration and marketing	132,921	75,567
Professional fees	35,922	48,668
Bank and service fees	4,905	1,462
Total operating expenses	310,558	2,317,816
Operating loss	(278,468)	(2,312,615)
Non-operating revenue (expense):		
Unrealized loss on investment	(33,548)	(12,460)
Interest income	48,287	42,475
Gain on sale of property	-	98,001
Intergovernmental revenue	155,977	2,167,775
Total nonoperating revenues, net	170,716	2,295,791
Change in Net Position	(107,752)	(16,844)
Net Position, beginning	2,690,777	2,707,621
Net Position, ending	<u>\$ 2,583,025</u>	<u>\$ 2,690,777</u>

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

STATEMENTS OF CASH FLOWS

**For the Year Ended June 30, 2022 with Comparative Totals for the
Year Ended June 30, 2021**

	2022	2021
Cash Flows from Operating Activities:		
Receipts from economic development activities	\$ 44,144	\$ (2,186,917)
Payment to suppliers and grant recipients	(317,210)	(139,306)
Net cash used in operating activities	(273,066)	(2,326,223)
Cash Flows from Noncapital and Related Financing Activities:		
Contributions from governments	155,977	2,674,755
Net cash provided by noncapital and related financing activities	155,977	2,674,755
Cash Flows from Investing Activities:		
Interest and other income	48,287	43,562
Payments received on notes receivable	229,846	18,712
Cash payments for assets transferred to VPA	-	198,014
Loans	-	(15,000)
Net cash provided by investing activities	278,133	245,288
Net increase in cash and cash equivalents	161,044	593,820
Cash and Cash Equivalents:		
Beginning	1,415,935	822,115
Ending	<u>\$ 1,576,979</u>	<u>\$ 1,415,935</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (278,468)	\$ (2,312,615)
Changes in operating assets and liabilities:		
Decrease in:		
Other assets	12,054	86
Unrealized loss	-	12,460
Increase (decrease) in:		
Accounts payable	3,348	2,359
Other liabilities	(10,000)	(28,341)
Net cash used in operating activities	\$ (273,066)	\$ (2,326,223)
Schedule of noncash investing activities		
Unrealized loss on investments	\$ 33,548	\$ -

ECONOMIC DEVELOPMENT AUTHORITY OF STAFFORD COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business

The Economic Development Authority of Stafford County, Virginia (Authority) is a component unit of Stafford County, Virginia (County). The Authority was established under the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.1-1373 et. seq.) of the *Code of Virginia* (1950, as amended). The Authority has the responsibility to promote industry and develop trade by inviting manufacturing, industrial and commercial enterprises to locate to or remain in the County. The Authority has been determined to be a component unit of the County in accordance with Governmental Auditing Standards. Component units are legally separate entities. The Authority has no direct financial commitment from the County. Per statute, “upon dissolution of the Authority, its assets shall [be] vest[ed] in Stafford County and possession of such funds and properties shall forthwith be delivered to the County.”

Note 2. Significant Accounting Policies

Measurement focus, basis of accounting and financial statement presentation: The Authority’s financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority arise from bond issuance fees and sponsorships. Operating expenses include various program costs and contractual services. All revenues and expenses not meeting this definition are reported as nonoperating. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first.

Cash and cash equivalents: The Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Capital assets: Capital assets are reported at cost or fair value at time of donation or purchase. Buildings are depreciated using the straight-line method over a useful life of 30 years. At June 30, 2022, the Authority did not have ownership of any property assets.

Net position: Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events: The Authority has evaluated subsequent events through November 29, 2022, the date on which the financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments

Deposits: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the Act), Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Custodial credit risk (deposits): Custodial credit risk (deposits) is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's investment policy requires all deposits to be insured under FDIC or comply with the Act. At year-end, none of the Authority's deposits were exposed to custodial credit risk.

Investment policy: State statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, and the LGIP.

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.

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The Authority has the following investment subject to recurring fair value measurement as of June 30, 2022:

- Certificates of deposit totaling \$500,000, valued using quoted market prices (level 1 inputs), are classified as long-term investments as of June 30, 2022. The certificates bear interest ranging from 3.05% to 3.30% and have maturities ranging from 54 to 60 months.

Note 4. Notes Receivable

As of June 30, 2022, notes receivable totaled \$519,514 with a current portion reported in the amount of \$59,957. The notes are the result of property sale financing and the Authority's loan programs. The Authority considers the notes receivable to be collectible; therefore, no allowance for losses has been reported.

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Notes Receivable (Continued)

Property sales financing: The Authority has entered into various property sale agreements and as a result, has agreed to finance the following sales:

In June 2019, the Authority sold 1318 Jefferson Davis Highway in Stafford County for the amount of \$650,000. A note was executed in the amount of \$455,000 with interest of 5.5% per annum and monthly payments of \$2,794. The note is amortized over a 25-year period and matures on June 1, 2026. The note is secured by a deed of trust on the property designated as Stafford County, Virginia Tax Map Parcel A, 38-29. At June 30, 2022, the note balance was \$427,331.

In March 2021, the Authority sold a portion of the Centreport Parkway property, Parcel 14G, for the amount of \$400,000. A note was executed in the amount of \$304,000 with interest of 4% per annum and quarterly payments of \$6,762. The note is payable in 20 quarterly payments and matures May 31, 2026. The note is secured by a deed of trust on the property designated as Stafford County, Virginia Tax Map Parcel 38-14G. The loan was fully paid off in March 2022.

Micro Loans: During fiscal year 2021, in accordance with the Authority's loan program, a Micro Loan was made in the amount of \$15,000 with interest of 2% and monthly payments of \$513. The loan matures in July 2023. At June 30, 2022, the note balance was \$6,090.

During fiscal year 2022, in accordance with the Authority's loan program, three Micro Loans were made totaling \$95,000 with interest of 4.25% and monthly payments ranging from \$443 to \$699. The loans mature in April 2025, August 2026, and June 2027. At June 30, 2022, the note balances were \$86,093. See Note 6 for more detail on the Micro Loans program.

Note 5. Conduit Debt

Periodically, the Authority issues Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Commitments

Go Virginia grant: The authority has been awarded a grant from Go Virginia in the amount of \$215,000 to establish a RIoT Accelerator Program in the Rappahannock Regional Entrepreneur Ecosystem. In July 2021, the Authority partnered with RIoT to launch the two-year accelerator program. As a part of this grant, in September 2021 the Authority entered into a two-year agreement with the Center for Innovative Technology (CIT) to launch a new Smart and Cyber Tech Entrepreneur Development Program with the Virginia Smart Community Testbed. The Authority will pay for one-half of the cost for the specialist contractor up to \$130,000 over a two-year program, with that amount, up to \$65,000 of that cost reimbursed by the Go Virginia Grant. CIT (now VIPC) will pay for the other half of the cost to the contractor up to \$65,000.

Germanna Community College grant: In September 2020, the Authority pledged a grant to Germanna Community College in the amount of \$750,000 to be paid over a five-year period in equal annual installments. The grant will be used to expand the Barbara J. Fried Center located in Stafford County. The terms of the pledge require Germanna Community College to provide the Authority various project information including a project budget, expansion plans and project approvals before the first grant installment is paid. The first installment continues to be pending as of June 30, 2022.

Loan programs: In July 2019, the Stafford Economic Development Authority Loan Program was approved with a Memorandum of Understanding (MOU) with Rappahannock Economic Development Corporation (REDCO), Virginia Community Capital (VCC) and the University of Mary Washington Small Business Development Center (UMWSBDC) to manage the Stafford Economic Development Authority (Authority) 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.

In November 2019, the Authority transferred \$100,000 to VCC for the loan program. The loan program offers three loan types 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. As of June 30, 2022, there are four loan agreements under this program and \$10,783 remains available for loan programs.

The Authority authorized the recapitalization of the loan fund by transferring an additional \$200,000 from its operating account to VCC. The transfer of these funds took place on July 21, 2022.

Marketing contract: In July 2020, the Authority entered into a one-year marketing contract with a monthly fee of \$6,417. The contract was extended for an additional year commencing August 1, 2022 with a monthly fee of \$6,609.

Note 7. Related Parties

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

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

NOTES TO FINANCIAL STATEMENTS

Note 8. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. To reduce insurance costs and the need for self-insurance, the Authority has coverage with the Virginia Association of Counties Group Self Insurance Association (Association) for liability insurance. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Authority pays the Association contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

Note 9. Pending GASB Statements

At June 30, 2022, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Authority. The statements which might impact the Authority are as follows:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Statement No. 96 will be effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 99, *Omnibus 2022*, will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The portion of Statement No. 99 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The portion of the Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

Management has not determined the effect these new Statements may have on prospective financial statements.

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

NOTES TO FINANCIAL STATEMENTS

Note 10. Subsequent Events

The EDA anticipates acquiring a parcel of land in south Stafford, referred to as “RV Parkway” from Stafford County and selling it to an expanding Stafford business, First Line Technologies.

The EDA will revise its commitment to Germanna Community College, in terms of its use and term, and make the full payment of \$750,000 in Fiscal Year 2023. See Note 6 for more details.

COMPLIANCE SECTION



**INDEPENDENT AUDITOR’S 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**

Members of the Board of Directors
Economic Development Authority of Stafford County, Virginia

We have audited, 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 the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Economic Development Authority of Stafford County, Virginia (Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated November 29, 2022.

Report on 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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 the Authority’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 Authority’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 over 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 we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 financial statements. 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

P. B. Mares, CPA

Harrisonburg, Virginia
November 29, 2022